

MINUTES OF BUDGET AND CONTROL BOARD MEETING

APRIL 1 1975

The Budget and Control Board met in the Office of the Governor at 10:30 a. m. on April 1, 1975, with the following members in attendance.

Governor James B. Edwards
Mr. Grady L. Patterson, Jr.
Mr. Henry Mills
Senator Rembert C. Dennis
Mr. F. Julian LeaMond

Also in attendance were Messrs. P. C. Smith and W. T. Putnam.

The following business was conducted.

BUDGET AND CONTROL BOARD MINUTES - All Board members had been previously furnished with copies of the minutes of the meeting of March 11, 1975. Upon a motion by Mr. Patterson, seconded by Mr. LeaMond, these minutes were approved as written.

EMPLOYMENT SECURITY COMMISSION BUILDING - Present plans call for the construction of a new Employment Security Commission Administration Building on Sligh Street in the City of Columbia (this area is east of the facilities presently operated by the Mental Health Commission). It has now been proposed by the City of Columbia and the Chamber of Commerce that the building be located in downtown Columbia on property bordered by Hampton, Taylor, Gadsden and Lincoln Streets. It has further been proposed that the city of Columbia purchase the property in question and offer to exchange it at 90% of its appraised value for other property owned by the State of South Carolina.

In the discussion which followed, Mr. Furman McEachern advised that approximately \$80,000 had been spent on the ten acre tract which is presently scheduled as the location for the new building. However, he stated that this site preparation was necessary for any subsequent use of the property and that the expenditure would not be wasted. He proposed

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that, in the event the change of location was approved, the \$80,000 be borrowed from the ordinary sinking fund and recovered at the time the property is used for some other purpose.

At the present time, State owned property which would be acceptable in exchange for the new location has not been determined but city officials have agreed to a twenty-four month period of negotiation.

Messrs. W. M. Comer, F. E. Baldwin and C. L. Harper, Commissioners of the Employment Security Commission, were all present. When asked about their feelings in this matter, Mr. Comer replied that they were in favor of the move provided the city would give some assurance for the provision of parking facilities.

The Budget and Control Board unanimously approved a motion by Mr. Mills, seconded by Mr. Leamond, authorizing the change in the proposed location of the Employment Security Commission Building and the subsequent exchange of real estate. The motion also provided for the borrowing of \$80,000 from the ordinary sinking fund to pay for the site preparation at the Sligh Street property.

Data pertaining to this matter has been retained in these files and is identified as Exhibit I.

MEDICAL UNIVERSITY - FAMILY SERVICE PRACTICE GRANT TO ANDERSON MEMORIAL HOSPITAL - In a letter dated March 5, 1975, officials of the Medical University requested permission from the Budget and Control Board for allocating \$503,712 from the State appropriation for the Family Practice Residents Program for construction of a Family Practice Center adjacent to the Anderson Memorial Hospital. Immediately thereafter, information was received from officials of the Anderson Memorial Hospital indicating that a bid for the facility had been received and must be accepted or rejected immediately. At the request of Governor Edwards, the time limit for the bid was extended until April 2, 1975, in order to give the Budget and Control Board an opportunity to discuss the matter in its regular

meeting.

The present meeting was attended by Dr. William McCord and Dr. Hiram B. Curry of the Medical University, Mr. D. K. Oglesby of the Anderson Memorial Hospital, and Dr. J. G. Halford, Director of the Family Practice Program in Anderson.

Dr. McCord explained that the Family Practice Residents Program calls initially for the establishment of eight training centers. A program of this sort is already in existence in Charleston, Columbia, Greenville, Spartanburg and Anderson. It is proposed that programs will later be developed in Greenwood, Florence and Rock Hill. Construction grants have already been made to the Richland Memorial Hospital in Columbia and to the Spartanburg General Hospital.

Data furnished by Dr. McCord indicates that the estimated cost of the proposed facility at the Anderson Memorial Hospital will be \$813,430 of which the State will pay \$503,712 with the Hospital paying the balance. Previously, officials of the Hospital had requested additional funds to pay at least a portion of the difference but this request had been declined by the Committee recommending these funds.

Dr. McCord stated that the entire program was doing well and that he had every confidence that the Anderson Memorial Hospital could fulfill all of its obligations regarding the continuing project.

Board members indicated that they had heard rumors that there was dissension among the affiliated hospitals with respect to the charges which were made to the program by the Medical University for administration. Dr. McCord stated that these comments had come about as a result of a lack of communication but that a Committee has been formed to resolve all such problems.

A motion was made by Senator Dennis, and seconded by Mr. Patterson, authorizing the granting of \$503,712 to the Anderson Memorial Hospital

for construction of a Family Practice center adjacent to the Anderson Memorial Hospital. Prior to voting on the motion, Governor Edwards requested and received assurance from Dr. McCord that no commitment now exists or is inferred that the Anderson Memorial Hospital's contribution to this project will be later reimbursed in total or in part. Upon receiving this assurance, Board members unanimously approved the motion.

Data pertaining to this matter has been retained in these files and is identified as Exhibit II.

MOTOR VEHICLE MANAGEMENT STUDY - On January 31, 1975, a report concerning motor vehicle management in South Carolina was submitted to the Budget and Control Board by a three man fact finding group from the Council of State Governments. All Board members were subsequently furnished with a copy of this report by Dr. Baron Holmes, Director of Research for the Ways and Means Committee. At the present meeting, Dr. Holmes discussed the report and outlined some nine recommendations made by the study group.

Board members agreed that several of the recommendations could be effected simply by administrative procedures while others were far reaching and would take a great deal of study and time for implementation.

It was the unanimous consensus of opinion that some additional study was needed and that specific recommendations for action of the Board needed to be developed. Therefore, Governor Edwards requested that Dr. Holmes and Mr. LeaMond consult with Mr. Furman McEachern to develop specific recommendations for action by the Board.

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

GENERAL SERVICES DIVISION - Mr. Furman McEachern discussed the following items of business with the Board.

PURCHASE OF VEHICLES - At the Budget and Control Board meeting of March 11, 1975, Mr. McEachern suggested that he be per-

mitted to replace certain State-owned vehicles before the current models are discontinued. At that time, the Board declined to relax its freeze on the acquisition of passenger cars.

At the present meeting, Mr. McEachern once again requested permission to negotiate for the following automobiles.

Clemson University - Eighty-five replacement, 15 new automobiles

Mental Health Commission - Ten automobiles to transport patients

Mental Retardation - Approximately eight automobiles to transport patients

A B C Commission - One Commissioner's Car

Development Board - One VIP Automobile

Youth Services - Two automobiles to transport inmates

In the conversation which followed, Board members clearly indicated that they felt that the State should attempt to limit the size of its motor vehicle fleet during the present time and that authority for purchasing new cars should be limited to replacements only.

Board members also questioned the need of the Development Board for a single large automobile to transport selected prospects. Governor Edwards stated that the limousine which is furnished to his office is seldom used and could be made available upon request.

The Board unanimously approved a motion by Senator Dennis, seconded by Mr. Leamond, denying the purchase of the VIP automobile for the Development Board and the expansion of the Clemson motor pool. The motion authorized the replacement of presently owned vehicles for the agencies as requested.

WATER AND SEWERAGE STUDY - Meetings between the engineering staff of the Auditor's office, personnel of the General Services Division and officials of the City of Columbia have determined that

the water and sewerage facilities which are presently available in the Broad River Road area and the Farrow Road area in the City of Columbia are inadequate to serve present and future needs. It is estimated that a complete study of this situation and the development of plans for its correction will cost approximately \$125,000.

It has also been learned that the City of Columbia has requested Federal assistance in developing sewerage facilities for the Cane Creek area which facilities could serve several State institutions in the Farrow Road area. If the State became a party to this development at the present time, its contribution to the project would amount to \$450,000. If the State connects to this system after its completion, the cost will be \$900,000.

Mr. McEachern pointed out that Federal Laws have been enacted which will require the State of South Carolina to make substantial modifications prior to 1977 and advised that this is a matter of utmost urgency. He, therefore, recommended that the Board authorize him to request deficiency appropriations of \$125,000 and \$450,000 to pay for a water and sewerage study and to make the State a party to the City of Columbia's sewerage project.

The Board unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, authorizing Mr. McEachern to request a supplemental appropriation of \$125,000 to conduct a study of the water and sewerage situation and to prepare plans for its correction. No specific action was taken with respect to the State becoming a party to the sewerage project of the City of Columbia.

PERSONNEL DIVISION - Dr. Jack Mullins appeared before the Budget and Control Board to discuss the following items.

RATES FOR SHIFT DIFFERENTIAL - The Budget and Control Board previously approved rules developed by the Personnel Divi-

sion for the administration for payments of shift differential by various State agencies. At the present meeting, Dr. Mullins recommended the following.

1. All employees occupying positions within registered nurse classifications may be paid up to 50 cents per hour.
2. All employees occupying positions within licensed practical nurse classifications may be paid up to 35 cents per hour.
3. All employees occupying positions in other classifications may be paid up to 20 cents per hour.

In the discussion which followed, he indicated that many agencies were already paying shift differentials and that in many instances this action would merely authorize present practices. Dr. Mullins also stated that studies had been made of institutions other than State agencies to arrive at an equitable rate. The discussion revealed that the adoption of the rates as recommended would cause a reduction in the amount paid to some categories at Clemson University and the Medical University.

The Board unanimously adopted a motion by Mr. LeaMond, seconded by Senator Dennis, approving rates as proposed.

BLUE CROSS/BLUE SHIELD - BYLAW CHANGES - Dr. Jack Mullins advised the Budget and Control Board that the governing board of Blue Cross/Blue Shield had amended the bylaws of that Organization in such a manner as to have the effect of reducing the representation of State employees and school teachers from 95,000 votes to one vote. According to Dr. Mullins, the State of South Carolina would have no more representation than an individual policy holder.

Senator J. P. Harrelson was in attendance at his own request and asked to be heard at this point.

According to Senator Harrelson, the laws of the State of South Carolina had been amended so as to require that each individual making payments to Blue Cross/Blue Shield would be repre-

sented by one vote. He concluded that the Budget and Control Board was in error in representing 95,000 State employees and school teachers without having received a formal delegation of proxy. However, he also stated that the action of the Board of Directors of Blue Cross/Blue Shield was clearly illegal in that each person insured under the State health contract who actually makes payments for such insurance would be entitled to a vote.

The Budget and Control Board unanimously approved a motion by Mr. Leamond, seconded by Senator Dennis, requesting that Dr. Mullins discuss this matter with officials of Blue Cross/Blue Shield calling their attention to the statements made by Senator Harrelson and reporting their reaction to the Board in a subsequent meeting.

Data pertaining to Dr. Mullins' presentations has been retained in these files and is identified as Exhibit IV.

MISS SOUTH CAROLINA - U. S. A. - Mr. Henry Mills introduced Miss Robin Morris, who on March 31, 1975, was elected Miss South Carolina - U. S. A. and who will represent this State in the national Miss U. S. A. contest. Mr. Mills explained that Miss Morris was from Greenville County but was an employee of his office.

When invited to speak to the Board members, Miss Morris told of the interview which each contestant was required to have with the panel of judges. As she had worked in Mr. Mills' political campaign, she chose the topic of politics and came in first in that particular phase of the contest.

Governor Edwards, on behalf of the Board, paid tribute to Miss Morris and wished her well in the national competition.

DEPARTMENT OF MENTAL RETARDATION - CAPITAL IMPROVEMENTS AND SELECTION OF ENGINEERING FIRM - In a letter dated March 17, 1975, Dr. Charles D. Barnett, Commissioner of the Department of Mental Retardation, requested authority

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for the expansion of an existing steam plant at Whitten Village at a cost of \$90,500, which funds were to be made available under the provisions of Act 1087, Acts of 1970. This letter also requested permission to use the engineering firm of Bruce Flemming and Associates as this was the firm which originally conducted the utility study which recommended this particular expansion.

Board members took note of the fact that the original advertisement for the conducting of the study did not specifically state that the firm selected would also complete the project. Although Board members could see the wisdom of the present request, there was reluctance to set this precedent.

Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. LeaMond to defer action on this matter until a subsequent meeting.

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

ADJUTANT GENERAL'S DEPARTMENT - EXCHANGE OF PROPERTY - In a letter dated March 26, 1975, the Adjutant General's Department requested permission to exchange thirty acres of property owned by the State of South Carolina and located adjacent to McEntire Air Base for nine acres of property owned by the United States Government fronting on the Sumter Highway.

Data furnished indicates that the property acquired from the United States Government would be used as the site for an armory to be constructed at Eastover, South Carolina to house the 51st Aviation Company. The data also indicates that the property in question will be of equal value.

In a letter dated March 21, 1975, Mr. Daniel R. McLeod, Attorney General, indicated that the transaction was in order and had received his recommendation.

Board members unanimously approved a motion by Mr. Patterson seconded by Mr. LeaMond, authorizing this transaction.

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

BOARD OF HEALTH AND ENVIRONMENTAL CONTROL - BURNT GIN CAMP - In a letter dated March 27, 1975, Dr. E. Kenneth Aycock, Commissioner of the Department of Health and Environmental Control, advised that his Agency had acquired a fifty year lease on Camp Burnt Gin which is located in Sumter County and is operated for crippled children. He further advised that Federal funds in the amount of \$79,692 are available for renovations to this facility and requested permission to make this expenditure.

Board members unanimously approved a motion by Mr. LeaMond, seconded by Mr. Patterson, approving this request.

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

INDUSTRIAL REVENUE BONDS - SPARTANBURG COUNTY - The Budget and Control Board received a Petition from Spartanburg County for the issuing of \$3,500,000 of Industrial Revenue Bonds on behalf of Andrews Bearing Corporation.

After noting that this Petition and accompanying data had been reviewed by the Office of the Attorney General as well as the State Auditor, the Board gave unanimous approval to a motion by Mr. Patterson, seconded by Mr. Mills, to adopt the Resolution authorizing the requested issue.

A copy of the Resolution as well as supporting data has been retained in these files and is identified as Exhibit VIII.

PATRIOTS POINT - HIGHWAY EASEMENT - Officials of the Patriots Point Development Authority and the State Highway Department requested permission for the granting of a highway easement on the property of the Authority.

Board members unanimously approved a motion by Mr. LeaMond, seconded by Mr. Patterson, authorizing this easement.

A copy of the easement has been retained in these files and is identified as Exhibit IX.

tified as Exhibit IX.

SECRETARY'S NOTE - Board members were advised that additional items of business pertained to either personnel or contractual matters. Therefore, the Board unanimously approved a motion by Mr. Patterson, seconded by Mr. LeaMond, to declare itself in Executive Session.

EXHIBIT I
APRIL 1, 1975

STATE OF SOUTH CAROLINA)
COUNTY OF RICHLAND) AGREEMENT

WHEREAS, the City of Columbia is the owner in fee simple of a certain lot of land hereinafter described situate in Columbia, South Carolina, and

WHEREAS, the City of Columbia is desirous of having the State of South Carolina construct on said hereinafter described real property a building to be used to better serve the people of the City of Columbia and of the State, and

WHEREAS, the City of Columbia is desirous of granting the hereinafter described real property to the State of South Carolina for the construction of a public building in exchange for real property to be granted to the City of Columbia,

NOW THEREFORE, the City of Columbia for and in consideration of the sum of Five Dollars (\$5.00) and the State of South Carolina, by their properly authorized officials or representatives, do hereby agree, as follows:

WITNESSETH:

1. That the City of Columbia shall grant to the State of South Carolina, in fee simple by a properly executed warranty deed, the following described real property:

All that certain piece, parcel, or lot of land situate lying and being in the City of Columbia, County of Richland, State of South Carolina, being a city block of land bounded on the north by Taylor Street, on the south by Hampton Street, on the east by Lincoln Street, and on the west by Gadsden Street; said property being subject to easements and rights-of-way of record.

2. That the State of South Carolina shall not later than two years following the date of the signing of the deed to the above described property convey to the City of Columbia either a tract or tracts of real property

whose appraised value at the time of conveyance shall be at least the sum of Three Hundred Thousand Six Hundred Dollars (\$300,600.00) or the sum of such monetary value; such site or sites to be mutually agreeable to the State and City.

3. That in further consideration of the herein agreed exchange of property and these mutual conditions and covenants, the City of Columbia further agrees:

(a) To provide city water and sewage utility pipe lines up to the boundary of subject property for the connection thereto of such water and sanitary facilities as the proposed public building may need; it is agreed that the State will pay the normal charge for such on-site connection, less any advantage the City may reasonably afford the State;

(b) To take whatever action deemed necessary or desirable, if any, to vest the State with the title to any and all easements or rights-of-way which presently exist on the subject property which may be extinguished in the future; and

(c) To provide such on street parking as may be mutually agreed upon.

4. That at the time for the conveyance of real property from the State to the City two (2) years hence, the State and the City shall each appoint a qualified real estate appraiser, and such appraisers shall together select one more appraiser, which three (3) shall appraise the proposed property to be granted the City of Columbia, and the State and the City hereby agree to be bound by the average of such three (3) appraisals. The fee for such appraisals shall be equally divided between the State and the City.

WITNESS our Hands and Seals this 3rd day of April, 1975.

Attest:

CITY OF COLUMBIA

Paul D. Lapin
City Clerk

John T. Campbell
John T. Campbell
Mayor, City of Columbia

DIVISION OF GENERAL SERVICES

Paul D. Lapin

F. E. McEachern, Jr.
F. E. McEachern, Jr.
Director



CITY OF COLUMBIA
SOUTH CAROLINA

OFFICE OF THE
CITY MANAGER
803-765-1041

April 3, 1975.

CITY HALL
P. O. Box 147
29202

Mr. Furman McEachern,
Director of General Services,
State Budget and Control Board,
300 Gervais Street,
Columbia, South Carolina.

Re: Parking in connection with Employment
Security Building.

Dear Furman:

This is to confirm our understanding relative to on-street parking in the 900 blocks of Taylor and Hampton Streets. The City is agreeable to installing long-term meters on both sides of these streets. The only deterrent to this would be refusal of the Highway Department to concur.

The City is also agreeable to making available some area to be used for parking in Seaboard Park or other nearby property owned by the City.

Sincerely,

Graydon V. Olive, Jr.,
City Manager.

GVO,Jr:wms

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THE STATE OF SOUTH CAROLINA,

County of Richland.

KNOW ALL MEN BY THESE PRESENTS, THAT

The City of Columbia, South Carolina,

in the State aforesaid for and in consideration of the sum of \$5.00 and other valuable consideration as set forth in an Agreement between The City of Columbia and The State of South Carolina, dated April 3, 1975, which is incorporated herein Dollars,

to it in hand paid at and before the sealing and delivery of these Presents, by

The State of 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

THE STATE OF SOUTH CAROLINA, its successors and assigns,

All that certain piece, parcel or tract of land containing four acres, more or less, and being the entire city block bounded by Taylor, Lincoln, Hampton, and Gadsden Streets in the City of Columbia, County of Richland, State of South Carolina. This is the same property conveyed to The City of Columbia by deed of The Housing Authority of the City of Columbia, S.C., dated April 3, 1975, recorded in Deed Book , at page .

This conveyance is made subject to existing easements and rights of way of record and specifically to easements granted to Seaboard Coast Line Railroad Company across the northeastern corner of the block and a storm drain easement granted to The City of Columbia, S. C., across the northwestern corner of the block. In the event of abandonment of said easements, use of the property herein shall revert to the grantee.

This conveyance is further specifically made subject to all of the terms, covenants and conditions set forth in the Urban Renewal Plan of May 1, 1972, as the same may from time to time be amended and to the terms, covenants and conditions of the Agreement, dated March 27, 1975, by and between The Housing Authority of The City of Columbia, S. C., and The City of Columbia. Such terms, covenants and conditions to be considered as restrictions on the use of the land, to run with the land and be binding on the grantee, its successors and assigns.

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

The State of South Carolina,

its successors and assigns forever.

And / The City of Columbia does ~~do hereby bind~~ itself, its / successors and assigns, ~~Heirs, Executors and Administrators~~, to warrant and forever defend all and singular the said premises unto the said

The State of South Carolina
its successors and assigns against it and its ~~Heirs~~ successors and assigns,
lawfully claiming, or to claim the same or any part thereof.

WITNESS its Hand and Seal, this 3rd day of April in the year
of our Lord one thousand nine hundred and seventy-five and in the one
hundred and ninety-ninth year of the Sovereignty and Independence of the United
States of America.

Signed, Sealed and Delivered }
in the Presence of }

Thomas L. Leach
Roy D. Bates

THE CITY OF COLUMBIA, SOUTH CAROLINA (L.S.)
By John T. Campbell, Mayor (L.S.)
By T. W. Robinson, City Clerk (L.S.)

THE STATE OF SOUTH CAROLINA,)

Richland

COUNTY.)

PERSONALLY appeared before me, *Thomas T. Moore*

and made oath that *he* saw the within-named The City of Columbia, South Carolina, by
John T. Campbell, Mayor, and T. W. Robinson, City Clerk,
sign, seal, and as its act and deed deliver the

within-written Deed; and that *he* with *Roy D. Bates*

witnessed the execution thereof.

SWORN to before me, this *3rd*

day of April, A. D. 19 75.

Thomas T. Moore (Seal)

Roy D. Bates (Seal)
Notary Public of S. C.

THE STATE OF SOUTH CAROLINA,)

COUNTY.)

NO RENUNCIATION OF DOWER

Grantor - a Municipality
do hereby certify

I,

unto all whom it may concern, that Mrs.

wife of the within-named did this day

appear before me, and upon being privately and separately examined by me, did declare that she does freely, voluntarily,

and without any compulsion, dread, or fear of any person or persons whomsoever renounce, release and forever relinquish

unto the within-named

its successors and assigns, all her interest and estate, and also all her right and claim of Dower, of, in, or to all and
singular the premises within mentioned and released.

Given under my Hand and Seal, this day of

Anno Domini 19

(L. S.)

(Seal)
Notary Public of S. C.

STATE OF SOUTH CAROLINA,

The City of Columbia, South Carolina

TO

The State of South Carolina.

TITLE TO REAL ESTATE

Filed day

of , A. D. 19 ,

at o'clock M.

and recorded in Book

Page Fee, \$

R. M. C. or Clerk Court C. P. & G. S.

County, S. C.

Recorded this day

of , 19 ,

in Book Page

Fee, \$

Auditor County, S. C.



Medical University of South Carolina

80 BARRE STREET / CHARLESTON, SOUTH CAROLINA 29401

March 5, 1975

Mr. P. C. Smith, Secretary
State Budget and Control Board
Room 205, Wade Hampton Office Building
Columbia, South Carolina 29211

Dear Mr. Smith:

The Anderson Memorial Hospital has come to us with a request that they be allocated \$503,712 from the Statewide Family Practice Residency Appropriation for the purpose of constructing a Family Practice Center adjacent to the Anderson Hospital. This use of funds fits within the program objectives of the Appropriation and has the approval of the Medical University.

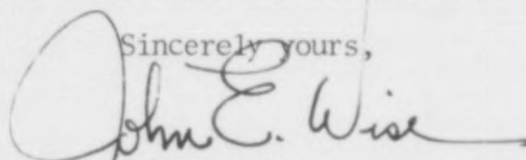
The Medical University of South Carolina respectfully requests permission of the State Budget and Control Board to reimburse Anderson Memorial Hospital for a portion of this construction cost.

The following documents are attached for information in support of this request:

1. Letter of Dr. James G. Halford, Jr., Director of the Anderson Family Practice Program
2. Letter of Dr. Hiram B. Curry, Director of the Statewide Program
3. Letter of Mr. D. K. Oglesby, Jr., Administrator, Anderson Memorial Hospital
4. Request for funds to construct a Family Practice Center at Anderson
5. Cost and construction data
6. Plans and specifications

Since the Anderson Hospital Board has a construction bid in hand, we would appreciate a decision by the State Budget and Control Board as soon as possible.

Sincerely yours,


John E. Wise
Vice President

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ANDERSON MEMORIAL HOSPITAL

March 4, 1975

Dr. Hiram Curry
Professor and Chairman
Department of Family Practice
College of Medicine
Medical University of South Carolina
80 Barre Street
Charleston, South Carolina 29401

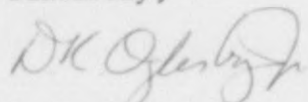
Dear Dr. Curry:

It is my understanding that in order to finalize the commitment of state funds for our Family Practice Center, a letter from this institution will be necessary. All through the development of our Family Practice Residency Program, the hospital and its Board of Trustees, Medical Staff and Administration have made repeated commitments to this undertaking. I have been officially authorized by the Board of Trustees to negotiate a contract for the construction of the Center at such time as I receive official word from the Medical University that we have been awarded building and architectural fee funds in the amount of \$503,000. We further understand that in addition to this money there is a provision to purchase equipment which is above and beyond the figure previously mentioned.

Let me also state that while the hospital is committed to completing this project even with the minimum amount of funds, we have been led to believe that should there be any extra family practice money available, we would then be eligible for some additional financial assistance. We certainly would not want our commitment to use local money to deter in any way the possibility of our receiving additional state aid for the building of our Center.

Thank you very much for your continued assistance in our endeavors and we trust that this matter can be brought to a speedy conclusion. This is extremely important in order for us to be able to accept and negotiate the low construction bid within the thirty day period allotted for this procedure.

Sincerely,



D. K. Oglesby, Jr.
Administrator

DKO/sjd

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DEPARTMENT OF FAMILY PRACTICE
COLLEGE OF MEDICINE
(803) 792-2411
FAMILY PRACTICE UNIT
(803) 792-3451



Medical University of South Carolina

80 BARRE STREET / CHARLESTON, SOUTH CAROLINA 29401

February 26, 1975

W. Marcus Newberry, M.D.
Assistant Dean for Curriculum
Medical University of South Carolina
80 Barre Street
Charleston, South Carolina 29401

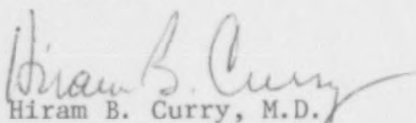
Dear Dr. Newberry:

The purpose of this letter is to reiterate my endorsement of the Anderson Memorial Hospital Request for \$503,712 Statewide Family Practice Residency System capital funds to construct a Model Family Practice Center. Dr. James G. Halford, Jr. has assembled the nucleus of a fine faculty at Anderson and I believe a quality program will be developed. I have been assured by Dr. Halford that the SFPRS allocation will be supplemented with hospital funds to complete the funding package.

I have reviewed the plans and believe the facility will be more than adequate to accommodate their Family Practice Residency Program. The SFPRS presently has \$503,712 available for construction of this project. I believe the request should be approved as soon as possible so that construction may begin.

Thank you for your assistance.

Sincerely,


Hiram B. Curry, M.D.
Professor and Chairman

HBC/jlc

ANDERSON MEMORIAL HOSPITAL

October 10, 1974

Dr. Hiram B. Curry
Professor and Chairman
Department of Family Practice
Medical University of South Carolina
80 Barre Street
Charleston, South Carolina 29401

Dear Dr. Curry:

Enclosed is a request from Anderson Memorial Hospital for \$503,712.00 Statewide Family Practice Residency System capital funds to construct a model Family Practice Center for our Family Practice Residency Program. This request includes a brief project description, a cost estimate, and a floor plan sketch.

This facility will be located across from the hospital on hospital owned land which we believe to be an ideal location for all concerned. We are requesting maximum possible funding from the Statewide Family Practice Residency System. Competitive bid proposals are being prepared.

It is our wish to begin construction process as soon as possible. I request an early review of these plans and specifications by the Medical University of South Carolina officials and the State Budget and Control Board. We look forward to continued progress in this project.

Thank you very much for your assistance.

Sincerely,

James G. Halford, Jr., M.D.

James G. Halford, Jr., M.D.
Director
Family Practice Residency Program

JGHbf

Enclosure

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REQUEST FOR FUNDS TO CONSTRUCT FAMILY PRACTICE CENTER

The Anderson Memorial Hospital has completed plans to establish a Family Practice Residency Program and is now prepared to start construction immediately on a 16,400 square foot Family Practice Center, which is necessary to conduct this program.

The Family Practice Residency Program is designed for the training of a total of 24 residents in a three year program. A Director and faculty have been hired and will prepare for certification of the program by mid-fall. If construction approval is obtained, the Family Practice Program can be implemented and candidates accepted to start in 1975.

The plans for the Family Practice Building consists of a 16,400 square foot, one-story structure to be erected on approximately one and one-half acres of land on Calhoun Street between North Fant and Sherard Streets. This property is adjacent to Anderson Memorial Hospital grounds and is ideally located with reference to other hospital activities and is easily available for patients and staff who will operate from the building. A plot plan is attached showing the relationship of the Family Practice Center to the general hospital and the Emergency Room.

The exterior design of the building will be compatible with and complementary to the exterior design of the general hospital. The basic building structure and associated mechanical and electrical components meet all requirements of local and state building codes. On the immediate area surrounding the building, there is designed parking for 55 cars which is considered adequate to meet the patient and staff needs of the building in its full-phase of activity.

ANDERSON FAMILY PRACTICE CENTER

CONSTRUCTION COSTS:

Construction	668,430	
Land (1-1/2 acres)	105,000	
A./E. Fees	<u>40,000</u>	
		813,430

FUND SOURCES:

SFPRS		
(24 res. @ 600 sq. ft./res. x \$33.00/sq. ft.		
+ 6% A./E. fees)	503,712	
Anderson Memorial Hospital	<u>309,718</u>	
		813,430

Pat,

On 8/14/74, the Budget & Control Board approved a request from the Medical Univ. to spend \$634,500 from the Family Practice Program to build a facility at Richland Memorial Hospital.

On 10/29/74, the Board authorized the Medical Univ. to spend \$268,031 to reimburse the Spartanburg General Hospital for facilities. (From same program.)

The attached request is from Anderson Memorial Hospital. No funds have been approved for this institution.

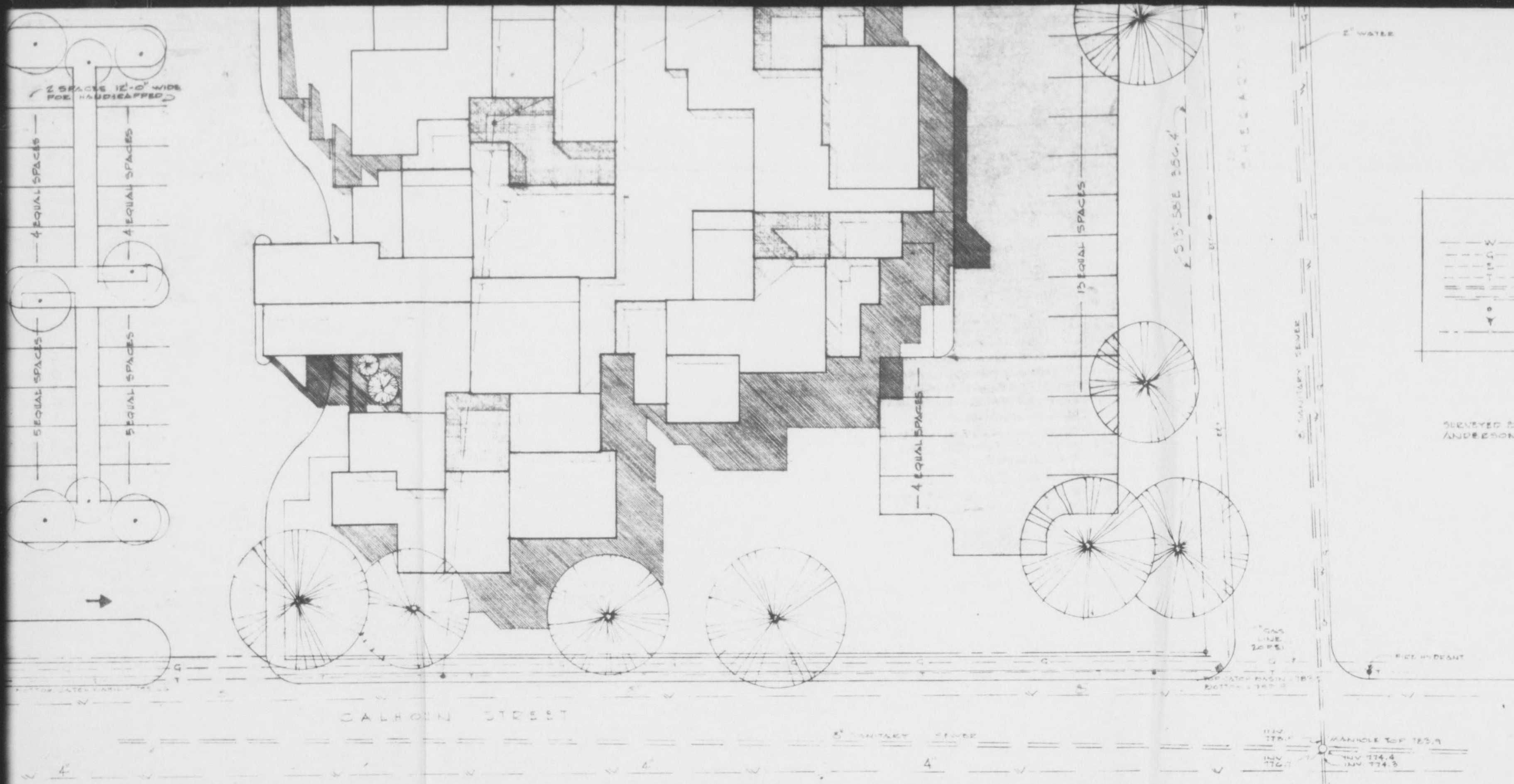
WEP

✓

Floyd Hagan
D. K. Oglesby, Jr.

20th

Architect = J. Haddell Mack
Contractor - Triangle Const. Co.



LEGEND	
— W —	WATER LINE
— G —	GAS LINE
— E —	ELECTRIC POWER LINE (OVERHEAD)
— T —	TELEPHONE LINE (OVERHEAD)
— S —	SANITARY SEWER
— ST —	STORM SEWER
•	POLE
⊕	FIRE HYDRANT
---	PROPERTY LINE AND I.R. CORNER

SURVEYED BY FARMER & SAMPSON ENGINEERS
ANDERSON, S.C. DATE: MAY 15, 1974

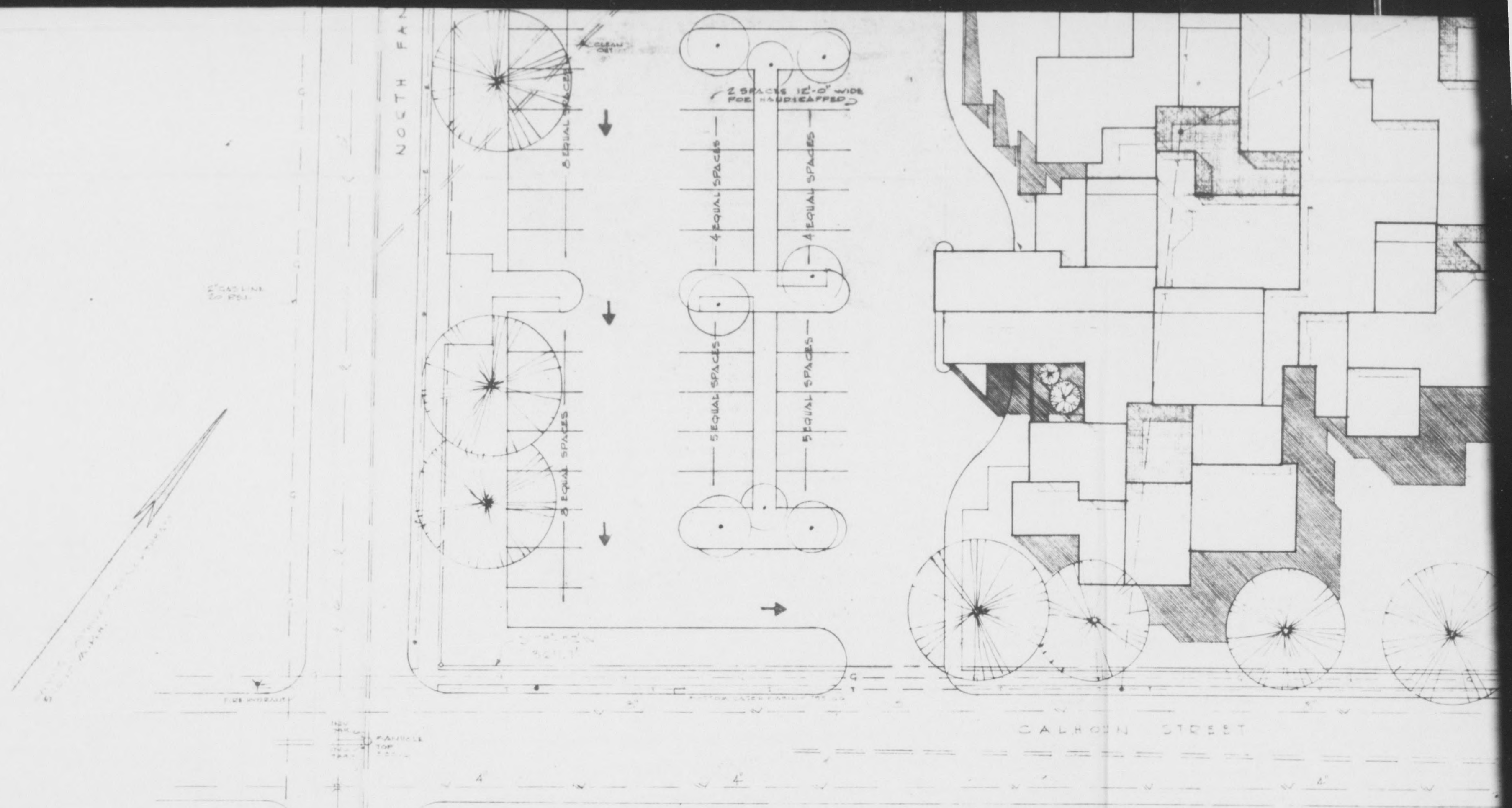
SITE PLAN
SCALE $\frac{1}{8}'' = 1'-0''$

CHITECTS

**FAMILY PRACTICE CENTER
ANDERSON MEMORIAL HOSPITAL**
ANDERSON, SOUTH CAROLINA

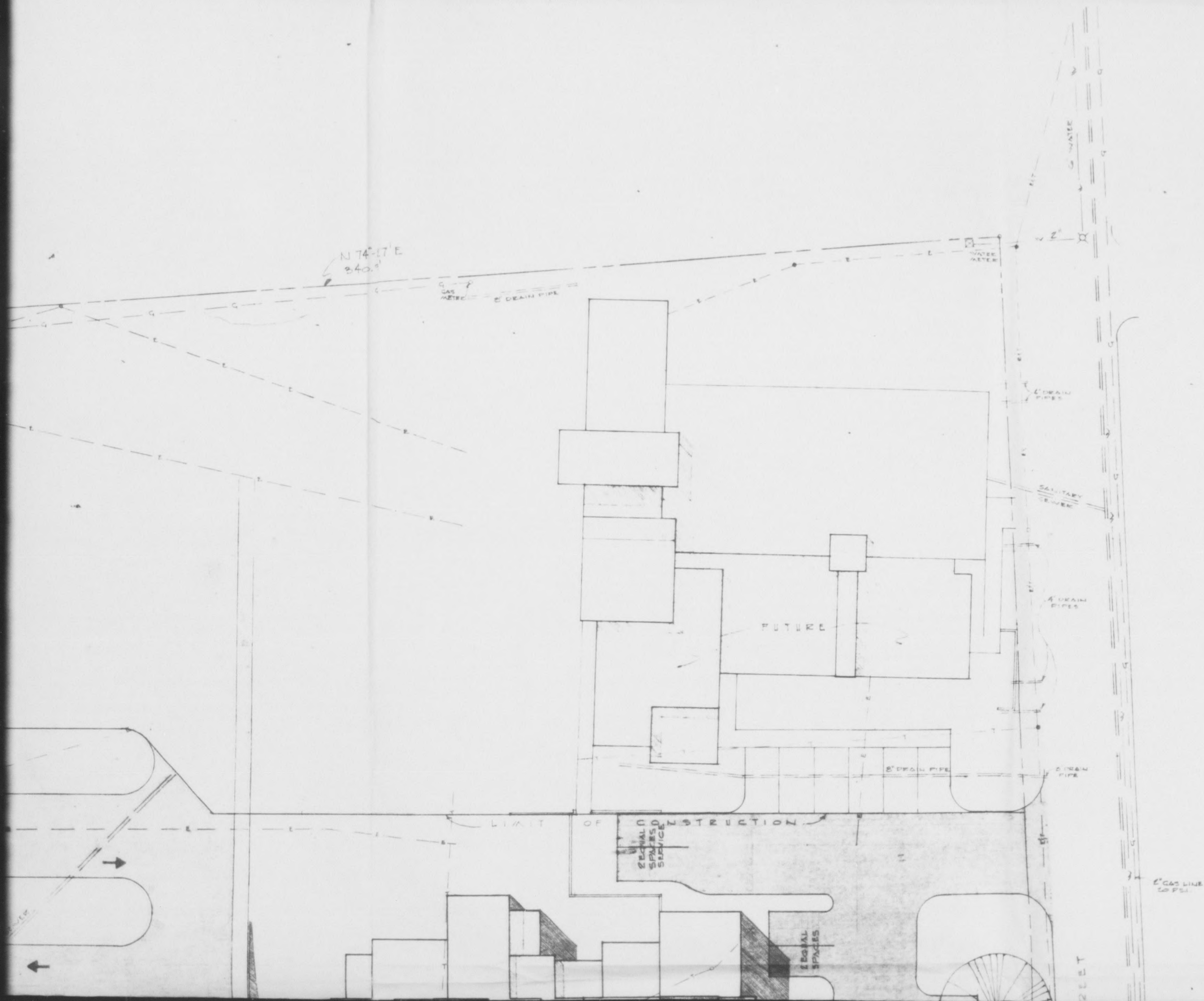
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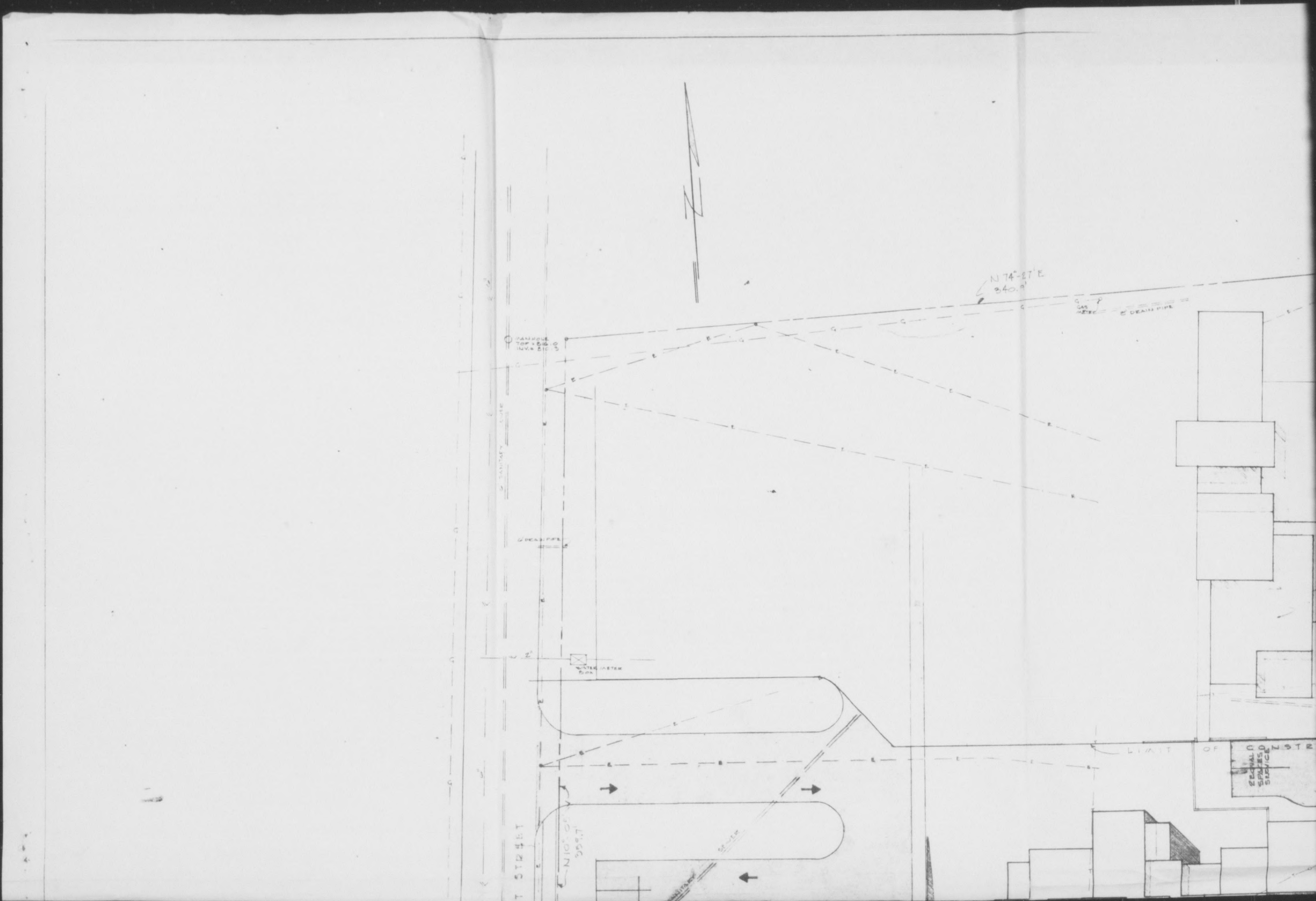
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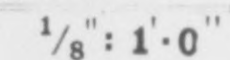


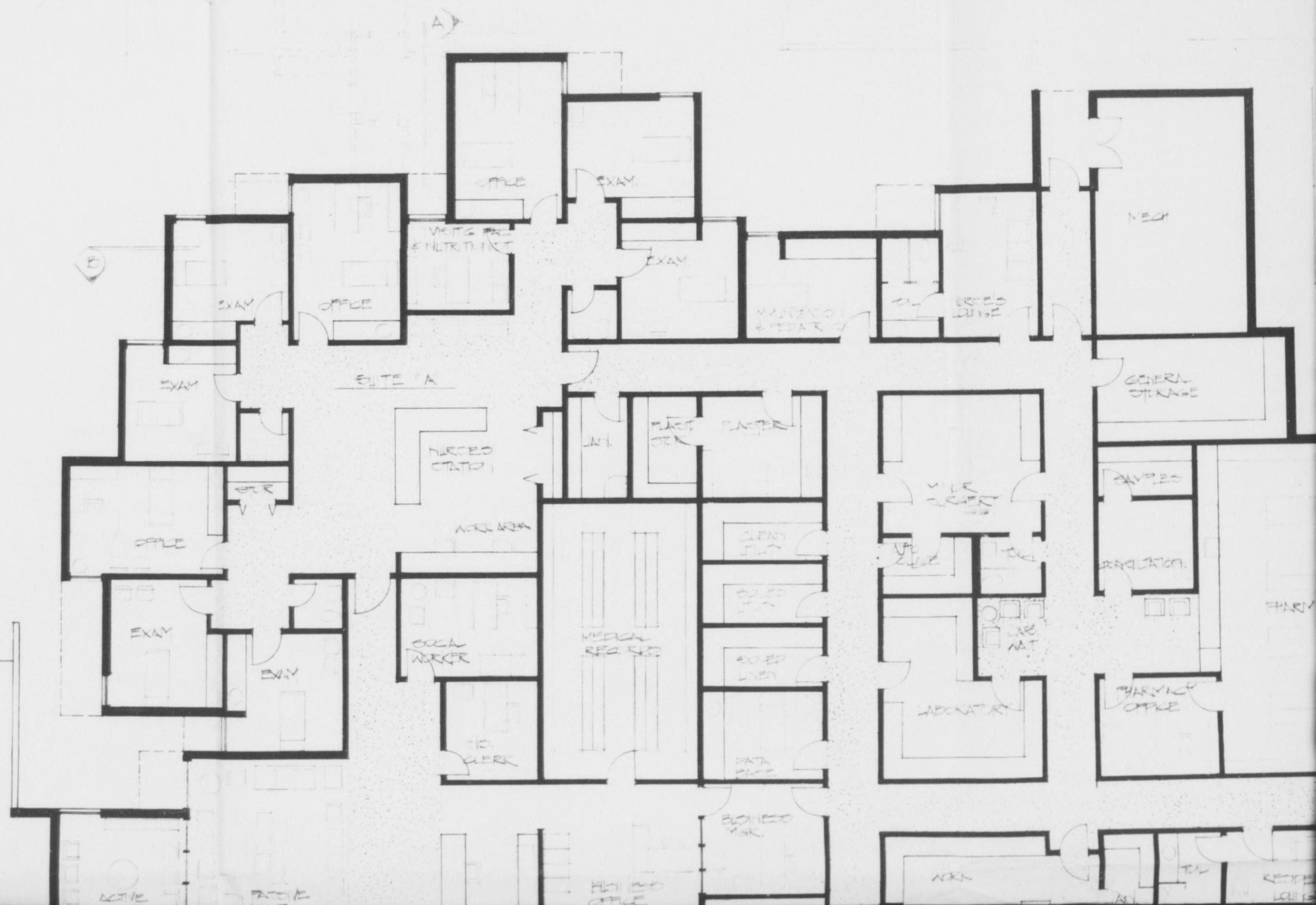
SITE PLAN
 SCALE 1/8" = 1'-0"

J. HAROLD MACK & ASSO., ARCHITECTS
 GREENVILLE, SOUTH CAROLINA
 SEPTEMBER 25, 1974

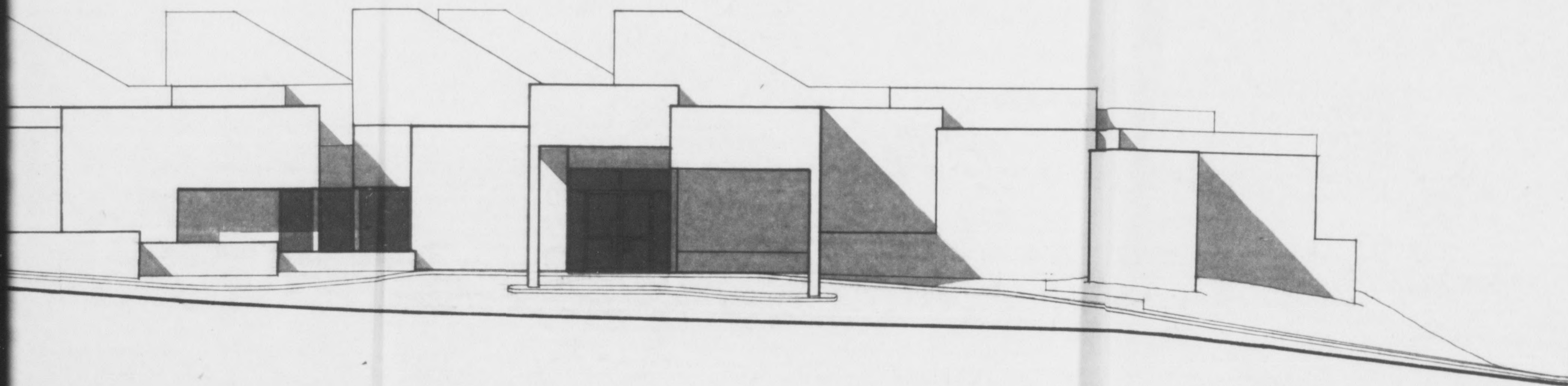






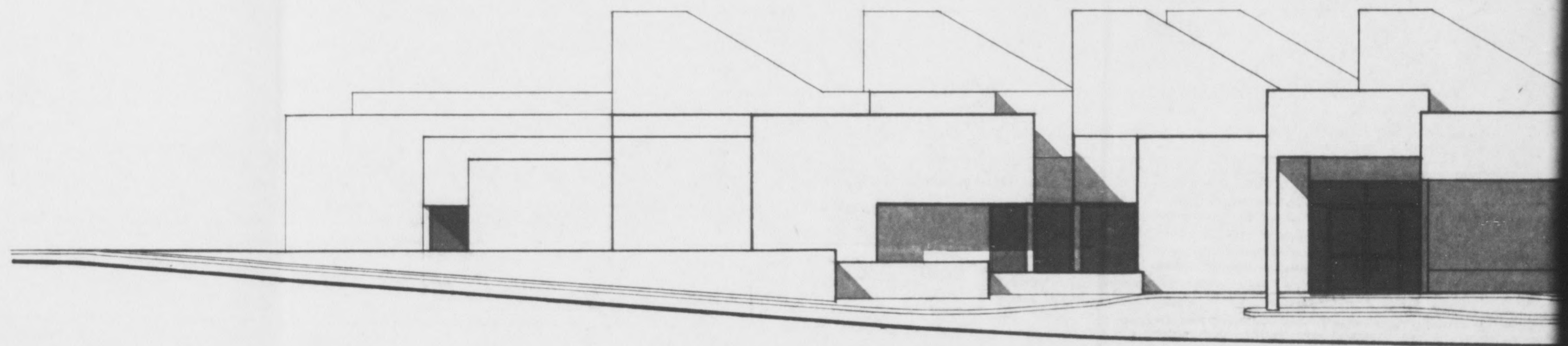




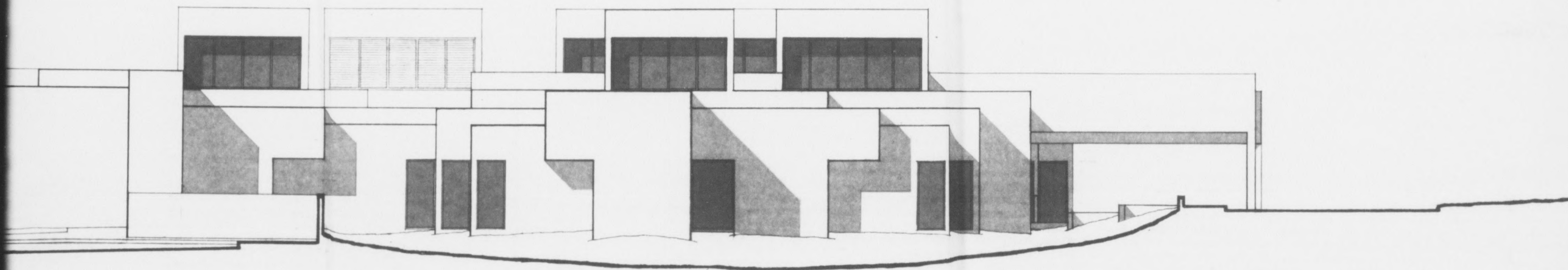


WEST ELEVATION

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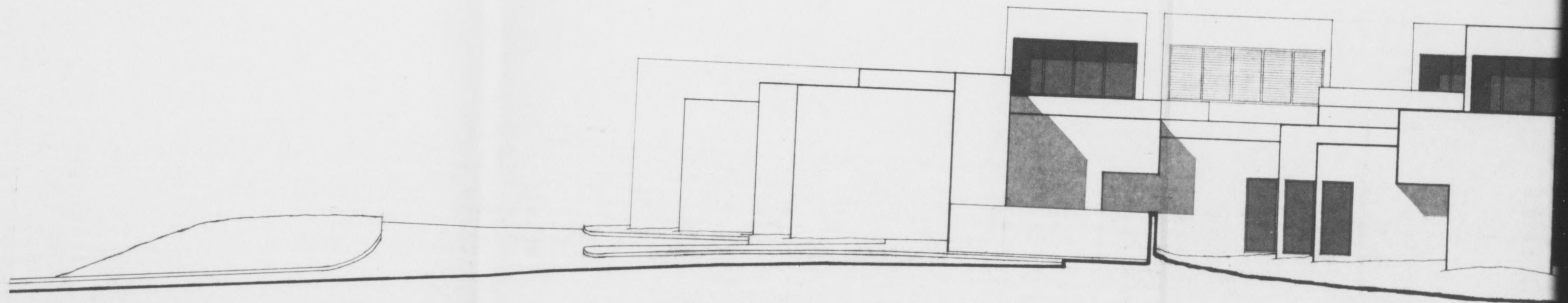


WEST ELEVATION
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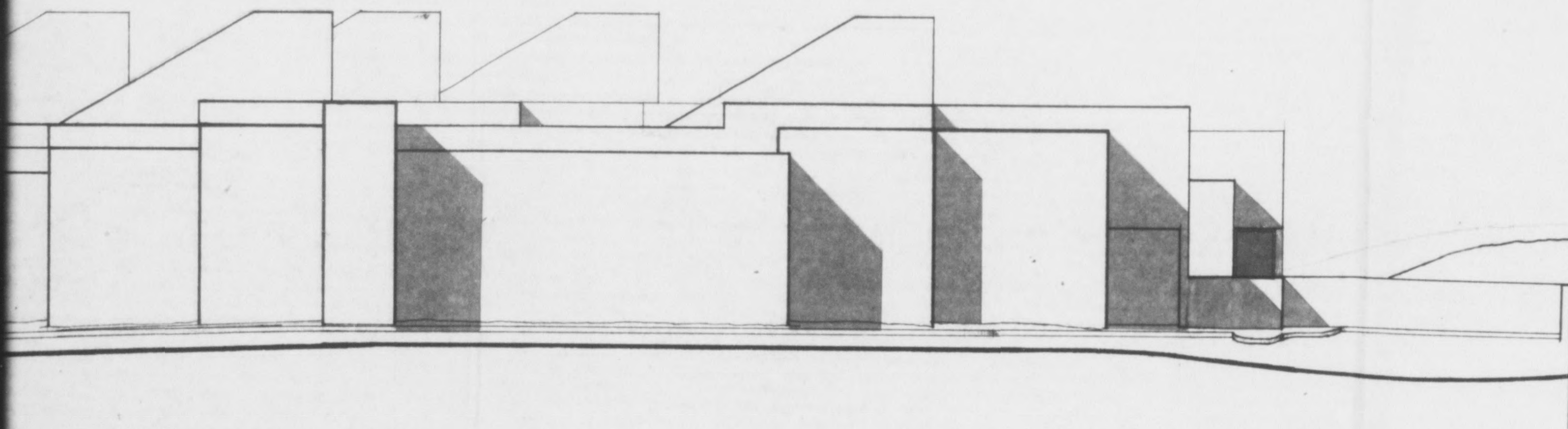


NORTH ELEVATION

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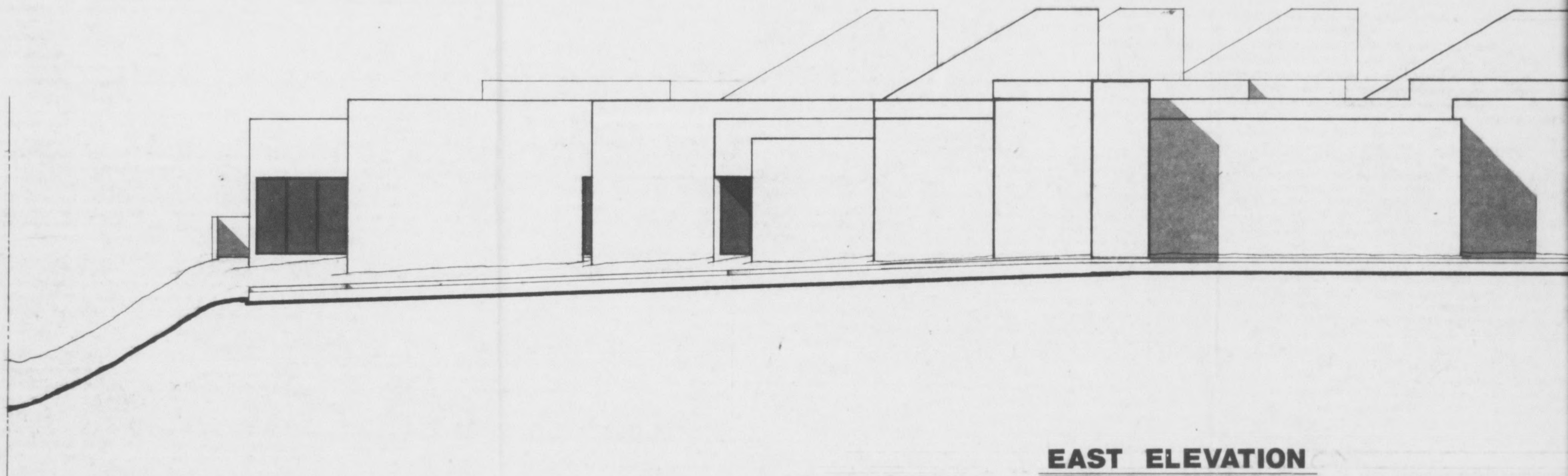


NORTH ELEVATION
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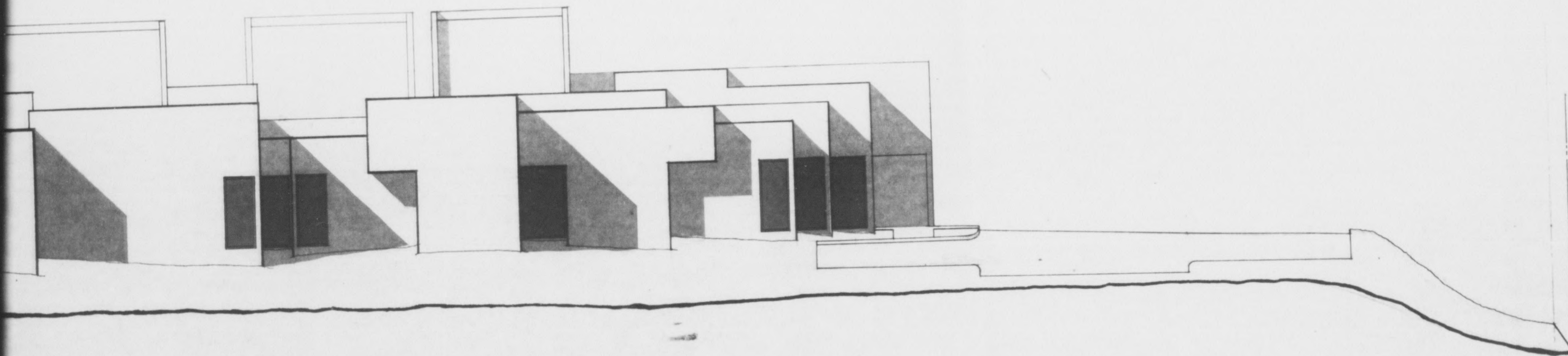


EAST ELEVATION

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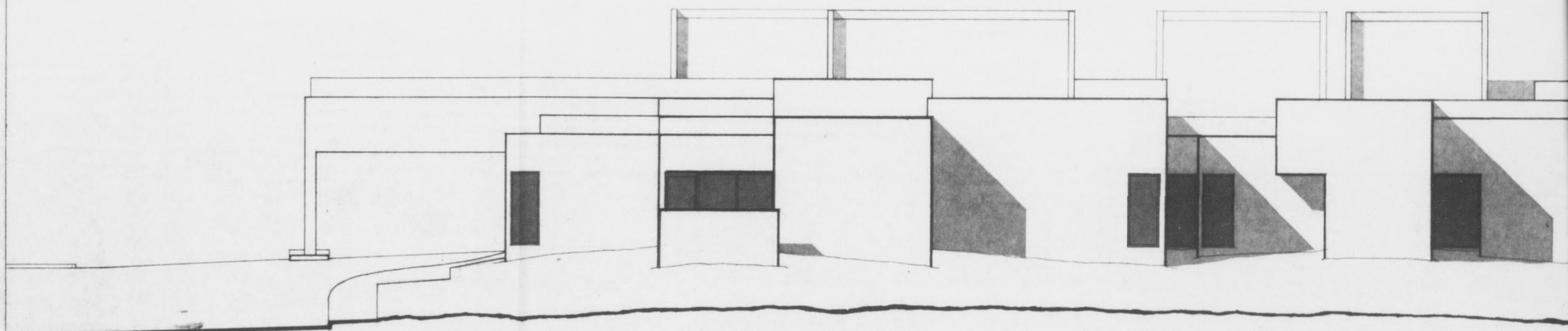
EAST ELEVATION
SCALE $\frac{1}{8}" = 1'-0"$



SOUTH ELEVATION

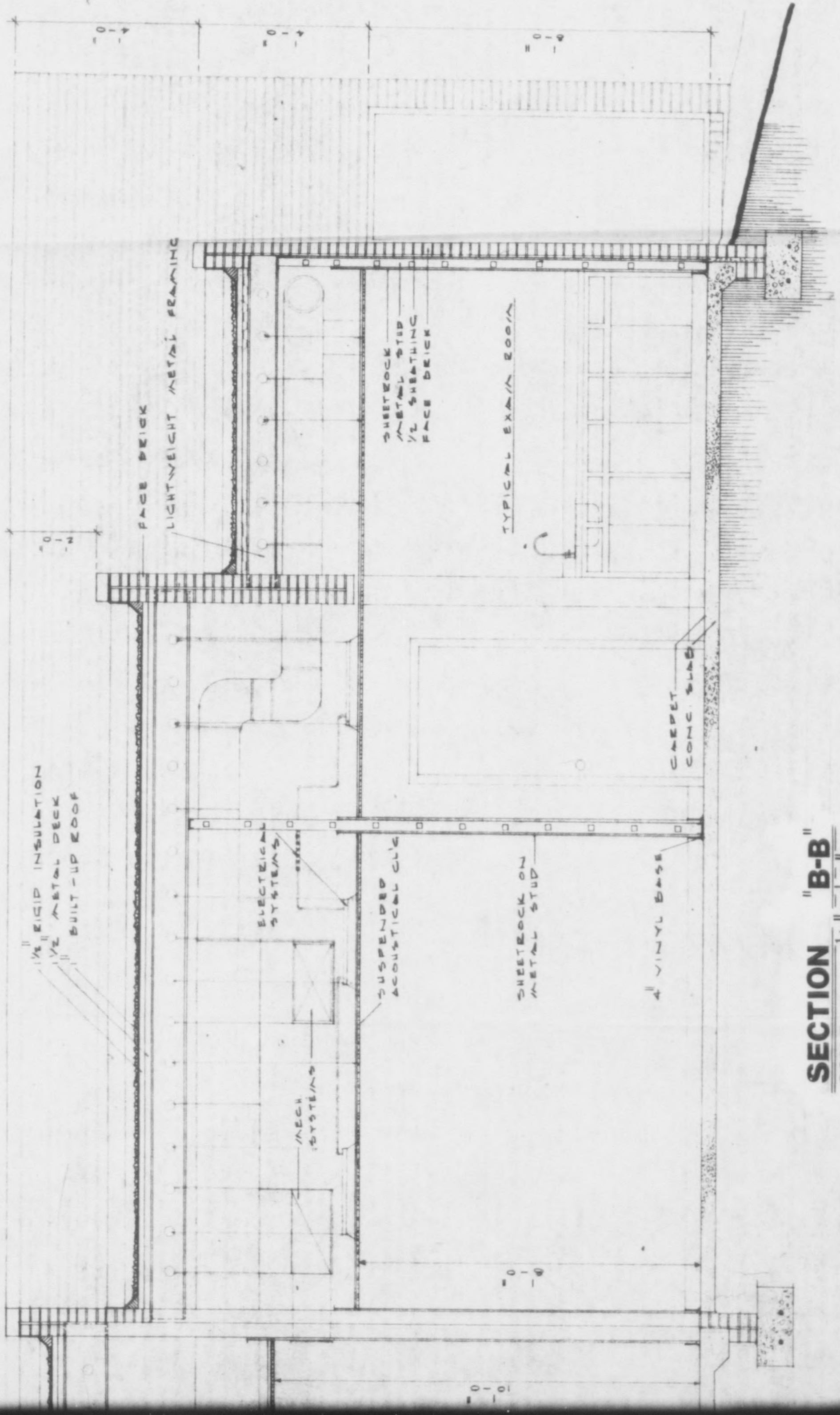
SCALE

$\frac{1}{8}'' : 1'-0''$



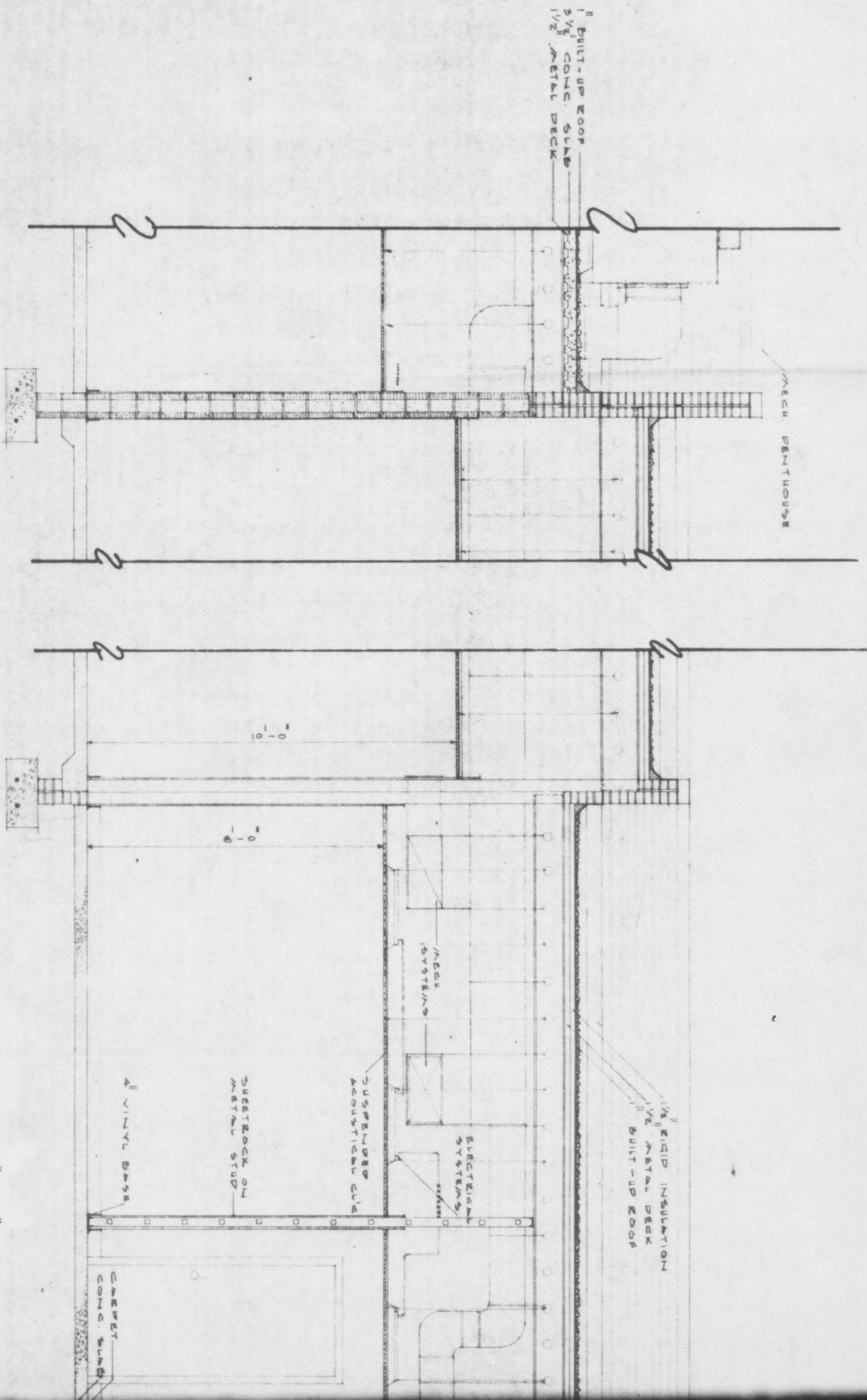
SOUTH ELEVATION

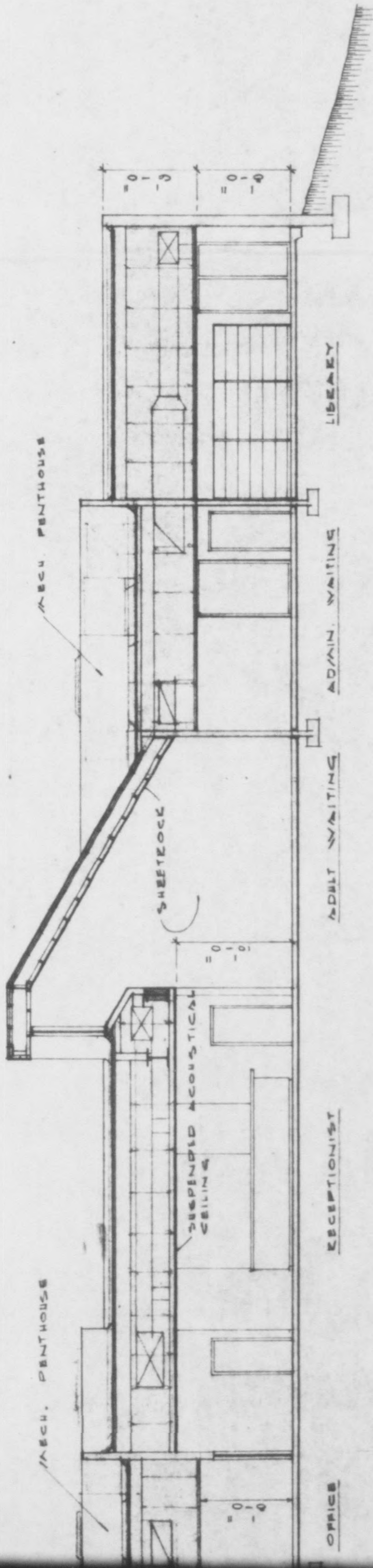
SCALE $\frac{1}{8}'' : 1'-0''$



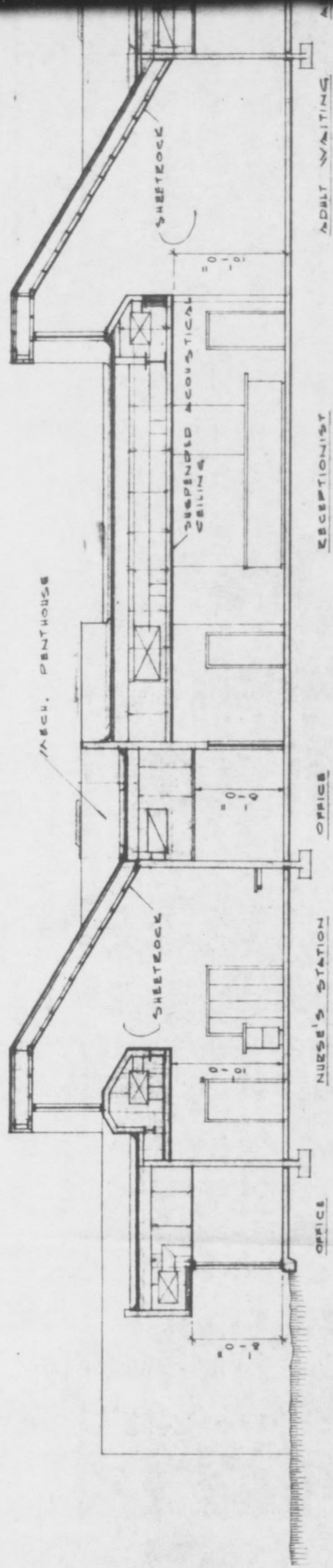
SECTION "B-B"
SCALE 1/2" = 1'-0"

SECTION B-B
SCALE 1/2" = 1'-0"





CROSS SECTION "A-A"
 SCALE $\frac{1}{8}"$ 1'-0"



CROSS SECTION "A-A"
SCALE $\frac{1}{8}" = 1'-0"$

EXHIBIT III
APRIL 1, 1975

The Council of State Governments



IRON WORKS PIKE • LEXINGTON, KENTUCKY 40511

AREA CODE 606
TELEPHONE: 252-2291

January 31, 1975

Mr. A. Baron Holmes, IV
Director of Research
Ways and Means Committee
P. O. Box 11867
Columbia, South Carolina 29211

Dear Mr. Holmes:

I am pleased to transmit the attached copy of a report you commissioned concerning motor vehicle management in South Carolina. The fact-finding activities related to the report were conducted in South Carolina by Mr. Michael E. McGuinn, III, State of Georgia, and Mr. George Carlton, State of Minnesota. In my capacity as a representative of the Interstate Consulting Clearinghouse, I monitored the research work. Mr. McGuinn, in collaboration with Mr. Carlton, prepared the report.

I am satisfied that the quality of the research and analytical work which went into the project is satisfactory, and I therefore transmit the report. The conclusions are those of Mr. McGuinn and Mr. Carlton.

Sincerely,

Bob Cornett

Robert M. Cornett

RMC:pa
Enclosure
cc: Mr. Michael E. McGuinn, III
Mr. George Carlton

. REPORT OF SPECIAL PANEL
ON
STATE OF SOUTH CAROLINA
MOTOR VEHICLE MANAGEMENT PROBLEM AREAS

20 January 1975

At the request of the Budget and Control Board, State of South Carolina, a special panel was assembled through the auspices of the Council of State Governments to review and make recommendations on certain problem areas relevant to the management of State owned and operated motor vehicles; particularly passenger vehicles.

The panel consisted of Mr. George Carlton, Assistant Commissioner, Department of Administration, State of Minnesota; Mr. Mike McGuinn, Special Assistant to the Commissioner, Department of Offender Rehabilitation, State of Georgia and Mr. Robert Cornett of the Council of State Governments. Arrangements for the panel were made through the auspices of the Interstate Consulting Clearinghouse, a service of the Council of State Governments. Pursuant to these arrangements, the panel convened in Columbia, S.C., on 19-20 December, 1974. Previous studies and reports, existing and previously proposed legislation, assembled statistics and highlights of current problem areas receiving significant public press attention were reviewed. Direct interviews were then conducted with individuals responsible for or concerned with the management of State owned motor vehicles and reimbursable travel. (See Inclosure 1 for listing)

As a result of the above effort, the Panel has reached and presents the following findings and recommendations:

a. State Owned Vehicle vs. Personal Car Travel.

Finding: Much inconsistency exists from State Agency to State Agency on whether State employees are encouraged or discouraged from using State vehicles for the performance of official travel. This ranges from an absolute prohibition of reimbursable travel in personal vehicles by one major State Agency to almost total dependence on reimbursable use of personal vehicles by another State Agency. Travel in personal vehicles poses a direct reimbursement cost of \$0.14 per mile to the State for travel claimed. Travel in State owned automobiles should cost the State approximately \$0.095 to \$0.10 per mile in view of the State's ability to purchase vehicles in bulk at favorable cost, to perform maintenance in State owned facilities and to purchase and dispense fuel at wholesale prices. Further, travel in State vehicles, clearly marked as to their official nature and ownership, provides an inbuilt inhibitant to both non-essential and unofficial mileage utilization. Therefore, it is the Panel's opinion that it is to the economic advantage of the State to provide for and require utilization of State owned motor vehicles for conduct of official travel wherever centers of employee density and/or cumulative travel mileage requirements warrant.

Recommendation: That a basic policy be established and promulgated requiring the use of State owned motor vehicles for conduct of official travel wherever available and not

economically disadvantageous to the State. (A suggested wording of such policy statement is at Inclosure 2)

b. Authorized Uses of State Owned Vehicles.

Finding: There is a distinct need for a common set of standards applicable to all State Agencies that define the extent to which State owned motor vehicles may or may not be used for personal purposes. Each of the State Agencies interviewed indicated that some type of standards existed within their agency. In some instances these were promulgated in writing. In other instances they were stated to exist only as a form of unwritten, "general understanding" as to what constitutes authorized and unauthorized use of a State motor vehicle. The standards of the various agencies ranged from extremely restrictive to very liberal. All agencies interviewed, without exception, indicated the need and desire for a common set of standards. None favored any system that provided for reimbursement to the State for personal use of a State vehicle on grounds that such a system is complex, unenforceable and inevitably leads to abuse.

Recommendation: That a basic set of standards outlining the authorized and unauthorized uses of State owned motor vehicles be established, promulgated and made applicable to all State agencies. (A suggested basic standard, including interpretive examples, is at Inclosure 3)

c. Status Vehicles.

Finding: There is an obvious lack of firm and valid

criteria governing the procurement and assignment of so called "status" or "prestige" vehicles. The result has been a proliferation in both numbers and types of these vehicles within the State's motor vehicle fleet inventory. Recommendation: That a policy be established and promulgated that clearly defines who is entitled to assignment of a "status" vehicle and that limits the State to procurement of not more than two (2) basic classes of such vehicles. (A suggested wording of policy guidelines that will achieve this purpose, reduce circumvention possibilities and concurrently achieve a broader degree of standardization in the State motor vehicle fleet is at Inclosure 4)

d. Individually Assigned Vehicles.

Finding: The practice of assignment of State owned vehicles to individuals for exclusive use is widespread. Individual assignments of vehicles for exclusive use rarely results in adequate and effective utilization in terms of cost and useable life expectancy. Assignment of vehicles to functional activities or work units is generally far more beneficial to the State. Such a policy however, does not relieve the activity or work unit from responsibility for designating an individual to ensure that dispatch control, regular maintenance, repair services and proper documentation on the vehicle are accomplished. Of the State agencies interviewed, none favored the acquisition or assignment of vehicles to State employees as a "salary supplement". One however, did feel that commitments of this nature made in

the past should continue to be honored.

Recommendation: That a basic policy governing individual assignments of vehicles be established and promulgated to all State Agencies. (A suggested wording of such a policy statement is at Inclosure 5)

e. Vehicle Insurance.

Finding: There is no standard policy with respect to insuring State owned vehicles. Of those State Agencies interviewed, one provides no insurance on its vehicles and considers itself a self-insuring activity. All of the others are individually purchasing some form of liability insurance in varying ranges of dollar coverage. Agency philosophies concerning vehicle insurance are equally varied. Some feel that the State cannot be sued but that they are obligated to provide protection against liability suit for their employees who operate State vehicles. Some require employees to purchase a "rider" on their personal car insurance as additional protection in event of liability suit for an accident while driving a State vehicle.

Recommendation: That the State purchase on a low bid basis a blanket, annual general liability insurance policy covering State owned vehicles operated on the road or under conditions where injury or damage to outside persons or property could occur. (A suggested wording of a policy statement to achieve this purpose is at Inclosure 6)

f. Fleet Purchasing.

Finding: While certain, general classes of vehicles have been established and all vehicle purchases appear to be made on a contract basis through the office of the Director of General Services, maximum advantage of the State's ability to purchase in bulk at most favorable unit cost does not seem to be taken. Invitations to bid on a particular class of vehicle, if understood correctly, are prepared on basis of previous years experience as to the number of such vehicles required to meet State Agency needs. Once bids are awarded, State Agencies are then advised of the types of vehicles available for purchase under contract terms. The more viable approach, particularly under revisions now coming about as a result of energy shortages and economic conditions, is to prepare a list by type (not brand name) of the broad classes of vehicles the State requires for task accomplishment purposes and survey the individual State Agencies for their projected requirements for each type vehicle for the next budget year. Results of the survey are tabulated by vehicle type, consolidations of types negotiated where possible, and invitations to bid prepared on the best approximation of total State requirements for each type vehicle for the next model year.

Recommendation: That a policy statement be promulgated which will provide for accurate forecasting of State motor vehicle procurement requirements for each model year and permit most advantageous procurement at favorable, contract

prices. (A suggested wording of a policy statement to achieve this purpose is at Inclosure 7)

g. Vehicle Identification.

Finding: With exception of the "SG" license plate, no general standards exist concerning visible identification of State owned vehicles as property of the State. As far as the "SG" license plate is concerned, the grounds for exemption from this requirement are apparently sufficiently broad that an excessive number of State owned motor vehicles bear no markings whatsoever that would identify them as public property. This is contrary to proven, government motor vehicle fleet management practices wherein experience has shown that clear, highly visible identification of vehicles serves as a particularly effective deterrent to potential unauthorized usage, abuse of privileges, excessive highway speeds, etc. Such identification can take the form of an easily applied decal, readily removeable at time of disposal of the vehicle.

Recommendation: That a policy be established and promulgated which requires all State owned vehicles except Prestige Sedans, Medium Sedans and duly certified law enforcement agency undercover vehicles to bear clear, visible identification that they are State property. (A suggested wording for such a policy is at Inclosure 8)

h. State Fleet Management Coordinator.

Finding: A definite void exists in the area of positive

management coordination of purchasing, operation, maintenance, service, fuel acquisition, parts replacement, insuring, driver training, travel planning and other matters pertinent to cost-effectiveness of the State's motor vehicle fleet. While policy authority rests with the Budget and Control Board, it would be beyond the realm of practicality for that Board to directly burden themselves with not only the preparation of detailed rules and regulations, but the provision of technical and management assistance to State Agencies, the monitoring of Departmental and total State fleet cost-effectiveness and the resolution of day to day fleet management problems. In consideration of the various agency and individual philosophies encountered, and to the extent that outside opinion on internal matters may be relevant, the Panel's view is that this task would best be served by the appointment or establishment of a State Motor Vehicle Management Coordinator. To be effective, this individual must, at least in the initial stages of the program, exercise and operate within an aura of authority provided by the policy making level. Further, he should be specifically charged not only to prepare, promulgate, monitor and enforce such motor vehicle management regulations as are approved by the Budget and Control Board but also to actively provide motor vehicle fleet management and technical assistance services to the various State Agencies.

Recommendation: That an Office of State Motor Vehicle Management be established at an organizational level which

provides for a direct and effective policy relationship with the Budget and Control Board. (Suggested wording to achieve this purpose is incorporated in Inclosure 9)

i. Inter-Agency Motor Pool.

Finding: There would appear to be unquestionable justification from both the economy and provision of service aspects for the State to evolve toward the establishment of a centralized, inter-agency, multiple user motor pool facility located in the Capitol complex area. The present General Services Motor Pool operates primarily as a "leased vehicle" agency. Only a handful of its total fleet of vehicles are available for general dispatch to State employees required to go on official travel. The bulk of the 200(+) motor pool vehicle fleet is "leased out" to exclusive users. A true, multi-purpose (both "in and out" dispatch as well as "lease" dispatch) inter-agency motor pool provides a far greater potential for cost-effective utilization of vehicles. Note must be made however, that establishment of a viable and service oriented inter-agency motor pool can entail significant start up costs. Primarily, such start up costs are encountered in:

- Acquisition of a motor pool site within convenient walking distance of the density locus of employee population.
- Acquisition and emplacement of fuel tanks and pumps. Construction of dispatch control and maintenance bay facilities.
- Initial staffing and repair parts stockage. Provision of

parking space for personal vehicles of State employees using motor pool vehicles on overnight, out-of-town travel status.

Recommendation: That consideration be given to increasing the number of "in and out" dispatch vehicles now available in the General Services Motor Pool and that feasibility planning be undertaken toward the establishment of a viable, inter-agency, multi-purpose motor pool in the Capitol complex area.

j. Legislation.

Finding: Many of the recommendations contained in this report will be controversial in that they represent significant change from established practices. On the same basis, their implementation will meet resistance at various levels. While the Budget and Control Board possesses the necessary policy authority, it would be distinctly advantageous if the goals of a motor vehicle management and control effort of this nature were given legislative support.

Recommendation: That legislation be drafted and introduced which will, if passed, provide a clear statement of the State Legislators' intent that State owned motor vehicles be managed and operated on an efficient, cost-effective, safe and publicly defensible basis at all times. (Key points of a suggested Bill are at Inclosure 9)

LISTING
OF
STATE AGENCIES INTERVIEWED

<u>STATE AGENCY</u>	<u>REPRESENTATIVE</u>	<u>INTERVIEWED BY</u>
Wildlife and Marine Resources	Mr. Hughey	McGuinn/Carlton/Cornett
Department of Education	Mr. Durham	McGuinn
S.C. Law Enforcement Division	Mr. DeFreeze	Carlton
University of South Carolina	Mr. Anderson	Cornett
Social Services	Mr. Bucknell	McGuinn
Youth Services	Mr. Todd	Carlton
Mental Retardation	Mr. Gabriel	Cornett
Tax Commission	Mr. Pace	McGuinn
Department of Corrections	Mr. Paulis	McGuinn
Alcoholic Beverage Control	Mr. Shinn	Carlton
Mental Health	Mr. Reeves	Cornett
State Highway Department	Mr. Cathcart	McGuinn/Carlton/Cornett
General Services Division	Mr. McEachern	" / " / "
Health and Environmental Control	Mr. Reynolds	" / " / "
State Treasurer	Mr. Patterson	" / " / "
Comptroller General	Mr. Mills	" / " / "
State Senate	Mr. Pettis	" / " / "
House of Representatives	Mr. Holmes	" / " / "
Governor's Office	Mr. Finch Mr. Cain	" / " / "

SUGGESTED POLICY STATEMENT
TO
INCREASE USE OF STATE VEHICLES FOR OFFICIAL TRAVEL

"State owned passenger automobiles are intended for use by officials, officers and employees of the State who are required to travel by motor vehicle in the performance of official business. Personal vehicles shall not be used to accomplish official travel on a reimbursable basis when a State owned vehicle is available and adequate to meet travel requirements. Exceptions to this policy may be approved by the Department head authorizing the travel when determined to be the economic advantage or other best interests of the State".

NOTES:

1. The above wording, as presented, does not require a special exclusionary clause for police vehicles.
2. The above wording allows an essential modicum of discretionary authority to a Department head and permits alternatives (airline and rental car for distant destinations) when such would result in lower cost to the State.

SUGGESTED BASIC STANDARD
OUTLINING
AUTHORIZED & UNAUTHORIZED USES OF STATE OWNED MOTOR VEHICLES

"State owned motor vehicles are authorized for use in the performance of all travel or tasks necessary to the accomplishment of official purposes and within the rated design capabilities of the vehicle. Use is not authorized for unofficial travel or tasks, the transport of unauthorized persons or items, or the performance of tasks outside the rated capabilities of the vehicle. When in doubt, the deciding criteria must be that the performance of the travel or task under consideration actually serves the interests of the State and is defensible in event of public criticism or question by higher authority."

Examples of Authorized and Unauthorized Uses:

A. Authorized Uses

1. Travel between place of vehicle dispatch and place of performance of official business.
2. When on official travel status, between place of official business and place of temporary lodging.
3. When on official travel status and not within reasonable walking distance, between either of the above places and:
 - (a) Places to obtain suitable meals
 - (b) Places to obtain medical assistance, including drugstores
 - (c) Places of worship
 - (d) Barber shops
 - (e) Cleaning establishments
 - (f) Similar places required to sustain the health, welfare or continued efficient performance of the user, exclusive of places of entertainment.

4. Transport of other officers, officials, employees or guests of the State.
5. Transport of consultants, contractors or commercial firm representatives when in the direct interests of the State.
6. Transport of materials, supplies, parcels, luggage, kit or other items belonging to or serving the interests of the State.
7. Transport of any person or item in any emergency situation.
8. Travel between place of dispatch or place of performance of official business to place of personal residence when necessary to the accomplishment of official purposes or specifically authorized by departmental head authority.

B. Unauthorized Uses

1. Travel or task performance of a personal nature having no connection with the accomplishment of official business or beyond the rated capabilities of the vehicle.
2. Transport of families, friends, associates, or other persons who are not employees of the State or serving the interests of the State.
3. Transport of hitch-hikers.
4. Transport of items or cargo having no relation to the conduct of official business.
5. Transport of acids, explosives, weapons, ammunition or highly flammable material except by specific authorization or in an emergency situation.
6. Transport of any item of equipment or cargo projecting from the side, front or rear of the vehicle in such manner as to constitute a hazard to safe driving, to pedestrians or to other vehicles.
7. Extending the length of travel beyond that required to complete the official purposes of the trip.
8. Transportation between place of residence and place of employment, other than as specified in item A. 8, above.

NOTE: Item A 3, above, as pertains to "reasonable walking distance" and item B2, above, as pertains to transport of families, friends, etc., will inevitably be subject to question and possibly become makers of controversy. These are not "insurance rules" or "efficiency" factors. They are integral parts of a sound, effective policy package that will provide for operation of State owned vehicles in a manner fully acceptable to the taxpaying public. (See last sentence of policy statement).

SUGGESTED POLICY GUIDELINES
TO
LIMIT PROCUREMENT AND ASSIGNMENT OF STATUS VEHICLES

"With the goal of attaining an optimum of cost-consciousness and cost-effectiveness in State Government without loss to efficiency or safety, the following criteria shall be used as a guide in determining the types and classes of motor vehicles that may be procured for the fulfillment of official transportation requirements.

- a. Prestige Sedans - For individual use of the Governor, Lieutenant Governor, and constitutional officers. Acquired at own discretion through normal, low bid procedures.
- b. Medium Sedans - For single or common use assignment to certain agency directors as specified by the Budget and Control Board. Authorized for acquisition at own discretion where sanctioned by the Budget and Control Board, and approved as to commonality of design and manufacture within a given year model by the Director of General Services.
- c. Special Purpose and Police Sedans - Vehicles requiring specialized engines, drive trains, suspensions, or additive features for the accomplishment of assigned tasks. A requirement for any one of these features does not in itself necessarily constitute a require-

ment for one or more of the other features, e.g., a valid need to install two-way communications equipment does not in itself imply a justifiable requirement for a specialized engine, drive train or suspension system. Authorized for acquisition where essential to the active protection of the lives and property of the citizenry, the public domain or enforcement of the laws of the State, and where such tasks cannot practicably be accomplished by a lesser type vehicle.

- d. Administrative Sedans - Intermediate and compact size vehicles intended for administrative and general purpose use in transporting personnel and accompanying kit or luggage. Authorized for acquisition on basis of a projected usage requirement of 15,000 or more miles per year over a period of four years or to a cumulative total of 60,000 miles or greater.
- e. Station Wagons - Same as for Administrative Sedans except that a valid requirement exists for the recurring, simultaneous transport of six or more persons per vehicle, or the simultaneous transport of one or more persons plus luggage, accompanying kit or parcels in excess of the capacity of an Administrative Sedan."

NOTE: Director of Motor Vehicle Management may be substituted for Director of General Services in above wording. (See Inclosure 9)

SUGGESTED POLICY STATEMENT
ON
INDIVIDUAL ASSIGNMENTS OF STATE OWNED VEHICLES

"Proper assignment of State owned vehicles is a key factor in exercising control over the size and scope of activity of the State motor vehicle fleet. Wherever practicable, vehicle assignments shall be made on a basis of meeting the functional requirements of an activity or work unit. Assignment of vehicles to individuals for exclusive use shall be avoided except where the following criteria apply:

- a. Prestige and Medium Sedans acquired for the single use of the Governor, Lieutenant Governor and those Constitutional Officers of the Executive Branch or other State Officials holding positions of equivalent responsibility.
- b. Vehicles essential to the performance of official duties by individuals whose remote location or total, official business utilization requirements are such that they preclude shared or part time use by members of the same or other work units.
- c. Highly specialized vehicles and heavy equipment where operator training or technical skill requirements preclude use of the vehicles by individuals not possessing such training or skills.

- d. Other circumstances where in the determination of the Department head or proper designated authority, the best interests of the State would be served by individual assignment of a vehicle."

SUGGESTED POLICY STATEMENT
ON
INSURING STATE OWNED VEHICLES

"All State owned vehicles operated on the road or under other conditions where injury or damage to outside persons or property could occur shall be protected by liability insurance. Requests for liability coverage should be submitted to the Director of General Services, accompanied by a list of vehicles to be insured reflecting the year, make, model and serial number of each vehicle. Liability coverage under the State's general liability policy becomes effective on receipt of the request and list by the Insurance Unit, who will bill the sponsoring agency at the annual applicable rate for the fiscal year (or part thereof) per vehicle insured. The State is self-insuring in that it does not purchase policy protection against collision, fire, theft or other loss to its vehicles. Neither does the State provide for casualty insurance, other than Workmen's Compensation and Group Health Policy protection, for its employees while driving State owned vehicles."

NOTE:

A copy of the State of Georgia's general liability insurance policy/proceedures was furnished to Mr. Furman E. McEachern, Jr., Director of General Services, State Budget and Control Board, at the December 5-6 meeting in Atlanta of SIFMA. This material might be of value for informational purposes in setting up proceedures for a State general liability policy.

SUGGESTED POLICY STATEMENT
ON
STATE MOTOR VEHICLE FLEET PROCUREMENT PROCEEDURES

"The annual total procurement requirements of the individual State Departments for motor vehicles shall be submitted to the Director of General Services, not later than September 1 each calendar year. Requirements for each type or separate class within types of vehicles must be indicated individually. If time phasing of delivery within the model year order period is desired, it should be so stipulated.

Departmental requirements will be reviewed by the Director of General Services against vehicle utilization experience files and information on available and potentially available State owned excess vehicle resources. Approved requirements will be consolidated by type and class by the Director of General Services to permit bulk lot invitations for bids to the maximum advantage of the State."

NOTE: Director of Motor Vehicle Management may be substituted for Director of General Services in above wording. (See Inclosure 9)

SUGGESTED POLICY STATEMENT
ON
IDENTIFICATION OF STATE VEHICLES

"All State owned motor vehicles except Prestige Sedans, Medium Sedans and such vehicles as are essential to the conduct of investigative or undercover missions of legally constituted, law enforcement agencies shall bear the State seal in not less than 10 inch diameter, surrounded by minimum 1 inch letters identifying the owning Department or Agency, affixed to the center of the front door on either side of the vehicle. Where door design or contour prohibits proper affixing of the seal, it shall be displayed on the center of the luggage compartment lid or tailgate of the vehicle."

NOTE: Experience in Georgia has shown that most decals can be removed by use of a steam jenny to provide heat, then gasoline to remove residual adhesive substance. The 3M Company, who manufactures the majority of decal material, also provides certain chemicals for this purpose. Their engineers are preparing details in a letter to the panel. This will be forwarded upon receipt.

SUGGESTED BILL
TO
ESTABLISH A STATE MOTOR VEHICLE MANAGEMENT PROGRAM

"There is hereby established under the policy direction of the Budget and Control Board an office of Motor Vehicle Management, headed by a Director appointed by the Budget and Control Board. The Director of the Office of Motor Vehicle Management is authorized, empowered and charged with the responsibility to review all aspects of motor vehicle management in State Government, to recommend to the Budget and Control Board such policies, procedures and regulations for promulgation as may be necessary to achieve cost-effectiveness in management and operation of the State motor vehicle fleet, to coordinate and monitor the implementation of promulgated policies, procedures and regulations among the various agencies, boards and commissions of the State, and to provide such motor fleet management and technical advisory service as may be required to achieve the purposes of this legislation.

The Budget and Control Board is hereby empowered to promulgate as binding upon the various agencies, boards and commissions of the State policies, procedures, rules and regulations pertaining to management of State owned and State operated motor vehicles in the following areas:

1. Acquisition of motor vehicles
2. Assignment of motor vehicles
3. Identification of motor vehicles
4. Operation of motor vehicles
5. Service and repair of motor vehicles
6. Replacement of motor vehicles
7. Disposal of motor vehicles
8. Penalties for violation of promulgated motor vehicle policies, rules and regulations.

The Budget and Control Board shall attempt through its rules and regulations to achieve the following objectives:

1. To achieve maximum cost effective management of State owned motor vehicles in support of the established missions and objectives of the agencies, boards and commissions.
2. To minimize unofficial and unauthorized use of State vehicles.
3. To minimize individual assignment of State owned motor vehicles.
4. To minimize the use and cost to the State of use of personal vehicles for accomplishment of official travel.
5. To acquire motor vehicles offering optimum energy efficiency for the task to be performed.

I. The primary findings of the Study Committee were:

April 1, 1975
Exhibit III

- 1) that State Government generally lacks official rules, regulations, and procedures applicable to all agencies concerning motor vehicle management;
- 2) that in the absence of official rules and regulations, promulgated by the Budget and Control Board, each agency has established its own practices, creating such a variety of rules and procedures that it is impossible to convince the public or the press that there are any rules at all;
- 3) that the absence of rules and regulations to abuses;
- 4) that the absence of a high-quality motor vehicle management staff under the Budget and Control Board has eliminated the possibility of assisting the agencies in improving the cost effectiveness of their fleet management.

II. The primary recommendation of the study group was the establishment of an Office of Motor Vehicle Management, headed by a top quality manager, appointed by and directly responsible to the Budget and Control Board.

The Office of Motor Vehicle Management would work with the state agencies to develop rules, regulations, and procedures for promulgation by the Budget and Control Board.

Specific recommendations are:

- 1) encouragement of maximum use of state-owned vehicles rather than reimbursement for use of private vehicles
- 2) promulgation of clear rules concerning authorized and unauthorized uses of state-owned motor vehicles
- 3) determination of which persons are entitled to receive "status" or "prestige" vehicles
- 4) promulgation of clear rules concerning assignment of state vehicles to individuals
- 5) purchase of a blanket, annual general liability insurance policy covering all state vehicles
- 6) accurate forecasting of state vehicle purchases, broken down into a limited number of classes
- 7) maximum use of seals to identify state vehicles
- 8) greater development of motor pools, including the creation of such a pool in the Capitol complex
- 9) legislation to show the intent of the General Assembly that state vehicles be managed in an efficient, cost effective, safe, and publicly defensible manner



EXHIBIT IV
APRIL 1, 1975

State of South Carolina
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

MEMORANDUM

TO: The State Budget and Control Board
FROM: Jack S. Mullins *JSM*
SUBJECT: Shift Differentials
DATE: April 1, 1975

The Personnel Division has received requests from various State agencies to establish equitable rates for the payment of shift differentials. After consideration of all information from all possible sources relative to these payments, including an evaluation of agency needs, our recommendations for implementation of the Board approved policies are as follows:

1. All employees occupying positions within registered nurse classifications may be paid up to 50 cents per hour.
2. All employees occupying positions within licensed practical nurse classifications may be paid up to 35 cents per hour.
3. All employees occupying positions in other classifications may be paid up to 20 cents per hour.

All of the above will pertain to employees who meet the published criteria as set forth in the Board approved policies, a copy of which is attached. Changes to any of the above rates can be effected upon submission to the Personnel Division of documentation indicating that changes are necessary to provide competitiveness with other employers within set geographical areas.

I am requesting that these recommendations be approved so that consistent rates can be implemented for those agencies which have expressed justifiable needs for these payments.

JSM/rdd1

Attachment

POLICY FOR APPROVAL OF SHIFT DIFFERENTIALS

Revision to the Plan of Administration, Article II, Section V, Paragraph B (3):

3. When justified, the State Budget and Control Board may approve the payment of a shift differential for positions regularly assigned to an evening, night, rotating, or split shift, provided the majority of the hours assigned during the shift are between 3:00 p.m. and 6:00 a.m. When an employee is assigned to a shift for which a shift differential has been approved, the following rules for granting differentials shall apply:
 - (a) Any agency desiring to have shift differentials approved must submit such a request to the State Director of Personnel in writing indicating the class(es) for which the differential is being requested, the hours of the shifts involved, the number of positions in the class(es) on each shift, the amount of differential being requested, and appropriate justification for the request.
 - (b) An employee regularly assigned to a rotating shift, a split shift, or who regularly rotates shifts shall be paid the shift differential only when working the specific shift for which a differential has been approved.
 - (c) The pay of the employee in the position shall be adjusted by the amount approved, even if such amount increases the employee's salary above the maximum of the pay grade for the class.
 - (d) Such increases shall not affect the employee's eligibility for merit increases except that, in no case shall the employee's salary exceed the maximum rate of the pay range for the class by an amount in excess of the amount of the shift differential.
 - (e) If the position is reassigned to a shift for which a differential has not been approved or if the employee is removed from the position, the employee's salary shall be reduced by the amount of the shift differential.
 - (f) The shift differential approved shall be stated as an hourly amount or as a percentage of the minimum of the pay grade for the class affected, whichever is determined by the State Director of Personnel to be applicable.
 - (g) Shift differentials may be approved for specific classes on a regional or local basis when it is determined by the State Personnel Division that local or regional economic conditions or other pertinent factors justify such an approach.

Blue Cross[®]
Blue Shield[®]
of South Carolina



Joseph F. Sullivan
President

Columbia, S. C. 29219
803/788-3860

March 25, 1975

Jack S. Mullins, Ph.D., Director
Personnel Division
State of South Carolina
1205 Pendleton Street
Columbia, South Carolina 29201

Dear Jack:

I hope the telephone conversation we had today removed the concerns you had expressed regarding the proposed Bylaws amendment. The purpose of this letter is to more formally respond to you and to reinforce a few points I tried to make.

Let me touch on the key issue first. The proposed amendment is not designed to reduce the representation and "clout" of the State of South Carolina, the Budget and Control Board, or you. It's the size of your group that gives you all the "clout" you could conceivably need - not the number of votes or the method of counting.

Specifically, Jack, because the State of South Carolina's employees and public school district employees are such a large group, additional service concessions are routinely made by us to help your fringe benefit operations go smoothly. The mere size of your group dictates that you should - and do - receive many advantages not available to smaller groups or non-group subscribers.

And still we negotiate coverage, rates and service in an impeccable "arms length" free enterprise atmosphere.

Before this Bylaws amendment was any kind of an issue, Blue Cross and Blue Shield voluntarily sought additional representation from the State of South Carolina on its Board. And as you painfully know, our competition didn't like the idea of Grady Patterson, Pat Smith or you sitting on the Board and raised some unfair hell about the entire matter. I think I can understand the competitor's viewpoint and that isn't going to go away.

Page Two
March 25, 1975

Back in 1971, when we first converted to a mutual status, Blue Cross and Blue Shield was a lot smaller company than it is today. At that time we voluntarily decided to try a weighted voted approach to this proxy solicitation process. Good intentions, Jack - but not very efficient or economical as we've grown larger and also not quite legal, as we've subsequently found out.

Employers have problems from any mutual insurer's system that "lets the employer vote for the employee", especially where each employee pays for coverage of his dependents or for any part of his own coverage. State legislators have pointed out to us that such a system is in effect an unlawful and potentially explosive usurpation by the employer of the employee's right. It may be that any challenge to it would result in a finding that the employer is exercising an unwarranted proxy that he hasn't actually received from his employees. These considerations have helped prompt the State Insurance Commission to ask the General Assembly for a revamping of the statutes on mutual insurance companies every year for the past three years.

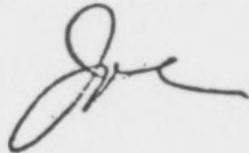
The present weighted vote system is lawful because it was authorized and annually reapproved by the former Chief Insurance Commissioner. But, as you know, the Insurance Department itself is not comfortable with those rulings of a former Chief, and with good reason.

Section 37-372 of the South Codes, 1962 states that, "Each holder of one or more insurance contracts issued by a domestic mutual insurer is a member of the insurer, with the rights and obligations of such membership...". Sections 37-373 goes on to say, "Each member is entitled to one vote in the election of directors and on matters coming before corporate meetings of members..".

And so, according to law, each group contract holder is entitled to one (1) vote and not the weighted vote basis we have been operating under. Incidentally, our proposed approach is required in most states.

And so, the Bylaws amendment in question has been proposed for reasons of efficiency, economy and legality.

Sincerely,



JFS/lm

March 20, 1975

Mr. Joseph F. Sullivan
President
Blue Cross and Blue Shield
of South Carolina
I-20 East
Columbia, South Carolina 29219

Dear Mr. Sullivan:

Chris Columbus has handed me the proxy, proxy statement and financial report of Blue Cross/Blue Shield for the Annual Meeting of Members, March 27, 1975. I noticed that the effect of the By-Laws amendment would be to reduce the representation of the Budget and Control Board from 95,229 votes to one vote, a most substantial reduction.

Before I present this matter formally to the Budget and Control Board for their consideration, I need additional information to be able to discuss this important matter fully and intelligently. First, why is the change proposed, i.e. the rationale for the change? Secondly, how would the interests of the Budget and Control Board and the 95,229 employees, plus their dependents, now covered by the plan be protected under the proposed change? Thirdly, how many votes are now represented in the election of directors, and how many would there be under the proposed amendment? Who are the larger contract holders?

You will agree that representation in a mutual company is a major consideration that cannot be handled without full information.

Sincerely yours,

Jack S. Mullins
Director

JSM:lc

Blue Cross
Blue Shield
of South Carolina



PROXY

The undersigned member of Blue Cross and Blue Shield of South Carolina hereby appoints James A. Morris and Henry Savage, Jr., or either of them the true and lawful attorneys, agents and proxies of the undersigned with power of substitute, to vote at the annual meeting of members to be held on March 27, 1975, and at any adjournment thereof, for the election of the persons nominated in the proxy statement as Directors for the terms specified, for approval of the by-law amendments presented on the proxy statement, and otherwise in their discretion with all the powers the undersigned would possess if personally present.

State of South Carolina

Number of Votes: 95,229

DATE _____

SIGNATURE _____

THIS PROXY SOLICITED ON BEHALF OF MANAGEMENT

BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA

PROXY STATEMENT

Annual Meeting of Members, March 27, 1975

This Proxy Statement is furnished with Solicitation of proxies by and on behalf of Management of Blue Cross and Blue Shield of South Carolina for use at the annual meeting of Members on March 27, 1975, or any adjournment thereof. A member who signs and returns the Proxy furnished herewith may revoke it at any time before it is voted.

ELECTION OF DIRECTORS: To fill vacancies occurring by reason of the expiration of the terms of seven of the members of the Board of twenty-one (21) Directors, seven Directors are to be elected at the meeting, each to hold office until his three-year term expires or until his successor shall be elected and qualified. The Proxy Committee named in the Proxy intends to vote pursuant to the Proxy for the nominees listed below. Management has no reason to believe the persons named will be unable to serve if elected. Each of them shall serve without salary or other compensation.

Incumbent Directors standing for re-election:

John A. Black, Jr., Spartanburg
C. W. Cole, Aiken
John D. Gilland, M.D., Conway
Rt. Rev. Msgr. G. L. Smith, Aiken

S. E. Izard, M.D., Charleston
J. Hal Jameson, M.D., Easley
Harry R. Marsh, Columbia

AMENDMENT OF BY-LAWS: The Board of Directors on January 29, 1975, adopted two amendments to the by-laws of the corporation to be placed before the Membership for ratification at the meeting. The effect of the amendments is to establish equal voting rights for all Members and to provide that a majority of the Members shall constitute a quorum at any regular or special meeting of Members. The Proxy Committee named in the Proxy intends to vote pursuant to the Proxy for the ratification of the amendments presented below.

1. Amend ARTICLE III to read as follows:

MEMBER

Any person, government, or governmental agency, state or political subdivision thereof, public or private corporation, board, association, estate, trustee or fiduciary may be a member of this corporation.

Each holder of one or more insurance contracts issued by this corporation is a member of the corporation, with all the rights and obligations of such membership, as may be provided by law or stated in the application and contract of such member. In the case of every policy or contract of group or blanket insurance issued by the corporation, the employer, or other person, firm, corporation, or association to whom the master policy shall have been issued shall be deemed one (1) contract holder within the meaning of this Article.

The corporation shall be owned by and operated in the interest of the members.

Membership in this corporation may be cancelled, terminated, revoked or rescinded in accordance with the terms of the contracts issued by the corporation.

2. Amend the section titled QUORUM in ARTICLE IV to read as follows:

QUORUM

At any meeting of the members of the corporation, a majority of the membership thereof, present in person or by proxy, shall constitute a quorum; but a majority of members present at such meeting, though less than a quorum, may adjourn the meeting from time to time without further notice.

In order to be eligible to vote, a member must have held a contract in force on a date designated by the Board of Directors, such date not to be more than fifty days nor less than ten full days prior to a meeting of members. An officer or appropriate executive of a group is deemed to hold the voting power of the group and may cast its vote. Each member is entitled to vote cumulatively in the election of Directors but not cumulatively on other matters coming before corporate meetings of members.

Upon all matters, a majority vote of the members present at the meeting in person, or by proxy, shall prevail, unless the laws of the State of South Carolina or these Bylaws shall require more than a majority vote for the adoption of a particular measure. In elections of Directors, those candidates who receive the greatest number of votes cast at the meeting by the members, even though not receiving a majority of the votes cast shall be deemed elected.

OTHER BUSINESS: Management knows of no other business to be presented at the annual meeting, but if additional matters arise the proxies held by Management will be voted as deemed best by Management.

Joseph F. Sullivan

FINANCIAL REPORTING TO MEMBERS
OF
BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA

STATEMENT OF INCOME AND EXPENSE
JANUARY 1, 1974 THROUGH DECEMBER 31, 1974

INCOME

Premium Income	\$ 85,229,487
Investment Income	<u>1,741,214</u>
Other Income	<u>106,762</u>
Total Income	\$ 87,077,463

EXPENSES

Claims Expense	\$ 79,054,235
Operating Expense	<u>6,275,345</u>
Total Expenses	\$ 85,329,580

NET GAIN (OR LOSS)

\$ 1,747,883

BALANCE SHEET
DECEMBER 31, 1974

ASSETS

Cash and Deposits	\$
Investments	<u>22,592,623</u>
Accounts Receivable	<u>1,164,424</u>
Real Estate	<u>6,582,976</u>
Fixed Assets	<u>7,384,779</u>
Total Assets	\$ 37,724,802

LIABILITIES

Unpaid Claims	\$ 16,489,019
Unearned Premiums	<u>2,280,728</u>
Deposits and Other Liabilities	<u>3,310,649</u>
Total Liabilities	\$ 22,080,396

UNASSIGNED FUNDS

\$ 15,644,406

TOTAL LIABILITIES AND UNASSIGNED FUNDS

\$ 37,724,802

INFORMATION REGARDING MANAGEMENT AND DIRECTORS

DIRECTOR	DIRECTOR SINCE	TERM EXPIRES
Mr. Frank S. Adams, Augusta	1947	1976
Mr. John A. Black, Jr., Spartanburg	1973	1975
Mr. Charles C. Boone, Spartanburg	1967	1977
Mr. Franchot A. Brown, Columbia	1947	1977
Mr. George A. Buchanan, Columbia	1971	1975
Mr. C. W. Cole, Aiken	1969	1977
Mr. Walter T. Cox, Clemson	1970	1975
John D. Gilland, M.D., Conway	1973	1977
J. Floyd Hall, Ed. D., Greenville	1971	1976
Mr. John Hash, Camden	1963	1976
S. E. Izard, M.D., Charleston	1969	1975
J. Hal Jameson, M.D., Easley	1957	1975
Mr. Harry Marsh, Columbia	1971	1975
Mr. Joseph G. McCracken, Spartanburg	1966	1977
Mr. Burt H. Moore, Greenville	1971	1976
James A. Morris, Ph.D., Columbia	1963	1976
Mr. A. Preston Nisbet, Greenwood	1947	1977
Mr. Raymond Pridgen, Mullins	1964	1976
Mr. Henry Savage, Jr., Camden	1955	1977
The Rt. Rev. Msgr. George L. Smith, Aiken	1947	1975
John K. Webb, M.D., Greenville	1970	1976

Mr. George A. Buchanan - Chairman

Mr. Henry Savage, Jr. - Vice Chairman

Executive Committee

Mr. George A. Buchanan
Mr. C. W. Cole
James A. Morris, Ph.D.
Msgr. G. L. Smith
Mr. A. Preston Nisbet
J. Hal Jameson, M.D.
Mr. Henry Savage, Jr.

Nominating Committee

Mr. John A. Black, Jr.
Mr. A. Preston Nisbet
Mr. Walter T. Cox

Finance and Investments Committee

James A. Morris, Ph.D., Chairman
Mr. Henry Savage, Jr.
Mr. Harry R. Marsh

The company is operated not for profit but in the best interests of its members who are the holders of its contracts of insurance. Each of the members of the Board of Directors serves in the public interest without salary or other compensation.

Corporate Officers

Mr. Joseph F. Sullivan, President
Mr. James E. Connors, Executive Vice President
Mr. Roy L. Grady, Senior Vice President
Mr. William Snellgrove, Senior Vice President and Treasurer
Mr. Charles H. Walter, Vice President and Secretary
Ms. Lynn Bankhead, Vice President
Mr. T. Linwood Davidson, Vice President
Mr. Tom Faulds, Vice President
Mr. J. Jack Herrick, Vice President
Mr. Edward Holcombe, Vice President
Mr. Ernest Meggs, Vice President
Mr. David Milling, Vice President
Mr. Wally Owen, Vice President
Mr. David Wilson, Vice President
Mr. William Marchant, Assistant Treasurer
Mrs. Louise Mankin, Assistant Secretary

CHARLES D. BARNETT, Ph.D.
Commissioner

WALTER G. FRIES, Ed.D.
Deputy Commissioner,
Professional Services

WALTER B. TODD
Deputy Commissioner,
Administration



EXHIBIT V
APRIL 1, 1975

MENTAL RETARDATION COMMISSION
James B. Berry, M.D., Chairman
R. B. Robinson, Vice Chairman
Mrs. Hallie B. Perry, Secretary
Rev. James E. Hunter
Robert H. Lovvorn
Vince Moseley, M.D.
Herbert Rudnick

STATE OF SOUTH CAROLINA
DEPARTMENT OF MENTAL RETARDATION
2712 MIDDLEBURG DRIVE
P. O. BOX 4706
COLUMBIA, SOUTH CAROLINA 29240

March 17, 1975

Mr. P. C. Smith
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

I am enclosing herewith an E-1 for the expansion of the existing steam plant at Whitten Village. This project will essentially upgrade our energy facility on the front campus allowing for a more efficient laundry operation and also additional hot water for bathing of the residents on the front campus.

This project will also increase the efficient use of our utilities by eliminating terminal shock and providing back-up for our existing old boilers.

We would also like to have Budget and Control Board concurrence in using the firm of Bruce Flemming and Associates on this project since this was a recommendation of their original utility study completed a year ago.

Your cooperation in obtaining necessary approval of the project as well as the consultants to be used on this project will be appreciated.

With best wishes,

Cordially,

Charles D. Barnett, Ph.D.
Commissioner

CDB/ldf

Enclosure

SOUTH CAROLINA DEPARTMENT OF MENTAL RETARDATION

A PROJECT TO EXPAND THE PRESENT STEAM PLANT AT
THE FRONT OF THE CAMPUS - WHITTEN VILLAGE

The present boiler located at the laundry and serving both the laundry and the dairy operations is incapable of providing adequate energy for these two operations. Considering the large concentration of steam requirements in this area, a relative short distribution system necessary to serve these facilities from the front campus boiler plant, and the advantages inherent in connecting three boilers together, it is recommended that a third 300-horse power boiler and necessary steam and condensate lines be installed.

The above recommendation is based on the "Survey and Report of Campus Utilities at Whitten Village" prepared by Bruce Flemming and Associates. This will greatly improve the efficiency and alleviate the terminal shock problem now being encountered due to the introduction of city water to the boilers. This would improve greatly the efficiency of heating and providing steam and hot water in the front campus.

The project would consist of a 300-horse power boiler plus steam and condensate lines, as also a fuel oil storage tank (2,000 gallon capacity). The estimated cost is \$90,500.

Eruch T. Tata

Eruch T. Tata, P.E.
Director of Engineering and Planning



EXHIBIT VI
APRIL 5, 1975

Military Department

/mtw

ROBERT L. MCCRADY
MAJOR GENERAL
THE ADJUTANT GENERAL

STATE OF SOUTH CAROLINA
OFFICE OF THE ADJUTANT GENERAL
NATIONAL GUARD ARMORY, 1225 BLUFF ROAD
COLUMBIA 29201

AGSC-DAG

26 March 1975

SUBJECT: Exchange of State Property for Federal Property

Mr. P. C. Smith
State Auditor
Room 205, Wade Hampton State Office Bldg.
P. O. Box 11333
Columbia, S. C. 29211

1. A requirement exists for a two-hundred man armory at Eastover, South Carolina to house the 51st Aviation Company. The Aviation Facility for maintenance of aircraft is located at McEntire Air Base. The best possible location for the armory is in the vicinity of the Aviation Facility.
2. No private or state lands suitable for the armory are available to the South Carolina Army National Guard. The McEntire Air Base has adequate land, not essential to its operation, on which to construct a South Carolina Army National Guard armory with frontage on Highway 76/378 and near the present Aviation Maintenance Facility. The State must provide the land on which an armory is built. An armory cannot be built on Federal property with the State financing twenty-five percent of the construction costs.
3. The Adjutant General concluded that we would recommend a trade of State owned property located at McEntire, and not suitable for an armory, for Federal property at McEntire which is suitable.
4. The State owns ninety-seven acres, more or less, adjoining McEntire Air Base and acquired in 1957 for the extension of a runway at a cost of \$23,811.00. This acreage is voided for further use by being in the take off and landing zone of jet aircraft. The Federal Government has expended \$410,735.00 for control facility improvements on this tract of State land which is essential in the base operation. There is no lease by the Federal Government of the State owned ninety-seven acres.

adj. gen. office WTP 4/5/75

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Note: The Real Estate
Report showing appraised
has been returned to Ben
Henderson & is on file in the

AGSC-DAG

26 March 1975

SUBJECT: Exchange of State Property for Federal Property

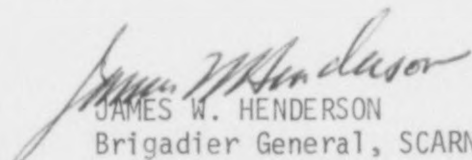
5. The McEntire Air National Guard Base has a land area of 2301.74 acres. GSA in May 1972 recommended that forty-four acres of the base be reported as excess. The nine acres we propose to get in exchange for thirty acres of the State owned land is a part of this forty-four acre tract. Exhibit D of the enclosed Real Estate Planning Report dated September 1974 will show location of both tracts. Initially we had hoped to trade ninety-seven acres of State land for 30.39 acres of Federal land. An exchange of this monetary amount would require Congressional approval. The now proposed exchange does not. We may recommend further incremental trades in the future. The South Carolina National Guard has a lease on the entire base.

6. The trade off is economically sound. We will acquire for the State, nine acres of prime road frontage with an armory estimated to cost \$550,000.00 with a cost to the State of twenty-five percent of construction cost. The State will give up thirty acres of land of no value except to the operation of the Air Base. It cannot be used otherwise for any purpose so long as the base exists. The lands being exchanged are of equal value as established by a qualified appraiser.

7. The Federal Government will also require a fifty-year renewable lease on the balance of State owned land in the amount of sixty-seven acres.

8. Additional information will be provided as required.

FOR THE ADJUTANT GENERAL:


JAMES W. HENDERSON
Brigadier General, SCARNG
Deputy Adjutant General

Incls
As stated

833

The State of South Carolina



Attorney General
DANIEL R. MCLEOD

Attorney General
Columbia

March 21, 1975

Mr. Pat C. Smith
Secretary, State Budget
and Control Board
Room 205
Wade Hampton Office Bldg.
Columbia, SC 29211

Dear Pat:

I am enclosing a Deed which the Adjutant General's Office has requested that my office prepare and have executed by the State Budget and Control Board. The South Carolina Military Department has negotiated with the United States Air Force to exchange thirty (30) acres of unused state property for a more desirable nine (9) acres tract fronting on the Sumter Highway. This nine (9) acres tract will be the site of a new Armory.

I would recommend that the Board sign this Deed and would appreciate very much if you would expeditiously bring this matter before the Board, since the Military Department has federal construction funds committed to the project, which they are afraid they could lose. If you desire any additional information on this project, please feel free to contact me or Richard B. Kale, Jr., of my office. With kindest personal regards, I remain

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dan McLeod".

Daniel R. McLeod
Attorney General

dsa

Enclosure

STATE OF SOUTH CAROLINA
Military Department
OFFICE OF THE ADJUTANT GENERAL
1225 Bluff Road COLUMBIA 29201

/mtw

AGSC-DAG

26 March 1975

SUBJECT: Exchange of State Property for Federal Property

Mr. P. C. Smith
State Auditor
Room 205, Wade Hampton State Office Bldg.
P. O. Box 11333
Columbia, S. C. 29211

1. A requirement exists for a two-hundred man armory at Eastover, South Carolina to house the 51st Aviation Company. The Aviation Facility for maintenance of aircraft is located at McEntire Air Base. The best possible location for the armory is in the vicinity of the Aviation Facility.
2. No private or state lands suitable for the armory are available to the South Carolina Army National Guard. The McEntire Air Base has adequate land, not essential to its operation, on which to construct a South Carolina Army National Guard armory with frontage on Highway 76/378 and near the present Aviation Maintenance Facility. The State must provide the land on which an armory is built. An armory cannot be built on Federal property with the State financing twenty-five percent of the construction costs.
3. The Adjutant General concluded that we would recommend a trade of State owned property located at McEntire, and not suitable for an armory, for Federal property at McEntire which is suitable.
4. The State owns ninety-seven acres, more or less, adjoining McEntire Air Base and acquired in 1957 for the extension of a runway at a cost of \$23,811.00. This acreage is voided for further use by being in the take off and landing zone of jet aircraft. The Federal Government has expended \$410,735.00 for control facility improvements on this tract of State land which is essential in the base operation. There is no lease by the Federal Government of the State owned ninety-seven acres.

AGSC-DAG

26 March 1975

SUBJECT: Exchange of State Property for Federal Property

5. The McEntire Air National Guard Base has a land area of 2301.74 acres. GSA in May 1972 recommended that forty-four acres of the base be reported as excess. The nine acres we propose to get in exchange for thirty acres of the State owned land is a part of this forty-four acre tract. Exhibit D of the enclosed Real Estate Planning Report dated September 1974 will show location of both tracts. Initially we had hoped to trade ninety-seven acres of State land for 30.39 acres of Federal land. An exchange of this monetary amount would require Congressional approval. The now proposed exchange does not. We may recommend further incremental trades in the future. The South Carolina National Guard has a lease on the entire base.

6. The trade off is economically sound. We will acquire for the State, nine acres of prime road frontage with an armory estimated to cost \$550,000.00 with a cost to the State of twenty-five percent of construction cost. The State will give up thirty acres of land of no value except to the operation of the Air Base. It cannot be used otherwise for any purpose so long as the base exists. The lands being exchanged are of equal value as established by a qualified appraiser.

7. The Federal Government will also require a fifty-year renewable lease on the balance of State owned land in the amount of sixty-seven acres.

8. Additional information will be provided as required.

FOR THE ADJUTANT GENERAL:

Incls
As stated

JAMES W. HENDERSON
Brigadier General, SCARNG
Deputy Adjutant General

836

Personal Note

Mr. Pat:

I would appreciate your helping me with the deficiency appropriation for \$10,000.00 to provide roof for Belton Army. I had to evacuate the weapons because of water in the strong room yesterday.

This is a real emergency.

Thanks,
James W. Anderson
Dep. A.G.



EXHIBIT VII
APR 1 1975
BOARD MEMBERS
Lachlan L. Hyatt, Chairman
William M. Wilson, Vice-Chairman
I. DeQuincey Newman, Secretary
W. A. Barnette, Jr.
Leonard W. Douglas, M.D.
J. Lorin Mason, Jr., M.D.
Caroline G. Newhall

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

E. KENNETH AYCOCK, M.D., M.P.H., COMMISSIONER
J. MARION SIMS BUILDING — 2600 BULL STREET
COLUMBIA, SOUTH CAROLINA 29201

March 27, 1975

Mr. Pat C. Smith, Secretary
State Budget and Control Board
P.O. Box 11333
Columbia, SC 29211

Dear Pat:

The Department of Health and Environmental Control has recently signed a 50-year lease with the Forestry Commission for Camp Burnt Gin which is located within the confines of Poinsett State Park in Sumter County. The Crippled Childrens Division of DHEC operates this camp for handicapped children as an integral part of the comprehensive care concept. It affords continuity in the therapeutic regimen with particular emphasis on severely handicapped children coming from financially and culturally deprived families. These children have conditions such as convulsive disorders, residuals of spinal cord injuries causing paralysis, Cerebral Palsy, amputations, hearing problems, heart conditions, etc.

This camp has been in existence for thirty years and serves children on a State-wide basis. It is in the geographic center of the State which is most advantageous in working out transportation arrangements for these children. This camp is in bad need of repairs and we have been able to get approval from the U.S. Public Health Service to use Federal funds appropriated for crippled children programs in the amount of \$79,692 to make renovations and repairs. We are attaching a listing of the renovations and repairs needed and the cost involved.

Your favorable consideration and approval of this request will be appreciated.

Sincerely,

E. Kenneth Aycock, M.D., M.P.H.
Commissioner

EKA/CCS/erc
Attachment

1. Moving 8 Cabins from Mill Creek to Burnt Gin	\$ 11,026
2. Renovation of 2 Bath Houses:	
(a) Unit cost for Bath House Number 1 (the smaller)	11,888
(b) Unit cost for Bath House Number 2 (the larger)	13,598
Sub-Total (Item 2(a) and 2(b))	25,486
3. Reroof 15 Cabins (including Laundry):	
Unit cost per each Cabin (See explanatory note)	2,822
Sub-Total	2,822
Explanatory Note: Unit cost per each cabin may be more or less than sub-total divided by 15. If, at any time, the owner decides not to roof all cabins the amount due the contractor will be the sub-total less the unit cost per cabin times the number of cabins not roofed.	
4. Renovation of 15 Cabins:	
(a) Unit cost per each Cabin having existing ramp	6,559
(b) Unit cost per each Cabin without ramp	8,693
Sub-Total	15,252
Explanatory Note: There are 7 existing cabins which have ramps in place. There are 8 cabins which do not have ramps. These 8 cabins are presently being relocated from Mill Creek Camp to their final location. If, at any time, the owner decides not to renovate all cabins the amount due the contractor will be the sub-total less the unit cost per cabin times the number of cabins not renovated.	
5. Infirmary Renovations:	
(a) Existing on-site Infirmary	5,362
(b) Relocated Infirmary from Mill Creek	2,645
Sub-Total (Item 5(a) and 5(b))	8,007
6. Kitchen Renovation	1,683
7. Laundry Renovation	5,256
8. Construct Ramp/Sidewalk to Lake	7,400
9. Air Condition Dining Hall	2,760
 TOTAL	 \$ 79,692

EXHIBIT VIII
APRIL 1, 1975

A RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

APPROVING THE UNDERTAKING OF THE BOARD OF COUNTY COMMISSIONERS OF SPARTANBURG COUNTY TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF FACILITIES FOR THE MANUFACTURE OF BEARINGS (TO BE LEASED TO ANDREWS BEARING CORPORATION) THROUGH THE ISSUANCE OF \$3,500,000 SPARTANBURG COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS PURSUANT TO ACT NO. 103 OF 1967, AS AMENDED, AND PROVIDING FOR THE PUBLICATION OF NOTICE OF SUCH APPROVAL.

WHEREAS, heretofore the Board of County Commissioners of Spartanburg County (the County Board) did, pursuant to Act No. 103 of the General Assembly of the State of South Carolina for the year 1967, as amended, (the Act), petition the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act, on behalf of Andrews Bearing Corporation (a South Carolina Corporation), and

WHEREAS, the undertaking now proposed consists of the acquisition of a parcel of land and the construction and equipping thereon of facilities for the manufacture of bearings (said tract and the buildings, machinery and equipment constituting said facility being hereinafter referred to as the Project), and leasing the Project to Andrews Bearing Corporation, a South Carolina Corporation (the Lessee). The Project will be financed through the issuance of \$3,500,000 Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) (the Bonds); and

WHEREAS, the Bonds are to be sold to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively, the Purchasers) pursuant to a Loan Agreement (the Loan Agreement) between the County and the Purchasers; and

WHEREAS, the Project will be leased to the Lessee at a rental sufficient to provide for the payment of the Bonds and costs and expenses resulting from the issuance thereof; and

WHEREAS, MPB Corporation, a Delaware corporation, of which Lessee is a wholly owned subsidiary, will enter into a Guaranty and Purchase Agreement with The Chase Manhattan Bank (National Association) as Agent (the Agent) for the Purchasers of the Bonds whereby the Guarantor unconditionally guarantees payment of the principal of and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes subject of Federal income taxation; and

WHEREAS, in order to finance the acquisition, construction and equipping of the Project, the County Board proposes to issue the Bonds in the aggregate principal amount of \$3,500,000 pursuant to a Resolution (the Resolution) and additionally secured by an Assignment of the County's interest under the Lease Agreement to the Agent; and

WHEREAS, the form of the Loan Agreement, Lease Agreement, Guaranty and Purchase Agreement and Resolution have been considered by this Board.

NOW, THEREFOR, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

1. It has been found and determined by the State Board:

(a) That the statement of facts set forth in the recitals of this Resolution are in all respects true and correct.

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the completion of the Project, a general summary of the terms and conditions of the Loan Agreement, the Lease Agreement, the Guaranty Agreement and the Resolution to be made by the County Board and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project will provide employment for approximately 350 persons and will be of benefit to Spartanburg County and adjoining areas.

(d) That the Project is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

(e) That the Project will be operated as facilities for the manufacture of bearings by the Lessee.

(f) The Bonds will be issued as tax exempt bonds by virtue of an election to be made pursuant to the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954.

2. On the basis of the foregoing findings, the proposed undertaking of the County Board to finance the cost of completing the acquisition, construction and equipping of the Project through the issuance of \$3,500,000 Spartanburg County Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Guaranty and Purchase Agreement, Resolution and Assignment, pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the undertaking of Spartanburg County described in paragraph 2, supra, shall be published in THE SPARTANBURG HERALD, which is a newspaper having general circulation in Spartanburg County.

4. The notice to be published shall be in form substantially as set forth in EXHIBIT "A" of this Resolution.

EXHIBIT "A"

NOTICE PURSUANT TO ACT NO. 103 OF
THE ACTS OF THE GENERAL ASSEMBLY
OF SOUTH CAROLINA FOR THE YEAR
1967, AS AMENDED

Notice is hereby given that following the filing of a Petition by the Board of County Commissioners of Spartanburg County (the County Board) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertakings (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), viz:

The acquisition by the County Board of a parcel of land in Spartanburg County, on which the County Board will cause to be constructed facilities for the manufacture of bearings (said tract of land and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$3,500,000 of Spartanburg County Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Andrews Bearing Corporation, a South Carolina corporation (the Lessee) under a Lease Agreement, and the Bonds of Spartanburg County will be payable by the County solely from the rentals to be paid to the County by Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon. In addition, MPB Corporation, a Delaware corporation of which the Lessee is a wholly owned subsidiary, will enter into a Guaranty and Purchase

Agreement with The Chase Manhattan Bank (National Association) as Agent for the Purchasers of the Bonds, pursuant to which MPB Corporation unconditionally guarantees payment of the principal of and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes subject to Federal income taxes.

In addition, Lessee has agreed to pay as additional rentals to Spartanburg County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Spartanburg County, the said School District, and the said other political units wherein the Project is situate, if the Project were owned by Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to Lessee if it were the owner of the Project.

The Lease by which Spartanburg County is leasing the Project to Lessee provides that Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 350 persons.

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 undertaking of the County Board by action de novo instituted in the Court of Common Pleas for Spartanburg County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

Publication Date: _____

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND.

I, P. C. SMITH, Auditor of the State of South Carolina,
and Secretary of the State Budget and Control Board, DO HEREBY
CERTIFY:

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

His Excellency, James B. Edwards, Governor of South
Carolina and Chairman of the Board;

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

The Honorable John Henry Mills, Comptroller General
of South Carolina;

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

The Honorable F. Julian Leamond, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the _____, at Columbia,
South Carolina, at _____, .M., _____, 1975,
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:

That at said meeting, a Resolution, of which the
attached is a true, correct and verbatim copy, was intro-
duced by _____, who moved its adoption, said motion
was seconded by _____, and upon vote being taken and
recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

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

Secretary

_____, 1975.

R149
1967

LAW OFFICES
ROY MCBEE SMITH
P. O. BOX 5306
SUITE 311 MONTGOMERY BUILDING
SPARTANBURG, SOUTH CAROLINA
29301

J. DAVIS KERR (1903-1964)
ROY MCBEE SMITH

PHONE 582-6727
AREA CODE 803

March 3, 1975

Hon. P. C. Smith
State Auditor
State Budget & Control Board
P. O. Box 11333
Columbia, SC 29211

Dear Mr. Smith:

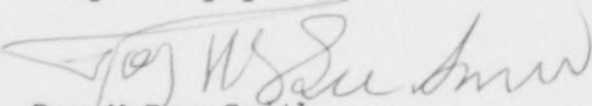
RE: \$3,500,000 Spartanburg County, South Carolina
First Mortgage Industrial Revenue Bonds, Series
1975 (Andrews Bearing Corporation - Lessee)

In regard to the above industrial revenue bond issue,
I now enclose Petition duly executed by the Chairman of the
Spartanburg County Commission on March 3, 1975.

I also enclose copy of Resolution in regard to the
same. Mr. Tom Hutcheson asked that I forward these documents
to you after execution.

With kind regards,

Very truly yours,


Roy McBee Smith

RMS:fer
Enclosures
CC: Mr. Tom Hutcheson
Sinkler, Gibbs Simons & Guerard
P. O. Box 340
Charleston, SC 29402

A SUPPLEMENTAL RESOLUTION
RELATING TO THE FINANCING OF THE ACQUISITION, CONSTRUCTION
AND EQUIPPING OF CERTAIN INDUSTRIAL FACILITIES IN SPARTANBURG
COUNTY (TO BE LEASED TO ANDREWS BEARING CORPORATION) THROUGH
THE ISSUANCE OF THREE MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$3,500,000) OF SPARTANBURG COUNTY, SOUTH CAROLINA, FIRST
MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1975 (ANDREWS
BEARING CORPORATION - LESSEE); AND AUTHORIZING A SUPPLEMENTAL
PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CARO-
LINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO ACT NO.
103 OF THE 1967 ACTS OF THE SOUTH CAROLINA GENERAL ASSEMBLY.

As an incident to the adoption of this Resolution, the
Board of County Commissioners of Spartanburg County (which is
the governing body of the County) (the County Board), has made
the following findings:

1. Heretofore the County Board did agree with Andrews
Bearing Corporation, a South Carolina corporation and a wholly
owned subsidiary of MPB Corporation, a Delaware corporation,
that the County Board would assist in financing the acquisi-
tion, construction and equipping of certain industrial facili-
ties to be used for the manufacture of bearings (including the
acquisition of a parcel of land located in Spartanburg County),
through the issuance of Industrial Revenue Bonds pursuant to
the authorization of Act No. 103 of the 1967 Acts of the South
Carolina General Assembly, as amended (the Act). The County
Board is advised that the proposed industrial project is
dependent upon the assistance which the County might render
through the sale of \$3,500,000 Industrial Revenue Bonds pur-
suant to the Act. It was contemplated that the Bonds would
be publicly sold and that, therefore, in order to enable the
Bonds to be secured by a Guaranty Agreement by MPB Corporation,
it would be necessary that MPB Corporation be the Lessee of
the Project to be financed with the Bonds. It was also
contemplated that the Bonds would be issued pursuant to an
Indenture between the County and a bank acting as Trustee for
the holders of the Bonds. Subsequent negotiations have

- 2 -

resulted in a private sale of the Bonds to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively the Purchasers). As a result of this private placement, it is no longer necessary that MPB be the Lessee of the Project nor is it necessary that there be a Trust Indenture establishing the rights of the bond holders. The negotiations resulting in the private placement also established a maturity schedule and interest rate on the Bonds different from the maturity and interest rate negotiated in connection with the proposed public sale. By Resolution dated November 27, 1974, the County Board authorized a Petition to the State Budget and Control Board of South Carolina (the State Board) requesting the State Board's approval of the proposed financing as then contemplated. The County Board adopts this Resolution to authorize a supplemental Petition to the State Board seeking the State Board's approval of the Bonds in connection with the financing as modified.

2. Andrews Bearing Corporation (the Lessee) will lease the Project from the County pursuant to a Loan Agreement (the Loan). The County will enter into a Loan Agreement with the Purchasers pursuant to which the Bonds will be issued. MPB Corporation (the Guarantor) will enter into a Guaranty and Purchase Agreement with The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank, the Purchasers pursuant to which the Guarantor unconditionally guarantees payment of principal and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes such to Federal Income Taxes. The Bonds will be issued pursuant to a Resolution adopted by the County Board.

3. The County Board has determined that the Project will subserve the purposes of the Act and neither the Project nor the Bonds will give rise to any pecuniary liability of Spartanburg County or a charge against its general credit or taxing power.

4. The amount necessary to finance the Project is Three Million Five Hundred Thousand Dollars (\$3,500,000).

5. The Lessee has submitted to the County Board a draft of the proposed Lease, under which the Lessee will agree to pay as rent the amount necessary to provide the quarterly payments of principal and interest on the Bonds, which will be dated March 1, 1975, and will mature and bear interest as set forth in paragraph 6(d) of the Petition attached hereto.

6. The proposed Lease obligates the Lessee unconditionally to pay the amount necessary to provide the quarterly payments of principal and interest, and premium, if any, to become due on the bonds and to pay other costs in connection therewith and contains an appropriate provision requiring the Lessee to pay in lieu of taxes, such amounts as would otherwise be paid if the Lessee owned the Project.

7. In view of the well-established credit of the Guarantor and its successful arrangements to effect a sale of the Bonds without the establishment of reserve funds for the payment of the principal and interest, no such reserve funds will be established.

8. The bonds will be issued as tax exempt bonds by virtue of an election to be made pursuant to the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SPARTANBURG COUNTY, 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 determines to finance the Project above described, and to authorize the sale of the Bonds by Spartanburg County as aforesaid.

BE IT FURTHER RESOLVED:

That the Supplemental Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Supplemental Petition shall be duly executed by the Chairman of this Board and attested by the County Administrator.

Chairman, Board of County Commis-
sioners of Spartanburg County

(SEAL)

Attest:

County Administrator of
Spartanburg County

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL

BOARD OF SOUTH CAROLINA

SUPPLEMENTAL PETITION

The Supplemental Petition of the Board of County Commissioners of Spartanburg County (the County Board) respectfully shows:

1. The County Board is the governing body of Spartanburg County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Sessions, as amended (the Act).

2. The Act authorizes and empowers the County Board, if it shall comply with the provisions set forth in the Act, to acquire land, buildings, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, constructing and equipping of the same through the issuance of bonds payable from and secured by a pledge of the revenues to be derived from the leasing of such land, buildings, equipment and machinery and other improvements.

3. Heretofore by Petition dated November 27, 1974 (the Original Petition), the County Board sought the approval of the State Budget and Control Board of South Carolina (the State Board) to the financing of certain industrial facilities in Spartanburg County through the issuance of Three Million Five Hundred Thousand Dollars (\$3,500,000) of industrial revenue bonds of the County. The Original Petition contemplated a public sale of the bonds and in that connection, an Indenture

between the County and a Trustee for the bond holders. Such public sale also necessitated that MPB Corporation be the Lessee of the facilities rather than Andrews Bearing Corporation, a wholly owned subsidiary of MPB Corporation, which is, in fact, the entity operating the financed facilities.

By Resolution dated December 12, 1974, the State Board approved the Original Petition, and Notice of such approval was published in the SPARTANBURG HERALD on December 18, 1974. No action has been filed in the Court of Common Pleas of Spartanburg County challenging such approval by the State Board.

Subsequent to the State Board approval as aforesaid, it was determined that the Bonds would be sold privately to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively, the Purchasers) rather than sold publicly. These negotiations also resulted in changed maturity schedule and interest rate, a different Lessee and different or modified documents, none of which were within the scope of the State Board approval previously obtained. The County Board now submits this Supplemental Petition to the State Board in order to set forth the information required by the Act in relation to the proposed financing as its particulars have now been determined.

4. The County Board has agreed with Andrews Bearing Corporation, a South Carolina corporation (the Lessee) that the County Board will undertake to finance the acquisition, constructing and equipping of industrial facilities located in Spartanburg County, through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection, the

County Board has agreed to accept a conveyance of the parcel of land on which the new industrial facilities will be located, and the County Board has agreed to issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee), pursuant to the Act in order to finance the acquisition, constructing and equipping of the facilities which, when completed, will provide facilities for the manufacture of bearings (said facilities being hereinafter referred to as the Project).

5. The County Board is advised by the Lessee that the cost of acquiring the said land and the cost of constructing a building thereon, and the cost of acquiring and installing the necessary machinery and equipment will amount to approximately Three Million Five Hundred Thousand Dollars (\$3,500,000) and that, therefore, in order to finance the acquisition, constructing and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) (the Bonds).

6. The Bonds will be sold to the Purchasers pursuant to a Loan Agreement (the Loan Agreement) between the County and The Chase Manhattan Bank (National Association) as agent for the Purchasers. Payment of the principal and interest on the Bonds will be guaranteed by MPB Corporation, a Delaware corporation (the Guarantor) pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers. The Guaranty and Purchase Agreement also provides that the Guarantor will purchase the Bonds from the Purchasers in the event interest on the Bonds become such to Federal Income Taxes.

7. When complete, the Project will employ approximately 350 persons.

8. For the reasons above set forth and hereinafter disclosed, the County Board has found:

(a) The proposed Project will subserve the purposes of the Act.

(b) By reason of undertaking the Project, no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing power.

(c) The proposed Lease between the County and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds.

(d) The Bonds will be dated March 1, 1975, and will mature in eighteen consecutive, substantially equal quarterly installments beginning December 31, 1977, and will bear interest at 80% of the Prime Rate to large business in effect from time to time at The Chase Manhattan Bank (National Association).

(e) The terms of the Lease will require the Lessee to carry proper insurance and to pay all costs of maintaining the Project in good repair.

9. Pursuant to Section 14 of the Act, the County Board sets forth the following information:

(a) The Project to be undertaken consists of the acquisition of a parcel of land located in Spartanburg County, South Carolina and the construction and equipping of an appropriate building thereon which will constitute a facility for the manufacture of bearings.

(b) The Project will provide employment during the period of its construction and when completed will provide permanent employment for approximately 350 persons. It is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project will amount to approximately \$3,500,000, including the cost of acquiring the said land, the construction of the necessary building thereon, and all other expenses to be incurred in connection therewith.

10. The proposed Lease, a draft copy of which is presented herewith, will provide, among other things, the following:

(a) To finance the cost of the acquisition and construction of the Project the County will issue \$3,500,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee. Such rents will be assigned to The Chase Manhattan Bank (National Association) as agent for the Purchasers.

(b) The proceeds derived from the sale of the Bonds will be deposited with First National Bank of South Carolina and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, constructing and equipping of the Project, and the issuance of the Bonds.

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments to Spartanburg County, to any School District in Spartanburg County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Spartanburg County, by any such School District, and by said political units if the Project were owned by the Lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the Lessee were it the owner of the Project.

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

11. The payment of the Bonds will be unconditionally guaranteed by the Guarantor pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers.

12. The County Board will adopt a Resolution (the Resolution) providing for the issuance of the Bonds. The Resolution makes provision for the issuance of Three Million Five Hundred Thousand Dollars (43,500,000) of Bonds referred to above, and for the issuance of additional bonds thereunder. It provides for the payment and redemption of the Bonds and additional bonds.

13. The proposed Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution (draft copies of which are enclosed herein) will be in the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking 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 Supplemental Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such

result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 13 of the -Act.

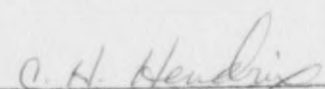
Respectfully submitted,

BOARD OF COUNTY COMMISSIONERS
OF SPARTANBURG COUNTY

(SEAL)

By 
Chairman

Attest:


County Administrator of
Spartanburg County

March 3, 1975

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

I, the undersigned, County Administrator of Spartanburg County, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Resolution unanimously adopted by the said Board at a duly called and regularly held meeting at which the following members attended and remained throughout on March 3, 1975:

James O. Thomason, M. L. Workman,
V. C. Bailey, Joe F. Watson

That the said Resolution was proposed by James O. Thomason and seconded by M. L. Workman, and the same is now in full force and effect and has not been modified, amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and the Seal of the said County Board this 3 day of March, A. D., 1975.

(SEAL)

C. H. Hendrix
County Administrator of
Spartanburg County

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

SUPPLEMENTAL PETITION

The Supplemental Petition of the Board of County Commissioners of Spartanburg County (the County Board) respectfully shows:

1. The County Board is the governing body of Spartanburg County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Sessions, as amended (the Act).

2. The Act authorizes and empowers the County Board, if it shall comply with the provisions set forth in the Act, to acquire land, buildings, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, constructing and equipping of the same through the issuance of bonds payable from and secured by a pledge of the revenues to be derived from the leasing of such land, buildings, equipment and machinery and other improvements.

3. Heretofore by Petition dated November 27, 1974 (the Original Petition), the County Board sought the approval of the State Budget and Control Board of South Carolina (the State Board) to the financing of certain industrial facilities in Spartanburg County through the issuance of Three Million Five Hundred Thousand Dollars (\$3,500,000) of industrial revenue bonds of the County. The Original Petition contemplated a public sale of the bonds and in that connection, an Indenture

between the County and a Trustee for the bond holders. Such public sale also necessitated that MPB Corporation be the Lessee of the facilities rather than Andrews Bearing Corporation, a wholly owned subsidiary of MPB Corporation, which is, in fact, the entity operating the financed facilities.

By Resolution dated December 12, 1974, the State Board approved the Original Petition, and Notice of such approval was published in the SPARTANBURG HERALD on December 18, 1974. No action has been filed in the Court of Common Pleas of Spartanburg County challenging such approval by the State Board.

Subsequent to the State Board approval as aforesaid, it was determined that the Bonds would be sold privately to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively, the Purchasers) rather than sold publicly. These negotiations also resulted in changed maturity schedule and interest rate, a different Lessee and different or modified documents, none of which were within the scope of the State Board approval previously obtained. The County Board now submits this Supplemental Petition to the State Board in order to set forth the information required by the Act in relation to the proposed financing as its particulars have now been determined.

4. The County Board has agreed with Andrews Bearing Corporation, a South Carolina corporation (the Lessee) that the County Board will undertake to finance the acquisition, constructing and equipping of industrial facilities located in Spartanburg County, through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection, the

County Board has agreed to accept a conveyance of the parcel of land on which the new industrial facilities will be located, and the County Board has agreed to issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee), pursuant to the Act in order to finance the acquisition, constructing and equipping of the facilities which, when completed, will provide facilities for the manufacture of bearings (said facilities being hereinafter referred to as the Project).

5. The County Board is advised by the Lessee that the cost of acquiring the said land and the cost of constructing a building thereon, and the cost of acquiring and installing the necessary machinery and equipment will amount to approximately Three Million Five Hundred Thousand Dollars (\$3,500,000) and that, therefore, in order to finance the acquisition, constructing and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) (the Bonds).

6. The Bonds will be sold to the Purchasers pursuant to a Loan Agreement (the Loan Agreement) between the County and The Chase Manhattan Bank (National Association) as agent for the Purchasers. Payment of the principal and interest on the Bonds will be guaranteed by MPB Corporation, a Delaware corporation (the Guarantor) pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers. The Guaranty and Purchase Agreement also provides that the Guarantor will purchase the Bonds from the Purchasers in the event interest on the Bonds become such to Federal Income Taxes.

7. When complete, the Project will employ approximately 350 persons.

8. For the reasons above set forth and hereinafter disclosed, the County Board has found:

(a) The proposed Project will subserve the purposes of the Act.

(b) By reason of undertaking the Project, no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing power.

(c) The proposed Lease between the County and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds.

(d) The Bonds will be dated March 1, 1975, and will mature in eighteen consecutive, substantially equal quarterly installments beginning December 31, 1977, and will bear interest at 80% of the Prime Rate to large business in effect from time to time at The Chase Manhattan Bank (National Association).

(e) The terms of the Lease will require the Lessee to carry proper insurance and to pay all costs of maintaining the Project in good repair.

9. Pursuant to Section 14 of the Act, the County Board sets forth the following information:

(a) The Project to be undertaken consists of the acquisition of a parcel of land located in Spartanburg County, South Carolina and the construction and equipping of an appropriate building thereon which will constitute a facility for the manufacture of bearings.

(b) The Project will provide employment during the period of its construction and when completed will provide permanent employment for approximately 350 persons. It is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project will amount to approximately \$3,500,000, including the cost of acquiring the said land, the construction of the necessary building thereon, and all other expenses to be incurred in connection therewith.

10. The proposed Lease, a draft copy of which is presented herewith, will provide, among other things, the following:

(a) To finance the cost of the acquisition and construction of the Project the County will issue \$3,500,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee. Such rents will be assigned to The Chase Manhattan Bank (National Association) as agent for the Purchasers.

(b) The proceeds derived from the sale of the Bonds will be deposited with First National Bank of South Carolina and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, constructing and equipping of the Project, and the issuance of the Bonds.

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments to Spartanburg County, to any School District in Spartanburg County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Spartanburg County, by any such School District, and by said political units if the Project were owned by the Lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the Lessee were it the owner of the Project.

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

11. The payment of the Bonds will be unconditionally guaranteed by the Guarantor pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers.

12. The County Board will adopt a Resolution (the Resolution) providing for the issuance of the Bonds. The Resolution makes provision for the issuance of Three Million Five Hundred Thousand Dollars (43,500,000) of Bonds referred to above, and for the issuance of additional bonds thereunder. It provides for the payment and redemption of the Bonds and additional bonds.

13. The proposed Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution (draft copies of which are enclosed herein) will be in the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays:

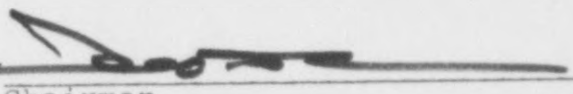
That the State Budget and Control Board accept the filing of this Supplemental Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such

result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 13 of the -Act.

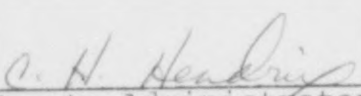
Respectfully submitted,

BOARD OF COUNTY COMMISSIONERS
OF SPARTANBURG COUNTY

(SEAL)

By 
Chairman

Attest:


County Administrator of
Spartanburg County

March 3, 1975

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

I, the undersigned, County Administrator of Spartanburg County, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Resolution unanimously adopted by the said Board at a duly called and regularly held meeting at which the following members attended and remained throughout on March 3, 1975:

James O. Thomason, M. L. Workman,
V. C. Bailey, J. F. Watson

That the said Resolution was proposed by James O. Thomason and seconded by M. L. Workman, and the same is now in full force and effect and has not been modified, amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and the Seal of the said County Board this 3 day of March, A. D., 1975.

(SEAL)

C. H. Hendrix
County Administrator of
Spartanburg County

The State of South Carolina



Office of the Attorney General

KAREN LeCRAFT HENDERSON
ASSISTANT ATTORNEY GENERAL

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

DANIEL R. McLEOD
ATTORNEY GENERAL

JOSEPH C. COLEMAN
DEPUTY ATTORNEY GENERAL

March 31, 1975

Honorable P. C. Smith
State Auditor
Wade Hampton Office Building
Columbia, SC 29211

Re: \$3,500,000 Spartanburg County, South Carolina
Industrial Revenue Bonds, Series 1975 (Andrews
Bearing Corporation - Lessee)

Dear Mr. Smith:

Regarding the above referenced bonds, our Office has reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Act No. 103 of 1967 and the same appear, in our opinion, to be in order.

With kindest regards,

A handwritten signature in cursive script that reads 'Karen Le Craft Henderson'.

Karen LeCraft Henderson
Assistant Attorney General

KLH:csb



MPB Corporation

PRECISION PARK, KEENE, NEW HAMPSHIRE 03431
TELEPHONE: 603-352-0310
TWX: 710-366-1801

March 4, 1975

The Honorable P. C. Smith
P O Box 11333
Columbia, South Carolina 29211

Re: Spartanburg County Industrial Revenue
Bonds - Andrews Bearing Corporation -
Lessee

Dear Sir:

In response to a request from Thomas Hutcheson of Sinkler, Gibbs, Simons & Guerard we submit the financial statements and data published by MPB Corporation since its annual report to shareholders for the fiscal year ended March 31, 1974. Enclosed are the following:

Form 10-K for the year ended March 31, 1974
Form 10-Q for the quarter ended June 30, 1974
Form 8-K for the month of August, 1974
Form 10-Q for the quarter ended Sept 29, 1974
Form 8-K for the month of September, 1974
Form 10-Q for the quarter ended Dec 29, 1974
Form 8-K for the month of January, 1975
Quarterly reports to shareholders for the quarters
ended June 30, 1974, September 29, 1974 and
December 29, 1974.

Andrews Bearing Corporation is a wholly owned subsidiary of MPB Corporation and consolidated in these financials.

Very truly yours,

William S. Abbott,
Assistant to the Treasurer

WSA/mdm

cc: John S Mechem, Esq.
Thomas A Hutcheson, Esq.
Donald D Davis

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 1974

Commission File Number 0-1544

MPB CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

02-0211595
(I.R.S. Employer
Identification No.)

Precision Park, Keene, New Hampshire
(Address of principal executive
offices)

03431
(Zip Code)

Registrant's telephone number, including area code: (603)-352-0310

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$ 1 par value

Name of each exchange on
which registered
American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$ 1 par value
(prior to listing on American Stock Exchange)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

PART I

Item 1. Business

MPB Corporation (herein with its Subsidiaries called "MPB") is a manufacturer and distributor of specialty products in the field of motion and power transmission. Management believes that MPB is one of the largest producers of miniature precision ball bearings in the United States. In addition, MPB produces and sells a wide variety of instrument precision ball bearings, larger ball bearings, roller bearings, fractured race bearings, ball and roller thrust bearings, rod end and spherical bearings, precision stampings, precision mechanical, electro-mechanical and mechanical-optical assemblies, roll forming equipment and dies, laminated metals and shims, motor laminations, specialty metallic and plastic stampings and precision metal strip stock and machinery adhesives and sealants.

On November 30, 1973, MPB acquired New Hampshire Industries, Inc., located in Lebanon, New Hampshire, and thereby added to its line of products idler pulleys and sprockets for agricultural and construction machinery, lawn and garden equipment, material handling equipment, packaging machinery, aircraft, automotive and recreational vehicles and the elevator industry. These products are marketed through a network of technically oriented manufacturer's representatives. This activity, which is now conducted by MPB through its New Hampshire Industries Division, currently employs approximately 40 full-time employees.

MPB is primarily a manufacturer of components for equipment manufacturers and of products and parts for the replacement market. Sales are generally made through its own sales engineers and, to a lesser extent, through independent distributors and manufacturer's representatives. During fiscal 1974, distribution of products through manufacturer's representatives was significantly increased.

MPB encounters a high degree of competition in its precision type bearings and bearing using assemblies which accounted for approximately 53% of MPB's revenues for fiscal 1974. These competitive influences are divided into two broad categories consisting of standard catalog items and specially designed products for highly technical applications. Standard catalog items account for less than 20% of the volume of the precision type products with price and availability being the principal determining factors; whereas product performance and customer engineering services are of greater significance for the specially designed products. Competition on the special products is primarily encountered on an application to application basis.

An additional 27% of MPB's revenues during fiscal 1974 were derived from industrial type bearings and bearing using assemblies. Slightly over half of the items contained in this class of products consists of standard catalog items where price and delivery are major considerations; and aggressive competition is experienced from several domestic competitors. The balance of the products are special and compete on the basis of engineering capability and customer service; and the competition here is less intense.

The intensity of competition in the sale of MPB's other products, which accounted for the remaining 20% of revenues in fiscal 1974, varies widely depending upon the particular application involved.

At March 31, 1974, MPB's backlog of unfilled orders was approximately \$ 23,033,000 as compared to \$ 14,247,000 at the end of the previous fiscal year. Management anticipates that more than 90% of the backlog at March 31, 1974 will be filled during the current fiscal year. Management estimates that less than 25% of MPB's net sales in the fiscal year ended March 31, 1974 were for ultimate use by the United States Government, approximately one half of which were for military end use.

MPB obtains its parts and materials from a number of suppliers, no one of which accounted for more than 4% of MPB's purchases during its last fiscal year. Management believes that parts and materials required for MPB's operations are readily available although where synthetic materials use petroleum based products, deliveries are occasionally unpredictable and may cause minor disruptions.

MPB owns or is a licensee under a number of patents. While management believes that one of these patents may be significant in its rod end series, it does not believe that any single patent plays a material part in MPB's operations as a whole.

During the fiscal year ended March 31, 1974, MPB spent approximately \$ 981,000 on company-sponsored research activities relating to the development of new products or services and the improvement of existing products and services compared with \$ 770,000 in the prior year. At March 31, 1974, MPB employed approximately 52 graduate engineers in this work compared with 50 at the end of its prior fiscal year.

At March 31, 1974, MPB employed approximately 1,700 persons.

During MPB's last five fiscal years, the only products manufactured and sold by MPB which produced more than 15% of total revenues in either of the last two fiscal years were the following:

<u>Product</u>	<u>% Total Revenue</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Precision Type Bearings and Bearing Using Assemblies	67%	64%	56%	54%	53%
Industrial Type Bearings and Bearing Using Assemblies	27%	28%	26%	24%	27%
Stampings	1%	6%	9%	12%	18%

MPB has approximately 4,500 active customers. In the fiscal year ended March 31, 1974, the ten largest customers accounted for approximately 21.0% of net sales with no single customer accounting for as much as 4.6% of net sales.

In the fiscal year ended March 31, 1974, approximately 8% of MPB's net sales were derived from customers outside the United States and Canada. Management believes that the profit realized from such sales is approximately the same as the profit realized from its other sales and that risks involved in such operations are not substantially greater than risks from operations within the United States and Canada. Energy problems in Europe are substantially greater than in the United States, but MPB has not experienced any significant difficulties to date. The three day work week which was in effect in England during the period from January through March of 1974, created some temporary problems but had no material adverse effect on MPB's operations as a whole.

Item 2. Summary of Operations.

The following consolidated statements of income, additional paid in capital and retained earnings of MPB Corporation and Subsidiaries for the five years ended March 31, 1974 have been examined by Harris, Kerr, Forster & Company, independent certified public accountants, as set forth in their report included in this annual report. These statements should be read in conjunction with the other financial statements and the notes relating thereto appearing elsewhere in this annual report.

MPB Corporation and Subsidiaries

CONSOLIDATED INCOME STATEMENTS

For the Five Years ended March 31, 1974

	<u>March 31,</u> <u>1974</u>	<u>March 25,</u> <u>1973</u>	<u>March 26,</u> <u>1972</u>	<u>March 28,</u> <u>1971 (A)</u>	<u>March 29,</u> <u>1970</u>
Net Sales	\$ 36,918,773	\$ 30,336,700	\$ 26,343,458	\$ 20,809,679	\$ 21,887,212
Cost of Goods Sold					
Beginning Inventories	8,604,391	7,873,612	7,825,520	6,666,985	5,978,453
Material Used	9,478,551	6,714,114	5,541,134	3,811,472	3,232,455
Manufacturing Costs	18,648,411	15,666,582	13,382,867	11,445,342	12,426,170
	36,731,353	30,254,308	26,749,521	21,923,799	21,637,078
Less: Ending Inventories	10,579,061	8,604,391	7,873,612	7,825,520	6,666,985
	26,152,292	21,649,917	18,875,909	14,098,279	14,970,093
Gross Manufacturing Income	10,766,481	8,686,783	7,467,549	6,711,400	6,917,119
Selling, General and Administrative Expenses	6,123,269	5,202,486	4,762,042	4,050,768	3,882,876
Provision for Doubtful Accounts	54,606	14,925	33,188	56,814	2,559
	6,177,875	5,217,411	4,795,230	4,107,582	3,885,435
Operating Income	4,588,606	3,469,372	2,672,319	2,603,818	3,031,684
Other Income					
Interest - Short-Term Investments	18,527	24,625	7,684	10,230	10,017
Translation Gain on Foreign Exchange	684	-	37,308	-	-
Gain on Sale of Land	-	-	69,720	-	-
Miscellaneous	110,345	115,876	150,306	95,249	69,541
	129,556	140,501	265,018	105,479	79,558
Other Expenses					
Interest	468,254	262,567	325,920	272,840	255,864
Amortization of Debt Expense	2,196	2,528	3,306	3,984	4,712
Translation Loss on Foreign Exchange	-	18,808	-	-	-
Miscellaneous	451,119	131,514	109,977	116,780	111,024
	921,569	415,417	439,203	393,604	371,600
Income Before Income Taxes	3,796,593	3,194,456	2,498,134	2,315,693	2,739,642
Provision for Federal and Foreign Income Taxes	1,587,417	1,366,541	1,035,592	1,003,069	1,350,237
Provision for State Income Taxes	253,954	224,936	162,575	139,553	76,489
	1,841,371	1,591,477	1,198,167	1,142,622	1,426,726
Net Income	\$ 1,955,222	\$ 1,602,979	\$ 1,299,967	\$ 1,173,071	\$ 1,312,916
Net Income Per Share*	\$ 1.96	\$ 1.60	\$ 1.29	\$ 1.16	\$ 1.27
*Based on the Weighted Average Number of Shares Outstanding During Each Year as Follows:	996,684	1,003,048	1,006,972	1,008,454	1,035,256

Note - Reference is made to the Notes to Consolidated Financial Statements.

(A) For the fiscal year ended March 28, 1971, sales and net income declined from the levels attained in the previous year. Commencing in the early fall of 1970, MPB's business turned downward under the weight of a weak general economy, a depressed aerospace industry and further penetration of foreign imports into the miniature and precision instrument bearing market.

MPB Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF ADDITIONAL PAID IN CAPITAL

AND RETAINED EARNINGS

For the Five Years ended March 31, 1974

	<u>March 31,</u> <u>1974</u>	<u>March 25,</u> <u>1973</u>	<u>March 26,</u> <u>1972</u>	<u>March 28,</u> <u>1971</u>	<u>March 29,</u> <u>1970</u>
<u>Additional Paid In Capital</u>					
Balance at Beginning of Year	\$ 6,925,187	\$ 6,919,240	\$ 6,917,410	\$ 6,917,410	\$ 5,734,184
Add: Restate Treasury Shares to Cost	-	-	-	-	74,572
Reduction of the Par Value of Common Shares from \$ 2 to \$ 1	-	-	-	-	1,079,628
Excess of Proceeds Over Par Value of Shares Sold on Exercise of Options (Note 2)	<u>-</u>	<u>5,947</u>	<u>1,830</u>	<u>-</u>	<u>29,026</u>
Balance at End of Year	\$ <u>6,925,187</u>	\$ <u>6,925,187</u>	\$ <u>6,919,240</u>	\$ <u>6,917,410</u>	\$ <u>6,917,410</u>
<u>Retained Earnings</u>					
Balance at Beginning of Year	\$ 10,348,871	\$ 9,061,543	\$ 8,066,197	\$ 7,195,187	\$ 6,139,195
Add: Net Income for the Year	<u>1,955,222</u>	<u>1,602,979</u>	<u>1,299,967</u>	<u>1,173,071</u>	<u>1,312,916</u>
	12,304,093	10,664,522	9,366,164	8,368,258	7,452,111
Deduct: Cash Dividends (Note 3)	398,789	315,651	304,621	302,061	256,924
Excess Cost Over Proceeds of Treasury Stock Sold Upon Exercise of Options (Note 2)	<u>293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at End of Year	\$ <u>11,905,011</u>	\$ <u>10,348,871</u>	\$ <u>9,061,543</u>	\$ <u>8,066,197</u>	\$ <u>7,195,187</u>
Note 1 - Reference is made to Note 8 of Notes to Consolidated Financial Statements.					
Note 2 - Number of Shares Sold	1,300	780	240	-	7,780
Proceeds	\$ 11,212	\$ 6,727	\$ 2,070	\$ -	\$ 36,806
Note 3 - Cash Dividends Per Share	\$.40	\$.3150	\$.3025	\$.30	\$.25

Item 3. Properties.

Information relating to MPB's principal facilities is set forth below:

<u>Type of Facility and Location</u>	<u>Type of Construction</u>	<u>Number of Square Feet</u>	<u>Years of Original Construction and Subsequent Additions</u>
Corporate Headquarters and Manufacturing Plant, Miniature Precision Bearings Division Keene, New Hampshire	Steel Frame and Concrete Block	76,200	1956, 1958, 1966
Technical Center Keene, New Hampshire	Steel Frame and Concrete Block	38,000	1959
Manufacturing Plant, Split Ballbearing Division Lebanon, New Hampshire	Steel Frame and Concrete Block	77,000	1958, 1965, 1966, 1973
Manufacturing Plant, New Hampshire Industries Division Lebanon, New Hampshire See Note (1)	Steel Frame and Concrete Block	26,000	1961, 1967, 1969
Manufacturing Plant, Alinabal Division Milford, Connecticut See Note (2)	Steel Frame and Panel and Concrete Block	113,000	1966, 1974
Assembly Plant, MPB Europa, B.V. Medemblik The Netherlands	Brick	10,000	1965, 1970
Manufacturing Plant Andrews Bearing Corporation Spartanburg, South Carolina See Note (3)	Brick	43,000	1957
Vacant Land Spartanburg South Carolina See Note (3)			
Manufacturing Plant, former Laminated Shim Division Glenbrook, Connecticut See Note (2)	Masonry with Brick and Block	81,000	1939 Most Recent Addition 1967

<u>Type of Facility and Location</u>	<u>Type of Construction</u>	<u>Number of Square Feet</u>	<u>Years of Original Construction and Subsequent Additions</u>
Manufacturing Plant, MPB Lamsco West, Inc. Distribution and Sales Glendale, California	Masonry with Block	33,000	1964
Manufacturing Plant, Kinefac Corporation Worcester, Massachusetts	Brick	7,000	1895
Manufacturing Plant, MPB Corporation Distribution and Sales Bourne End, Bucks, England	Brick	5,000	About 1964

Note (1) This plant in Lebanon, New Hampshire was acquired on November 30, 1973 as part of the acquisition of the business of New Hampshire Industries, Inc.

Note (2) In February of 1974, an 88,000 square foot addition to the plant in Milford, Connecticut, previously occupied by MPB's Wafe Bearing Products Division, was completed. In fiscal 1974, MPB combined its Laminated Shim Division with its Wafe Bearing Products Division into a single division known as the Alinabal Division. In addition, MPB moved the operations of the former Laminated Shim Division from the plant in Glenbrook, Connecticut to the newly expanded plant in Milford. The manufacturing plant in Glenbrook is currently vacant and is for sale.

Note (3) In October, 1973, 26 acres of vacant land in Spartanburg, South Carolina were purchased as the site for a new manufacturing facility for MPB's Andrews Bearing subsidiary. Engineering design work for a new plant commenced in January, 1974. Construction of a new 95,000 square foot plant, which will increase Andrew's production capacity by 50%, has been authorized by the Board of Directors at a cost of approximately \$ 2,000,000. Occupancy is scheduled for fiscal 1976. It is presently intended to dispose of the old plant in Spartanburg.

With the exception of Glendale, California, Worcester, Massachusetts and Bourne End, England, MPB owns all of the facilities listed above.

The terms of the leases are as follows:

Glendale, California

\$ 17,940 annually expiring September 30, 1979

Bourne End, England

\$ 8,100 annually expiring November 1, 1985

Worcester, Massachusetts

\$ 9,012 annually expiring July 31, 1974

Management believes that the above facilities together with machinery and equipment contained therein are in good condition and are adequate for MPB's current needs.

Item 4. Parents and Subsidiaries.

MPB has four Subsidiaries, all of which are wholly-owned and included in the consolidated financial statements.

<u>Name</u>	<u>Incorporated Under the Laws of</u>
M.P.B. (Europa) B.V.	The Netherlands
Andrews Bearing Corporation	South Carolina
Kinefac Corporation	Massachusetts
MPB Lamsco West, Inc.	California

Item 5. Pending Legal Proceedings.

None

Item 6. Increases and Decreases in Outstanding Securities.

<u>(a) Common Stock, \$ 1 Par Value</u>	<u>Number of Shares</u>
Outstanding at Beginning of Year	996,558
Add: Sold on Various Dates During Fiscal Year upon Exercise of Options	<u>1,300</u>
Outstanding at End of Year	<u>997,858</u>

(b) During the fiscal year ended March 31, 1974, an aggregate of 1,300 shares of Common Stock were sold to three employees upon the exercise of options granted under MPB's Qualified Stock Option Plan as follows:

<u>Date of Sale</u>	<u>Number of Shares</u>	<u>Purchase Price</u>	<u>Market Value on Date of Sale</u>
July 27, 1973	80	\$ 8.625	\$ 10.375
September 20, 1973	100	8.625	10.00
March 28, 1974	<u>1,120</u>	8.625	10.75
	<u>1,300</u>		

No brokers, underwriters or finders were involved. The purchasers of the foregoing shares represented that they were purchasing the same without any view to the distribution thereof in violation of the registration requirements of the Securities Act of 1933. Accordingly, such transactions were exempt from the registration requirements of said Act under Section 4(2) thereof as "transactions by an issuer not involving any public offering." Certificates for the foregoing securities were not legended and stock transfer instructions were not given in connection therewith because not required by law.

See MPB's report on Form 10-Q for the quarter ended December 23, 1973, as amended by Amendment No. 1 on Form 8, for information with respect to the issuance on November 30, 1973 of \$ 1,494,645.83 principal amount of 6% Notes, due November 30, 1980.

Item 7. Approximate Number of Equity Security Holders.

<u>Title of Class</u>	<u>Approximate Number of Record Holders on May 10, 1974</u>
Preferred Stock	None
Common Stock	2,730

Item 8. Executive Officers of the Registrant.

(a) The executive officers of MPB are elected annually by the Directors. There is no family relationship between any of them.

<u>Name</u>	<u>Age</u>	<u>Office</u>	<u>Officer Since</u>	<u>Other Positions with Registrant</u>
Horace D. Gilbert	63	Chairman of the Board	1946	Director
William M. Scranton	53	President	1951	Director
Donald D. Davis	59	Senior Vice President, Secretary and Treasurer	1959	Director
Emil J. Karkut	58	Senior Vice President- Operations	1969	
David A. Brockway	45	Vice President- Marketing	1972	

(b) All of the executive officers of MPB have been officers and employees for more than five years except for David A. Brockway who joined MPB as an employee and officer on January 11, 1972. For the three years prior to joining MPB, Mr. Brockway was Vice President-Marketing of Rockwell Standard Division, Rockwell International, 1000 West Maple Street, Troy, Michigan 48084.

Item 9. Indemnification of Directors and Officers

See Item 9 of Form 10-K for fiscal year ended March 28, 1971, as amended by Amendment No. 1 on Form 8 filed on February 22, 1972.

Item 10. Financial Statements and Exhibits.

(a) Financial Statements

MPB Corporation

The individual financial statements of the Registrant are omitted since the consolidated financial statements of the Registrant and all its subsidiaries are being filed and the Registrant is primarily an operating company.

MPB Corporation and Subsidiaries

Report of Independent Certified Public Accountants

Consolidated Balance Sheet as of March 31, 1974 and March 25, 1973

Consolidated Statement of Changes in Financial Position for the Years ended March 31, 1974 and March 25, 1973

Notes to Consolidated Financial Statements

Included in Item 2 Herein

Statements of Income for the Five Years ended March 31, 1974

Statements of Additional Paid In Capital and Retained Earnings for the Five Years ended March 31, 1974

List of Schedules Included

Schedule V - Property, Plant and Equipment

Schedule VI - Reserves for Depreciation, Depletion and Amortization of Property, Plant and Equipment

Schedule VII - Intangible Assets

Schedule IX - Bonds, Mortgages and Similar Debt

Schedule XII - Reserves

Schedule XIII - Capital Shares

Schedule XVI - Supplementary Income Statement Information

List of Schedules Omitted

Schedules I, II, III, IV, VIII, X, XI, XIV, XV and XVII are omitted because they are not required, or are not applicable.

(b) Exhibits

None.

Item 10. Financial Statements and Exhibits.

(a) Financial Statements

MPB Corporation

The individual financial statements of the Registrant are omitted since the consolidated financial statements of the Registrant and all its subsidiaries are being filed and the Registrant is primarily an operating company.

MPB Corporation and Subsidiaries

Report of Independent Certified Public Accountants

Consolidated Balance Sheet as of March 31, 1974 and March 25, 1973

Consolidated Statement of Changes in Financial Position for the Years ended March 31, 1974 and March 25, 1973

Notes to Consolidated Financial Statements

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Schedule V - Property, Plant and Equipment

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Schedule XII - Reserves

Schedule XIII - Capital Shares

Schedule XVI - Supplementary Income Statement Information

List of Schedules Omitted

Schedules I, II, III, IV, VIII, X, XI, XIV, XV and XVII are omitted because they are not required, or are not applicable.

(b) Exhibits

None.

PART II

Items 11 through 15, inclusive.

The Registrant, since the close of its fiscal year ended March 31, 1974, has filed with the Commission pursuant to Regulation 14A a definitive proxy statement which involved the election of Directors.

* * * * *

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 21, 1974

MPB CORPORATION

By /s/ Donald D. Davis
Donald D. Davis
Senior Vice President-Finance

HARRIS, KERR, FORSTER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

THREE CENTER PLAZA, BOSTON, MASSACHUSETTS 02108

OFFICES IN PRINCIPAL CITIES
OF THE UNITED STATES

(617) 723-8510
CABLE "HARKERFOR BOSTON"

PANNELL KERR FORSTER & COMPANY
IN AREAS OF THE WORLD
OUTSIDE THE UNITED STATES

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders
MPB Corporation
Keene, New Hampshire

We have examined the consolidated balance sheet and related schedules of MPB Corporation and Subsidiaries as of March 31, 1974 and March 25, 1973 and the statements of income, additional paid in capital and retained earnings for the five years ended March 31, 1974 and the statement of changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements, together with the notes pertaining thereto, present fairly the financial position of MPB Corporation and Subsidiaries as of March 31, 1974 and the results of their operations and changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HARRIS, KERR, FORSTER & COMPANY

Boston, Massachusetts
June 21, 1974 as of May 1, 1974

MPB Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

<u>Assets</u>	<u>March 31, 1974</u>	<u>March 25, 1973</u>
Current Assets		
Cash	\$ 296,878	\$ 281,978
Cash - Compensating Balances (Note 4)	905,000	200,000
Certificates of Deposit Plus Accrued Interest	-	500,705
Marketable Securities, at Cost Plus Accrued Interest (which Approximates Market)	-	400,697
Accounts Receivable		
Trade	\$ 7,436,583	\$ 5,727,874
Less: Allowance for Doubtful Accounts - Schedule XII	142,486	107,700
	7,294,097	5,620,174
Other	60,251	171,201
	7,354,348	5,791,375
Inventories (Note 1)		
Finished Goods	1,986,456	1,635,088
Work in Process	5,270,697	4,458,164
Materials and Supplies	3,667,852	2,786,999
	10,925,005	8,880,251
Prepaid Expenses	219,742	157,596
Total Current Assets	19,700,973	16,212,602
Property, Plant and Equipment, at Cost (Note 1) - Schedules V and VI		
Land	948,336	701,382
Land and Leasehold Improvements	220,152	173,015
Buildings and Improvements	7,369,600	5,663,831
Machinery and Equipment	11,744,143	9,901,290
Furniture and Equipment	661,187	576,804
Motor Vehicles	97,949	96,301
	21,041,367	17,112,623
Less: Accumulated Depreciation	8,978,502	8,148,210
	12,062,865	8,964,413
Intangible Assets (Note 1) - Schedule VII		
Patents - Unamortized Cost	8,204	9,816
Goodwill - Unamortized Cost	513,598	320,000
Excess of Cost of Subsidiary Over Book Value of Under- lying Net Assets at Acquisition - Unamortized Cost	287,112	305,056
Non-Competition Agreement - Unamortized Cost	35,000	45,000
	843,914	679,872
Deferred Charges (Note 3)		
Unamortized Debt Expense	2,279	4,475
Other Assets		
Cash Surrender Value of Life Insurance	361,136	288,152
Other	103,176	77,002
	464,312	365,154
Total Assets	\$ 33,074,343	\$ 26,226,516

MPB Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

	<u>March 31, 1974</u>		<u>March 25, 1973</u>	
<u>Liabilities and Shareholders' Equity</u>				
Current Liabilities				
Notes Payable Banks (Note 4)		\$ 4,050,000		\$ -
Accounts Payable		2,188,695		1,817,049
Accrued Expenses				
Salaries and Wages	\$ 1,312,353		\$ 872,115	
Interest	70,841		58,769	
Taxes, Other than Taxes on Income	211,648		194,991	
Federal and State Taxes on Income	263,515		598,421	
Retirement and Profit Sharing Plans (Note 7)	355,606		678,177	
Other	<u>120,565</u>		<u>155,227</u>	
		2,334,528		2,557,700
Dividend Payable		99,786		79,725
Note Payable - Secured by Land		-		62,000
Long-Term Debt - Current Portion		<u>704,469</u>		<u>445,015</u>
Total Current Liabilities		9,377,478		4,961,489
Long-Term Debt (Note 5) - Schedule IX	<u>Total</u>	<u>Current Portion</u>	<u>Total</u>	<u>Current Portion</u>
Notes Payable				
6% Subordinated, Due July 1, 1975	\$ 1,650,000	\$ 150,000	\$ 1,800,000	\$ 150,000
5%, Due December 31, 1980	2,065,102	295,015	2,360,117	295,015
6%, Due November 30, 1980	1,494,646	255,354	-	-
Mortgages Payable	<u>74,016</u>	<u>4,100</u>	<u>-</u>	<u>-</u>
	\$ <u>5,283,764</u>	\$ <u>704,469</u>	\$ <u>4,160,117</u>	\$ <u>445,015</u>
		<u>4,579,295</u>		<u>3,715,102</u>
Total Liabilities		13,956,773		8,676,591
Shareholders' Equity				
Capital Shares (Note 8)	<u>Shares</u>		<u>Shares</u>	
Preferred, \$ 1 Par Value				
Authorized	<u>250,000</u>		<u>250,000</u>	
Issued	<u>None</u>		<u>None</u>	
Common, \$ 1 Par Value				
Authorized	<u>2,500,000</u>		<u>2,500,000</u>	
Issued	1,088,428	\$ 1,088,428	1,088,428	\$ 1,088,428
In Treasury	<u>90,570</u>		<u>91,870</u>	
Outstanding	<u>997,858</u>		<u>996,558</u>	
Additional Paid In Capital		6,925,187		6,925,187
Retained Earnings (Note 5)		<u>11,905,011</u>		<u>10,348,871</u>
		19,918,626		18,362,486
Less: Common Shares in Treasury, at Cost (Note 8)		<u>801,056</u>		<u>812,561</u>
Total Shareholders' Equity		<u>19,117,570</u>		<u>17,549,925</u>
Total Liabilities and Shareholders' Equity		\$ 33,074,343		\$ 26,226,516

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MPB Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

	<u>March 31, 1974</u>		<u>March 25, 1973</u>	
<u>Liabilities and Shareholders' Equity</u>				
Current Liabilities				
Notes Payable Banks (Note 4)		\$ 4,050,000		\$ -
Accounts Payable		2,188,695		1,817,049
Accrued Expenses				
Salaries and Wages	\$ 1,312,353		\$ 872,115	
Interest	70,841		58,769	
Taxes, Other than Taxes on Income	211,648		194,991	
Federal and State Taxes on Income	263,515		598,421	
Retirement and Profit Sharing Plans (Note 7)	355,606		678,177	
Other	<u>120,565</u>		<u>155,227</u>	
		2,334,528		2,557,700
Dividend Payable		99,786		79,725
Note Payable - Secured by Land		-		62,000
Long-Term Debt - Current Portion		<u>704,469</u>		<u>445,015</u>
Total Current Liabilities		9,377,478		4,961,489
Long-Term Debt (Note 5) - Schedule IX	<u>Total</u>	<u>Current Portion</u>	<u>Total</u>	<u>Current Portion</u>
Notes Payable				
6% Subordinated, Due July 1, 1975	\$ 1,650,000	\$ 150,000	\$ 1,800,000	\$ 150,000
5%, Due December 31, 1980	2,065,102	295,015	2,360,117	295,015
6%, Due November 30, 1980	1,494,646	255,354	-	-
Mortgages Payable	<u>74,016</u>	<u>4,100</u>	<u>-</u>	<u>-</u>
	\$ <u>5,283,764</u>	\$ <u>704,469</u>	\$ <u>4,160,117</u>	\$ <u>445,015</u>
		<u>4,579,295</u>		<u>3,715,102</u>
Total Liabilities		13,956,773		8,676,591
Shareholders' Equity				
Capital Shares (Note 8)	<u>Shares</u>		<u>Shares</u>	
Preferred, \$ 1 Par Value				
Authorized	<u>250,000</u>		<u>250,000</u>	
Issued	<u>None</u>		<u>None</u>	
Common, \$ 1 Par Value				
Authorized	<u>2,500,000</u>		<u>2,500,000</u>	
Issued	1,088,428	\$ 1,088,428	1,088,428	\$ 1,088,428
In Treasury	<u>90,570</u>		<u>91,870</u>	
Outstanding	<u>997,858</u>		<u>996,558</u>	
Additional Paid In Capital		6,925,187		6,925,187
Retained Earnings (Note 5)		<u>11,905,011</u>		<u>10,348,871</u>
		19,918,626		18,362,486
Less: Common Shares in Treasury, at Cost (Note 8)		<u>801,056</u>		<u>812,561</u>
Total Shareholders' Equity		<u>19,117,570</u>		<u>17,549,925</u>
Total Liabilities and Shareholders' Equity		\$ 33,074,343		\$ 26,226,516

MPB Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years ended March 31, 1974 and March 25, 1973

	<u>1974</u>	<u>1973</u>
<u>Funds Became Available from:</u>		
Net Income	\$ 1,955,222	\$ 1,602,979
Depreciation and Amortization of Plant and Equipment	1,458,682	1,366,894
Amortization of Other Assets	56,910	53,978
Other	<u>9,526</u>	<u>36,157</u>
Funds Provided by Operations	3,480,340	3,060,008
Sales of Property, Plant and Equipment	25,272	349,025
Sales of Common Shares	11,212	6,727
Long-Term Debt Issued	1,494,646	-
Other	<u>23,754</u>	<u>29,303</u>
	<u>\$ 5,035,224</u>	<u>\$ 3,445,063</u>
<u>These Funds Were Used for:</u>		
Additions to Plant and Equipment	\$ 3,602,432	\$ 1,808,670
Dividends Declared	398,789	315,651
Reduction of Long-Term Debt	701,909	448,000
Acquisition of Treasury Shares	-	125,412
Purchase of a Business (Cost \$ 1,750,000, Less Working Capital Acquired \$ 517,683) Consisting of the Following:		
Property, Plant and Equipment - Net	989,500	-
Other Assets	97,125	-
Long-Term Debt	(71,456)	-
Goodwill	217,148	-
Other	<u>27,395</u>	<u>12,392</u>
	5,962,842	2,710,125
Change in Working Capital	<u>(927,618)</u>	<u>734,938</u>
	<u>\$ 5,035,224</u>	<u>\$ 3,445,063</u>
<u>The Change in Working Capital is as Follows:</u>		
Cash and Short-Term Investments	\$(181,502)	\$ 438,096
Accounts Receivable	1,562,973	882,197
Inventories	2,044,754	776,443
Accounts, Note and Dividend Payable	(4,379,707)	(635,539)
Accrued and Prepaid Expenses	285,318	(726,632)
Long-Term Debt, Due Within One Year	<u>(259,454)</u>	<u>373</u>
Increase (Decrease) in Working Capital	<u>\$(927,618)</u>	<u>\$ 734,938</u>

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 1 - ACCOUNTING POLICIES

The Corporation's accounting policies conform to generally accepted accounting principles, the more significant of which follow:

A - Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as listed in Item 4 of Form 10-K, all of which are wholly-owned. All significant intercompany transactions and profits are eliminated and the subsidiaries' accumulated profits or losses since acquisition are reflected in the retained earnings.

The acquisition of all subsidiaries has been recorded by the purchase method of accounting. The securities of two companies were acquired at cost at their respective dates of organization and a third was acquired at a cost in excess of the book value of underlying net assets which amount has been included under Other Assets. The other subsidiary was acquired at a cost less than the book value of the underlying net assets which amount has been allocated to property, plant and equipment.

B - Inventories

Inventories are valued at the lower of cost or market with finished goods and work in process on the first-in, first-out method and raw material on the average cost method.

C - Property, Plant and Equipment

Depreciation is computed principally by the declining balance method for new buildings, sum of the years-digit method for most new machinery and equipment, and the straight line method for all other assets over estimated useful lives allowed by taxing authorities.

Maintenance and repairs are charged to expense and additions to property are capitalized. The cost of property retired or disposed of is removed from the asset account and the related depreciation is removed from accumulated depreciation.

D - Research and Development Expenses

Research and development expenses are charged to expense when incurred except when such activity results in equipment which is usable in commercial production, in which case such equipment is capitalized at the lower of development or replacement costs.

E - Amortization of Intangible Assets

Goodwill purchased and the excess of the cost of a subsidiary over the book value of the underlying net assets at acquisition are being amortized on the straight line basis over 20 years.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 1 - ACCOUNTING POLICIES (Continued)

F - Foreign Currency Translation

Property, plant and equipment of the foreign subsidiary has been converted to United States Dollar equivalents reflecting rates in effect at acquisition with current assets and liabilities being converted at rates prevailing at the fiscal year end. Income and expenses of foreign operations have been converted to United States Dollar equivalents at the average rates of exchange for the fiscal year and the net effect of gains and losses on foreign exchange is included in other income.

Note 2 - ACQUISITION

On November 30, 1973, the Corporation acquired all of the outstanding stock of New Hampshire Industries, Inc. for cash and notes totalling \$ 1,750,000. This transaction has been accounted for as a purchase and, accordingly, the consolidated financial statements include the accounts of this company since the date of acquisition. The excess of the purchase cost over the fair value of the net assets acquired is included in Goodwill.

The following table summarizes the results of operations on a pro-forma, unaudited basis as though the acquisition had taken place at the beginning of fiscal 1973:

	<u>March 31,</u> <u>1974</u>	<u>March 25,</u> <u>1973</u>
Net Sales	\$ 38,412,100	\$ 32,091,700
Net Income	\$ 2,024,400	\$ 1,650,400
Net Income per Share	\$ 2.03	\$ 1.64

Note 3 - AMORTIZATION OF DEFERRED CHARGES

The debt expense incurred in connection with the 6% notes payable is being amortized over the life of the issue, giving effect to reductions in outstanding notes.

Note 4 - NOTES PAYABLE - BANKS

The Corporation has a line of credit with two banks which allows the Corporation to borrow from time to time up to \$ 5,000,000 on 90-day promissory notes. The interest rates on the notes are the banks' prime rate, which at March 31, 1974 ranged from 8.75% to 9.75%. Pursuant to the informal agreements, which run through March 31, 1975, commitment fees are not required; however, the Corporation is expected to maintain collected demand deposit balances averaging no less than 10% of the line of credit plus 10% of the notes outstanding. The Corporation has complied with these compensating balance arrangements.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 4 - NOTES PAYABLE - BANKS (Continued)

With respect to short-term borrowing during fiscal 1974, the maximum amount outstanding at any month end was \$ 4,050,000. The average amount outstanding (total of daily outstanding balances divided by 365) was \$ 1,775,600. Interest rates ranged from 8% to 10% with a weighted average (expense divided by average debt outstanding) of 9.66%. At March 31, 1974, the Corporation had unused lines of credit of \$ 950,000.

Note 5 - LONG-TERM DEBT

The 6% notes due July 1, 1975 require fixed annual principal payments of \$ 150,000 through 1974 with the balance of \$ 1,500,000 payable July 1, 1975.

The 5% notes due December 31, 1980 require fixed annual principal payments of \$ 295,015 on December 31. They may be prepaid at 103-1/2%, decreasing 1/2% annually.

The 6% notes due November 30, 1980 require annual principal payment of \$ 255,354 through November 30, 1978 and \$ 108,938 to November 30, 1980.

Based upon the most restrictive covenants as contained in the agreement for the 5% notes due December 31, 1980, dividends are limited to \$ 500,000 plus 50% of consolidated net income subsequent to March 28, 1971. At March 31, 1974 \$ 1,910,000 of consolidated retained earnings was available for dividends. These notes further require that the level of consolidated working capital shall be maintained at a minimum of at least twice the principal balance of the notes outstanding.

The mortgages payable, secured by land and buildings, require monthly payments of \$ 712, applicable first to interest at 6% and 6-1/2%, with the balance to principal.

During the five years ending March 1979, the total annual principal payments on the above debt will be as follows:

1975	\$ 704,500
1976	2,054,500
1977	554,500
1978	554,500
1979	554,500

Note 6 - COMMITMENTS AND CONTINGENT LIABILITIES

The Federal income tax returns of the Corporation have been examined through fiscal 1971 and any liabilities resulting therefrom have been reflected in the financial statements. Notices have been received from the Renegotiation Board that excessive profits were not realized through fiscal 1973.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 6 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Corporation is obligated under purchase commitments in the amount of approximately \$ 979,800 for plant, machinery and equipment, which is exclusive of any amounts related to the Andrews Bearing Corporation expansion program. There are long-term employment contracts in effect approximating \$ 297,000 for fiscal 1975 which decline to \$ 92,000 through 1979. The Corporation owns all its operating facilities except for three small offices and three plants which are operated in leased space under leases which run from one to ten years. The annual and aggregate rental under these leases are not considered material to the operations of the Corporation.

Note 7 - RETIREMENT AND PROFIT SHARING PLANS

The Corporation has in effect a contributory retirement plan for certain eligible employees. The total cost of the plan for fiscal 1974 and 1973 was \$ 316,870 and \$ 231,900 including \$ 52,000 and \$ 40,400 respectively, for past service benefits each year. The Corporation is accruing and funding 10% of past service benefits annually and the unfunded liability including interest at March 31, 1974 was \$ 278,500.

The Corporation has in effect a management incentive plan under which certain salaried employees of the Corporation are eligible to participate. The fund available for distribution under the plan is based upon a formula determined annually by the Board of Directors, and for fiscal 1974 and 1973 amounted to approximately \$ 415,000 and \$ 399,300, respectively.

Profit sharing plans of subsidiaries required payments of \$ 29,500 and \$ 40,000 for fiscal 1974 and 1973.

Note 8 - CAPITAL SHARES

The Board of Directors may from time to time authorize the issuance of the preferred shares as a class, or in series, and is empowered to fix the dividend and liquidation preferences, conversion rights, price, voting rights and other terms for such shares.

During fiscal 1974, the Corporation adopted the policy of issuing Treasury shares upon the exercise of stock options. Treasury shares has been reduced by the cost of the shares issued and the excess of such cost over the aggregate option price has been charged to retained earnings.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 8 - CAPITAL SHARES (Continued)

Data with respect to the Corporation's stock option plans is shown below:

	Qualified Plan	Non-Qualified Plan
Shares reserved for options at March 25, 1973	38,730	-
Options granted		
June 27, 1973 at \$ 8.625	3,000	-
January 16, 1974 at \$ 9.00	12,800	5,250
Options exercised at \$ 8.625	(1,300)	-
Options forfeited or expired	(3,530)	-
Shares reserved for options at March 31, 1974	<u>49,700</u>	<u>5,250</u>
Option exercisable at March 31, 1974	28,380	-
Options become exercisable in fiscal 1975	10,180	525
1976	4,820	525
1977	3,160	525
1978	3,160	525
Shares available for future grants at March 31, 1974	7,798	24,750

Under the Corporation's Qualified Stock Option Plan, options outstanding have been granted from September 1970 to January 1974 at prices ranging from \$ 8.625 to \$ 13.50 per share, representing the fair market value at the date of each issue. Options granted become exercisable ratably over five years from the date of issue and expire if not exercised five years from their date of issue. The Corporation adopted a Non-Qualified Stock Option Plan on September 12, 1973 the provisions of which differ from the qualified plan primarily in that the options are exercisable for ten years after the date of grant and can be exercised even though prior grants of qualified options remain unexercised.

Note 9 - STOCK OPTIONS

Data with respect to capital shares optioned to officers and employees is shown in the following tabulations.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 9 - STOCK OPTIONS (Continued)

The options outstanding as of March 31, 1974 are summarized as follows:

<u>Dates Granted</u>	<u>Total Shares Optioned</u>	<u>Number of Shares Under Options at March 31, 1974</u>	<u>Option Price Per Share</u>	<u>Fair Market Value at March 31, 1974</u>	
<u>Qualified Plan</u>				<u>Per Share</u>	<u>Total</u>
September 16, 1970	28,500	25,600	\$ 8.625	\$ 10.625	\$ 272,000
April 7, 1971	7,100	3,800	13.50	10.625	40,375
April 23, 1971	2,500	2,500	13.00	10.625	26,563
January 12, 1972	2,000	2,000	11.50	10.625	21,250
June 27, 1973	3,000	3,000	8.625	10.625	31,875
January 16, 1974	12,800	<u>12,800</u>	9.00	10.625	<u>136,000</u>
		<u>49,700</u>			<u>\$ 528,063</u>
<u>Non-Qualified Plan</u>					
January 16, 1974	5,250	<u>5,250</u>	\$ 9.00	\$ 10.625	<u>\$ 55,781</u>

The options which became exercisable during the year ended March 31, 1974 are as follows:

<u>Dates Granted</u>	<u>As at Date Options Became Exercisable</u>		
<u>Qualified Plan</u>	<u>Number of Shares</u>	<u>Fair Market Value</u>	<u>Total Value</u>
October 8, 1968	100	\$ 10.75	\$ 1,075
January 6, 1969	400	8.875	3,550
September 16, 1970	5,640	9.50	53,580
April 7, 1971	910	9.875	8,986
April 23, 1971	500	10.75	5,375
January 12, 1972	400	8.75	3,500
June 27, 1973	600	8.625	5,175
January 16, 1974	<u>2,560</u>	9.00	<u>23,040</u>
	<u>11,110</u>		<u>\$ 104,281</u>

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 9 - STOCK OPTIONS (Continued)

The options exercised during the year ended March 31, 1974 are as follows:

<u>Dates Granted</u>	<u>Number of</u>	<u>Fair Market Value at Dates Exercised</u>		<u>Option Price</u>	<u>Total</u>
<u>Qualified Plan</u>	<u>Shares</u>	<u>Per Share</u>	<u>Total</u>		
September 16, 1970	<u>1,300</u>	\$ 10.00 - 10.75	\$ <u>13,870</u>	\$ 8.625	\$ <u>11,213</u>

The options outstanding at March 31, 1974 are summarized as follows:

<u>Qualified Plan</u>	<u>Option Price Per Share</u>	<u>Exercisable at March 31, 1974</u>	<u>Exercisable During the Years ended March</u>			
			<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
September 16, 1970	\$ 8.625	20,240	5,360			
April 7, 1971	13.50	2,280	760	760		
April 23, 1971	13.00	1,500	500	500		
January 12, 1972	11.50	1,200	400	400		
June 27, 1973	8.625	600	600	600	600	600
January 16, 1974	9.00	2,560	2,560	2,560	2,560	2,560

Non-Qualified Plan

January 16, 1974	\$ 9.00	-	525	525	525	525
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Other changes are as follows:

	<u>Qualified Plan</u>	<u>Non-Qualified Plan</u>
Options Granted		
June 27, 1973	3,000 at \$ 8.625	
January 16, 1974	12,800 at \$ 9.00	5,250 at \$ 9.00
Options Expired		
October 8, 1968	500	
January 6, 1969	2,000	
Options Forfeited		
September 16, 1970	280	
April 7, 1971	750	

Entries have been made in the accounts only with respect to shares issued for options exercised.

MPB Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended March 31, 1974 and March 25, 1973

Note 10 - FEDERAL AND FOREIGN INCOME TAX EXPENSE

For fiscal year 1974 the provision for Federal and foreign income taxes of \$ 1,587,417 represents an effective rate of 44.8% computed on income after state income taxes compared to \$ 1,700,467 at Federal income tax rate of 48%. Foreign taxes included therein are at approximately the same effective rate as the Federal income taxes and represent less than 5% of the total. The principal differences are the investment tax credits which have been accounted for as reductions in Federal income tax in the year the credit arises which for fiscal 1974 and 1973 was \$ 116,260 and \$ 64,622, respectively and amortization of Goodwill and Other Assets not deductible for tax purposes.

MPB Corporation and Subsidiaries

PROPERTY, PLANT AND EQUIPMENT

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Classification</u>	<u>Balance at Beginning of Period</u>	<u>Additions at Cost</u>	<u>Retirements or Sales</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
<u>For the Year ended March 31, 1974</u>					
Land	\$ 701,382	\$ 248,974	\$ 2,020		\$ 948,336
Land and Leasehold Improvements	173,015	62,773	15,636		220,152
Buildings and Improvements	5,663,831	1,724,622	18,853		7,369,600
Machinery and Equipment	9,901,290	2,417,191	572,995	(1) \$(1,343)	11,744,143
Furniture and Equipment	576,804	107,919	23,018	(1) (518)	661,187
Motor Vehicles	96,301	30,453	17,765	(1) (11,040)	97,949
	<u>\$ 17,112,623</u>	(2) \$ <u>4,591,932</u>	\$ <u>650,287</u>	\$ <u>(12,901)</u>	\$ <u>21,041,367</u>
<u>For the Year ended March 25, 1973</u>					
Land	\$ 545,763	\$ 171,619	\$ 16,000		\$ 701,382
Land and Leasehold Improvements	185,921	4,571	17,477		173,015
Buildings and Improvements	5,586,676	440,383	363,228		5,663,831
Machinery and Equipment	10,150,622	1,104,311	1,353,643		9,901,290
Furniture and Equipment	616,854	40,752	80,802		576,804
Motor Vehicles	74,657	47,034	25,390		96,301
	<u>\$ 17,160,493</u>	\$ <u>1,808,670</u>	\$ <u>1,856,540</u>		\$ <u>17,112,623</u>

(1) Reclassification.

(2) Includes \$ 989,500 of assets acquired through the acquisition of New Hampshire Industries, Inc., the total purchase of which was \$ 1,750,000 consisting of \$ 1,494,646 notes payable and \$ 255,354 cash.

MPB Corporation and Subsidiaries

RESERVES FOR DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements or Sales</u>	<u>Other Changes</u>	<u>Balance at End of Period</u>
<u>For the Year ended March 31, 1974</u>					
Land and Leasehold Improvements	\$ 98,191	\$ 20,133	\$ 15,636		\$ 102,688
Buildings and Improvements	1,955,726	261,521	18,853		2,198,394
Machinery and Equipment	5,631,475	1,106,719	542,041	(1) \$(1,343)	6,194,810
Furniture and Equipment	420,797	54,964	22,951	(1) (518)	452,292
Motor Vehicles	<u>42,021</u>	<u>15,345</u>	<u>16,008</u>	<u>(11,040)</u>	<u>30,318</u>
	\$ <u>8,148,210</u>	\$ <u>1,458,682</u>	\$ <u>615,489</u>	\$ <u>(12,901)</u>	\$ <u>8,978,502</u>
<u>For the Year ended March 25, 1973</u>					
Land and Leasehold Improvements	\$ 95,711	\$ 14,958	\$ 12,478		\$ 98,191
Buildings and Improvements	1,827,019	253,395	124,688		1,955,726
Machinery and Equipment	5,829,219	1,030,700	1,228,444		5,631,475
Furniture and Equipment	441,864	59,672	80,739		420,797
Motor Vehicles	<u>44,620</u>	<u>8,169</u>	<u>10,768</u>		<u>42,021</u>
	\$ <u>8,238,433</u>	\$ <u>1,366,894</u>	\$ <u>1,457,117</u>		\$ <u>8,148,210</u>

(1) Reclassification.

MPB Corporation and Subsidiaries

INTANGIBLE ASSETS

Column A	Column B	Column C	Column D	Column F
Description	Balance at Beginning of Period	Additions at Cost	Charged to Costs and Expenses	Balance at Close of Period
<u>For the Year ended March 31, 1974</u>				
Patents	\$ 9,816	\$ 612	\$ 2,224	\$ 8,204
Goodwill	320,000	(2) 217,148	23,550	513,598
Excess of Cost of Subsidiary Over Book Value of Underlying Net Assets at Acquisition	305,056		17,944	287,112
Non-competition Agreement	<u>45,000</u>	<u> </u>	<u>10,000</u>	<u>35,000</u>
	\$ <u>679,872</u>	\$ <u>217,760</u>	\$ <u>53,718</u>	\$ <u>843,914</u>
<u>For the Year ended March 25, 1973</u>				
Patents	\$ 8,191	\$ 3,386	\$ 1,761	\$ 9,816
Goodwill	340,000		20,000	320,000
Excess of Cost of Subsidiary Over Book Value of Underlying Net Assets at Acquisition	323,000		17,944	305,056
Non-competition Agreement	<u>55,000</u>	<u> </u>	<u>10,000</u>	<u>45,000</u>
	\$ <u>726,191</u>	\$ <u>3,386</u>	\$ <u>49,705</u>	\$ <u>679,872</u>

Note 1 - The amortization of patents has been charged to manufacturing cost and the amortization of goodwill, excess of cost of subsidiary over book value of underlying net assets at acquisition and non-competition agreement has been charged to other expense. Goodwill and the excess of cost of subsidiary over book value of underlying net assets at acquisition are being amortized over a period of 20 years on the straight line basis.

- (2) Goodwill purchased in connection with the acquisition of New Hampshire Industries, Inc., the total purchase price of which was \$ 1,750,000 consisting of \$ 1,494,646 notes payable and \$ 255,354 cash.

MPB Corporation and SubsidiariesBONDS, MORTGAGES, AND SIMILAR DEBTAs of March 31, 1974

<u>Column A</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Name of Issuer and Title of Each Issue</u>	<u>Amount Issued and Not Retired or Cancelled</u>	<u>Amount Included in Column C, Which is (2) Not Held by or for Account of Issuer Thereof</u>	<u>Amount Included in Sum Extended Under Caption Long-Term Debt in Related Balance Sheet</u>
MPB Corporation			
Notes Payable, Subordinated, Due July 1, 1975 Interest at 6%	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000
Notes Payable, Due December 31, 1980 Interest at 5%	2,065,102	2,065,102	2,065,102
Notes Payable, Due November 30, 1980 Interest at 6%	1,494,646	1,494,646	1,494,646
Mortgages Payable, Due December 1986-1988 Interest at 6% and 6-1/2%	74,016	74,016	<u>74,016</u>
			<u>\$ 5,283,764</u>

Reference is made to Note 5 of Notes to Consolidated Financial Statements.

MPB Corporation and SubsidiariesRESERVES

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Deductions Write-Offs</u>	<u>Balance at End of Period</u>
		(1)		
		<u>Charged to Costs and Expenses</u>		
<u>For the Year ended March 31, 1974</u>				
Allowance for Doubtful Accounts	\$ <u>107,700</u>	\$ <u>54,606</u>	\$ <u>19,820</u>	\$ <u>142,486</u>
<u>For the Year ended March 25, 1973</u>				
Allowance for Doubtful Accounts	\$ <u>103,000</u>	\$ <u>14,925</u>	\$ <u>10,225</u>	\$ <u>107,700</u>

MPB Corporation and SubsidiariesCAPITAL SHARESAs of March 31, 1974

<u>Column A</u>		<u>Column B</u>	<u>Column C</u>	<u>Column D</u>		<u>Column E</u>	
<u>Name of Issuer and Title of Issue</u>		<u>Number of Shares Authorized by Charter</u>	<u>Number of Shares Issued and Not Retired or Cancelled</u>	<u>Number of Shares Included in Column C Which are</u>		<u>Shares Outstanding as Shown on or Included in Related Balance Sheet Under Caption "Capital Shares"</u>	
				<u>(1)</u>	<u>(2)</u>	<u>(1)</u>	<u>(2)</u>
				<u>Held by or for Account of Issuer Thereof</u>	<u>Not Held by or for Account of Issuer Thereof</u>	<u>Number</u>	<u>Amount at Which Shown</u>
MPB Corporation Preferred, \$ 1 Par		250,000	None			None	
MPB Corporation Common, \$ 1 Par		2,500,000	1,088,428	90,570	997,858	997,858	\$ 1,088,428

The information required by Columns G and H is provided in Note 9 of the Notes to Consolidated Financial Statements.

MPB Corporation and SubsidiariesSUPPLEMENTARY INCOME STATEMENT INFORMATION

<u>Column A</u>	<u>Years ended</u>	
	<u>March 31, 1974</u>	<u>March 25, 1973</u>
	<u>Column B</u>	
<u>Item</u>	<u>Charged to Costs and Expenses</u>	
1. Maintenance and Repairs	\$ <u>701,282</u>	\$ <u>636,310</u>
2. Depreciation, Depletion and Amortization of Property, Plant and Equipment	\$ <u>1,458,682</u>	\$ <u>1,366,894</u>
3. Depreciation and Amortization of Intangible Assets	\$ <u>53,718</u>	\$ <u>49,705</u>
4. Taxes Other than Income Taxes		
Payroll Taxes	\$ 1,027,392	\$ 800,226
Real Estate and Personal Property	260,807	246,834
State Franchise	<u>3,547</u>	<u>3,991</u>
	\$ <u>1,291,746</u>	\$ <u>1,051,051</u>
5. Rents	\$ <u>195,469</u>	\$ <u>170,416</u>
6. Royalties	\$ <u>1,888</u>	\$ <u>4,271</u>
7. Advertising Costs	\$ <u>195,086</u>	\$ <u>105,503</u>
8. Research and Development Costs	\$ <u>981,000</u>	\$ <u>770,000</u>

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For Quarter Ended: June 30, 1974

Commission File Number: 0-1544

MPB CORPORATION

Delaware
State of Incorporation

02-0211595
IRS Employer Identification No.

Precision Park
Keene, New Hampshire
Address of principal executive offices

03431
Zip Code

Registrant's telephone number, including area code: (603) 352-0310

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

A. Summarized Financial Information
Form 10-Q

Company or group of companies for which report is filed: MPB Corporation

Profit and Loss Information (\$000 omitted, except for per shares and shares used)	For the three months ended	
	<u>6/30/74</u>	<u>6/23/73</u>
Gross sales less discounts, returns and allowances	\$11,005	\$8,471
Cost and Expenses	9,611	7,582
Interest Expense	192	62
Income (or Loss) before taxes on income and extraordinary items	1,202	827
Provision for taxes on income	595	376
Minority Interest	0	0
Extraordinary items, less applicable income tax	<u>0</u>	<u>0</u>
Net income (or Loss)	\$ 607	\$ 451
Earnings per share	\$.61	\$.45
Average shares used	997,980	996,558
Dividends per share	\$.1250	\$.1000

B. Capitalization and Stockholders' Equity
Form 10-Q
June 30, 1974

(\$000 omitted)	<u>Amount</u>
<u>Debt</u>	
Short-term loans, notes, etc.	\$ 5,000
Long-term debt, including parenthetically portion due within one year (704)	<u>5,283</u>
Total debt	\$10,283

<u>Deferred Credits</u>	0
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<u>Minority Interest</u>	0
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Stockholder's Equity

	<u>Shares Issued or Outstanding</u>	
Preferred Stock	0	
Common Stock (including 90,310 shares Treasury Stock)	1,088,428	\$ 1,088
Capital in excess of par value		6,925
Retained Earnings		
Balance at beginning of current fiscal year		11,905
Prior period adjustments, if any		0
Net Income (Schedule A)		607
Dividends (Cash \$.1250)		(124)
Other Credits (charges)		0
Treasury Stock (common, 90,310 shares at cost)		<u>(799)</u>
Total stockholders' equity		\$19,602
Common shares reserved for stock options		<u>87,238</u>

Note: Figures are subject to year-end audit.

Part C - Sales of Unregistered Securities (Debt or Equity)
 Form 10-Q
 June 30, 1974

<u>Date Exercised</u>	<u>MPB Corp. Common Stock</u>	<u># of Shares Exercised</u>	<u>Aggregate Offering Price</u>	<u>Aggregate underwrit. discounts brkr comm. finders' fees</u>	<u>Market price on date of sale</u>	<u>Name of brokers, underwrit., finders</u>	<u>Purchasers of Securities</u>	<u>Nature of Transaction</u>
4/01/74	Common Stock	60	\$ 540.00	None	\$10.625	None	MPB Employee	Cash
6/03/74	Common Stock	200	\$1,725.00	None	\$ 9.000	None	MPB Employee	Cash

The above sale of unregistered securities are exempt from registration under Section 4 (2) of the Securities Act of 1933. Upon issuance of the securities, written representation is given by the purchaser that the securities are being purchased for investment and not for distribution.

The securities have been legended and stop-transfer instructions issued.

Statement
Form 10-Q

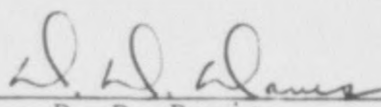
In the opinion of management, all adjustments necessary to a fair statement of the results for the periods ended June 30, 1974 and June 24, 1973 have been reflected on the enclosed Form 10-Q.

Signatures
Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 1, 1974

MPB CORPORATION
(Registrant)


D. D. Davis
Treasurer

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 of
The Securities Exchange Act of 1934

FOR THE MONTH OF AUGUST, 1974

Commission File No. 0-1544

MPB CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State of Incorporation)

02-0211595
(IRS Identification Number)

Precision Park, Keene, New Hampshire 03431
(Address of principal executive offices)

Item 7. Increase in Amount of Securities Outstanding

During the month of August, 1974, Registrant entered into a Revolving Credit and Term Loan Agreement dated as of July 1, 1974 (the "Credit Agreement") with The Chase Manhattan Bank, N.A. and New England Merchants National Bank (the "Banks").

The Credit Agreement provides that Registrant may borrow equally from the Banks up to an aggregate of \$7,000,000 during the period to March 31, 1976 on ninety-day notes and may convert its outstanding borrowings on March 31, 1976 into five-year term notes in the outstanding principal amount of the borrowings on that date. Such term notes will be payable in twenty equal quarterly installments ending on March 31, 1981.

Until March 31, 1975, interest on the ninety-day revolving credit notes is at an annual rate of 118% of the prime commercial rate of The Chase Manhattan Bank, N.A. in effect from time to time, and thereafter at an annual rate of 120% of such prime commercial rate; and interest on the five-year term notes is at an annual rate of 123% of such prime commercial rate.

The Credit Agreement includes representations, warranties and covenants by Registrant which are usual and customary in this type of an agreement including, but not limited to, requirements as to minimum working capital, ratio of total liabilities to tangible net worth and ratio of current assets to current liabilities as well as limitations on liens and indebtedness for money borrowed. Reference is made to the Credit Agreement which appears in full text as Exhibit 1 to this report on Form 8-K.

As of the date of this report on Form 8-K, borrowings in the aggregate amount of \$4,800,000 were outstanding under the Credit Agreement.

Registrant entered into the Credit Agreement with the Banks to assure the availability of funds over an extended period to finance expansion of its business without dependence at an inappropriate time on the equity and long term money markets. Registrant

anticipates that borrowings under the Credit Agreement will be used to finance increases in accounts receivable and inventories and for other working capital requirements, for capital expansion and for other general corporate purposes. Borrowings under the Credit Agreement will be treated as long term debt during both the revolving credit period and the term loan period.

Notes issued to the Banks have not been and will not be registered under the Securities Act of 1933 in reliance upon the exemption contained in Section 4(2) of said Act accorded to transactions by an issuer not involving any public offering.

Item 14. Financial Statements and Exhibits

Exhibits

1. Revolving Credit and Term Loan Agreement dated as of July 1, 1974 between MPB Corporation, The Chase Manhattan Bank, N.A. and New England Merchants National Bank with forms of revolving credit notes and term notes annexed thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MPB CORPORATION
(Registrant)

By Donald D. Davis
Donald D. Davis
Senior Vice President-Finance
and Treasurer

September 9, 1974

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For Quarter Ended: September 29, 1974 Commission File Number: 0-1544

MPB CORPORATION

Delaware
State of Incorporation

02-0211595
IRS Employer Identification No.

Precis on Park
Keene, New Hampshire
Address of principal executive offices

03431
Zip Code

Registrant's telephone number, including area code: (603) 352-0310

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

FORM 10-Q

A. Summarized Financial Information

Company or group of companies for which report is filed: MPB Corporation and
Subsidiaries

Profit and Loss Information (\$000 omitted, except for per share and shares used)	For the six months ended	
	<u>9/29/74</u>	<u>9/23/73</u>
Gross sales less discounts, returns and allowances	\$21,413	\$16,271
Costs and Expenses	18,593	14,534
Interest Expense	<u>449</u>	<u>126</u>
Income before taxes on income	\$ 2,371	\$ 1,611
Provision for taxes on income	<u>1,174</u>	<u>742</u>
Net income	<u>\$ 1,197</u>	<u>\$ 869</u>
Earnings per share	\$ 1.20	\$.87
Average shares used	998,049	996,590
Dividends per share	\$.25	\$.20

FORM 10-Q

B. Capitalization and Stockholders' Equity

September 29, 1974

	<u>Amount</u> (\$000 omitted)
Debt	
Short-term loans	\$ 0
Long-term debt (including \$2054 due within one year)	<u>10,532</u>
Total debt	<u>\$10,532</u>
Stockholders' Equity	
	Shares Issued or <u>Outstanding</u>
Preferred Stock	0
Common Stock (includes 90,310 shares Treasury Stock)	1,088,428
Capital in excess of par value	<u>1,088</u> <u>6,925</u>
Retained Earnings	
Balance at beginning of current fiscal year	\$11,905
Net income	1,197
Dividends (cash \$.25)	<u>(250)</u>
Balance at end of interim period	<u>\$12,852</u>
Treasury Stock, common 90,310 shares at cost	<u>(799)</u>
Total Stockholders' Equity	<u>\$20,066</u>

Note: During the quarter ended September 29, 1974 the short term line of credit was converted into a Revolving Credit and Term Loan Agreement. The amounts outstanding thereunder are included in long term debt and are evidenced by unsecured notes from two commercial banks. Form 8K for the month of August 1974, filed September 9, 1974, includes the complete agreement.

FORM 10-Q

Part C - Sales of Unregistered Securities (Debt or Equity)

September 29, 1974

NONE

Statement

In the opinion of management, all adjustments necessary to a fair statement of the results for the periods ended September 29, 1974 and September 23, 1973 have been reflected on the enclosed Form 10-Q. The financial information included herein is subject to year end audit.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 11, 1974

MPB Corporation
(Registrant)

D. D. Davis
Treasurer

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of
The Securities Exchange Act of 1934

FOR THE MONTH OF SEPTEMBER, 1974

Commission File No. 0-1544

MPB CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State of Incorporation)

02-0211595
(IRS Identification Number)

Precision Park, Keene, New Hampshire 03431
(Address of principal executive offices)

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of
The Securities Exchange Act of 1934

FOR THE MONTH OF SEPTEMBER, 1974

Commission File No. 0-1544

MPB CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State of Incorporation)

02-0211595
(IRS Identification Number)

Precision Park, Keene, New Hampshire 03431
(Address of principal executive offices)

Item 7. Increase in Amount of Securities Outstanding

On Form 8-K for the month of August, 1974, Registrant reported that it entered into a Revolving Credit and Term Loan Agreement dated as of July 1, 1974 (the "Credit Agreement") with The Chase Manhattan Bank, N.A. and New England Merchants National Bank (the "Banks"). As of August 31, 1974 borrowings in the aggregate amount of \$4,800,000 were outstanding under the Credit Agreement.

During the month of September, 1974, Registrant made additional borrowings under the Credit Agreement of \$600,000 and at September 30, 1974 total borrowings were \$5,400,000.

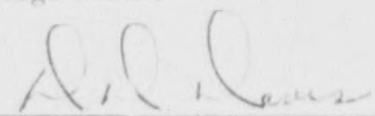
Borrowings under the Credit Agreement are used to finance increases in accounts receivable and inventories and for other working capital requirements, for capital expansion and for other general corporate purposes. Borrowings under the Credit Agreement are treated as long term debt.

Notes issued to the Banks have not been and will not be registered under the Securities Act of 1933 in reliance upon the exemption contained in Section 4(2) of said Act accorded to transactions by an issuer not involving any public offering.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MPB CORPORATION
(Registrant)

By 
Donald D. Davis
Senior Vice President-Finance
and Treasurer

February 12, 1975

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of
the Securities Exchange Act of 1934

For Quarter Ended: December 29, 1974

Commission File Number: 0-1544

MPB CORPORATION

Delaware
State of Incorporation

02-0211595
IRS Employer Identification No.

Precision Park
Keene, New Hampshire
Address of principal executive offices

03431
Zip Code

Registrant's telephone number, including area code: (603) 352-0310

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No .

FORM 10-Q

A. Summarized Financial Information

Company or group of companies for which report is filed: MPB Corporation and
Subsidiaries

Profit and Loss Information (\$000 omitted, except for per share and shares used)	For the nine months ended	
	<u>12/29/74</u>	<u>12/23/73</u>
Gross sales less discounts, returns and allowances	\$33,763	\$25,733
Costs and Expenses	29,168	22,875
Interest Expense	<u>716</u>	<u>271</u>
Income before taxes on income	\$ 3,879	\$ 2,587
Provision for taxes on income	<u>1,928</u>	<u>1,200</u>
Net income	<u>\$ 1,951</u>	<u>\$ 1,387</u>
Earnings per share	\$ 1.95	\$ 1.39
Average shares used	998,072	996,639
Dividends per share	\$.375	\$.30

FORM 10-Q

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Earnings per share	\$ 1.95	\$ 1.39
Average shares used	998,072	996,639
Dividends per share	\$.375	\$.30

FORM 10-Q

B. Capitalization and Stockholders' Equity

December 29, 1974

	<u>Amount</u> (\$000 omitted)
Debt	
Short-term loans	\$ 0
Long-term debt (including \$2054 due within one year)	<u>10,475</u>
Total debt	<u>\$10,475</u>
Stockholders' Equity	
	<u>Shares Issued or Outstanding</u>
Preferred Stock	0
Common Stock (includes 90,310 shares Treasury Stock)	1,088,428
	<u>1,088</u>
Capital in excess of par value	<u>\$ 6,925</u>
Retained Earnings	
Balance at beginning of current fiscal year	\$11,905
Net Income	1,951
Dividends (cash \$.375)	<u>(374)</u>
Balance at end of interim period	<u>\$13,482</u>
Treasury Stock, common 90,310 shares at cost	<u>(799)</u>
Total Stockholders' Equity	<u>\$20,696</u>

FORM 10-Q

Part C - Sales of Unregistered Securities (Debt or Equity)

December 29, 1974

NONE

Statement

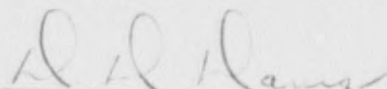
In the opinion of management, all adjustments necessary to a fair statement of the results for the periods ended December 29, 1974 and December 23, 1973 have been reflected on the enclosed Form 10-Q. The financial information included herein is subject to year end audit.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 3, 1975

MPB Corporation
(Registrant)



D. D. Davis
Treasurer

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of
The Securities Exchange Act of 1934

FOR THE MONTH OF JANUARY, 1975

Commission File No. 0-1544

MPB CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State of Incorporation)

02-0211595
(IRS Identification Number)

Precision Park, Keene, New Hampshire 03431
(Address of principal executive offices)

Item 7. Increase in Amount of Securities Outstanding

On Form 8-K for the month of August, 1974, Registrant reported that it entered into a Revolving Credit and Term Loan Agreement dated as of July 1, 1974 (the "Credit Agreement") with The Chase Manhattan Bank, N. A. and New England Merchants National Bank (the "Banks"). On Form 8-K for the month of September, 1974, Registrant reported borrowings in the aggregate amount of \$5,400,000 were outstanding under the agreement.

During the months of December, 1974 and January, 1975 Registrant made additional borrowings of \$200,000 and \$400,000 respectively under the Credit Agreement and at January 31, 1975 total borrowings were \$6,000,000.

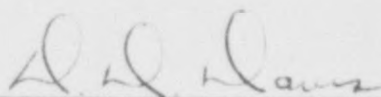
Borrowings under the Credit Agreement are used to finance increases in accounts receivable and inventories and for other working capital requirements, for capital expansion and for other general corporate purposes. Borrowings under the Credit Agreement are treated as long term debt.

Notes issued to the Banks have not been and will not be registered under the Securities Act of 1933 in reliance upon the exemption contained in Section 4(2) of said Act accorded to transactions by an issuer not involving any public offering.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MPB CORPORATION
(Registrant)

By 

Donald D. Davis
Senior Vice President-Finance
and Treasurer

February 12, 1975

Revenue Sharing clearinghouse

National Clearinghouse on Revenue Sharing

Nov/Dec 1974

National GRS Study Finds Major Flaws In Civil Rights, Public Participation

A nation-wide study of general revenue sharing has uncovered serious problems in the \$30 billion program. Preliminary findings of the National Revenue Sharing Project reported that:

- Revenue sharing has not resulted in more effective public involvement in local budget decisions.
- Expenditures have dealt only slightly with the needs of the poor, the aged and the disadvantaged.
- There is strong evidence that revenue sharing contributes to continued job discrimination in many localities.

The findings were issued by the study's sponsors: the League of Women Voters Education Fund, the National Urban Coalition, the Center for Community Change and the Center for National Policy Review. Their National Revenue Sharing Project is the most extensive grass-roots scrutiny of how the program is working: investigations in 26 cities and seven counties—all over 50,000 population—by local groups affiliated with the sponsors.

Although some in Congress intended an "ongoing citizen oversight to ensure that GRS funds are put to good use," the report stated that citizen activity has not been broad or deep enough to translate into significant impact. Citizen coalitions in some cities encountered resistance from local officials. "The chief lesson of experience," the report said, "is that GRS puts a tremendous burden on citizens to take and sustain initiatives in order to achieve meaningful change."

The study found strong documentation of employment bias in 10 sites, including New Orleans and Louisville. In addition, median salaries for minorities and women were substantially less than for white males. Investigators found "almost total lack of awareness" of local responsibilities to enforce the anti-bias provisions of the revenue sharing act.

22 Organizations Assail White House Recommendations

Twenty-two civil rights groups, research institutes, civic organizations and religious bodies joined in a statement which criticized a number of shortcomings in the revenue sharing program. In a letter to President Ford, they charged that recommendations for changes in the program—prepared by an inter-agency task force—were "cosmetic changes which would fall far short of dealing with serious problems" such as discriminatory use of the funds and exclusion of the public from decisions. (See page 10 for analysis of recommendations.)

Court Orders ORS To Defer Payments For City of Chicago

For the first time, revenue sharing payments to a local government were stopped because of discrimination. Chicago's quarterly \$19.2-million payment was not mailed in early January following an order by a federal judge in Washington. The landmark ruling did not impose penalties on Chicago for its past discriminatory practices in the police department; it did hold up the funds until the city makes progress in remedying the long-standing situation which hampers job and promotion opportunities for blacks and Chicanos.

Ohio Poll Challenges GRS' Effectiveness

Surveys of revenue sharing continue to provide interesting findings. The Ohio Poll reported that less than one out of four voting-age Ohioans feel that the funds are being used effectively. In Michigan, 44 per cent of public officials said that their communities had taken "poor" measures to encourage citizen participation. In New York, the Citizen's Task Force on Revenue Sharing concluded that the program would "ultimately assure the demise" of various social services.

Courts

Federal Judge Orders Deferral of Chicago's Payment Until City Makes Progress in Ending Discrimination

For the first time, revenue sharing payments to a local government have been stopped because of discrimination in its use of the funds.

The precedent was set Dec. 18 in Washington when U.S. District Court Judge John Lewis Smith ordered the Treasury Department to defer future payments to the city of Chicago.

Treasury officials said that they would not appeal the order; as a result they did not mail a \$19.2 million payment as scheduled on Jan. 6, 1975.

Civil rights groups were elated at the court's decision. They had viewed the Chicago case as highly significant in several respects: (1) its attack on a long-standing problem of local governmental job discrimination; (2) its potential for inducing a stronger government-wide policy toward deferral of federal funds made available under New Federalism; and (3) its impact on other jurisdictions, due to the high visibility that would accompany eventual decisions about Chicago.

The city's official hierarchy was stunned by Judge Smith's ruling. In a flurry of activity, they sought to link the threatened deferral of funds to fiscal catastrophe. They also claimed that programs to provide food for the poor would be jeopardized and that—if carried out—the order would rule out the city's compliance with a temporary court order issued by Judge Prentice H. Marshall in Chicago.

Responding to the city's claim that it faced a critical shortage of police officers, Judge Marshall had approved an interim plan to hire 600 officers in advance of new testing procedures that would be fair to minorities. But the agreement provided that 400 of those hired would be minorities.

The city's attorneys then asked Judge Marshall to grant a stay of execution of Judge Smith's order. Marshall de-

clined, pointing out that he had no authority to overrule a judge of equal rank. Following their rebuff in Chicago, the city's attorneys journeyed to Washington to ask Judge Smith to transfer the case to Judge Marshall's court. On Jan. 6—the date the funds were to have been mailed—Judge Smith agreed to transfer the case, but not to vacate his order.

Although Chicago was pleased by Smith's ruling, the order which froze the funds will still stand, he said, "unless it is modified by Judge Marshall." Judge Marshall set March 3 as the date for the next hearing on the case. If he sustains Judge Smith—that is, to withhold funds until the city shows evidence that it is complying with a final court order to end discrimination Chicago's quarterly payments will continue to be held in escrow.

At no point did the various complaints and law suits ask for permanent cut-off of funds, nor repayment of funds improperly used by the city.

The fast-paced action between Judge Smith's rulings on Dec. 18 and Jan. 6 dramatically illustrated the complexity of the four-year old legal maneuvers which have embroiled the Chicago police department in charges of discrimination against blacks, Chicanos and women. Separate investigations by the Office of Revenue Sharing and Justice Department have confirmed the charges. Separate law suits had been filed in Chicago and Washington, with the federal government, in effect, as prosecutor in Chicago and defendant in Washington. And Judge Marshall had begun the compliance process through court order.

The Treasury's Office of Revenue Sharing had been strongly criticized in June 1974 by Sen. Edmund Muskie (D-Me.) for its slow pace in seeking to end discrimination, despite its own findings.

The Justice Department had

previously verified that discrimination existed in the city's use of law enforcement grant funds.

The Justice Department had sued the city in order to bring about the end of the bias. The ORS, however, took no action after it had determined the accuracy of charges filed in an administrative complaint in September 1973 by the Center for National Policy Review on behalf of the Afro-American Patrolmen's League.

In February 1974, the League sued ORS in order to stop further payments until the city took positive steps to end discrimination. At that point, the ORS contended that (1) it had no legal authority to defer payments and (2) it could not be required to begin a form compliance process because it was a matter of its own administrative discretion.

In May 1974 Judge Smith in Washington ruled against the ORS on both points. He ordered the agency to begin the legally-prescribed compliance process by notifying Illinois Governor Daniel Walker and Chicago's Mayor Richard Daley that discrimination had been determined in the city police force and that the parties should try to remedy it within 60 days.

He also said that the ORS did indeed have authority to defer payments after violations of the law were found, including discrimination. He pointed out, however, that deferral could not take place unless there had been sufficient opportunity for the city to reply to the charges in a formal administrative process.

At that time, ORS lacked any such procedures which could lead to deferral of funds. Subsequent efforts by the Center for National Policy Review and

the Lawyers Committee for Civil Rights Under Law unsuccessfully sought to get the ORS to issue proposed regulations on the subject.

By mid-January—eight months after the question of deferral regulations had been raised—ORS had not yet published initial proposals for comment and review by the public.

The transfer of the case to the federal court in Chicago by Judge Smith left the city with the task of persuading Judge Marshall that it was entitled to additional revenue sharing payments, despite the fact that it had not agreed to take steps to end all the long-standing problems of discrimination among its police force.

In January, Justice Department attorneys told Judge Marshall that they were not satisfied with the city's progress; although they favored the lifting of Judge Smith's order, they said that ORS would not automatically release the funds unless the city made better progress.

In response, the city asked Judge Marshall not only to vacate the order of Judge Smith but also to order ORS to resume payments.

Commented the Chicago *Tribune* in an editorial: "We started out by sympathizing with the city's position on this issue. It seemed for a time that Chicago officials really were doing their best to comply with federal orders, and that the city shouldn't be penalized for not succeeding instantly. We find it increasingly hard, however, to swallow the argument that Chicago can't afford to protect its own citizens if that means cutting some fat from the city budget."

Revenue Sharing Clearinghouse is published bimonthly by the National Clearinghouse on Revenue Sharing, a part of the Center for National Policy Review located at the Catholic University of America, Washington, D.C. 20017. Other sponsoring organizations are the League of Women Voters Education Fund, the National Urban Coalition

and the Center for Community Change.

Material may be reprinted with credit. News and opinion about revenue sharing experiences are welcome. Subscriptions are free on request. Write *Revenue Sharing Clearinghouse*, 1785 Massachusetts Ave., N.W.; Washington, D.C. 20015. Editor: Donald W. Lief

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Civil Rights

Suit Against Tallahassee For Job Bias Is First GRS Case by Justice

The Justice Department Dec. 13 filed a civil suit, charging the city of Tallahassee (Fla.) with discriminatory use of revenue sharing funds.

It was the first such suit brought by the Justice Department to result from its regular compliance activities, rather than a complaint from the groups involved.

Tallahassee, the state capital, has a population of 83,000—about one-fourth of whom are black. The Justice Department charged city officials with discriminating against blacks in virtually all aspects of their personnel system.

Since the program began, the city has received more than \$1,000,000 in GRS funds. The civil suit filed by the Justice Department did not seek a cut-off in future payments until the city could comply with the law.

Specifically, Justice sought to prohibit the city from further discrimination in its hiring and promotion practices and also asked the city to reimburse blacks for any damages they might have suffered because of discrimination.

The original compliance review of the city was made by Justice investigators during the summer of 1974. Local officials complained vigorously at the time.

The action against the city focused on 11 city departments which were allocated revenue sharing funds. They included fire, streets, public works, garbage, recreation, and electrical.

Michigan CRC Adopts Resolution on GRS

The Michigan Civil Rights Commission has adopted a resolution calling for the "adoption and implementation" of a program by the Governor to assure that revenue sharing funds "would be used in a manner which does not discriminate or have discriminatory impact."

This resolution, says the commission, was inspired by the work of the Michigan League of Women Voters as part of the National Revenue Sharing Project.

The commission recommended to the Governor that he issue an Executive Order setting forth specific requirements for compliance with the revenue sharing law by local governments.

Included in the order, the commission said, should be procedures for monitoring and reviewing the use of revenue sharing funds by local governments; the delegation of authority and responsibility to the Department of Civil Rights for implementing compliance review programs; and a recommendation to the legislature that additional resources including a portion of the state's share of revenue sharing funds be allocated for such purposes.

ORS Publishes Booklet On Civil Rights Issues

General Revenue Sharing and Civil Rights, a guide to the nondiscrimination provisions of the law has been issued by ORS to help local officials identify discriminatory practices, and to inform individuals and groups of the civil rights provisions of the law.

The 21-page booklet explains how the GRS act and ORS regulations deal with civil rights. It stresses that a complaint may be initiated very easily.

The guide helps to isolate areas of possible civil rights violations, including "do's and don't's" for local officials. It does not include detailed information about remedying deficiencies; officials interested in setting up an affirmative action program would have to seek help elsewhere.

For civic groups concerned with the issue, the booklet has an important shortcoming. It does not discuss how to develop factual evidence in support of complaints, a common problem in proving discrimination in local government.

The GRS civil rights provisions cover all persons regardless of whether they are citizens. The law also forbids discrimination on the basis of

sex. Furthermore, GRS extends federal jurisdiction to cases of employment discrimination in 28,000 governments too small to be covered by previous federal statutes.

Copies of the guide are available in limited quantities without charge from the Compliance Division, ORS, 2401 E Street, N.W.; Washington, D.C. 20226, and from the Government Printing Office, 70 cents each (stock no. 4804-00783).

Compliance

Audit Agreements Signed By Five More States

Audit agreements between five additional state governments and ORS have been signed. This brings to 19 the number of state governments that have agreed to audit how their local governments comply with revenue sharing's legal requirements.

These agreements are intended in part to answer criticisms that ORS's small auditing and civil rights staff cannot adequately monitor 38,000 recipient governments.

However, civil rights groups are expressing concern that state auditors will not have the experience and skills to detect civil rights violations. William R. Morris, of the NAACP, commented, "What we really need is someone to monitor the states."

Uses

Minority of Ohioans Feel GRS Funds Are Being Used Effectively

Fewer than one-fourth of voting age Ohioans feel that funds from revenue sharing are being used effectively, according to the non-profit Ohio Poll sponsored by newspapers in the state. Forty-seven per cent of the respondents said they had no idea whether the funds are being spent properly.

Commented the poll: "Revenue sharing may rank as the least understood federal program in recent years."

Regardless of political affili-

ation or group, there was a low level of satisfaction with the use of the funds. Of Republicans, 21 per cent thought funds were effectively used; for Democrats and Independents the approval rate was 24 and 22 per cent respectively. More blacks (27 per cent) than whites (22 per cent) thought the funds were well-used.

Blacks were also the most negative in their judgment: 40 per cent did not think the funds were effectively spent, compared to 29 per cent holding the same view among whites.

Asked whether the amount of money should be increased, reduced or kept at about the same level, blacks, Democrats and males ranked highest in calling for more funds (39, 38 and 36 per cent respectively). Only 25 per cent of the state's Republicans said the funds should be enlarged.

Seniors Get Assistance

Senior Citizens in Lance County, Oreg. (Eugene) who own their own homes but make less than \$5,000 a year can get financial aid for repairing their leaky roofs, broken floors, leaky faucets or for other small home repairs that may be hazardous or uncomfortable.

The county will assume up to \$500 per home for repairs in the Eugene area and \$200 outside of the city.

Scuba Divers Treatment

Treatment for scuba divers stricken with the bends near Catalina Island will be funded in part with Los Angeles County's revenue sharing funds.

The \$30,800 allocation will go towards a \$111,600 decompression chamber. Last year 13 divers drowned on the island and three have drowned this year.

Rape Crisis Center

Revenue sharing money will go to support a Rape Crisis Center in San Diego County. The center's services include a 24-hour hot line for rape victims and counseling services provided by trained volunteers.

Surveys

National Revenue Sharing Project Issues First Findings; Grassroots Investigations in 33 Communities Show Citizen Participation Not Encouraged by Program; Spending Reinforces Sex, Racial Job Discrimination

The preliminary findings of the National Revenue Sharing Project were released Dec. 10. The project's sponsors—the League of Women Voters Education Fund, the National Urban Coalition, the Center for Community Change and the Center for National Policy Review—stated, "It is time to get past the rhetoric that has surrounded revenue sharing to determine whether it provides an equitable, efficient and effective means of matching funds to community concerns."

"We have taken a first step in this direction with information we believe will be useful in the growing debate over the renewal of revenue sharing."

The National Revenue Sharing Project undertook the most extensive grassroots scrutiny of how the \$30.2 billion program is working. Investigations were conducted in some 60 state and local governments. The preliminary findings are based on analysis of data from 26 cities and seven counties, all over 50,000 population.

The various study teams compiled an in-depth picture, interviewing more than 1,000 mayors, council members, business and labor leaders, media executives and reporters, and heads of anti-poverty, civil rights and religious organizations. In addition, they provided extensive documentation of local socioeconomic factors, local government structure and budgets.

The following is a summary of the report. More complete reports, dealing with citizen participation, civil rights and the formula which allocates funds, will be issued in 1975.

Copies of *General Revenue Sharing in American Cities: First Impressions*, are available in limited quantity at \$1.00 per copy. Additional copies of this summary may be requested from the National Clearinghouse on Revenue Sharing.

CITIZEN INVOLVEMENT

One of the most striking aspects of the GRS program is the absence of the

usual checks on local governmental decision making, including an annual appropriation requirement.

The result is to place a heavy responsibility on ongoing citizen oversight to ensure that GRS funds are put to good use. Citizen oversight is not—and cannot be—effective under the program as presently set up, although there are individual instances of citizen impact.

FINDINGS

- *There has been a fairly wide range of citizen activity relating to General Revenue Sharing. Much of this activity—especially local open budget hearings—would have occurred without GRS.*

- *By and large, however, citizen involvement is neither broad nor deep. Public budget hearings, though common, are of limited value as vehicles for citizen input. They normally come at the end of the budgetmaking cycle, after most important decisions have been made. Special GRS hearings, especially if called under community pressure, fare somewhat better.*

- *Citizen activity does not translate into citizen impact with any regularity.*

- *Lack of citizen initiative may well be related to a lack of information.*

DISCUSSION

Coalitions of citizens groups were formed or developed new interest in local budgets in 14 of the 33 sites. Although these groups tended to focus on the newly available GRS, the impetus for their formation was almost invariably the threat of cutbacks in federal funding for social programs and their objective was to gain more funds for "human needs."

Citizen coalition-building appears to be the most effective route to local impact, particularly if the coalition has paid staff and/or aid from national headquarters. But coalition-building alone does not guarantee impact.

Citizen advisory boards exist or were created in six to eight sites and are planned in two more. In a majority of

cases, these groups were asked to devise spending priorities only for a portion, usually small, of GRS reserved for social purposes. In no cities were the group's recommendations followed completely.

Open general budget meetings were held in all but two or three sites, usually as required by state or local statute. At least three of the cities did not permit citizens to comment or make proposals at budget meetings, however, and few made any special effort to encourage citizen attendance or participation.

Special meetings or hearings on GRS were held in about a dozen sites. Four cities held special hearings only in 1973, in connection with the "windfall" GRS check that arrived too late to be considered as part of the general budget; one of the counties held a hearing reluctantly, under citizen pressure, and has not repeated the experiment.

Pre-budget activity appears to exist in about six sites in the form of departmental advisory boards or budget hearings, individual or agency petitions at the departmental level, or neighborhood meetings on city priorities.

Citizen activity may have produced some change in GRS allocation and/or decisionmaking in five or six cities and four counties. In Seattle, Denver, Cedar Rapids, San Antonio and Jefferson County, citizens obtained funding for social services that might not have been forthcoming otherwise.

In Pittsfield, Denver, Buffalo, Los Angeles County and Onondaga County, citizen advisory groups were formed, although the Buffalo group (on the general budget) appears to have been appointed to head off grassroots pressure rather than to accommodate it. In St. Louis County, citizen impact was essentially negative, in that it succeeded only in blocking county plans to use GRS funds to build a golf course.

Officials Are Ambivalent

Official attitudes toward citizen involvement are ambivalent. On the one hand, elected officials proclaim their willingness to listen, if approached. They complain of citizen apathy or inability to understand "complicated" budget matters.

On the other hand, far fewer officials are eager for citizen involvement outside of the normal electoral process.

Substantially more attention must be paid to obtaining citizen involvement

beyond the regular election process (when GRS is seen as a minor, if not nonexistent, issue). It is clear that general budget hearings come too late in the decisionmaking cycle to permit meaningful citizen impact. As a result of their investigations, Project monitors were unanimous in feeling that citizen involvement should be made mandatory, though many were skeptical of the value of a general requirement.

Information Is Poor

Planned and actual use reports, which must be filed with the ORS and published locally for each of the seven "entitlement periods" between 1972 and 1976, are the only federally mandated forms of public information on GRS. They are less than satisfactory vehicles of information:

- They are usually placed with the legal notices, often reduced in size.

- Even if seen, planned use reports often bear little relation to actual use reports, with no evident reason for changes. Of 30 PUR/AUR sets for Jan.-June '73, ten showed funds expended in fewer categories than planned, 11 in more categories; only 14 of 33 sites had obligated more than half their funds by the end of the reporting period. Although some Congressmen appear to have contemplated publication of revised Planned Use Reports, the guidelines of the Office of Revenue Sharing do not require updating; localities have not felt obligated to do it on their own.

- Reporting categories are too general to be meaningful. They are divided only into gross categories of "operating and maintenance" and "capital" expenditures, with eight subtitles corresponding to the eight priority categories mentioned in the Act, along with a few additional headings (including education) permitted on the capital side. Thus, capital expenditures on land for "recreation" encompasses both preserving a wilderness area (Phoenix) and a revenue-sharing golf course (St. Louis County).

- Most importantly, GRS funds are "fungible"—that is, they need not be used for new projects, but may instead "free up" funds from the regular budget for use elsewhere. This means that reported use may not reflect—may even mask—real use to lower taxes, to support non-priority projects, etc.

- Media coverage of local GRS decisionmaking has been spotty, at best. Media representatives interviewed by Project monitors showed remarkably little familiarity with the program. An average of only 1.2 newspaper items per month per site referred to local GRS decisionmaking or related citizen activity—even when St. Louis County, where a hot political issue generated 100 local items in 1973, is included.

- Minority, foreign-language, and neighborhood press have all but ignored GRS. Editors of such papers rarely recall having received notices relating to GRS from local officials, although such notices are required under ORS regulations.

- Radio and television coverage of GRS is infrequent or nonexistent. Broadcasters say that budgetary matters do not lend themselves to these media and/or that citizens aren't interested in budgets.

General budget information, in a form comprehensible to the layman, is as hard to come by as information on general revenue sharing. Richmond publishes an attractive newspaper supplement on its proposed budget and broadcasts debates on educational TV. Denver and Seattle put out helpful summary budget booklets. In San Antonio and several other sites, budgets are of the modern "program" type which, if citizens take the trouble to obtain and read them, are somewhat easier to understand than traditional "line-item" budgets. For the most part, general budgets remain the arcane province of budget officials who believe that these matters are "too complicated" for the average citizen.

In light of the relative paucity of sources of information, it is not surprising that citizens tend to be unaware of how GRS is affecting their community.

When asked about GRS, even community leaders and media people, presumably more aware than the man in the street, show visibly less general knowledge than elected officials and local fiscal officers. Furthermore, among community leaders, minority and poverty leaders, as well as minority and neighborhood media representatives, show markedly less knowledge than others.

If local officials are to be held accountable by local citizens, then those citizens must have more information on which to base their judgments. At mini-

mum, official reporting requirements must be made more meaningful, perhaps through a requirement for specific project descriptions. Even this reform, however, would not necessarily clarify the true impact of the highly fungible GRS dollars.

PROTECTION AGAINST BIAS

In conformity with the GRS law, the ORS requires an official assurance that nondiscrimination requirements are being met at the local level. There is a good bit of evidence that these assurances are unreliable. By doing nothing to mitigate existing discrimination, GRS funds can be said to be contributing to its continuation.

FINDINGS

- Job discrimination at the local level is evident, both in employment opportunities and compensation.

- There are signs that poorer and minority neighborhoods receive fewer services than elsewhere in the city.

- Compliance mechanisms are inadequate. Most striking is the almost total lack of awareness, even where human rights officers exist, of any local responsibility toward the nondiscrimination provisions of the GRS law.

DISCUSSION

In public employment, discriminatory patterns are well documented in data from ten sites. There are proportionately too few women and minorities in local government jobs. This is especially true in the police and fire departments that tend to receive large chunks of GRS money.

Median salaries for both women and minorities are about \$2,000 lower than those for white males, indicating that the former tend to be concentrated at the lower end of the salary scale.

In public services and facilities, 17 out of 26 monitoring submissions contains suggestions that poor and minority areas are not receiving services on a par with the rest of the city. Police protection and garbage pickup are mentioned most frequently, although this form of discrimination is extremely difficult to document.

At the local level, at least 22 of 26 cities and two of four counties have some form of human rights commission or equal employment office. There is little indication that these officers are strong or effective, although there

considerable assumption among government officials and non-poor, non-minority citizens that problems of discrimination are being taken care of.

Only 52 per cent of human rights officers interviewed had a reasonably accurate idea of how GRS was being used in their community; many fewer (perhaps one or two) had any review responsibility for use of GRS moneys.

Court action relating to public employment has been brought in at least 12 sites either by the Department of Justice or by private citizens. These cases suggest, in minimum, presumptive evidence of discrimination.

Complaints to the ORS have been submitted by citizens in four Project sites. Similar complaints are known to have been threatened in another site and to be under consideration in at least two more.

The fact that relatively few complaints have been submitted to ORS from Project sites does not signify absence of problems of discrimination. Among more likely explanations are: difficulty of proof; discouragement at the length of time and effort required for remedy; willingness to seek other avenues for relief (including political pressure) and/or unawareness that legal remedy is available.

In the absence of effective local compliance mechanisms, administrative complaints and litigation are likely to become more frequent.

Improved Compliance

Regardless of any changes that may be made or needed in the enforcement procedures of the ORS in Washington (which local monitors did not treat), it is clear that considerably more attention must be paid to compliance mechanisms at the local level which would:

1. Ensure that there are local compliance officers in those cases where they do not already exist.
2. Inform local compliance officers of their responsibilities under GRS.
3. Let citizens know where to bring anti-discrimination complaints or comments.

EXPENDITURE TRENDS

It is important to attempt to gauge the extent to which GRS has encouraged local programming to meet human needs. This task is made difficult by the extreme fungibility of GRS dollars, making true expenditure patterns hard to

SOCIAL SERVICES FOR POOR AND AGED

SITES	Households With Income Below Poverty Level (1970)	1972-73	1973-74
		% of Total Spent	% of Total Planned
LOS ANGELES	9.9%	0	0
DETROIT	11.3	0	0
BALTIMORE	14.0	0	1.9
CLEVELAND	13.4	0	12.9
SAN ANTONIO	17.5	12.2	3.7
MEMPHIS	15.7	0	0
NEW ORLEANS	21.6	0	0
PHOENIX	8.8	1.3	12.4
SEATTLE	6.0	0	1.1
DENVER	6.8	0	1.6
BUFFALO	11.2	0	0
NASHVILLE	10.2	0	1.7
MINNEAPOLIS	13.0	27.6	3.1
OAKLAND	12.2	0	0
LOUISVILLE	13.0	0	0
ST. PAUL	6.4	0	0
RICHMOND	13.3	0	6.4
DES MOINES	6.9	0	0
SYRACUSE	9.8	0	0
BRIDGEPORT	8.6	0	20.0
PASADENA	7.7	4.1	.9
CEDAR RAPIDS	5.3	0	5.1
RACINE	6.6	0	0
WILMINGTON	16.0	0	0
PITTSFIELD	5.1	0	0
BROWNSVILLE	40.8	0	6.3
LOS ANGELES CO.	6.9	0	0
ST. LOUIS CO.	3.6	2.6	0
WESTCHESTER CO.	4.5	0	0
JEFFERSON CO.	8.9	0	4.0
ONONDAGA CO.	6.6	NA	0
CAMERON CO.	38.5	0	0
Avg.: 26 Cities		1.7	2.9
Avg.: 6 Counties		NA	.7

pin down. It is compounded by the difficulty of identifying concurrent local cutbacks in related federal programs, especially cutbacks in funding of non-governmental agencies. The following comments are, therefore, highly tentative.

FINDINGS

- Net fiscal effects of GRS bear little relation to the program categories used for reporting purposes.
- Use of GRS for operating budget may be growing.

- Planned and actual use reports emphasize public safety and show little support for social services.

- County vs. City "responsibility" for social services is an issue in some areas.

- Cutbacks in federal categorical program are beginning to hurt.

- Legislative and administrative restrictions tend to inhibit using GRS for social purposes.

- The interconnection among all three aspects of the original "new federalism" plan—general revenue sharing, and

special revenue sharing, and categorical or block grants—cannot be overemphasized.

DISCUSSION

Reports by the Project monitors suggest that the chief real use, or primary net effect, of GRS in 1972-73 was:

1. To support or balance the general budget and/or pay for salary increases: eight of 23 cities (Los Angeles, Detroit, Baltimore, Cleveland, Seattle, Nashville, Minneapolis, Wilmington), all but one with over 100,000 population.

2. To reduce the backlog of projected capital investment (new or refurbished buildings, land acquisition, etc.): eight of 23 cities (San Antonio, Memphis, New Orleans, Denver, Louisville, Pasadena, Cedar Rapids, Pittsfield), usually on the ground that GRS might end in 1976 and should therefore be used only for "one-shot" projects. (Use of GRS for capital projects also holds down the need for local bond issues, thus having an indirect effect on future tax rates by limiting debt servicing.) In some instances, the capital projects undertaken had been previously rejected in local referenda.

3. To reduce property taxes: seven of 23 cities (Phoenix, Buffalo, St. Paul, Des Moines, Syracuse, Bridgeport, Racine), a majority with less than 250,000 population. In addition, 13 of the cities report that GRS served to prevent taxes from rising or to lower the rate at which taxes were raised.

By 1973-74 Monitors' reports for 1973-74 indicate that five cities (Denver, New Orleans, Louisville, Pasadena, Seattle) switched from capital or new projects to general budget support; Des Moines from tax reduction to capital projects; St. Paul and Racine from tax reduction to budget support. This tends to confirm reports of a national trend toward using GRS to mitigate the effects of inflation.

Clues to Pressures

Despite their deficiencies as sources of information, planned and actual use reports may offer clues to community pressures—or at least to the officials' perceptions of these pressures.

If this is so, one can say that public safety represents the overwhelming "felt need" at the local level, and that the social needs of the poor and near poor figure hardly at all. Based on the use reports:

1. Public safety was by far the largest single expenditure, amounting to 100 per cent in one-third of the sites.

2. Social Services expenditures are minor.

For January-June 1973, six of 23 cities planned to spend an average of almost 13 per cent of total GRS allotments on social services.

By 1973-74, 13 of 26 cities planned to spend an average of 5 per cent on social services, which represents some improvement in "image" if the shortfall of the previous actual use reports is not repeated. Five of these cities will use all or part of GRS to cover new social services.

This slight trend toward allotment of GRS funds to social services may indicate growing political effectiveness of poverty interests at the local level. Again, it may be a local response to criticism by national organizations and some Congressmen that the poor are being short-changed by GRS.

3. Some expenditures in favor of the poor and disadvantaged have been concealed under other headings of the Actual and Planned use reports, although they do not seem to amount to enough to contradict the generalization that social needs have been neglected.

Among such allotments (both capital and maintenance) in Project sites are:

Public safety: a juvenile delinquency program (Nashville), a new fire station "across the tracks" (Louisville).

Public transportation: a bus service for the elderly (Cedar Rapids), mass transit subsidies (Richmond and Los Angeles), improved streets in minority areas (Phoenix and New Orleans).

Health: neighborhood health programs (Denver, San Antonio); drug-abuse prevention (St. Louis County).

Counties, which have traditionally been responsible for social services, seem to have more consistently spent some of their GRS money for these purposes.

However, actual and planned use reports from Project counties do not show any higher rate of social service expenditures than do those from the cities.

Of the five counties for which detailed information is available, Onondaga County appears to have spent some \$640,000 (8 per cent of its total GRS allotment for 1972-73) and St. Louis County \$100,000 or 1.5 per cent of its total for the period. Jefferson County planned to spend \$250,000. Although

Los Angeles County has promised to allocate \$22.5 million (25 per cent of one year's GRS) to a "GRS Program for Community Social Services Organizations," none of the money had been committed as of October 1974.

Some observers suggest that the municipalities may be spending more on social programs from their general budgets, while using GRS for other things. There is occasional evidence for this. But it is clear that many city officials—despite years of federally funded social programs administered in and by cities—continue to see their functions as narrowly traditional, centering on public safety, roads and sanitation.

Cuts in Grant Programs

The Project's monitors sought to assess the impact of budget cuts in categorical programs as projects in President Nixon's Fiscal 1974 budget.

At the local level, federal "pipelines" were still flowing. Budget data from Project sites seems to indicate that, except for housing, categorical funds previously obligated in Washington were still reaching the localities; that some programs had been "stretched out" over 18 months instead of 12; that some impoundments were rescinded as a result of legal action; and that some threatened cuts did not materialize after all.

Where federal cuts did appear, several cities used part of their GRS allotments to restore them. Phoenix appears to have put aside some \$100,000 to replace OEO programs, and Richmond set aside about \$500,000 to cover threatened Model Cities cuts which did not eventuate. Los Angeles joined with Los Angeles County to cover some losses of the Greater Los Angeles Community Action Agency; Louisville is considering a similar city-county program to make up for OEO funds. San Antonio used general funds as well as GRS to continue 75 per cent of the community-based agencies that had been funded under Model Cities.

Other sites picked up individual programs, among the most popular being summer youth employment.

The limited 1974-75 data obtained indicates that deep federal program cuts are beginning to appear at the local level. In Des Moines, for example, the Community Development Office will have to make do with \$2.5 million in 1974, a 68.4 per cent reduction over 1973; the city's Concentrated Emplo-

ment Program was luckier—it will suffer a cut of only 12.5 per cent. Erie County's 1974 budget reports a \$4 million loss in "federal aid and revenue sharing," even after including its 1972-73 "windfall" of almost \$10 million.

Federal funding of the Seattle Community Development Department appears to have fallen about 30 per cent, while the city is making up less than a fifth of the shortfall; the Executive Department, which in Seattle includes the Model Cities program, fared even worse in 1974, with a \$16 million cut (60 per cent) entirely accounted for by a fall in non-city funds.

Local 1974-75 budgets should therefore provide clearer answers as to whether local governments are prepared to mount more substantial social programs in the face of much-reduced federal funding.

Pinch Began in 1973

Non-governmental agencies associated with OEO and Model Cities had begun to feel the pinch by 1973. For example, in San Antonio, social services under Model Cities ended in August 1973. In Syracuse, the Model Cities director notes that "all but two or three programs are being phased out." The director of county daycare services in Memphis reports: "We lost six programs in June 1973."

These cutbacks, or threatened cuts, in private programs fueled a good deal of the pressure on local governments to allot GRS to social services. There is some indication in a number of Project sites that poverty agencies mounted or encouraged campaigns for GRS funds.

Community-based private programs were financed with GRS funds in at least 13 sites, usually by means of a contract to provide certain social services for the local government.

One considerable inhibition may be the Act's prohibition on direct or indirect use of GRS for matching federal money. Matching requirements are frequently attached to federally sponsored social programs. ORS guidelines make clear that GRS may be used as additional funding once matching requirements have been met with local funds. But some local officials do not understand this, and, in any event, the prohibition appears to have given local officials a good excuse to reject citizens requests for funding of social programs.

A further problem is that GRS moneys

may not be used in ways prohibited for local funds. In some areas (but no Project site), local statutes do not permit spending for social services and state law permitting localities to spend GRS for these purposes have been struck down.

In other areas, state statutes do not permit local governments to give money to non-governmental agencies. The state legislature passed a law specifically permitting Seattle to contract with private groups for social services; other cities may not have such obliging legislatures.

Formula Problems

Two aspects of the GRS formula appear to work indirectly against the interest of the urban poor. The first is the requirement that per capita payments to any local government may not exceed 145 per cent of the average per capita payment to all local governments in that state. Secondly, sites with large minority populations are adversely affected by an acknowledged undercount of the minority population in the 1970 Census, since population is a key element in the formula used to determine GRS entitlements.

LOCAL PRIORITIES VS. NATIONAL GOALS

One may ask: Is GRS a lever, a handle, or a bust as a vehicle for harmonizing local decisionmaking with the achievement of national goals?

This question cannot be ignored, even though some proponents contend that the GRS program amounts to nothing more than a series of fiscal transfers. Any program of this magnitude will affect the national scene, if only because the federal funds available for domestic programs are, in practice, limited. Six billion dollars a year for revenue sharing is likely to mean \$6 billion less for something else. It is, therefore, crucial to ask whether the program is—or can be made—consistent with other aspects of national policy.

FINDINGS

- *As a lever, GRS appears to be ineffective.*
- *As a handle, GRS has greater possibilities—if GRS remains a separately identifiable pot of money.*
- *It is probably too early to call GRS a bust.*

DISCUSSION

Revenue sharing seldom amounts to more than 7 per cent of local budgets in larger sites, and local officials appear to consider such sums too small to worry about. Indeed, the words "ripoff", "hoax," and "shell game" seem to appear almost as frequently in the comments of mayors and other officials as they do in those of ordinary citizens.

GRS does loom far larger in the budgets of smaller jurisdictions, where it might be more useful as a lever. But there appears to be little in the GRS legislation or administrative guidelines to encourage movement in the direction of social programming, civil rights, citizen participation, or any other goal.

Citizens sometimes have been able to use the existence of GRS to promote greater attention to social needs, to increase citizen interest in the general budget, and, in a few cases, to open political processes to citizen participation. But they have been less successful in making GRS work positively for civil rights. As the ORS itself points out, "The fact that discrimination is prohibited in any program or activity funded in whole or part with revenue sharing funds gives the Office of Revenue Sharing broad jurisdiction."

The loophole created by fungibility of GRS dollars and the reluctance of the ORS to press civil rights concerns leave questions as to how good a civil rights handle general revenue sharing will be.

Burden on Citizens

The chief lesson of experience thus far—if Project sites are at all representative—is that GRS puts a tremendous burden on citizens to take and sustain initiatives in order to achieve meaningful change. While GRS does not, for the most part, actively hinder citizen initiative, it does little to help, either.

When GRS is considered in terms of possible alternatives, however, judgments may become more negative. The national commitment to civil rights has been better served by other, more vigorously enforced legislation in the past. Other federal programs have generated much larger amounts and much more attention to social needs. Citizen participation is more effectively mandated in other programs, including the first two special revenue sharing bills. Thus, the "opportunity cost" of GRS may be heavy.



Lou Erickson-Atlanta Journal

Safety, Transportation Are Top Mich. Priorities

Public transportation and public safety were the chief priorities for 1972 local governments in Michigan, that responded to a state-wide survey of general revenue sharing.

The survey conducted by Michigan State University's Center for Rural Manpower and Public Affairs indicated that capital expenditures may not be as significant locally as originally believed.

While many Michigan governments are spending some money on capital projects, only 14 per cent of the total alloca-

tions are being used for capital expenditures.

Nearly two-thirds of local officials were dissatisfied with the reporting requirements, but they had few other complaints. Twenty-two per cent of the respondents indicated that they would like to see the restrictions on capital expenditures modified.

Four hundred units reported that they had used one or more methods of participation, with public hearings being the most common form. However, while widespread, participation appeared to be far from effective. More than 44 per cent of the public officials themselves rated as "poor" the measures taken by their community to encourage participation.

GRS Assures 'Demise' Of NY Social Programs

Revenue sharing is both causing and curing some of the fiscal problems faced by local governments, concluded a report by the New York State Citizen's Task Force on Revenue Sharing.

The impact of revenue sharing, depended on size rather than level of government, said the Task Force report. Smaller units of government, and those with little prior contact with the federal government "applauded both the conceptual and actual implications of revenue sharing." The new money enabled them to keep down taxes and proceed with capital expenditures.

Larger cities were more skeptical. In these areas the Task Force found that revenue sharing hardly paid for increased costs of government services, not to mention the cost of funding categorical programs terminated by the federal government.

While the Task Force acknowledged that the cuts in social service areas and revenue sharing are theoretically two separate issues, in reality they found it was only one issue. "It is our belief," concluded the Task Force, "that the federal government has shifted the responsibility for the survival of currently operating federal programs to the locality, ultimately assuring their demise."

Groups

Urban League's Jordan Decries GRS Choices

Vernon E. Jordan, executive director of the National Urban League, sharply criticized city officials for neglecting the needs of the poorest constituents in spending revenue sharing funds.

Speaking at the National League of Cities convention in December, Jordan suggested that, in light of the "apparent inability" of city officials to spend revenue sharing funds on "the people who need it the most," the nation would be better off returning to categorical programs with more stringent federal restrictions.

Jordan's position was in sharp contrast to that of Los Angeles Mayor Tom Bradley. As outgoing President of the League, Bradley urged city officials to make revenue sharing renewal their top congressional priority for 1975.

Delegates to the convention, representing some 15,000 municipalities, overwhelmingly adopted a resolution calling for early re-enactment of the program by the 94th Congress.

The local officials approved recommendations of their task force on revenue sharing (see Sept/Oct *Clearinghouse*) with few changes.

On the question of civil rights, they called for consideration by Congress of several steps "to guarantee the non-discriminatory expenditure" of GRS funds:

- Strengthening of the civil rights provisions of the act
- Possibly placing responsibility for "meaningful compliance" in a single agency.

Mayors and council members said that state and local governments should maintain "effective affirmative action programs," but did not define such programs.

Publications

Revenue Sharing: Legal and Policy Analysis by Otto G. Stolz. An ex-Treasury official's analysis of revenue sharing, including an assessment of the present program and suggestions for changes to bring revenue sharing toward its goals. Rejects issue of state-local fiscal "crisis." Praeger, \$17.50.

Supercity/Hometown, USA: Prospects for Two-Tier Government. A survey of urban government in 26 areas including trends toward regionalism and neighborhood government; citizen-action case studies. League of Women Voters Education Fund (Pub. No. 477), 1730 M St., N.W., Washington, D.C. 20036. \$1.95.

Municipal Performance Report: City Budgets. (1:4 Aug. 1974). A special report on city budgets based on a survey of 88 budget and finance officers. Council on Municipal Performance, 84 Fifth Avenue, Room 905, New York, N.Y. 10011. \$5.00.

Commentary

22 Organizations Charge That Task Force Proposals Would Bring 'Cosmetic' Changes in Revenue Sharing; Ask President to Seek Improvements in Program

Twenty-two civil rights groups, civic organizations, research centers and religious bodies answered President Ford's State of the Union endorsement of general revenue sharing with a Jan. 20 statement criticizing the program's shortcomings.

In a letter to the White House accompanied by an analysis of proposed changes, the groups urged the President to "take into account the specific needs of the poorest and most disadvantaged among us—those who feel most acutely the greatest impacts of simultaneous inflation and recession."

Their detailed analysis dealt with a report on revenue sharing by a joint Office of Management and Budget-Treasury Department Task Force.

Groups endorsing the statement and analysis were:

Americans for Democratic Action; American Friends Service Committee; Center for Community Change; Center for National Policy Review; Center for Women Policy Studies.

Also: Communities in Action Together; Japanese American Citizens League; Joint Center for Political Studies; Leadership Conference on Civil Rights.

Also: League of Women Voters of United States; Movement for Economic Justice; National Association for Advancement of Colored People; National Association for Community Development.

Also: National Association of Social Workers; National Committee Against Discrimination in Housing; National Conference of Catholic Charities.

Also: National Organization for Women; National Rural Housing Coalition; National Urban Coalition; National Urban League; Southern Regional Council; United Methodist Church.

Excerpts of the analysis follow:

During the latter part of 1974 a White House Task Force composed of officials from the Office of Management and Budget and the Department of Treasury conducted an intensive review of the general revenue sharing program, with a view of proposing possible changes and improvements to the President. Their report and recommendations were endorsed by Treasury Secretary Simon and submitted to President Ford on December 23.

Although the White House Task Force recommendations make a few cosmetic changes on some matters of concern to minorities, women and the poor, overall they ignore or worsen the major problems general revenue sharing has raised for these groups. Recommendations put forward to the President are described below, with a brief analysis of its advantages and shortcomings.

Civil Rights Requirements

Proposed change: *Clarifying the authority of the Secretary of Treasury, at his discretion, to defer funds to recipient governments found to be discriminating by the final order of a court or an administrative hearing officer.*

Other reforms were rejected in favor of a very limited clarification of the authority of the Secretary of the Treasury to defer payments to jurisdictions found to be discriminating by the final order of a court or administrative hearing officer. Instead of clarifying or strengthening the government's civil rights enforcement authority this proposed change would amount to a repeal and significant undercutting of existing statutory compliance standards which now require deferral of funds in many more instances

of probable and proven violations than those where final court or state agency findings have been made. This broader responsibility to defer was confirmed most recently by a federal district court in a case involving the discriminatory use of revenue sharing funds by the City of Chicago.

In view of the existing broad authority to defer funds as a nondiscretionary responsibility, the White House proposal to seek affirmation of a much more limited authority through amendment of the statute or revenue sharing regulations severely endangers existing civil rights protections in the guise of promoting more effective enforcement. The considerable amount of time involved in obtaining a final court decision means that, without some interim remedy, most non-complying jurisdictions would be able to continue the discriminatory use of revenue sharing funds over extended periods without penalty, except in those few cases where litigation had been instituted some time previously.

The temporary withholding of funds is a far more effective and necessary remedy in cases where there is substantial evidence of probable noncompliance on the record but no final finding or order has been made.

Another damaging feature of the proposal is that it makes it appear that deferral is the only issue related to civil rights that needs clarification. In fact, the problems of inadequate and half-hearted enforcement of civil rights requirements under revenue sharing are far more pervasive.

Deficiencies in ORS's enforcement procedures, and in its willingness to use them, can be rectified only by the establishment of a mandatory timetable requiring each step in the compliance process, from investigations of complaints (or information of violations from other sources) to temporary deferral of funds, and finally formal termination, to be initiated and completed within set time limits if voluntary settlement does not occur. These improvements could be made

through administrative regulation and would not require statutory amendment.

Public Involvement

Proposed change—*Requiring all recipient governments, including those without requirements for public hearings at present, to have some form of public input as determined by local officials, on the disposition of their general revenue sharing funds.*

The program has done little to encourage citizen input at the local level, or make it more likely that such citizen efforts as do occur have some real effect on budget decisions. In a partial response to this deficiency, the White House Task Force proposes to require some form of public input to take place locally, although the form and degree of the input are left to the discretion of the local officials. More specific guidance and assistance must be provided by the Office of Revenue Sharing to encourage and assist local officials and citizens in making the decision process more open and responsive. More concrete requirements are especially needed in the planning for, and reporting of, revenue sharing fund uses.

a. *Pre-Hearing Input.* Public involvement in planning budget allocations can not be effective if it is limited solely to that part of the budget process that takes place after most of the plans and decisions of department heads and budget officers have been made. Requirements for obtaining citizen views should cover not only the regular public hearings, but also the very early stages of the budget planning process where proposals are prepared by agency heads and reviewed by budget officers prior to formal submission to the jurisdiction's executive and legislative body for approval.

b. *Reporting Proposed Fund Uses.* Present report forms provided by the Federal Government give only the most general categories of proposed and actual fund uses. These forms should be revised to give more detailed descriptions to citizens on the specific projects and activities earmarked for revenue

EXCERPTS FROM GROUPS' LETTER TO PRESIDENT FORD

Like all Americans, we are following closely your efforts to deal with our nation's current economic problems. You have said in your State of the Union message and elsewhere that measures for economic recovery must take into account the specific needs of the poorest and most disadvantaged among us—those who feel most acutely the greatest impacts of simultaneous inflation and recession.

We write to express our sincere hope that your support of general revenue sharing will reflect this viewpoint—that is, that any commitment of federal resources on the scale of revenue sharing be carried out under a policy of responsiveness to need.

We understand that you are considering recommendations from a joint Office of Management and Budget and Treasury Department Task Force for renewal of the current program; the cost of extending it is estimated at \$40 billion.

Our analysis of the Task Force proposals submitted to you indicates they are cosmetic at best, in that they fail to deal adequately with serious problems implicit in the current revenue sharing program, and to fulfill your expressed concern that economic burdens should not fall hardest on those least able to bear them.

Among our major reservations with the proposals now before you are the following:

The rights of citizens to participate in decisions on spending revenue sharing funds would not be clearly delineated, but would be left to the discretion of state and local officials, many of whom have been unresponsive to this need.

Placing revenue sharing on a long-term appropriation removed from annual budget reviews by the Congress or the Executive Branch, would impede oversight of the program's effectiveness, and insulate it more than other domestic assistance from being considered in light of the nation's changing economic conditions.

Minimal changes proposed in the formula for distribution of funds would scarcely address the needs of cities in fiscal crisis; nor would it assure that the size of allocations is geared to the functional responsibilities and resource levels of recipient jurisdictions.

The need for greater accountability in the use of these federal resources would be ignored. Expenditures would continue to be virtually unrestricted, and ineffective reporting requirements would not be improved.

No attention would be given to the prospect of using general revenue sharing to move state and local governments toward fundamental reform of their revenue systems and governmental structures.

Existing compliance standards involving discriminatory use of federal funds would be significantly undercut, if not repealed. Furthermore, there would be no attention to the problems of half-hearted or inadequate civil rights enforcement at the federal level, as well as in states and localities.

Of all the questions raised about revenue sharing, the issue of civil rights ranks among the highest. Because the format of general revenue sharing gives considerable flexibility to state and local governments in the use of funds and reduces federal monitoring responsibilities, many of our groups have been concerned that federal civil rights policies and standards are not being enforced adequately. Although federal officials confirm a strong commitment to assure equal opportunity under the program, in fact there has been a notable absence of effective civil rights oversight and enforcement by the Office of Revenue Sharing. Nor has there been a meaningful effort by the Office of Revenue Sharing to share compliance responsibilities with other federal agencies such as the Department of Justice and the Equal Employment Opportunity Commission whose enforcement responsibilities cover areas affected by revenue sharing. These and other major deficiencies are not addressed by the very limited civil rights amendment proposed by the Task Force which actually would undercut existing authority by the federal government to temporarily defer funding in many cases of noncompliance.

You have already made the decision to use general revenue sharing as an element in your total energy strategy, by making rebates to state and local governments to account for their anticipated higher fuel costs. This would set an important precedent, namely, that revenue sharing can and should reflect the impact of national policies and needs. It is not inconsistent, therefore, to shape this program so that it better recognizes the fundamental national priority that equity be served by providing resources to poor, unemployed and otherwise disadvantaged persons. Their needs far outweigh those caused by higher fuel costs for states and localities, particularly when the nation's economic problems are swelling the ranks of the poor.

sharing support, and on persons and communities most likely to benefit from the outlays. Furthermore, reports should be in a form, and made available to the public, in ways that will facilitate their being seen and understood by most citizens.

c. *Federal Reports.* In addition to the more specific information on fund uses provided to citizens, recipients' reports to the federal government

should include a review of the planned and actual steps taken by the locality to promote more effective citizen input, as well as information on pending civil rights complaints and lawsuits.

These improvements are illustrative of the measures that should be considered to make citizen participation more meaningful. Many of these measures would not require new legislation.

Extending the Program for Five Years

Proposed change—Extending the program for a five-and-three-quarter-year term, through the end of fiscal year 1982, with slight appropriation increases of \$150 million each year to cover inflation, and the level of Congressional appropriations fixed for the full term of the program.

The proposed extension of the

program would continue the same type of long-term appropriation now in effect.

The ostensible purpose of exempting the program from annual appropriations is to give recipient governments as much long-range certainty as possible concerning the amounts they will be receiving to encourage longer-range planning. Actually, experience under the current appropriation for revenue shar-

relieved local officials of anxieties that the program is temporary.

Even if a further five-year appropriation provided sufficient reassurance to produce a changeover in allocations favoring longer term, social service related activities, it is highly questionable whether this advantage outweighs the importance of assuring more continuing Congressional and Executive oversight and evaluation of the program.

In view of the substantial evidence that general revenue sharing funds are not presently being earmarked for such uses the most rational approach would call for more careful oversight of the program rather than the issuance of an additional five-year *carte blanche*. At a minimum, if some deference must be given to longer-range planning needs, a multi-year appropriation could be authorized on a staggered or rolling basis, whereby annual, single year renewals would be added at the end of a basic two or three year grant, so that both yearly reviews and multi-year coverage are provided for.

Limits on Payments

Proposed change: Raising the present upper limit in the size of payment a jurisdiction may receive from 145% of its states'

per capita share to 175%, with the increase made in 5% jumps each year.

This change would benefit marginally several of the large urban areas and other jurisdictions with especially high concentrations of poor people that presently face a ceiling on their per capita payments of 145 per cent of their state's per capita allocation. It is questionable whether the increase is large enough and fast enough to assure that payments to many large urban areas will be commensurate with their very high level of need. Several municipalities with populations over 50,000 would still be receiving less than they would if no limit was imposed. Moreover, the fact that the increase in payments would take place in stages means that it would take several years before any appreciable increase in payments was felt.

In addition, a related problem of great concern to minorities, that of census undercounts, operates in conjunction with the upper payment limits to prejudice large cities with high black or Chicano populations. This undercount problem should be corrected in conjunction with any adjustment to the constraints by requiring ORS to apply the Census Bureau's national estimates of under-

counts for all jurisdictions until more accurate enumerations can be taken.

It is also unfortunate that the upper payment ceiling is the only aspect of the revenue sharing allocation formula given attention by the White House proposals. Several studies are underway analyzing the affects and possible deficiencies of the present formula. Although these studies have not been completed they have raised serious questions on such matters as:

- the adequacy of the present per capita income formula factor to reflect the real need level of jurisdictions; and
- the desirability of requiring minimum per capita payments of 20 per cent of a state's per capita allocation to more than 15,000 municipalities and townships that would not ordinarily qualify for payments of this size; and
- the wisdom of failing to exclude from eligibility to receive payments those jurisdictions (including a number of state governments) with substantial existing budget surpluses or few real functional responsibilities, so that funds can be redirected to places with less present ability to meet basic budgetary needs.

It is premature for the administration to propose minor changes in the allocation formula without acknowledging that

studies now underway suggest that more far reaching changes along these lines may be necessary if the program is to do an effective job of matching the size of payments to considerations of equity and need.

Other Omissions

Another issue of great concern to minorities and poor people is the broad precedent that general revenue sharing establishes for granting unrestricted funds to local jurisdictions that maintain racial and economic barriers to limit access to their communities.

While central cities strain under the burden of providing critical social services to masses of poor people, neighboring suburbs fence out all but the affluent with exclusionary zoning practices and use revenue sharing funds to meet the more marginal needs of their wealthy constituents.

If the "new federalism" comes to mean providing subsidies to maintain a form of urban apartheid it will be "new" only in the sense of undermining the basic tenet of equality on which the republic was founded. Our federal system can be revitalized only if the structures and policies of government at all levels are based on principles of equity and responsiveness to the needs of all citizens. The failure of the Task Force to address this issue is a grave omission.

clearinghouse

1785 Massachusetts Ave., N.W.
Washington, D.C. 20036

17 C.F.R. 17

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COLUMBIA, S. C. 29211

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

March 5, 1975

Honorable P. C. Smith
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

Re: \$3,500,000 Spartanburg County, South Carolina
Industrial Revenue Bonds, Series 1975 (Andrews
Bearing Corporation - Lessee)

I understand that Roy McBee Smith has forwarded to you a copy of the Spartanburg County Commissioners' Resolution authorizing the Petition to the State Budget and Control Board in relation to these bonds, as well as the original Petition to the State Board. In order to complete your file on these bonds, I am enclosing herewith drafts of the Loan Agreement, Lease Agreement and Resolution referred to in the Petition; drafts of the Assignment, Acknowledgment and Guaranty and Purchase Agreement are attached to the Loan Agreement as exhibits. I am also enclosing a proposed Resolution for the State Board in the event it shall approve this financing.

The State Board approved this bond issue in a different form at its meeting of December 12, 1974. However, we felt it necessary, in view of the changes in the structure of the financing resulting from the private placement of the Bonds, to seek supplemental State Board approval. Should you require further information on this issue, please do not hesitate to call.

Yours very truly,



TAH:wjh
Enclosures

cc: Roy McBee Smith, Esq.
John S. Mechem, Esq.
Mr. Donald D. Davis
R. E. Browne, III, Esq.
Peter Mortimer, Esq.
Mr. Kenneth A. Irving

P. S. I am also enclosing a copy of the purchase commitment letter of Chase Manhattan which contains a good summary outline of the terms of these bonds.

BANK LOAN AGREEMENT dated as of March __, 1975 between:
SPARTANBURG COUNTY, SOUTH CAROLINA, a body politic
and corporate and a political subdivision of the State of
South Carolina (herein called "the County"),

The undersigned banks (herein collectively called "the
Banks"); and

THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), as agent
for the Banks under this Agreement (in such capacity herein
called "the Agent").

The County has asked the Banks to make loans to the
County in an aggregate amount not exceeding \$3,500,000 to
enable the County to finance the acquisition, construction,
and equipping of the Project (as below defined). The Banks
are prepared to make such loans on the terms of this Agree-
ment. Accordingly, the parties agree as follows:

§ 1. Certain Definitions. As used in this Agreement:

"Acknowledgment" means an acknowledgment, substantailly
in the form appended to the Assignment, duly executed by the
County.

"Act" means Act No. 103 of the Acts of the General
Assembly of the State of South Carolina for the year 1967,
as amended.

"Assignment" means an assignment by the County to the Agent of the rights and remedies of the County under the Lease and of all moneys due and to become due to the County thereunder, substantially in the form annexed hereto as Exhibit A.

"State Board" means the State Budget and Control Board of South Carolina.

"Bonds" means the County's 1975 Industrial Revenue Bonds (Andrews Bearing Corporation Project) evidencing the loans under this Agreement, substantially in the form of Schedule 1 hereto.

"Company" means Andrews Bearing Corporation, a corporation authorized and qualified to do business in the State of South Carolina, its successors and assigns.

"Construction Fund" means the Construction Fund (as such term is defined in the Lease).

"Guarantor" means MPB Corporation, a Delaware corporation, its successors and assigns.

"Guaranty Agreement" means the Guaranty and Purchase Agreement dated as of March __, 1975 between the Guarantor and the Agent, substantially in the form annexed hereto as Exhibit B.

"Lease" means the Lease Agreement between the County and the Company dated as of March 1, 1975, substantially in the form annexed hereto as Exhibit C.

"Project" means the Project (as such term is defined in the Lease).

"Resolution" means the Resolution of the County adopted _____ by which the County has, inter alia, authorized the execution and delivery of this Agreement, the Lease and the Assignment, and the issuance, execution, sale and delivery of the Bonds under this Agreement and has pledged the revenues derived and to be derived by the County from the Lease to secure the punctual payment of the Bonds and the interest thereon.

§ 2. Representations. The County represents, covenants and warrants to the Banks that:

A. The County is a body politic and corporate and a political subdivision of the State of South Carolina.

B. The Project constitutes and will constitute a "Project" within the meaning of the Act.

C. The County has power and lawful authority to execute and deliver this Agreement and the Lease, to borrow the amounts provided for by this Agreement, to issue the Bonds as herein provided in order to evidence such borrowings, to execute and deliver the Assignment, to assign the revenues derived and to be derived by the County from the Lease to the punctual payment of the Bonds and interest thereon and to perform and observe the provisions of this Agreement, the Lease and the Assignment on its part to be performed and observed.

D. By the Resolution the County has duly authorized the execution and delivery of this Agreement, the Lease and the Assignment and the issuance of the Bonds, and the State Board has duly approved the same.

E. There is no litigation pending or, to the knowledge of the County or its counsel, threatened, in any court, either State or Federal, calling into question the creation, organization or existence of the County, the validity of this Agreement, the Bonds, the Lease or the Assignment or the authority of the County to finance the Project, to make or perform this Agreement, the Lease or the Assignment, or to issue the Bonds.

F. The making and performance of this Agreement, the Lease, the Assignment, and the Bonds and the transactions contemplated thereby will not violate any provision of law or regulation, or of any decree, writ, order or injunction, or of the by-laws or other organic documents of the County, and will not contravene the provisions of or constitute a default under any agreement, indenture, bond resolution or other instrument to which the County is a party or by which the County is bound.

G. All action on the part of the County necessary for the making and performance of this Agreement, the Lease, the Assignment and the Bonds and the other transactions on the

part of the County contemplated hereby has been duly and effectively taken. No consent, authorization or approval of, or filing or registration with, any governmental or regulatory body is required for the making and performance of this Agreement, the Lease, the Assignment, or the Bonds, or the transactions contemplated thereby, except the aforesaid action on the part of the County and the State Board which has been duly and effectively taken.

H. All requirements and conditions specified in the Act, the by-laws and other organic documents of the County and all other laws and regulations applicable to the adoption of the Resolution, the execution and delivery of this Agreement, the Lease and the Assignment and the execution, delivery and issuance of the Bonds have been fulfilled.

§ 3. Loans. Each Bank severally agrees, on the terms of this Agreement, to make one loan to the County on or before _____, 1975 at such time as the County shall request, in an amount equal to the amount set opposite such Bank's signature below. Each loan shall be evidenced by, and repaid with interest in accordance with, a Bond dated the date of the loan, payable to the order of the respective Bank and otherwise duly completed and executed.

§ 4. Manner of Borrowing. The County shall give the Agent at its office specified below at least five New York business days' notice requesting, and specifying the date of, the borrowing under § 3. The Agent shall give at least three

part of the County contemplated hereby has been duly and effectively taken. No consent, authorization or approval of, or filing or registration with, any governmental or regulatory body is required for the making and performance of this Agreement, the Lease, the Assignment, or the Bonds, or the transactions contemplated thereby, except the aforesaid action on the part of the County and the State Board which has been duly and effectively taken.

H. All requirements and conditions specified in the Act, the by-laws and other organic documents of the County and all other laws and regulations applicable to the adoption of the Resolution, the execution and delivery of this Agreement, the Lease and the Assignment and the execution, delivery and issuance of the Bonds have been fulfilled.

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§ 4. Manner of Borrowing. The County shall give the Agent at its office specified below at least five New York business days' notice requesting, and specifying the date of, the borrowing under § 3. The Agent shall give at least three

business days' notice to each other Bank of such borrowing, the proportionate amount for such Bank of such borrowing and the funds to be made available by such Bank, specifying the date on which funds are to be available. Not later than noon, New York time, on the date specified such Bank shall pay to the Agent immediately available funds in the amount required. The Agent shall immediately transfer to the Construction Fund the amounts received from the Banks pursuant to this § 4, upon delivery to the Agent for account of each Bank of a Bond in the amount borrowed from such Bank. Any Bond delivered to the Agent for the account of a Bank shall be delivered to such Bank or upon its order as it may direct. Notices given under this § 4 shall not be effective until received.

§ 5. Prepayment. Prepayments of the Bonds may, and in certain cases shall, be made upon the terms below provided in this § 5, without penalty or premium. Upon each prepayment interest on the principal amount prepaid, accrued to the prepayment date, shall be paid on such prepayment date, and each partial prepayment shall be applied to the installments of principal of the Bonds in the inverse order of their maturity. The following provisions shall apply:

business days' notice to each other Bank of such borrowing, the proportionate amount for such Bank of such borrowing and the funds to be made available by such Bank, specifying the date on which funds are to be available. Not later than noon, New York time, on the date specified such Bank shall pay to the Agent immediately available funds in the amount required. The Agent shall immediately transfer to the Construction Fund the amounts received from the Banks pursuant to this § 4, upon delivery to the Agent for account of each Bank of a Bond in the amount borrowed from such Bank. Any Bond delivered to the Agent for the account of a Bank shall be delivered to such Bank or upon its order as it may direct. Notices given under this § 4 shall not be effective until received.

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A. Optional. The County shall have the right, upon not less than five New York business days' written notice to the Agent, to prepay the Bonds, in whole or in part. Each such partial prepayment shall be in an aggregate amount of \$500,000 or a multiple thereof.

B. Required. The County shall prepay (i) the entire outstanding principal amount of the Bonds immediately upon receipt by the County of any sums payable by the Company under the Lease in respect of any option exercisable by the Company to terminate the Lease and any event of default specified in the Lease, or any other event which under the Lease required the Company to provide for the prepayment of amounts due thereunder and/or the Bonds, and (ii) the Bonds, in whole or in part, on the date of completion of the Project as certified in accordance with Section 4.5 of the Lease in an amount equal to and with the moneys, if any, standing to the credit of the Construction Fund on such date.

§ 6. Payments, etc. All payments of principal, interest and other charges under this Agreement or the Bonds shall be made in lawful money of the United States of America, in immediately available funds. Interest on the Bonds shall be calculated on the basis of actual days elapsed and a year of 365 or 366 days, as the case may be. If any principal

of or interest on any Bond falls due on a Saturday, Sunday or public holiday at the place of payment thereof, then such due date shall be extended to the next succeeding full business day at such place and interest shall be payable in respect of such extension.

The borrowing under § 3 shall be made from all the Banks, concurrently. Each payment and prepayment on the Bonds shall be made to the Banks, pro rata in accordance with the unpaid principal amount of the loans under this Agreement held by each of them. The Banks agree among themselves that, in the event that a Bank shall obtain payment of the loan under this Agreement held by it through the exercise of a right of offset, banker's lien or counterclaim, it shall promptly purchase from the other Banks participations in the loans under this Agreement held by the other Banks in such amounts, and shall make such other adjustments from time to time, as shall be equitable, to the end that all Banks shall share the benefit of such payment pro rata as specified in the preceding sentence. The County agrees that a Bank purchasing participations in the loans under this Agreement held by the other Banks may exercise all rights of offset, banker's lien and counterclaim with respect to such participations as fully as if such Bank were a holder of Bonds in the amount of such participations.

§ 7. Conditions. The obligation of each Bank to make the loan to be made by it under this Agreement is subject to the following conditions precedent:

A. County Signatures. The County shall have certified to each Bank the name, office and signature of each officer of the County authorized to execute and deliver this Agreement, the Lease, the Assignment and the Bonds and to borrow and effect other transactions hereunder. Each Bank may conclusively rely on such certificate until it receives notice in writing to the contrary.

B. Company Signatures. The Company shall have certified to each Bank the name, office and signature of each officer of the Company authorized to execute and deliver the Deed referred to below, the Lease and the Acknowledgment, and to sign certificates and to effect other transactions contemplated by this Agreement. Each Bank may conclusively rely on such certification until it receives notice in writing to the contrary.

C. Guarantor Signatures. The Guarantor shall have certified to each Bank the name and signature of each officer of the Guarantor authorized to execute and deliver the Guaranty Agreement, and to sign certificates and to effect other transactions contemplated by this Agreement. Each Bank may conclusively rely on such certification until it receives notice in writing to the contrary.

D. Status of Facilities. The Banks shall have received evidence satisfactory to them that (i) the County shall have duly made with respect to the Bonds the election specified in § 1.103(c)(6)(D) of the Regulations referred to immediately below, and (ii) the principal amount of the Bonds plus all other amounts required to be taken into account for purposes of § 1.103-10(b)(2)(ii) of said Regulations will not as of the date of the loans under this Agreement exceed \$5,000,000. Terms used in the preceding sentence shall have the respective meanings ascribed to them in the Treasury Department Regulations promulgated under Section 103 of the Internal Revenue Code.

E. Sale of Project. The land and improvements at the time included in the Project shall have been transferred and sold by the Company to the County by deed and other documentation (in this § 7 collectively called "the Deed") satisfactory to the Banks, and the County shall own the Project free and clear of any lien, encumbrance, security interest or other charge whatsoever, excluding, however, the Assignment and Permitted Encumbrances (as such term is defined in the Lease).

F. Documents. The Lease, the Assignment (with the Acknowledgment thereon of the Company) and the Guaranty Agreement shall have been executed and delivered in form and substance satisfactory to the Banks, their counsel and Bond Counsel; the Deed, the Lease (or a memorandum thereof), the Assignment and any financing statements in respect thereof shall have been duly filed or recorded in all appropriate places, and the Assignment shall constitute prior perfected security interests and first liens upon the rights of the County under the Lease and all moneys due and to become due to the County thereunder, subject to no equal or prior lien or encumbrance of any nature whatsoever; the Resolution shall have been duly adopted, in form and substance satisfactory to the Banks, their special counsel and Bond Counsel; a certified copy of the Resolution shall have been furnished to each Bank; and the original executed counterpart of the Lease, marked "Original", accompanied by the Assignment executed by the County with the Acknowledgment thereon executed by the Company, shall have been delivered to the Agent.

G. Opinion of Authority Counsel. The Banks shall have received from Roy McBee Smith, Esq., counsel to the County, a favorable written opinion, satisfactory to the Banks and their special counsel, Milbank, Tweed, Hadley & McCloy, to the effect that:

(1) The representations contained in paragraphs A through H, inclusive, of § 2 of this Agreement are true as of the date of such opinion.

(2) This Agreement, the Lease, the Assignment and the Bonds have been duly authorized and executed by the County and constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms.

(3) No registration with, consent of or approval by, any governmental officer, agency or commission is necessary for the issuance of the Bonds, other than the approval by the State Board, and such approval has been duly obtained.

(4) The Agent has a prior perfected security interest and first lien upon the rights of the County under the Lease and all moneys due and to become due to the County thereunder, specifying what re-filing or re-recording is required to continue in effect such prior perfected security interest and first lien.

(5) Such other matters incident to the transactions on the part of the County hereby

contemplated as the Banks, their special counsel or Bond Counsel may reasonably request.

H. Opinion of Company Counsel. The Banks shall have received from _____, counsel to the Company, a favorable written opinion, satisfactory to the Banks and their special counsel, as to:

(1) The due incorporation, valid existence and good standing of the Company under the laws of the State of _____ and the good standing and qualification of the Company to do business in the State of South Carolina.

(2) The due authorization, execution and delivery by the Company of the Lease, the Deed and the Acknowledgment, and the validity and enforceability thereof in accordance with their respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally).

(3) The necessity of any authorization or approval by any public regulatory body of the transactions on the part of the Company contemplated by the Lease, the Deed and the Acknowledgment and as to the sufficiency of any which have been obtained.

contemplated as the Banks, their special counsel or Bond Counsel may reasonably request.

H. Opinion of Company Counsel. The Banks shall have received from _____, counsel to the Company, a favorable written opinion, satisfactory to the Banks and their special counsel, as to:

(1) The due incorporation, valid existence and good standing of the Company under the laws of the State of _____ and the good standing and qualification of the Company to do business in the State of South Carolina.

(2) The due authorization, execution and delivery by the Company of the Lease, the Deed and the Acknowledgment, and the validity and enforceability thereof in accordance with their respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally).

(3) The necessity of any authorization or approval by any public regulatory body of the transactions on the part of the Company contemplated by the Lease, the Deed and the Acknowledgment and as to the sufficiency of any which have been obtained.

(4) The absence of any requirement for consent and of any default, by reason of the transactions on the part of the Company contemplated by the Lease, the Deed and the Acknowledgment under any credit agreement, indentures, purchase agreements, guaranties or other instruments to which the Company or any of its subsidiaries is a party or by which any such corporation may be bound or affected (or, if any such consents are required, that the same have been duly given and copies thereof are attached).

(5) The absence of any action or proceeding pending or, to the knowledge of counsel to the Company, threatened against the Company before any court or administrative agency which might adversely affect the ability of the Company to perform its obligations under the Lease, the Deed or the Acknowledgment.

(6) Such other matters incident to the transactions on the part of the Company contemplated by this Agreement as the Banks or their special counsel may reasonably request.

Guarantor, a favorable written opinion, satisfactory to the Banks and their special counsel, as to:

(1) The due incorporation, valid existence and good standing of the Guarantor under the laws of the State of Delaware and the good standing and qualification of the Guarantor to do business in the State of New York.

(2) The due authorization, execution and delivery by the Guarantor of the Guaranty Agreement, and the validity and enforceability thereof in accordance with its respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally).

(3) The necessity of any authorization or approval by any public regulatory body of the transactions on the part of the Guarantor contemplated by the Guaranty Agreement and as to the sufficiency of any which have been obtained.

(4) The absence of any requirement for consent and of any default, by reason of the transactions on the part of the Guarantor contemplated by the Guaranty Agreement under any credit agreements, indentures, purchase agreements, guaranties or other instruments to which the

Guarantor, a favorable written opinion, satisfactory to the Banks and their special counsel, as to:

(1) The due incorporation, valid existence and good standing of the Guarantor under the laws of the State of Delaware and the good standing and qualification of the Guarantor to do business in the State of New York.

(2) The due authorization, execution and delivery by the Guarantor of the Guaranty Agreement, and the validity and enforceability thereof in accordance with its respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally).

(3) The necessity of any authorization or approval by any public regulatory body of the transactions on the part of the Guarantor contemplated by the Guaranty Agreement and as to the sufficiency of any which have been obtained.

(4) The absence of any requirement for consent and of any default, by reason of the transactions on the part of the Guarantor contemplated by the Guaranty Agreement under any credit agreements, indentures, purchase agreements, guaranties or other instruments to which the

Guarantor or any of its subsidiaries is a party or by which any such corporation may be bound or affected (or, if any such consents are required, that the same have been duly given and copies thereof are attached).

(5) The absence of any action or proceeding pending or, to the knowledge of counsel to the Guarantor, threatened against the Guarantor before any court or administrative agency which might adversely affect the ability of the Guarantor to perform its obligations under the Guaranty Agreement.

(6) Such other matters incident to the transactions on the part of the Guaranty contemplated by this Agreement as the Banks or their special counsel may reasonably request.

J. Proof of Corporate Action. The Banks shall have received certified copies of all corporate action taken by the Company and the Guarantor to authorize the execution, delivery and performance of the Lease, the Deed, the Acknowledgment and the Guaranty Agreement, and of all action taken by the County to authorize the execution, delivery and performance of this Agreement, the Lease, the Assignment, and the Bonds and the borrowing, assignment of revenues and grant of security interests contemplated

hereby, and such other papers as the Banks shall reasonably require.

K. Evidence of Filing. The Banks shall have received evidence satisfactory to them and their special counsel as to the due filing and recording in all appropriate offices of the Deed, the Lease (or a memorandum thereof), the Assignment and any financing statements or other instruments required for the due perfection under the Uniform Commercial Code (and any other applicable legislation) of the security interest created by the Assignment.

L. Compliance by County. No event of default specified in § 10, and no event which with notice or lapse of time or both would become such an event of default, shall have occurred and be continuing; the representations of the County in § 2 shall be true on and as of the date of the making of such loan with the same force and effect as if made on and as of such date, and the Chairman of the Board of County Commissioners of the County shall have so certified to the Banks.

M. Compliance by Company and Guarantor. No event of default specified in Section 10.1 of the Lease, and no event which with notice or lapse of time or both would become such an event of default, shall have occurred and be continuing; the representations of the Company in Section 2.2 of the Lease and the representations of the Guarantor in § 5 of the Guaranty Agreement shall be true on and as of the date of the

hereby, and such other papers as the Banks shall reasonably require.

K. Evidence of Filing. The Banks shall have received evidence satisfactory to them and their special counsel as to the due filing and recording in all appropriate offices of the Deed, the Lease (or a memorandum thereof), the Assignment and any financing statements or other instruments required for the due perfection under the Uniform Commercial Code (and any other applicable legislation) of the security interest created by the Assignment.

L. Compliance by County. No event of default specified in § 10, and no event which with notice or lapse of time or both would become such an event of default, shall have occurred and be continuing; the representations of the County in § 2 shall be true on and as of the date of the making of such loan with the same force and effect as if made on and as of such date, and the Chairman of the Board of County Commissioners of the County shall have so certified to the Banks.

M. Compliance by Company and Guarantor. No event of default specified in Section 10.1 of the Lease, and no event which with notice or lapse of time or both would become such an event of default, shall have occurred and be continuing; the representations of the Company in Section 2.2 of the Lease and the representations of the Guarantor in § 5 of the Guaranty Agreement shall be true on and as of the date of the

making of such loan with the same force and effect as if made on and as of such date, and a senior financial officer of the Company and the Guarantor shall have so certified to the Banks.

N. Opinion of Bond Counsel. The Banks shall have received from Sinkler Gibbs Simons & Guerard ("Bond Counsel"), a favorable written opinion, satisfactory to the Banks and their special counsel, that the County is a body politic and corporate and a political subdivision of the State of South Carolina, that this Agreement, the Bonds, the Lease and the Assignment are valid and binding obligations of the County enforceable according to their respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally), that the Assignment effectively creates the respective security interests purported to be created thereby, and that under statutes and court decisions existing as of the date of such opinion, the interest on the Bonds is exempt from Federal income taxes (except under the circumstances described in Section 103(c)(7) of the Internal Revenue Code) and from all income taxes imposed by the State of South Carolina and any political subdivision or taxing authority thereof or therein.

O. Bank Counsel. All legal matters incident to the transactions hereby contemplated shall be satisfactory to special counsel to the Banks.

§ 8. Special Obligations; Pledge; Satisfaction.

A. Special Obligations. The Bonds, together with interest thereon, shall constitute special obligations of the County, and the principal of and interest on the Bonds shall be payable solely from the revenues of the County derived and to be derived from the Lease, such revenues being hereby pledged by the County to such payment. None of the Bonds of the County or any of its agreements or obligations shall be construed to be or considered an indebtedness of the County within the meaning of any constitutional or statutory provision of the State of South Carolina whatsoever.

B. Satisfaction of Debt. All payments made by or on behalf of the Company to the Agent, or to its successors or assigns, or upon its or their order, pursuant to the Lease or the Assignment shall, to the extent of the sum or sums so paid, satisfy and discharge the liability of the County for moneys payable upon the Bonds.

§ 9. Covenants of the County. The County hereby agrees with the Banks that, so long as the Bonds remain outstanding:

O. Bank Counsel. All legal matters incident to the transactions hereby contemplated shall be satisfactory to special counsel to the Banks.

§ 8. Special Obligations; Pledge; Satisfaction.

A. Special Obligations. The Bonds, together with interest thereon, shall constitute special obligations of the County, and the principal of and interest on the Bonds shall be payable solely from the revenues of the County derived and to be derived from the Lease, such revenues being hereby pledged by the County to such payment. None of the Bonds of the County or any of its agreements or obligations shall be construed to be or considered an indebtedness of the County within the meaning of any constitutional or statutory provision of the State of South Carolina whatsoever.

B. Satisfaction of Debt. All payments made by or on behalf of the Company to the Agent, or to its successors or assigns, or upon its or their order, pursuant to the Lease or the Assignment shall, to the extent of the sum or sums so paid, satisfy and discharge the liability of the County for moneys payable upon the Bonds.

§ 9. Covenants of the County. The County hereby agrees with the Banks that, so long as the Bonds remain outstanding:

A. The County shall take all action and do all things which it is authorized by law to take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under this Agreement or the Bonds and in order to provide for and to assure payment of the Bonds and interest thereon when due.

B. The County shall not create, assume or suffer to exist any assignment, mortgage, pledge, security interest or other lien, encumbrance or charge on any revenues derived or to be derived from the Lease or on any property or assets, real or personal, of the County from time to time included in the Project, excluding, however, the Assignment, any other liens, encumbrances or charges in favor of the Agent as security for the Bonds and Permitted Encumbrances (as such term is defined in the Lease).

C. The County shall not alter, amend or repeal the Resolution, or, without the prior written consent of all the Banks, agree to any alteration or amendment of the Lease, or take any action impairing any authority, right or benefit by the Resolution, the Lease or this Agreement given or conferred.

D. The County shall pay or cause to be paid the principal of and the interest on the Bonds as the same become due, by declaration or otherwise, but solely to the extent described in § 8.

E. Notwithstanding any other provision of this Agreement, the County covenants that (i) it will make no use of the proceeds of the loans made hereunder or of the Bonds which, if such use had been reasonably expected on the date hereof or the date of issue of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 103(d) of the Internal Revenue Code or Treasury Department Regulations promulgated thereunder as at the time in effect, and (ii) so long as the Bonds are outstanding, it will comply with the requirements of said Section 103(d) and thereunder.

§ 10. Defaults. If any one of the following "events of default" shall occur and be continuing, namely:

A. Default in the payment when due of any principal of any Bond, or default in the payment when due of any interest on any Bond; or

B. Any event of default specified in Section 10.1 of the Lease shall have occurred and be continuing; or

C. The County shall default in the due performance or observance of any covenant or agreement on its part in this Agreement or in the Assignment contained; or

D. The Guarantor shall default in the due performance or observance of any covenant or agreement on its part contained in the Guaranty Agreement or the Company shall default in the due performance or observance of any covenant or agreement on its part contained in the Acknowledgment;

E. Any bond, debenture, note or other evidence of indebtedness of the Guarantor shall have become due before stated maturity by the acceleration of the maturity thereof by reason of default or shall have become due by its terms and shall not be promptly paid or extended; or

F. Any default or event of default under any indenture, credit or loan agreement or other agreement or instrument under which any indebtedness of the Guarantor is outstanding or by which the same is evidenced shall have occurred and shall have continued for a period of time sufficient to permit the holder or holders of the respective indebtedness (or a trustee on their behalf) to accelerate the maturity thereof;

THEREUPON, in any such case, any holders holding at least 75% in aggregate principal amount of the Bonds at the time outstanding may, by written notice to the County, (i) terminate the commitments of the Banks to make loans under this Agreement and/or (ii) without limiting any rights under the Act to appoint a trustee to represent the holder or holders of the Bonds, and without limiting the rights and remedies of said

trustee under the Act, declare the principal of and interest on the Bonds to be forthwith due and payable, whereupon the same shall become forthwith due and payable, without protest, presentment, notice or demand, all of which are expressly waived by the County.

§ 11. Notices. All notices, requests and demands shall be in writing and shall be given to or made upon the respective parties hereto at their respective addresses specified in this Agreement or such other addresses as any party may specify in writing to all other parties.

§ 12. Defeasance. If the County shall pay or cause to be paid, or there shall otherwise be paid, the principal of and interest on the Bonds and all other amounts payable by the County at the times and in the manner stipulated in this Agreement or the Bonds, then all covenants, agreements and other obligations of the County hereunder, and the security interests created by the Assignment, shall thereupon terminate and be discharged and satisfied, and thereupon all the moneys and properties of the County then subject to such security interests shall be free and clear thereof.

§ 13. Miscellaneous.

A. Waivers, etc. No failure on the part of the Agent or any Bank to exercise and no delay in exercising, and no course of dealing with respect to, any right under this Agreement, the Assignment or any other agreement or instrument referred to in this Agreement, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the

exercise of any other right. The remedies herein and therein provided are cumulative and not exclusive of any remedies provided by law.

B. Expenses. The County agrees to pay (i) the reasonable fees and expenses of special counsel to the Banks and Bond Counsel aforesaid; (ii) all costs and expenses incident to the arranging of the financing hereunder, the issuance of the Bonds and the costs of preparing the documents referred to herein, (iii) all taxes, if any, upon any documents or transactions pursuant to this Agreement; (iv) all expenses incident to filing or recordings pursuant to this Agreement or the Assignment, or in respect of the pledge hereunder; and (v) costs of collection (including reasonable counsel fees) if default is made in the payment of any Bond.

C. Successors, etc. This Agreement shall be binding upon and inure to the benefit of the County, the Agent, the Banks and the subsequent holders of the Bonds and their respective successors and assigns; provided that the County may not transfer its rights to borrow under this Agreement without the prior written consent of all Banks.

D. Agent.

(1) As among the Banks it is agreed that:

(i) The Agent shall not be liable or responsible for any action taken or omitted by it under this Agreement or the Assignment (or any security agreements, assignments, mortgages, deeds of trust or other instruments

made pursuant hereto) or with respect to the Bonds, except for its own gross negligence or wilful misconduct.

(ii) The Banks (including The Chase Manhattan Bank [National Association]) shall, ratably in accordance with the unpaid principal amounts of the Bonds held by them, indemnify and hold the Agent harmless against any cost or expense (including counsel fees), and against any loss or liability (except such as results from its own gross negligence or wilful misconduct), which the Agent may suffer or incur by reason of any action taken or omitted by the Agent and which shall not have been reimbursed by the County.

(iii) The Agent shall carry out its functions in accordance with the express provisions of this Agreement. As to any matters not expressly provided for by this Agreement, the Agent shall act and refrain from acting in accordance with the instructions of the holders holding at least 75% in aggregate principal amount of the outstanding Bonds.

(iv) The Agent shall forthwith pay to the Banks, in immediately available funds, all sums received by the Agent for the account of the

Banks pursuant to this Agreement, the Assignment, the Lease, the Guaranty Agreement or any other agreements or instruments referred to in this Agreement. All such sums so received by the Agent shall be applied in the following order of priority:

First, to the payment of accrued and unpaid interest on the Bonds.

Second, to the payment of the principal of the Bonds.

(2) The County agrees to pay to the Agent from time to time, upon the latter's request, its out-of-pocket expenses in connection with the carrying out of its duties under this Agreement.

E. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

By

Chairman, Board of County Commis-
sioners of Spartanburg County
Spartanburg County Courthouse
Spartanburg, South Carolina

Amount
\$1,400,000

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By _____
Title:
1 Chase Manhattan Plaza
New York, New York 10015

[Other Banks and amounts to be supplied]

SCHEDULE 1

Dated:

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

SPARTANBURG COUNTY

INDUSTRIAL REVENUE BOND

(ANDREWS BEARING CORPORATION - Lessee)

Spartanburg County, a body politic and corporate, and a political subdivision of the State of South Carolina (hereinafter called "the County") acknowledges itself indebted and for value received hereby promises to pay, from the source and as hereinafter provided, to the order of _____ (hereinafter called "the Bank"), the sum of \$ _____ in 17 consecutive quarterly installments of \$ _____* each, which shall be due on December 31, 1977 and on the last day of each March, June, September, and December thereafter, and a final installment equal to the unpaid principal balance hereof which shall be due March 31, 1982 and to pay interest at the applicable rate (as below defined) on each installment of unpaid principal, or the unpaid balance thereof, from the date of this Bond until said installment shall be paid in full, on June 30, 1975, and on the last day of March, June, September and December in each year thereafter, and upon such payment in full. Payment of the principal of and interest on this Bond shall be made at the principal office _____

* Installments to be substantially equal.

of The Chase Manhattan Bank (National Association) in New York, New York, or at such other place as may be agreed upon in advance by the County and the registered owner of this Bond. The principal of and interest on this Bond shall be payable in lawful money of the United States of America and in immediately available funds.

As used herein the term "applicable rate" means a rate per annum at all times equal to 80% of the rate ("the prime rate") from time to time charged by The Chase Manhattan Bank (National Association) at its principal office in New York City on short-term loans to large businesses with the highest credit standing, each change in the applicable rate on this Bond resulting from a change in the prime rate to become effective on the New York business day next following the effective date of the respective change in the prime rate.

This Bond is issued pursuant to a Resolution of the County adopted _____, _____ (hereinafter referred to as "the Resolution"), and an Agreement dated as of March __, 1975 between the County, the Bank and others (hereinafter referred to as "the Agreement"), for the purpose of financing the acquisition, construction and equipping by Andrews Bearing Corporation, a South Carolina corporation (hereinafter referred to as "the Company") of a certain

project under and pursuant to a Lease dated as of March 1, 1975 by and between the County and the Company (hereinafter called "the Lease"), and of paying necessary expenses incidental thereto.

This Bond is a special obligation of the County and is payable solely out of the revenues or other moneys derived from the Lease and as otherwise provided in the Resolution, the Lease, the Agreement and the Assignment referred to therein. Reference is hereby made to each of those documents and to all amendments and supplements thereto for a description of the rights, duties, and obligations of the County and the holder of this Bond. By acceptance of this Bond the holder hereof assents to all the provisions of such documents. Neither this Bond nor any of the Bonds of the County nor any of its agreements or obligations shall be construed to be or considered an indebtedness of the County or any other municipality or county within the meaning of any constitutional or statutory provision of the State of South Carolina whatsoever.

All payments made by or on behalf of the Company to The Chase Manhattan Bank (National Association), as Agent for the holder of this Bond, or to its successors or assigns, or upon its or their order, pursuant to the Lease

or the Assignment shall, to the extent of the sum or sums so paid, satisfy and discharge the liability of the County upon this Bond.

Upon the occurrence of an event of default, as defined in the Agreement, the principal hereof and accrued interest hereon may be declared to be forthwith due and payable in the manner, upon the conditions and with the effect provided in the Agreement.

The County may at its option, and may under certain circumstances be required to, pay all or less than all of the principal of this Bond before maturity upon the terms provided in the Agreement.

It is certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the issuance of this Bond together with all other obligations of the County, does not exceed or violate any constitutional or statutory debt limitations.

IN WITNESS WHEREOF, the County has caused this Bond to be executed in its name by the manual signature of

its Chairman, and its corporate seal to be impressed hereon,
and attested by the signature of its Secretary, and this
Bond to be dated March __, 1975.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

BY

Chairman, Board of County
Commissioners of Spartanburg
County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

EXHIBIT A

ASSIGNMENT

For value received, the receipt of which is hereby acknowledged, the undersigned hereby assigns, transfers and sets over to The Chase Manhattan Bank (National Association), as agent for certain banks under the below-mentioned Bank Loan Agreement (in such capacity herein called "the Agent"), its successors and assigns, and hereby grants to the Agent, its successors and assigns, a security interest in, any and all principal, interest and other moneys owing and to be owing, due or to become due, and any other rights and remedies of every kind and description of the undersigned, under or arising out of that certain Lease Agreement dated as of March 1, 1975 ("the Lease") between the undersigned, as lessor and Andrews Bearing Corporation, a South Carolina corporation, as Lessee.

The Agent shall have no obligation, duty or liability under the Lease nor shall the Agent be required or obligated in any manner to fulfill or perform any obligation, covenant, term or condition thereof or thereunder or to make any inquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which

it may be entitled hereunder at any time or times. The undersigned shall at all times remain liable to observe and perform all of its covenants and obligations under the Lease.

The undersigned hereby ratifies and confirms the Lease and does hereby warrant and represent that it is in full force and effect and that the undersigned is not in default thereunder.

The undersigned hereby irrevocably constitutes and appoints the Agent, its successors and assigns, the true and lawful attorney of the undersigned, with power of substitution, for the undersigned and in the name of the undersigned or in the name of the Agent or otherwise, for the use and benefit of the Agent: to ask, demand, require, receive, collect, compound and give discharges and releases of all claims for any and all principal, interest and other moneys due or to become due under or arising out of the Lease and to endorse any checks and other instruments or orders in connection therewith, and if any "event of default" specified in § 10 of that certain Agreement dated as of March 1, 1975 ("the Bank Loan Agreement") between the undersigned, certain banks therein named and the Agent (providing for loans by said banks to the undersigned) shall occur, (a) to settle, compromise, compound

or adjust any such claims; (b) to exercise and enforce any and all claims, rights, powers or remedies of every kind and description of the undersigned under or arising out of the Lease; (c) to file, commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect any such sums assigned to the Agent hereunder or to enforce any rights in respect thereto and all other claims, rights, powers and remedies of every kind and description of the undersigned, under or arising out of the Lease; and (d) generally to sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with any of such claims, rights, powers and remedies as fully and completely as though the Agent were the absolute owner thereof for all purposes, and at such times and in such manner, as may seem to the Agent to be necessary or advisable in its absolute discretion.

The undersigned further agrees that at any time and from time to time, upon the written request of the Agent, the undersigned will promptly and duly execute and deliver any and all such further instruments and documents as the Agent may deem desirable in obtaining the full benefits of this Assignment and all rights and powers herein granted.

The undersigned does hereby warrant and represent that it has not assigned or pledged, and hereby covenants that it will not assign or pledge, so long as this Assignment

shall remain in effect, the whole or any part of the moneys, rights or remedies hereby assigned, to anyone other than the Agent, its successors and assigns.

All moneys due and to become due under or pursuant to the Lease shall be paid directly to the Agent at 1 Chase Manhattan Plaza, New York, New York 10015 and shall be held, disposed of and applied in accordance with the provisions of the Bank Loan Agreement.

This Assignment, all rights hereunder and all moneys from time to time received by the Agent pursuant hereto shall constitute collateral security for the payment when due of the principal of and interest on the loans from time to time outstanding under the Bank Loan Agreement, the revenue bonds evidencing such loans and all other amounts from time to time payable by the undersigned under the Bank Loan Agreement.

This Assignment shall be construed in accordance with and governed by the law of the State of New York.

IN WITNESS WHEREOF, the undersigned has duly executed this Assignment as of March __, 1975.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

BY

Chairman, Board of County
Commissioners of Spartanburg
County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

shall remain in effect, the whole or any part of the moneys, rights or remedies hereby assigned, to anyone other than the Agent, its successors and assigns.

All moneys due and to become due under or pursuant to the Lease shall be paid directly to the Agent at 1 Chase Manhattan Plaza, New York, New York 10015 and shall be held, disposed of and applied in accordance with the provisions of the Bank Loan Agreement.

This Assignment, all rights hereunder and all moneys from time to time received by the Agent pursuant hereto shall constitute collateral security for the payment when due of the principal of and interest on the loans from time to time outstanding under the Bank Loan Agreement, the revenue bonds evidencing such loans and all other amounts from time to time payable by the undersigned under the Bank Loan Agreement.

This Assignment shall be construed in accordance with and governed by the law of the State of New York.

IN WITNESS WHEREOF, the undersigned has duly executed this Assignment as of March __, 1975.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

BY

Chairman, Board of County
Commissioners of Spartanburg
County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

ACKNOWLEDGMENT

The undersigned hereby acknowledges receipt of notice of, and hereby consents to, the foregoing Assignment and, intending to be legally bound, hereby agrees with the Agent therein named (i) to pay directly to said Agent all sums due and to become due from the undersigned under the Lease referred to in said Assignment in lawful money of the United States of America without set-off, counter-claim or deduction for any reason whatsoever, (ii) not to seek to recover from said Agent any moneys due and paid under said Assignment, (iii) to perform for the benefit of said Agent all of the duties and undertakings of the undersigned under said Lease, and (iv) that said Agent shall not be obligated by reason of said Assignment to perform or be responsible for the performance of any of the duties, undertakings or obligations of the lessor under said Lease.

IN WITNESS WHEREOF, the undersigned has caused this instrument to be duly executed as of March __, 1975.

ANDREWS BEARING CORPORATION

(SEAL)

BY

President

Attest:

Secretary

EXHIBIT B

GUARANTY AND PURCHASE AGREEMENT dated as of March , 1975 between MPB CORPORATION, a Delaware corporation having an office at Precision Park, Keene, New Hampshire ("the Guarantor") and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) ("the Agent"), as agent for certain banks ("the Banks") under a certain Agreement ("the Bank Loan Agreement") dated March __, 1975 between the Agent and the County (as below defined).

WHEREAS, Spartanburg County, South Carolina ("the County") has acquired or is about to acquire from Andrews Bearing Corporation ("the Company"), which is a wholly-owned subsidiary of the Guarantor, a certain project and simultaneously will lease such project to the Company under a Lease Agreement dated as of March __, 1975.

WHEREAS, the County has borrowed or is about to borrow \$3,500,000 from the Banks under the Bank Loan Agreement, which loans are evidenced or will be evidenced by the revenue bonds of the County in the amount of such loans ("the Bonds"), the proceeds of which loans have been or are to be applied to the financing of the aforesaid project.

WHEREAS, the Guarantor specifically approves the terms of the Bank Loan Agreement and the Bonds, and the Guarantor

expects to derive financial advantage from the making of the loans by the Banks to the County under the Bank Loan Agreement.

WHEREAS, the execution and delivery of this Agreement by the Guarantor have in all respects been duly authorized and all necessary actions to make this Agreement the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, have been done and performed.

NOW, THEREFORE, in order to induce the Banks to make loans to the County under the Bank Loan Agreement, the Guarantor hereby agrees with the Agent, for the benefit of the Banks, their successors and assigns and the subsequent holders of the Bonds, as follows:

§ 1. Guaranty. The Guarantor unconditionally guarantees to each Bank and to every subsequent holder of any of the Bonds the prompt payment when due, whether at maturity, by acceleration, by required prepayment or otherwise, of the principal of and interest on each Bond and of all sums payable by the County under the Bank Loan Agreement. The Guarantor unconditionally agrees that upon any default by the County in the payment when due, whether at maturity, by acceleration, by required prepayment or otherwise, of the principal of or interest on any Bond or of any sum payable by the County under the Bank Loan Agreement, the

Guarantor will promptly pay the same, without notice or demand of any kind. The Guarantor further unconditionally agrees to pay to each Bank all reasonable legal and other costs and expenses incurred by such Bank in the protection of any of its rights or in the pursuance of any of its remedies in respect of the Bank Loan Agreement or any Bond, but this sentence shall not be deemed to require any Bank to take any action to enforce any right or to pursue any remedy thereunder, at law or otherwise.

§ 2. Purchase of Bonds and Increase in Interest Rate.

A. Purchase. The Guarantor recognizes that the loans are being made by the Banks to the County under the Bank Loan Agreement on the basis that the interest payable on all Bonds is and shall be excludible from the Federal gross income of the holders of the Bonds. If (i) for any reason (other than a tax referred to in § 2.B(3) hereof) all or any portion of the interest payable on any Bond is, or becomes, includible in the Federal gross income of the holder thereof, or (ii) an order, decision or opinion of any court or any agency, authority or department of the Federal government or any state, county, municipality or a political subdivision thereof or therein shall have been rendered which directly or indirectly holds or causes this Agreement, the Bank Loan Agreement, or the Bonds to be unconstitutional, invalid or

unenforceable, in whole or in part, for any reason whatsoever, including without limitation any change of law or regulations, the Guarantor agrees, forthwith upon the written demand of the holder of any Bond, to purchase such Bond from such holder for an aggregate cash price equal to the sum of the unpaid principal amount thereof and all accrued and unpaid interest thereon to the date of purchase.

B. Increase in Interest Rate.

(1) If at any time (whether before or after payment in full of the Bonds any of the events referred to in (i) and (ii) of § 2.A hereof occurs, the Guarantor will promptly pay to the holder of any Bond upon the written demand of such holder, as additional interest on such Bond, an amount (to be computed by such holder and specified in such written demand) equal to the sum of the following:

(i) For any period during which for any reason (other than a tax referred to in § 2.B(2) hereof) all or any portion of the interest payable on any Bond is includible in the Federal gross income of the holder thereof, an amount which, together with the interest for such period actually received by the holder on such Bond, will equal interest on the unpaid principal amount of such Bond for such period at a rate per annum equal to 123% of the

prime rate (as defined in the Bonds) in effect from time to time during such period.

(ii) The amount of any interest, penalties or additions to tax required to be paid to the Federal government as a result of the interest on such Bond being included in the Federal gross income of the holder (other than as a result of a tax referred to in § 2.B(2)) if such interest, penalties or additions to tax are deductible by the holder for purposes of determining all the applicable taxes imposed on such holder by the Federal government, or any state or local government, or regulatory body or authority of or in the United States ("Taxing Authority").

(iii) The amount which, after deduction of all taxes required to be paid to a Taxing Authority in respect of the receipt of such amount, shall be equal to the amount of any interest, penalties or additions to tax payable to the Federal government as a result of the interest on such Bond being included in the Federal gross income of such holder (other than as a result of a tax referred to in § 2.B(2) if such interest, penalties or additions to tax are not deductible

for purposes of determining all the applicable taxes imposed on such holder by a Taxing Authority.

(2) Increase in Interest Rate for Preference Taxes.

If at any time (whether before or after payment in full of the Bonds or purchase thereof by the Guarantor), any payment of interest on any Bond, in whole or in part, is subject to the tax imposed by Sections 56-58 of the Internal Revenue Code of 1954, as amended, or any similar tax imposed by a Taxing Authority on tax preference or similar items (a "Preference Tax"), then the Guarantor will promptly pay to the holder of such Bond upon the written demand of such holder, as additional interest on such Bond, an amount (to be computed by such holder and specified in such written demand) which shall be equal to the sum of the following:

(i) the amount which, after deduction of all taxes required to be paid to a Taxing Authority in respect of the receipt of such amount, shall be equal to the sum of the Preference Tax and any interest, penalties or additions to tax which are not deductible for purposes of determining all the applicable taxes imposed by a Taxing Authority; and

(ii) the amount of any interest, penalties or additions to tax required to be paid to a Taxing Authority in respect of the Preference

Tax if such interest, penalties or additions to tax are deductible for purposes of determining all the applicable taxes imposed by a Taxing Authority.

§ 3. Consents. The Guarantor consents that:

(a) At any time or from time to time without notice to the Guarantor the time for the County's performance of or compliance with any of its agreements in the Bank Loan Agreement or any Bond contained may be extended or such performance or compliance may be waived by any Bank;

(b) Any of the acts mentioned in the Bank Loan Agreement may be done;

(c) The Bank Loan Agreement may from time to time be amended by the County and the Banks for the purpose of adding any provision thereto or changing in any manner the rights of the Banks or of the County thereunder, provided that without the prior written consent of the Guarantor no such amendment shall (i) constitute an earlier date for the expressed maturity date of any installment of principal of the debt evidenced by any Bond or (ii) increase the rate of interest on any Bond;

(d) Payment of any sums guaranteed by § 1 of this Agreement or any part of such sums may be extended or any Bond may be renewed, in whole or in part, or

(e) The maturity of any Bond may be accelerated in accordance with the terms of the Bank Loan Agreement, all without affecting the liability of the Guarantor under this Agreement.

§ 4. Subrogation, etc. The Banks and every subsequent holder of any Bond may pursue their rights and remedies under this Agreement and shall be entitled to payment hereunder and to enforce all of their other rights hereunder notwithstanding any other guaranty of or security for the Bonds or all or any part of the obligations or liabilities of the County under the Bank Loan Agreement and notwithstanding any action taken or omitted to be taken by any Bank or by any subsequent holder of any Bond to enforce any of its rights or remedies under such other guaranty or with respect to any other security, or any payment received thereunder, and the Guarantor shall not be subrogated, in whole or in part, to the rights of any Bank or the subsequent holder of any Bond against the County under the Bank Loan Agreement or any Bond, or against the guarantor under any such guaranty, until all the Banks and all subsequent holders of any Bonds shall have been paid in full by the Guarantor all such sums for which the Guarantor is liable under this Agreement. Upon payment in full by the

Guarantor of its obligations under § 1 and § 2 of this Agreement each Bank will endorse or assign its interest in all Bonds held by it to the order of the Guarantor and will assign its rights and interest under the Bank Loan Agreement to the Guarantor and the Agent will assign and transfer to the Guarantor its right, title and interest in and to any collateral security it may then hold for the payment of the Bonds, all as the Guarantor may reasonably warrant whatsoever.

§ 5. Representations. The Guarantor represents, covenants and warrants that:

A. Corporate Existence and Power. The Guarantor and its subsidiaries are each, and each will continue to be, a corporation duly incorporated and validly existing under the law of the jurisdiction in which it is incorporated, in good standing therein, and duly qualified to transact business in all places where such qualification is necessary; and the Guarantor has corporate power to make this Agreement and to incur and perform its obligations hereunder.

B. Corporate Authority. The making and performance by the Guarantor of this Agreement have been duly authorized by all necessary corporate action and will not violate any provision of law or of its charter or by-laws or result in

the breach of or constitute a default under any indenture or other agreement or instrument to which the Guarantor or any subsidiary of the Guarantor is a party or by which the Guarantor or any subsidiary of the Guarantor or its property may be bound or affected.

C. Financial Condition. The consolidated statements of income, shareholders' equity and changes in financial position of the Guarantor and its consolidated subsidiaries for the 12 months ended March 31, 1974, and the related consolidated balance sheet as at said date, certified by the chief accounting officer of the Guarantor and with the opinion thereon of Harris, Kerr, Foster & Company, heretofore furnished to each of the Banks, are complete and correct and fairly present the consolidated financial condition of the Guarantor and its consolidated subsidiaries at said date and the results of their operations for the period ended on said date. No such corporation had on said date any contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments which are substantial in amount in relation to the consolidated financial condition of the Guarantor and the consolidated subsidiaries, except as referred to or reflected or provided for in such consolidated balance sheet as at said date. Since said date there has been no

material adverse change in the consolidated financial condition of the Guarantor and its consolidated subsidiaries from that shown by such consolidated balance sheet as at said date.

D. Litigation. There are no suits or proceedings pending, or to the knowledge of the Guarantor threatened, against or affecting the Guarantor or any subsidiary of the Guarantor which, if adversely determined, would have a material adverse effect on the consolidated financial condition or business of the Guarantor and its consolidated subsidiaries.

§ 6. Covenants. Until payment in full of the principal of and interest on all the Bonds and all sums payable by the County under the Bank Loan Agreement and by the Guarantor under this Agreement, the Guarantor agrees that, unless holders holding at least 75% in aggregate principal amount of the Bonds at the time outstanding (or, if no Bonds are outstanding, Banks having at least 75% of the aggregate commitments of the Banks to make loans under the Bank Loan Agreement) shall otherwise consent in writing:

A. The Guarantor shall, for the benefit of the Banks and the subsequent holders of the Bonds, perform, comply with and be bound by its agreements contained in Sections 4 and 5 of that certain Revolving Credit and Term Loan Agreement

dated as of July 1, 1974 between the Guarantor, the Agent and New England Merchants National Bank ("the Credit Agreement"), as amended to, and in effect on, the date of this Agreement.

B. The occurrence of an event of default specified in Section 7 of the Credit Agreement shall constitute a default by the Guarantor in the performance of its agreements and obligations under this Agreement.

For purposes of this Agreement, Sections 4, 5 and 7 of the Credit Agreement and the other provisions of the Credit Agreement to which reference is made herein, together with related definitions and ancillary provisions, are hereby incorporated in this Agreement by reference and shall be deemed to continue in effect for the benefit of the Banks and the subsequent holders of the Bonds (as if they held Notes outstanding under the Credit Agreement), whether or not the Credit Agreement remains in effect between the parties thereto and whether or not any Notes are outstanding under the Credit Agreement or whether or not the Credit Agreement is suspended.

C. Notwithstanding any other provisions of this Agreement or any other agreement referred to herein, the Guarantor covenants that (i) it will make no use of the proceeds of the loans made under the Bank Loan Agreement which,

if such use had been reasonably expected on the date of this Agreement or the date of issue of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 103(d) of the Internal Revenue Code or Treasury Department Regulations thereunder as at the time in effect and (ii) so long as the Bonds are outstanding, it will comply with the requirements of said Section 103(d) and the applicable Treasury Department Regulations promulgated thereunder.

D. The Guarantor shall cause the Project (as defined in the Bank Loan Agreement) to be maintained in good order and condition and to be used for the purpose for which it was designed.

§ 7. Assignment. Any Bank may assign its rights and powers hereunder, with any Bond held by it, and, in the event of such assignment, the assignee shall have the same rights and remedies hereunder as if originally named in the Bank Loan Agreement in the place of such Bank.

§ 8. Waivers, etc. The Guarantor hereby waives diligence, presentment of any instrument, demand for payment, protest and notice of non-payment or protest, and the performance of each and every condition precedent to which the Guarantor might otherwise be entitled by law with respect to any Bond or the Agreement, notice of the creation or accrual

of any of the obligations of the County to the Banks under the Bank Loan Agreement or the Bonds, and all demands whatsoever. Said obligations, and each of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Agreement and all dealings between the County and the Banks shall likewise be conclusively deemed to have been had or consummated in reliance upon this Agreement.

The guaranty under § 1 of this Agreement shall be construed as a continuing, absolute and unconditional guaranty of payment irrespective of the validity, regularity, enforceability or value of any of the obligations of the County to the Banks as aforesaid, or the Bank Loan Agreement or any Bond or any collateral security therefor, regardless of any claim of immunity on behalf of the County or any other obligor or with respect to any of the property of the County or the property of any other obligor, and notwithstanding any present or future law or order of any government (de jure or de facto) or of any agency thereof purporting to reduce, amend or otherwise affect any obligation of the County or any other obligor or to vary any terms of payment, and irrespective of any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a surety or a guarantor.

This Agreement shall remain in full force and effect and shall be binding in accordance with and to the extent of its terms upon the Guarantor, its successors and

assigns, until all obligations of the County to the Banks or with respect to the Bonds specified in § 1, and all obligations of the Guarantor to the holders of the Bonds under § 1 and 2, shall have been fully paid or performed. All rights and remedies of the Banks hereunder, under the Bonds or the Bank Loan Agreement, at law or in equity, shall be cumulative and may be exercised singly or concurrently.

§ 9. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of March __, 1975.

MPB CORPORATION

(SEAL)

BY _____
Senior Vice President - Finance

Attest:

Secretary

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

BY _____

SPARTANBURG COUNTY, SOUTH CAROLINA

INDUSTRIAL REVENUE BONDS

SERIES 1975

(ANDREWS BEARING CORPORATION - LESSEE)

BOND RESOLUTION

A RESOLUTION

AUTHORIZING THE ISSUANCE OF \$3,500,000 SPARTANBURG COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1975 (ANDREWS BEARING CORPORATION - LESSEE), FOR THE PURPOSE OF FINANCING THE COST OF CONSTRUCTION, ACQUISITION AND INSTALLATION OF FACILITIES FOR THE MANUFACTURE OF BEARINGS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BANK LOAN AGREEMENT BETWEEN THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION) AND THE COUNTY; THE EXECUTION AND DELIVERY OF A LEASE AGREEMENT BETWEEN ANDREWS BEARING CORPORATION AND THE COUNTY (TOGETHER WITH AN ASSIGNMENT OF THE COUNTY'S INTEREST THEREIN); APPROVAL OF A GUARANTY AND PURCHASE AGREEMENT IN CONNECTION WITH THE SALE OF SAID BONDS; AND PROVIDING FOR THE SECURING OF SAID BONDS.

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1967 (the Act), to acquire, own, improve, equip, lease, dispose of and mortgage properties in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate and remain in South Carolina and thus utilize and employ manpower and other resources of South Carolina, and

WHEREAS, the County is further authorized by the Act to issue revenue bonds payable by the County solely out of Lease Rentals (as hereinafter defined); and

WHEREAS, the County has made arrangements with Andrews Bearing Corporation, a corporation organized and existing under the laws of the State of South Carolina and duly qualified to do business in the State of South Carolina (hereinafter sometimes referred to as the Lessee) for the acquisition, construction and equipping of facilities for the manufacture of bearings, including the necessary land, buildings, machinery and equipment (the Project) which will be of the character and accomplish the purposes prescribed by the Act, and the County proposes to enter into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing thereof; and

WHEREAS, the Lessee has requested that provision be made not only for the issuance of bonds necessary to finance the cost of the Project, but for the issuance of additional bonds under the conditions and further purposes set forth herein; and

WHEREAS, it has been determined that the amount now required to finance the costs of the Project, including necessary expenses incidental thereto, will require the issuance, sale, and delivery of bonds hereinafter designated as SPARTANBURG COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1975 (ANDREWS BEARING CORPORATION - LESSEE) in the aggregate principal amount of \$3,500,000 (the First Series Bonds); and

WHEREAS, the \$3,500,000 aggregate principal amount of bonds to be issued are in substantially the form set forth as Schedule "1" to the Bank Loan Agreement with necessary and appropriate variations, omissions and insertions as permitted or required by this Bond Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Spartanburg County in meeting duly assembled:

WHEREAS, the Lessee has requested that provision be made not only for the issuance of bonds necessary to finance the cost of the Project, but for the issuance of additional bonds under the conditions and further purposes set forth herein; and

WHEREAS, it has been determined that the amount now required to finance the costs of the Project, including necessary expenses incidental thereto, will require the issuance, sale, and delivery of bonds hereinafter designated as SPARTANBURG COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1975 (ANDREWS BEARING CORPORATION - LESSEE) in the aggregate principal amount of \$3,500,000 (the First Series Bonds); and

WHEREAS, the \$3,500,000 aggregate principal amount of bonds to be issued are in substantially the form set forth as Schedule "1" to the Bank Loan Agreement with necessary and appropriate variations, omissions and insertions as permitted or required by this Bond Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Spartanburg County in meeting duly assembled:

ARTICLE I

DEFINITIONS

SECTION 101. The terms defined in this Section 101 (except as herein otherwise expressly provided for or unless the context otherwise requires) for all purposes of this Resolution and of any resolution supplemental or amendatory hereto shall have the respective meanings specified in this Section 101.

"ACT" means Act No. 103 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1967, as amended

"ADDITIONAL BONDS" means Additional Bonds of the County issued pursuant to Section 213 of this Resolution.

"AGENT" means The Chase Manhattan Bank (National Association), the Agent for the Purchasers of the First Series Bonds.

"ASSIGNMENT" means the Assignment dated as of March 1, 1975, from the County to the Agent assigning certain of the County's rights under the Lease Agreement to the Agent.

"AUTHORIZED LESSEE REPRESENTATIVE" means the person or persons at the time designated to act on behalf of the Lessee by written certificate furnished to the County and the Depository containing the specimen signature of such person and signed on behalf of the Lessee by its President or one of its Vice Presidents and by its Secretary or an Assistant Secretary, which certificate shall continue in full force and effect until the County and the Depository shall have received a notice of revocation thereof by the Lessee.

"BONDHOLDER" or "HOLDER" or "OWNER OF THE BONDS" means the registered owner of any Bond.

"BONDS" means the Bonds of the County issued from time to time pursuant to this Resolution.

"CHAIRMAN" means the chief executive officer of the County Board. The term shall also include the duly elected or appointed Acting Chairman or Vice Chairman of the County Board whenever, by reason of absence, illness, or other

reason, the person who is the Chairman is unable to act.

"CLOSING DATE" means the Closing Date referred to in Section ____ of the Loan Agreement.

"CONSTRUCTION FUND" means the fund created pursuant to Section 4.3 of the Lease.

"COUNTY" means Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"COUNTY BOARD" means the Board of County Commissioners of Spartanburg County as the governing body of the County, and any successor body.

"DEPOSITORY" means First National Bank of South Carolina, Spartanburg, South Carolina.

"FIRST SERIES BONDS" means the \$3,500,000 Spartanburg County, South Carolina, Industrial Revenue Bonds (Andrews Bearing Corporation - Lessee).

"GUARANTY AND PURCHASE AGREEMENT" means the Guaranty and Purchase Agreement dated the date hereof between the Guarantor and the Agent.

"GUARANTOR" means MPB Corporation, a Delaware corporation, and its successors or assigns.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not a full-time employee of the County or the Lessee.

"INTEREST PAYMENT DATES" means March 31, June 30, September 30 and December 31 of each year commencing June 30, 1975, until the First Series Bonds have been fully paid.

"LEASE AGREEMENT" means the Lease Agreement to be executed by and between the County and the Lessee and to be dated as of March 1, 1975, and any amendments or supplements thereto.

"LESSEE" means Andrews Bearing Corporation, a corporation organized and existing under the laws of the State of South Carolina, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section ____

of the Lease Agreement.

"LOAN AGREEMENT" means that Bank Loan Agreement dated as of March 1, 1975, between the County, the Purchasers and the Agent for the Purchasers of the First Series Bonds with regard to the sale of the First Series Bonds.

"PENALTY RATE" means interest at the rate of ___% per annum.

"PERSON" means natural persons, firms, associations, corporations and public bodies.

"PURCHASERS" or "PURCHASERS OF THE BONDS" means The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank.

"REFUNDING BONDS" means the Refunding Bonds of the County issued pursuant to Section 214 of this Resolution.

"RESOLUTION" means this Resolution of the County Board adopted on 1975, authorizing, among other things, the issuance of the First Series Bonds, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"LEASE RENTALS" means all payments, revenues and receipts which the County has a right to receive pursuant to the Lease Agreement, other than payments in lieu of taxes, for indemnification and attorneys fees and expenses pursuant to Sections 5.5, 6.3, 8.7 and 10.4 of the Lease Agreement, respectively.

"SECRETARY" means the Secretary of the County Board. The term shall also include a person whose title is Clerk and the duly elected or appointed Assistant or Acting Secretary or Clerk of the County Board whenever by reason of absence, illness or other reason, the person who is the Secretary or Clerk is unable to act.

ARTICLE II

THE BONDS

SECTION 201. RESTRICTION ON ISSUANCE OF BONDS. No

Bonds may be issued under the provisions of this Resolution except in accordance with this Article. The total principal amount of Bonds that may be outstanding hereunder is hereby expressly limited to \$5,000,000.

SECTION 202. ISSUANCE OF FIRST SERIES BONDS. First

Series Bonds in the aggregate principal amount of \$3,500,000, dated the Closing Date, designated Spartanburg County, South Carolina, Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) shall be issued. They shall bear interest on the unpaid principal balance thereof from the Closing Date at the applicable rate (as hereinafter defined) (computed on the basis of actual days elapsed and a year at 365 or 366 days, as the case may be) payable on each of the Interest Payment Dates, and on the date of final payment in full of the principal thereof (or in the event any such date is not a business day then on the next succeeding business day thereafter with interest accrued to such day). The principal of the First Series Bonds shall mature in 17 consecutive quarterly installments of \$_____ each payable on December 31, 1977 and each Interest Payment Date thereafter, with a final installment equal to the unpaid principal balance on the First Series Bonds due March 31, 1982.

As used herein the term "applicable rate" means a rate per annum at all times equal to 80% of the rate ("the prime rate") from time to time charged by The Chase Manhattan Bank (National Association) at its principal office in New York City on short term loans to large businesses with the highest credit standing, each change in the applicable rate on this Bond resulting from a change in the prime rate to become effective on the New York business day next following the effective date of the respective change in the prime rate.

Payments of interest made in respect of the First Series Bonds shall be made at the times set forth above to the Agent. The Agent shall keep a record of all such payments. Final payment of principal made in respect of any First Series Bond shall be made to or upon the order of the registered owner or his legal representative upon presentation or surrender of such Bond for cancellation at the principal office of the Agent in the City of New York, New York. Partial redemption of principal of any First Series Bond shall be made upon presentation for notation or surrender for exchange, at the option of the holder, or without presentation or surrender in accordance with the provisions of Section 303 hereof.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Bonds shall be executed on behalf of the County by the Chairman and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Secretary, provided that at least one of said signatures shall be a manual signature.

In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

The Bonds, together with interest thereon, shall be limited obligations of the County payable by the County from the Lease Rentals. The Bonds do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provisions or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

SECTION 204. AUTHENTICATION. Only such Bonds as shall have endorsed thereon a certificate of authentication duly

Payments of interest made in respect of the First Series Bonds shall be made at the times set forth above to the Agent. The Agent shall keep a record of all such payments. Final payment of principal made in respect of any First Series Bond shall be made to or upon the order of the registered owner or his legal representative upon presentation or surrender of such Bond for cancellation at the principal office of the Agent in the City of New York, New York. Partial redemption of principal of any First Series Bond shall be made upon presentation for notation or surrender for exchange, at the option of the holder, or without presentation or surrender in accordance with the provisions of Section 303 hereof.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Bonds shall be executed on behalf of the County by the Chairman and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Secretary, provided that at least one of said signatures shall be a manual signature.

In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

The Bonds, together with interest thereon, shall be limited obligations of the County payable by the County from the Lease Rentals. The Bonds do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provisions or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

SECTION 204. AUTHENTICATION. Only such Bonds as shall have endorsed thereon a certificate of authentication duly

executed by the Agent shall be entitled to any right or benefit under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Agent and such executed certificate of the Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered. The Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Agent, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

SECTION 205. FORM OF BONDS. Bonds issued pursuant to this Resolution shall be substantially in the form set forth in Schedule "1" attached to the Loan Agreement with such appropriate variations, omissions and insertions as are permitted or required by the Resolution.

SECTION 206. DELIVERY OF FIRST SERIES BONDS. The County shall execute and deliver to the Agent and the Agent shall authenticate the First Series Bonds in the aggregate principal amount of \$3,500,000 and deliver them at the direction of the County to the Purchasers.

SECTION 207. MUTILATED, LOST, STOLEN OR DESTROYED FIRST SERIES BONDS. In the event any First Series Bond is mutilated, lost, stolen or destroyed, the County may execute and the Agent may authenticate a new Bond of like denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Agent, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Agent evidence of such loss, theft or destruction satisfactory to the Agent, together with indemnity satisfactory to the County and the Agent. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the County must pay the same without surrender thereof.

The County and the Agent may charge the holder or owner of such Bond with all costs and expenses incurred for this purpose.

SECTION 208. DENOMINATIONS; MEDIUM OF PAYMENT. Except with respect to any Bond issued subsequent to a partial redemption effected pursuant to Section 301 which shall be in a denomination which expresses the actual amount of principal due thereon, the Bonds shall be issued in denomination of \$1,000 or any multiple thereof. The Bonds shall be payable with respect to principal and interest, in Federal or other immediately available funds.

SECTION 209. NUMBERS, DATE AND PAYMENT PROVISIONS. The Bonds shall be numbered and designated in such manner as the County shall determine. Each Bond shall bear interest from its date and each shall be dated as of the Interest Payment Date next preceding the date of its authentication, unless authentication shall precede the first Interest Payment Date for such Bonds, in which case it shall be dated as of the Closing Date, provided, however, that if at the time of authentication of any such Bonds, any interest on such Bond is in default, such Bond shall be dated as of the date to which interest on such Bond has been paid.

SECTION 210. EXCHANGE OF FIRST SERIES BONDS. First Series Bonds, upon surrender thereof at the principal office of the Agent in the City of New York, State of New York, with a written instrument of transfer satisfactory to the Agent duly executed by the registered owner or his duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Agent may make as provided in Section 212, be exchanged for an equal aggregate principal amount of First Series Bonds in the denominations permitted by Section 208 hereof.

In case any First Series Bond is redeemed in part only the County on or after the redemption date and upon surrender

of such Bond for cancellation and exchange by the holder shall cause execution of, and the Agent shall authenticate and deliver, a new Bond or Bonds in principal amount equal to the unredeemed portion of such surrendered Bond.

SECTION 211. TRANSFER AND REGISTRY. PERSONS TREATED AS OWNERS. Each First Series Bond shall be transferable only upon the books of the County, which shall be kept for the purpose at the principal office of the Agent in the City of New York, State of New York, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond the County shall issue, and the Agent shall authenticate in the name of the transferee, a new registered Bond or Bonds in the aggregate principal amount of the surrendered Bond.

The County and the Agent may deem and treat the person in whose name any Bond shall be registered upon the books of the County as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the County nor the Agent shall be affected by any notice to the contrary.

SECTION 212. REGULATIONS WITH RESPECT TO TRANSFER AND EXCHANGE. In all cases in which the privilege of transferring or exchanging First Series Bonds is exercised, the County shall execute and the Agent shall authenticate and deliver Bonds in accordance with the provisions of the Resolution. All Bonds surrendered in any such transfers or exchange shall forthwith be cancelled by the Agent. There shall be no charge

for transfer or exchange of Bonds except that the Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange. Neither the County nor the Agent shall be required (a) to transfer Bonds for a period of ten days next preceding an Interest Payment Date on the Bonds, or (b) to register or transfer any Bonds which have been called for redemption, as a whole, or (c) if any Bond is to be redeemed in part only, to register or transfer any such Bond for a period of 10 days next preceding the redemption date.

SECTION 213. ISSUANCE OF ADDITIONAL BONDS. The County, at the request of the Lessee and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing additional moneys to be used to complete the facilities leased to the Lessee pursuant to the Lease Agreement or for the purpose of providing financing for additional facilities for the Lessee within the County on a parity with any Additional Bonds theretofore or thereafter issued and payable from the Revenues. The proceeds of such Additional Bonds shall be used solely in accordance with Section 8.10 of the Lease Agreement.

Such Additional Bonds shall be issued in such principal amounts, shall be dated, shall bear interest at such rate or rates, shall be subject to redemption at such times and prices, and shall mature in such years as the resolution supplemental hereto authorizing the issuance thereof shall fix and determine. Provided, that in no event shall any Additional Bonds be issued unless there shall be at the time of such issuance no First Series Bonds then outstanding.

SECTION 214. REFUNDING BONDS. One or more series of Refunding Bonds may be issued, authenticated and delivered to refund all but not less than all the Bonds of one or more series then outstanding. Refunding Bonds shall be issued in

a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Bond Fund required by the provisions of this Section 214 or by the provisions of the supplemental indenture authorizing such Bonds.

Refunding Bonds of each series issued to refund one or more series of Bonds then outstanding shall be authenticated and delivered only upon receipt by it (in addition to such documents which counsel to the County deems necessary) of:

(1) Irrevocable instructions to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to publish, as soon as practicable in the same manner as a notice of redemption is published pursuant to Section 303 hereof, a notice to the holders of such Bonds that the deposit required by Section 801 of this Indenture has been made and that said Bonds are deemed to have been paid in accordance with Section 801 of this Resolution and stating such maturity, or redemption date on which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds;

(3) Either (i) moneys in an amount sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds to be refunded, or (ii) Investment Securities (as defined in Section 801 hereof) in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and

qualifications, as shall be necessary to comply with the provisions of Section 801 hereof and any moneys required pursuant to said Section 801 hereof, which investments and moneys shall be held in trust and used only as provided in said Section 801 hereof.

The proceeds, including accrued interest, of the Regunding Bonds of each such series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the supplemental resolution authorizing such Bonds.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. FIRST SERIES BONDS REDEEMABLE. The First Series Bonds are subject to redemption at the option of the County at any time in whole or in part, at 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in accordance with Section 302 of the Resolution, upon receipt by the Agent at least five business days prior to the date fixed for redemption of written notice by the County to the effect that it has elected to redeem First Series Bonds in accordance with this Section 301.

SECTION 302. NOTICE AND CONDITIONS OF REDEMPTION. The County shall have the right, upon not less than five New York business days' written notice to the Agent, to prepay the First Series Bonds, in whole or in part. Each such partial prepayment shall be in an aggregate amount of \$500,000 or a multiple thereof.

The County shall prepay (i) the entire outstanding principal amount of the First Series Bonds immediately upon receipt by the County of any sums payable by the Lessee under the Lease Agreement in respect of any option exercisable by the Lessee to terminate the Lease Agreement and any event of default specified in the Lease, or any other event which under the Lease Agreement requires the Lessee to provide for the prepayment of amounts due thereunder and/or the First Series Bonds, and (ii) the First Series Bonds, in whole or in part, on the date of completion of the leased facilities as certified in accordance with Section 4.5 of the Lease Agreement in an amount equal to and with the moneys, if any, standing to the credit of the Construction Fund on such date.

On or prior to the date fixed for redemption, funds or securities in which such funds are invested pursuant to

Section 801 hereof sufficient to pay the principal of and interest on the First Series Bonds or portions thereof to be redeemed on the date fixed for redemption shall be deposited with the Agent. Upon the happening of the above conditions and compliance with the provision of the Resolution, the First Series Bonds, or portions thereof so redeemed, shall cease to bear interest and shall not be redeemed to be outstanding under the provisions of the Resolution.

SECTION 303. PAYMENT OF BONDS ON PARTIAL REDEMPTION.

Any First Series Bond which is to be redeemed in part may, at the option of the holder of said Bond (a) be presented for notation thereon by the Agent of the payment as of the redemption date of the redeemed portion of the principal thereof, or (b) be surrendered to the Agent and exchanged for a new Bond or Bonds in principal amount equal to the unredeemed portion of such Bond in accordance with Section 210 of the Resolution. In lieu of presentation or surrender under the preceding sentence, payment of the redemption price of a portion of any First Series Bond may be made directly to the registered holder thereof without presentation or surrender thereof, if there shall have been filed with the Agent a certificate of the County that an agreement between the County and such holder and, if such holder is a nominee, the person for whom such holder is a nominee, that payment shall be so made and that such holder will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such holder shall present such Bond to the Depository for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond, has been entered into and remains in force.

ARTICLE IV

LEASE AGREEMENT, ASSIGNMENT AND LOAN AGREEMENT

SECTION 401. AUTHORIZATION OF LEASE AGREEMENT, ASSIGNMENT AND SALE OF BONDS. The Chairman and the Secretary of the County Board are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Lease Agreement, the Assignment and the Loan Agreement each in the form presented to the County Board as evidenced by a copy of each such agreement certified by the Secretary of the County Board and thereupon filed among the permanent records of the County Board. The Chairman of the County Board, however, is hereby authorized, prior to execution and delivery of the Lease Agreement, the Assignment and the Loan Agreement, to make such changes or modifications in the form of any of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by the Resolution. The execution and delivery of the Lease Agreement, the Assignment and the Loan Agreement by the Chairman and Secretary of the County Board shall be conclusive evidence of the due execution in accordance with the Resolution, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Each and every covenant herein made, including all covenants contained in the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the Lease Rentals which Lease Rentals are to be specifically pledged to the payment of the Bonds in the manner and to the extent in this Resolution and in the Assignment specified and nothing in the Bonds

or in this Resolution shall be considered as pledging any other funds or assets of the County.

Subject to the foregoing, the County covenants that it will promptly pay the principal of and interest on every Bond issued hereunder at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof.

SECTION 403. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Loan Agreement, in the Resolution, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The County represents and warrants that it is duly authorized under the Constitution and laws of the State of South Carolina to issue the Bonds authorized hereby, to enter into the Loan Agreement and the Lease Agreement, and to pledge the Lease Rentals in the manner and to the extent herein and in the Assignment set forth; that all actions on its part for the issuance of the Bonds will have been duly and effectively taken, on or prior to the Closing Date and that the Bonds in the hands of the holders and owners thereof will be valid and binding obligations of the County in accordance with their terms.

SECTION 404. INSTRUMENTS OF FURTHER ASSURANCE. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, instruments and things as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Agent and Bondholders the Lease Rentals pledged in the Assignment to the payment of the principal of and interest on the First Series Bonds.

The County covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Lease Rentals.

SECTION 406. FILING. The security interests of the holders of the Bonds created by the Assignment in the Lease Rentals. shall be perfected by the filing in the Office of the Clerk of Court for Spartanburg County, South Carolina, and in the Office of the Secretary of State of South Carolina in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions. Additional financing or continuation statements which, in the opinion of the holders of the Bonds, are necessary to continue the security interests created by the Assignment and to fully preserve the rights of the holders of the First Series Bonds as against creditors of, or purchasers for value from, the County or the Lessee, shall be filed from time to time in said Offices of the Clerk of Court for Spartanburg County and of the Secretary of State of South Carolina.

ARTICLE V

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 501. CONSTRUCTION FUND; DISBURSEMENTS. There is hereby created and established with the Depository a trust fund to bear the designation "Spartanburg County (Andrews Bearing Project) 1975 Construction Fund". All of the proceeds of the issuance and delivery of the Bonds shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended for the cost of the facilities in accordance with the provisions of the Lease Agreement and particularly Section 3.3 thereof.

The Depository is hereby authorized and directed to make payments out of the Construction Fund in accordance with Article III of the Lease Agreement.

The Depository shall keep and maintain records pertaining to the investments of moneys in the Construction Fund and all disbursements therefrom and after the Lessee shall have certified that the Project has been completed as provided in Section 4.5 of the Lease Agreement the Depository shall, if required by the Lessee, file copies of such records thereof with the County, with the Agent and with the Lessee.

ARTICLE VI

INVESTMENTS

SECTION 601. INVESTMENT OF CONSTRUCTION FUND MONEYS.

Any moneys held as part of the Construction Fund shall, at the written request of and as specified by the Authorized Lessee Representative, be invested and reinvested by the Depository in accordance with the provisions of Section 4.9 of the Lease Agreement; provided, however, that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such a manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, or regulations promulgated pursuant thereto. Any such investment shall be held by or under the control of the Depository and shall be deemed at all times a part of the fund in which such moneys were originally held, and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Depository shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient for the purpose thereof.

SECTION 602. DEPOSITORY'S OWN FACILITIES. The Depository may effect any purchase or sale of securities permitted under Section 701 through the use of its own facilities or in any other manner it deems commercially reasonable.

The Depository shall not be liable for any loss resulting from effecting any purchase or sale of securities in accordance with this Section 702 or otherwise in accordance with the Resolution.

ARTICLE VII

LAWS GOVERNING RESOLUTION

SECTION 701. LAWS GOVERNING RESOLUTION AND SITUS AND ADMINISTRATION OF TRUSTS. The effect and meaning of the Resolution and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trusts created by the Resolution be in the state in which is located the principal office of the Depository from time to time under the Resolution. It is the further intention of the County that the Depository administer said trust in accordance with the laws of the state in which is located, from time to time, the situs of said trusts.

ARTICLE VIII

DEFEASANCE; WHEN PRINCIPAL AND INTEREST
DEEMED PAID

SECTION 801. DEFEASANCE; WHEN PRINCIPAL AND INTEREST
DEEMED PAID. If the County shall pay or cause to be paid, or there shall otherwise be paid to the holders of all Bonds the principal of and premium, if any, and interest due or to become due thereon, at the time and in the manner provided in this Resolution, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Resolution and the Loan Agreement expressed as to be kept, performed and observed by it or on its part, then these presents and the rights hereby granted shall cease, determine and be void.

All outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Agent in form satisfactory to it irrevocable instructions to publish notice of redemption of such Bonds on said date as provided in Section 302 hereof, (b) there shall have been deposited with the Agent either moneys in an amount which shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 5 business days, the County shall have given the Agent in form satisfactory to it irrevocable instructions to give, as soon as practicable, a notice to the holders of such Bonds that the deposit

required by (b) above has been made with the Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds. Neither Investment Securities nor moneys deposited with the Agent pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds. For the purposes of this Section 801, Investment Securities shall mean and include only direct obligations of the United States of America or obligations guaranteed by the United States of America, or by an agency of the United States of America, the guarantee of which constitutes the full faith and credit obligation of the United States of America and which obligations are not redeemable at the option of the issuer.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF BONDHOLDERS

SECTION 901. DEFAULTS; EVENTS OF DEFAULT. If any of the following events occur, it is hereby defined as and declared to be and constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any First Series Bond; or

(b) Default in the due and punctual payment of the principal of any First Series Bond, whether at the stated maturity thereof, or upon the date fixed for redemption thereof, or upon declaration in accordance with Section 902 hereof; or

(c) The occurrence of an "event of default" under the Lease Agreement or the Loan Agreement; or

(d) Subject to the provisions of Section 907 hereof, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County contained in the Resolution or in the First Series Bonds; or

(e) An order or decree appointing a receiver of the Lease Rentals or of any moneys or securities on deposit in the Construction Fund shall be entered with the acquiescence or consent of the County or any such order or decree shall be entered without the acquiescence or consent of the County and shall not be vacated, discharged or stayed within 30 days after entry.

SECTION 902. ACCELERATION. Upon the occurrence of an event of default any of the holders of not less than seventy-five percent in aggregate principal amount of First Series Bonds then outstanding (a "Qualifying Amount of Bondholders") may, by notice in writing delivered to the County and the Lessee declare the principal of all First

Series Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 903. REMEDIES. (1) Upon the happening and continuance of an event of default specified in Section 901, then and in each such case a Qualifying Amount of Bondholders may proceed, in its or their own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as shall be deemed most effectual to protect and enforce such rights:

(a) by mandamus or appointment of a receiver in equity by any other suit, action or proceeding in accordance with the laws of the State of South Carolina, to enforce all rights of the Bondholders, including the right to require the County to enforce the Lease Agreement and to require the County or the Lessee to carry out any other covenants or agreement with Bondholders and to perform their respective duties under the Lease Agreement;

(b) by suit upon the First Series Bonds;

(c) by action or suit, to enforce the Lease Agreement or the Loan Agreement; and

(d) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(2) In the enforcement of any remedy under the Resolution, a Qualifying Amount of Bondholders shall be entitled to sue for, enforce payment on and receive any and all amounts then due or becoming due during any default from the County for principal and interest under the provisions of the Resolution or of the First Series Bonds, with interest on overdue payments at the Penalty Rate, together with any and all costs and expenses of collection and all proceedings hereunder and under such Bonds. All sums so recovered shall

be disposed of in accordance with the provisions of Section 904.

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

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

No waiver of any default or event of default hereunder, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 904. APPLICATION OF MONEYS. All moneys received pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred in such connection, be deposited with the Agent to be applied in accordance with the Loan Agreement.

SECTION 905. REMEDIES VESTED IN QUALIFYING AMOUNT OF BONDHOLDERS. All rights of action (including the right to file proof of claim) under the Resolution or under any of the First Series Bonds may be enforced by a Qualifying Amount of Bondholders without the possession of any of the First Series Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding so instituted may be brought in the name of a Qualifying Amount of Bondholders without the necessity of joining as plaintiffs or defendants any other holders of the First Series Bonds.

SECTION 906. WAIVERS OF EVENTS OF DEFAULT. There may be waived any event of default hereunder and its consequences and any declaration of maturity of principal of and interest on the First Series Bonds may likewise be waived upon the written consent of the holders of seventy-five per centum (75%) in aggregate principal amount of all First Series Bonds; provided, however, that there shall not be waived (without the consent of the holders of all of the First Series Bonds) any default in the payment of:

(a) the principal of any outstanding First Series Bond whether at the stated maturity thereof, or upon the date fixed for the redemption thereof; or

(b) any interest when due on any First Series Bond; unless prior to such waiver, all arrears of payments of principal then due and, to the extent permitted by applicable law, interest on all such arrears at the Penalty Rate on such arrears, and all expenses in connection with such default (including attorneys' fees) shall have been paid or provided for, and in case of any such waiver, then and in every such case the County and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 907. NOTICE OF DEFAULTS; OPPORTUNITY OF THE COUNTY AND INDUSTRY TO CURE DEFAULTS. No default under Section 901(d) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Agent or by a Qualifying Amount of Bondholders to the Lessee and the County, and the County and the Lessee shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period.

With regard to any alleged default concerning which notice is given to the Lessee under the provisions of this Section 907, the County grants the Lessee full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do or perform any such things and acts and with power of substitution.

SECTION 908. POWERS OF A QUALIFYING AMOUNT OF BONDHOLDERS UPON EVENT OF DEFAULT UNDER LEASE AGREEMENT OR IN PAYMENT OF FIRST SERIES BONDS. In case of a default hereunder, a Qualifying Amount of Bondholders may in their discretion proceed to protect and enforce in their names, or in the name of the County, the rights vested in the County or in a Qualifying Amount of Bondholders by the Loan Agreement, the Assignment, the Resolution and the Lease Agreement by such appropriate judicial or other proceedings as shall be deemed most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Resolution or in aid of the exercise of any power granted by the Resolution or the Lease Agreement or to enforce any other legal or equitable right arising from the Resolution, the Lease Agreement or by law.

ARTICLE X

SUPPLEMENTAL RESOLUTIONS

SECTION 1001. NO SUPPLEMENTAL RESOLUTIONS WITHOUT CONSENT OF BONDHOLDERS. The County may not without the consent of the Bondholders, adopt any resolution or resolutions supplemental or amendatory to the Resolution except in accordance with Section 1002 hereof.

SECTION 1002. SUPPLEMENTAL RESOLUTIONS REQUIRING CONSENT OF BONDHOLDERS. Subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than seventy-five per centum (75%) in aggregate principal amount of the First Series Bonds then outstanding, anything in the Resolution to the contrary notwithstanding, may consent to and approve the adoption by the County of such other resolution or resolutions supplemental or amendatory hereto as shall be deemed necessary and desirable by the Bondholders and the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Resolution or in any supplemental or amendatory resolution; provided, however, that nothing in this Section contained shall permit, or be construed as permitting:

(a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate, or extension of the time of payment, of interest on any First Series Bonds, or

(b) the creation of any pledge prior to or on a parity with the pledge granted by the Assignment, or

(c) a reduction in the amount, or extension of the time, of any payment required to be made to the Agent, or

(d) a reduction in the aforesaid aggregate principal amount of First Series Bonds the holders

of which are required to consent to any waiver of a default or any supplemental or amendatory resolution, or

(e) any amendment of this Section 1002 or of Section 1102,

without the consent of the holders of all the First Series Bonds at the time outstanding who would be affected by the action to be taken.

If at any time the County shall propose to adopt any such supplemental or amendatory resolution for any of the purposes of this Section, the County shall cause notice of the proposed adoption of such supplemental resolution to be mailed, postage prepaid, to each registered Bondholder. Such notice shall briefly set forth the nature of the proposed supplemental or amendatory resolution and shall state that copies thereof are on file at the offices of the Agent at One Chase Manhattan Plaza, New York, New York, for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following such notice, the holders of not less than seventy-five per centum (75%) in aggregate principal amount of the First Series Bonds outstanding at the time of the execution of any such supplemental or amendatory resolution (or the holders of all of the First Series Bonds outstanding if required by the provisions of the next preceding paragraph) shall have consented to and approved the adoption thereof as herein provided, no holder of any First Series Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the County from adopting the same or from taking any action pursuant to the provisions thereof. Upon the adoption of any such supplemental or amendatory resolution as in this Section permitted and provided, the Resolution shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental or amendatory resolution under this Article X which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the adoption of such supplemental or amendatory resolution. In this regard, the County shall cause notice of the proposed adoption of any such supplemental or amendatory resolution together with a copy of the proposed supplemental or amendatory resolution to be mailed by certified or registered mail to the Lessee at least fifteen days prior to the proposed date of adoption of any supplemental or amendatory resolution. The Lessee shall be deemed to have consented to the adoption of any such supplemental or amendatory resolution if the County does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 2:30 o'clock P.M., on the fifteenth day after receipt of said notice and a copy of the proposed supplemental or amendatory resolution, the time to control being that prevailing in the County. The County may rely upon an opinion of counsel as conclusive evidence that adoption of a supplemental or amendatory resolution has been effected in compliance with the provisions of this Article X.

ARTICLE XI

AMENDMENTS TO LEASE AGREEMENT

SECTION 1101. NO AMENDMENTS TO LEASE AGREEMENT WITHOUT CONSENT OF BONDHOLDERS. The County may not without the consent of or notice to the Bondholders in accordance with Section 1102 hereof, consent to and enter into any amendment, change or modification of the Lease Agreement.

SECTION 1102. AMENDMENTS TO LEASE AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. The County shall not consent to or enter into any other amendment, change or modification of the Lease Agreement without notice to all the holders of outstanding First Series Bonds and the written approval or consent of the holders of not less than seventy-five per centum (75%) in aggregate principal amount of the First Series Bonds at the time outstanding given and procured as in Section 1002 provided.

Provided, that nothing in this Section contained shall permit, or be construed as permitting, any amendment, change or modification of the Lessee's unconditional obligation to make the payments prescribed by the Lease Agreement for the payment of the principal and interest due at any time on the First Series Bonds, without the consent of the holders of all the First Series Bonds at the time outstanding.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. SEVERABILITY. If any provision of the Resolution shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

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

SECTION 1202. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when given by telegram and confirmed by registered mail or certified mail, postage prepaid, by express provision of the Resolution addressed as follows: If to the County, to the Board of County Commissioners of Spartanburg County, Spartanburg County Courthouse, Spartanburg, South Carolina; if to the Lessee, to _____, Attention: _____; if to the Agent, to The Chase Manhattan Bank, One Chase Manhattan Plaza, New York, New York, Attention: _____. A duplicate copy of each notice, certificate, request or other communication given hereunder to the County, the Lessee or the Agent shall also be given to the others. The County, the Lessee and the Agent may, by notice given to all parties set forth above, designate any further or different addresses and addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1203. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date of maturity of interest on or principal of the First Series Bonds or the date fixed for redemption of any First Series Bonds shall be a Saturday, a Sunday or shall be in the City of New York, a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date in such city, but may be made on the next succeeding full business day, not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close, with the same force and effect as if made on the date of maturity or the date fixed for redemption, but interest shall then be paid for the period after such date.

SECTION 1204. COUNTERPARTS. This Resolution shall be executed by the County Board in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1205. RESOLUTION CONSTITUTES CONTRACT. In consideration of the purchase and acceptance of any and all of the First Series Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution, which shall not be amended, rescinded or modified after the delivery of the First Series Bonds to the Purchasers, except in accordance with Section 1002 of the Resolution, shall for all purposes be deemed to be and shall constitute a contract between the County and the holders from time to time of the Bonds.

Approved and adopted this ____ day of _____, A.D., 1975, at a duly called meeting of the Board of County Commissioners of Spartanburg County, proper notice thereof having been given, at Spartanburg, South Carolina.

Chairman, Board of County Commissioners
of Spartanburg County

(SEAL)

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

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STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

I, the undersigned, Secretary of the Board of County Commissioners of Spartanburg County, South Carolina, DO
HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Bond Resolution unanimously adopted by the Board of County Commissioners of Spartanburg County at a duly called and regularly held meeting at which all/a majority of the members attended and remained throughout on _____, 1975.

That the said Bond Resolution was proposed by _____
_____, seconded by _____,
and the same is now in full force and effect and has not been modified, amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of the said Board of County Commissioners of Spartanburg County this ____ day of _____, A.D., 1975.

(SEAL)

Secretary, Board of County
Commissioners of Spartanburg County

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

ANDREWS BEARING CORPORATION

LEASE AGREEMENT

Dated as of March 1, 1975

THIS LEASE AGREEMENT, dated as of March 1, 1975, between SPARTANBURG COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through its Board of County Commissioners, which is the governing body of said County as constituted by Act No. 1035 of 1968, as amended, party of the first part, and ANDREWS BEARING CORPORATION, a corporation organized and existing under the laws of the State of South Carolina, party of the second part,

W I T N E S S E T H:

In consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or against its taxing powers but shall be payable solely out of the proceeds derived from this Lease Agreement, the sale of the Bonds referred to in Section 2.1 hereof, the insurance proceeds, and proceeds from released property and condemnation awards as herein provided):

ARTICLE I

DEFINITIONS

SECTION 1.1. Certain terms used in this Lease Agreement are defined herein. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise.

SECTION 1.2. The following terms are defined terms under this Lease Agreement:

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended.

"ADDITIONS or ALTERATIONS" means improvements, replacements, alterations, additions, enlargements or expansions in, on or to the Project including any and all machinery and equipment therefor.

"AGENT" shall mean The Chase Manhattan Bank (National Association), agent for the purchasers of the First Series Bonds.

"AGREEMENT" or "LEASE AGREEMENT" means the within Lease Agreement between the County and the Lessee as the same may be amended from time to time in accordance with the provisions hereof.

"AUTHORIZED COUNTY REPRESENTATIVE" means the person at the time designated to act in behalf of the County by written certificate furnished to the Lessee and the Trustee, containing the specimen signature of such person and signed on behalf of the County by the Chairman of the County Board. Such certificate may designate an alternate or alternates.

"ASSIGNMENT" means the Assignment dated as of March 1, 1975, whereby the County has assigned its interest in this Lease Agreement to the Agent.

"AUTHORIZED LESSEE REPRESENTATIVE" means the person at the time designated to act in behalf of the Lessee by written certificate furnished to the County and the Trustee, containing the specimen signature of such person and signed on behalf of the Lessee by its President, any of its Vice Presidents, or its Treasurer or by the Chairman of its Board of Directors. Such certificates may designate an alternate or alternates.

"BONDS" means all bonds of the County from time to time issued and outstanding under the Indenture.

"BOND FUND" means the Bond Fund created in Section 502 of the Indenture and referred to herein.

"BUILDING" means the buildings and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which, as set out in Section 4.1(a) hereof, are to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures).

"CHAIRMAN" means the chief executive officer of the County Board. The term shall also include the Vice Chairman of the

County Board whenever, by reason of absence, illness, or other reason, the person who is the Chairman is unable to act.

"COMPLETION DATE" means the date of completion of the construction of the Building and the installation therein of the Leased Equipment and all other facilities in connection with the Project as that date shall be certified as provided in Section 4.5 hereof.

"CONSTRUCTION FUND" means the Construction Fund created in accordance with Section 4.3 hereof.

"CONSTRUCTION PERIOD" means the period between the beginning of construction or the date on which Bonds are first delivered to the purchaser thereof (whichever is earlier) and the Completion Date.

"COUNTY" means Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"COUNTY BOARD" means the Board of County Commissioners of Spartanburg County, and any successor body.

"FIRST SERIES BONDS" shall mean the \$3,500,000 Spartanburg County Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) of the County to be issued pursuant to the Indenture.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not a full-time employee of either the County or the Lessee.

"INDEPENDENT ENGINEER" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of South Carolina and who or which is not a full-time employee of either the County or the Lessee.

"LEASE RENTALS" means all of the revenues, rents and receipts derived directly or indirectly from the leasing or sale of the Project including all moneys received under the Lease Agreement (excepting only amounts paid pursuant to Sections 5.4, 5.5, 6.3, 8.7 or 10.4 thereof.)

"LEASE TERM" means the duration of the leasehold estate created in this Agreement as specified in Section 5.1 hereof.

"LEASED EQUIPMENT" means those items of machinery, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Land with proceeds from the sale of the First Series Bonds, or the proceeds of any payment by Lessee pursuant to Section 4.6 hereof and any item of machinery, equipment and related property acquired and installed in the Building or elsewhere on the Leased Land in substitution therefor and renewals and replacements thereof pursuant to the provisions of Sections 4.1(b), 6.2, 6.2(a), 7.1 and 7.2 hereof and is further defined as all property owned by the County and hereby leased to the Lessee which is not included in the definition of Leased Land or Building, but not including Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof. Leased Equipment is more particularly described in Exhibit "B" attached hereto which, by this reference thereto, is incorporated herein.

"LEASED LAND" means the real property described in Exhibit "A" attached hereto which, by this reference thereto, is incorporated herein.

"LESSEE" means (i) the party of the second part hereto and its successors and assigns and (ii) any surviving, resulting or transferee corporation as provided in Section 8.3 hereof.

"LOAN AGREEMENT" means the Bank Loan Agreement dated as of _____, 1975 between the County and the Agent.

"NET PROCEEDS", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"PENALTY RATE" shall mean interest at the rate of ____%.

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement, (iii) utility, access and other easements and rights of way, flood rights, encroachments, leases, restrictions and exceptions that an Independent Engineer and the Authorized Lessee Representative certify will not interfere with or impair the operations being conducted in the Building (or if the Building is not yet complete, the operations to be conducted) in the Building, or, if the Buildings has been completed and no operations are being conducted therein, the operations for which the Building was last designed or last modified), (iv) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the title to the Project for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5, Title 45, Code of Laws of South Carolina, 1962, as now or hereafter amended.

"PROJECT" means the Leased Land, the Building and the Leased Equipment.

"RESOLUTION" means the Resolution of the County Board dated _____, 1975, pursuant to which the Bonds are issued.

"SECRETARY" means the Secretary of the County Board. The term shall also include a person whose title is Clerk or County Administrator, and the Assistant or Acting Secretary, Clerk or County Administrator, whenever by reason of absence, illness or other reason, the person who is the Secretary, Clerk or County Administrator is unable to act.

SECTION 1.3. The words "hereof", "herein", "hereunder", and other words of similar import refer to this Lease Agreement as a whole.

SECTION 1.4. References to Articles, Sections and other subdivisions of this Lease Agreement are to the designated Articles, Sections, and other subdivisions of this Lease Agreement.

SECTION 1.5. The headings of this Lease Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

SECTION 2.1. Representations by the County. The

County makes the following representations as the basis for the undertakings on its part herein contained:

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

(b) The County has acquired the Leased Land, upon which the Building is being constructed by the Lessee and has authorized, and does hereby authorize, the Lessee to complete the construction of the Building thereon, to acquire and install the Leased Equipment in the Building or on the Leased Land and to acquire, install and construct all other things deemed necessary in connection with the Project, and the County proposes to lease the Project to the Lessee and to sell the Project to the Lessee at the expiration or earlier termination of the Lease Term, all for the purposes of promoting and employing the manpower and natural resources of South Carolina.

(c) Heretofore, and before construction of the Building was begun, the County and the Lessee did agree that the County would finance the cost of acquiring, constructing and equipping the Project. The Lessee has estimated that such cost will not exceed \$3,500,000 and

on that basis the County now proposes to issue the First Series Bonds in the aggregate principal amount of \$3,500,000, which will be dated, mature and bear interest as set forth in Article II of the Resolution and which will be subject to redemption on the occasions and at the redemption prices set forth in Article III of the Resolution, in order to finance the cost of acquiring, constructing and equipping the Project.

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

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

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

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project as aforesaid, the Lessee has heretofore ac-

on that basis the County now proposes to issue the First Series Bonds in the aggregate principal amount of \$3,500,000, which will be dated, mature and bear interest as set forth in Article II of the Resolution and which will be subject to redemption on the occasions and at the redemption prices set forth in Article III of the Resolution, in order to finance the cost of acquiring, constructing and equipping the Project.

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

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project as aforesaid, the Lessee has heretofore ac-

quired the Leased Land and has begun construction of the Building on the Leased Land.

(d) The Lessee intends to continue to operate the Project from the Completion Date to the expiration or earlier termination of the Lease Term as provided herein as a plant for the manufacture of bearings, and for the manufacture of such other products as the Lessee may deem appropriate.

(e) The acquiring of the Project by the County through the issuance of the First Series Bonds and the leasing of the Project to the Lessee has induced the Lessee to establish this industrial enterprise in the County.

ARTICLE III

DEMISING CLAUSE, WARRANTY OF TITLE, TITLE INSURANCE

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

SECTION 3.2. No Warranty of Title. The County makes no representation as to the state of title to the Leased Land; however, the County will furnish, at the time of the delivery of the First Series Bonds, a written opinion of Independent Counsel that it has good and marketable fee simple title to the Leased Land, subject to Permitted Encumbrances.

SECTION 3.3. Title Insurance. At the time of the delivery of the First Series Bonds, the County will provide an Owner Title Insurance Policy (or appropriate Binder) upon the Leased Land and Building issued by a Company approved by the County insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount specified in Exhibit A to this Agreement.

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ARTICLE IV

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE FIRST SERIES BONDS;
CONSTRUCTION FUND

SECTION 4.1. Agreement to Construct and Equip the Building on the Leased Land. The County has acquired the Leased Land by deed duly recorded. The Lessee agrees that it will exercise the authorizations given to it by the County in Section 2.1(b) and:

(a) It will cause the Building to be constructed on the Leased Land wholly within the boundary lines thereof (the Building to contain the square footage as set forth in Exhibit "A" hereto, and to be used for the purposes set forth in Article II hereof); all of which will be constructed in accordance with a general description heretofore furnished to the County by the Lessee.

(b) It will cause to be acquired and installed in the Building or on the Leased Land for use of Lessee the Leased Equipment, to consist of the machinery, equipment and related property described in the general list thereof in Exhibit "B", and such other items of machinery and equipment, and any transportation facility and equipment used as an integral part of the Project, which in Lessee's judgment may be necessary for the operation of the Project.

The Lessee agrees to complete the construction of the Building as promptly as practicable after receipt of proceeds from the sale of First Series Bonds and to continue the said construction with all reasonable dispatch, and to effect the acquisition and installation of the Leased Equipment as promptly as practicable.

SECTION 4.2. Agreement to Issue First Series Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will, on

or before the 1st day of May, 1975, sell and cause to be delivered to the initial purchaser the First Series Bonds in the aggregate principal amount of \$3,500,000 and will thereupon deposit in the Construction Fund the balance of the proceeds received from said sale.

SECTION 4.3. Establishment of Construction Fund; Disbursements from the Construction Fund. Not later than the occasion of the delivery of the First Series Bonds, the County shall establish the Construction Fund with First National Bank of South Carolina in Spartanburg, South Carolina (the "Depository"). The moneys in the Construction Fund shall be used for the following purposes (but, subject to the provisions of Section 4.9 hereof, for no other purposes):

(a) Payment of the commitment fee of the Purchasers of the First Series Bonds, fees for recording the deed whereby the Leased Land has been conveyed to the County, this Agreement, financing statements and any title curative documents that either the Lessee or Independent Counsel may deem desirable to file for record in order to perfect or protect the title of the County to the Project; and the fees and expenses in connection with any actions or proceedings that either the Lessee or Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the Project.

(b) Payment of such amounts, if any, as shall be necessary to make reimbursement in full for all advances and payments made prior to or after the delivery of the First Series Bonds for expenditures in connection with (i) the acquisition by the County of title to the Leased Land, including the cost of the Leased Land and the preparation of plans and specifications for the Project

(including any preliminary study or planning of the Project or any aspect thereof), (ii) clearing the Leased Land, the construction of the Building, the acquisition and installation of the Leased Equipment, and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing), and (iii) any other costs and expenses relating to the Project.

(c) Payment of the cost of legal and accounting fees and expenses, title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the First Series Bonds, the preparation of this Agreement, the Resolution, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land, Building and Leased Equipment.

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

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

(f) Payment to the Depository as such payments become due, of the fees and expenses of the Depository that may become due during the Construction Period.

(g) To such extent as they shall not have been paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the Construction Period under this Agreement.

(h) Payment of the taxes, assessments and other charges, if any, referred to in Section 6.3 hereof that may become payable during the Construction Period and, payment of such sum which, together with the accrued interest received on the occasion of their delivery will be required to pay the first two installments of interest to become due on the First Series Bonds.

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

(j) Payment of any other costs and expenses relating to the Project.

(k) All moneys remaining in the Construction Fund after completion of the construction of the Building and acquisition and installation of the Leased Equipment and payment in full of the costs thereof, and after payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Sections, shall be used for the prepayment of First Series Bonds as provided in Section 5 of the Loan Agreement, except for amounts retained in the Construction Fund with the

approval of the Authorized Lessee Representative for payment of Project costs not then due and payable; any balance remaining of such retained funds after full payment of all such Project costs to be used to prepay First Series Bonds, as provided in Section 5 of the Loan Agreement.

Provided that:

(1) Each of the payments made pursuant to the preceding subsections (a), (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Lessee Representative and by the Authorized County Representative which shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund and (ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project.

(2) In the case of any contract providing for retention by the Lessee of a portion of the contract price, there shall be paid from the Construction Fund only the net amount remaining after deduction of any such portion, until such retainage becomes due in accordance with the terms of such contract.

SECTION 4.4. Depository May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Depository may rely on any such orders and certifications delivered to it pursuant to Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Agent by a certificate signed by the Authorized Lessee Representative stating

that, except for amounts retained by the Depository for Project costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient operation of the Project for the purposes specified in Section 4.1(a) hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

SECTION 4.6. Lessee Required to Pay Construction Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Project shall not be sufficient to pay the costs thereof in full, the Lessee agrees to complete, or cause to be completed, the Project and to pay all that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Fund. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the

provisions of this Agreement, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which will be incurred in that connection. The Lessee agrees that if after exhaustion of the moneys in the Construction Fund the Lessee shall pay any portion of the said costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the County or from the holders of any of the First Series Bonds, nor shall it be entitled to any diminution of the rents payable under Section 5.3 hereof. The obligation of the Lessee to complete the Project shall survive any termination of this Agreement.

SECTION 4.7. Authorized Lessee and County Representatives and Successors. The Lessee and the County Board, respectively, shall designate, in the manner prescribed in Section 1.2, the Authorized Lessee Representative and the Authorized County Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

SECTION 4.8. Enforcement of Remedies Against Contractors and Subcontractors and Their Sureties. The Lessee covenants that it will take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts, including, without limitation, the correcting of any defective work, with all expenses incurred by Lessee in connection with the performance of its obligations under this Section 4.8 to be considered part of the Project costs referred to in Section 4.3(j), and the County agrees that the Lessee may, from time to time, in its own name, or in the name of the County, take such action as may be necessary or advisable, as determined by Lessee,

to insure the construction of the Project in accordance with the terms of such construction contracts, to insure the peaceable and quiet enjoyment of the Project for the Lease Term, and to insure the performance by the County of all covenants and obligations of the County under this Agreement, with all costs and expenses incurred by the Lessee in connection therewith to be considered as part of the Project costs referred to in Section 4.3(j). Any amounts recovered by way of damage, refunds, adjustments or otherwise in connection with the foregoing, less any unreimbursed legal expenses incurred in order to collect the same, shall be paid into the Construction Fund and after the Completion Date shall be paid into the Bond Fund.

SECTION 4.9. Investment of Construction Fund Moneys Permitted - Limitation on Investments. Any moneys held as part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or re-invested by the Depository to the extent permitted by law in the manner set forth below but with maturities consonant for anticipated expenditures to be made from the Construction Fund:

- (i) obligations of the United States and agencies thereof;
- (ii) general obligations of the State of South Carolina or any of its political units;
- (iii) Savings and Loan Associations to the extent that the same are insured by the Federal Deposit Insurance Corporation; or
- (iv) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.

Such investments shall be as specified by the Authorized Lessee Representative.

The Lessee further covenants and agrees:

- (a) That it will not direct the Depository to invest any moneys held as a part of the Construction Fund in a manner which shall be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" within the meaning of Section 103(d) (2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder and as in effect on the occasion of the delivery of the First Series Bonds (the Regulations); and
- (b) It will furnish to the County accurate information to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the Regulations.

ARTICLE V

EFFECTIVE DATE OF THE AGREEMENT; DURATION OF LEASE TERM;
RENTAL PROVISIONS; PAYMENTS IN LIEU OF TAXES AND
UNCONDITIONAL OBLIGATIONS OF LESSEE

SECTION 5.1. Effective Date of this Agreement;

Duration of Lease Term. This Agreement shall become effective upon its delivery and the leasehold estate created by this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Section 8.10, Articles X, XI and Sections 12.1 and 12.2), shall expire March 31, 1977. Provided that any provision herein to the contrary notwithstanding, this Agreement shall remain in effect until the Bonds have been paid or provision for their payment has been made.

SECTION 5.2. Delivery and Acceptance of Possession.

The County agrees to deliver to the Lessee sole and exclusive possession of the Leased Land upon the execution and delivery of this Agreement and Lessee thereupon and thereafter shall have sole and exclusive possession of the Project during the Lease Term (subject to the right of the County to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof).

SECTION 5.3. Rents and Other Amounts Payable. On or

before December 31, 1977, and on or before the last day of each March, June, September and December thereafter until the principal of and interest on the First Series Bonds shall have been fully paid or provision for the payment thereof shall have been made, the Lessee shall pay to the Agent as rent for the Project the principal of \$_____, provided, that the installment payable on March 31, 1982, shall be in the amount of the unpaid principal balance. On each such quarterly payment date, the Lessee shall also pay the Agent interest on the quarterly payment and the then outstanding principal balance of First Series Bonds at the rate therein provided. Provided, any payment made on the last day of March, June, September or December shall be made at or before 11:00 a.m. on the day of such payment.

In the event Additional Bonds shall be issued pursuant to Article II of the Resolution, thereafter on or before any date on which the principal or interest on any such Bonds shall be due, until the principal of, premium, if any, and interest on all such Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay a sum equal to the amount payable on such date as principal (whether at maturity or by such sinking fund redemption as may be provided) and/or interest upon such Bonds.

In any event each rental payment under this Section shall be sufficient to pay the total amount of interest or interest and principal (whether at maturity or by redemption or acceleration) and premium, if any, payable on the next succeeding interest payment date.

SECTION 5.4. Place of Rental Payments. The payments provided for in Section 5.3 hereof shall be paid pursuant to the Assignment directly to the Agent for the account of the County.

SECTION 5.5. Payments in Lieu of Taxes. It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the project by such county, school district or school districts, and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Lessee to comply with the aforesaid obligation, it is agreed that the County in cooperation with the Lessee (i) shall cause the Project to be valued as if privately owned as aforesaid for purposes of the said taxes by the State Tax Commission of South

Carolina or such other appropriate officer or officers as may from time to time be charged with responsibility for making such valuations; (ii) shall cause to be appropriately applied to the valuation or valuations so determined the respective rate or rates of such taxes, that would be applicable to the Project if so privately owned; (iii) shall cause the respective appropriate officer or officers charged with the duty of levying and collecting taxes to submit to the Lessee, when the respective levies are made upon property privately owned as aforesaid, a statement specifying the amount and due date of such taxes which the County, school district and other political units having taxing powers would receive if the Project were so privately owned; and Lessee shall file any accounts or tax returns required with the appropriate officer or officers. The Lessee shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the Act to be paid to the aforesaid taxing authorities, subject in each case to the Lessee's right to obtain exemptions (and discounts), if any, therefrom which would be afforded to a private owner of the Project and to seek to obtain a refund of any such payments made, and to contest the same in the manner and to the extent provided in Section 6.3 in the case of taxes and other governmental charges. The Lessee's obligation to make such additional payments shall continue only so long as and to the extent the Lessee is required by law to pay the aforesaid amounts in lieu of taxes. Once having paid the amounts required by this Section 5.5 to be paid by it in lieu of taxes, the Lessee shall not be required to pay any such taxes for which a payment in lieu thereof has been made to the State or to any city, county, town, school district or other political unit. In the event the Lessee shall fail to make any of the payments required by this Section 5.5, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until paid.

SECTION 5.6. Obligations of Lessee Hereunder Uncon-
ditional. Subject to the provisions of this Section and
Section 9.6 hereof, the obligations of the Lessee to make the
payments required in Sections 5.3 and 5.5 hereof and to perform
and observe the other agreements on its part contained herein
shall be absolute and unconditional and until such time as the
principal of, and interest and premium, if any, on the Bonds
shall have been fully paid or provisions for the payment
thereof shall have been made in accordance with the Indenture,
the Lessee (i) will not suspend or discontinue any payments pro-
vided for in Section 5.3 hereof, (ii) will perform and observe
all of its other agreements contained in this Agreement,
and (iii) except as provided in Section 11.1 hereof will not
terminate the Lease Term for any cause including, without
limiting the generality of the foregoing, failure of the Lessee
to complete the Project, the taking by eminent domain of title
to or the right of temporary use of all or any part of the
Project, any acts or circumstances that may constitute failure
of consideration, eviction or constructive eviction, destruction
of or damage to the Project, commercial frustration of purpose,
any change in the tax or other laws of the United States of
America or South Carolina or any political subdivision of
either thereof or any failure of the County to perform and ob-
serve any agreement, whether express or implied, or any duty,
liability or obligation arising out of or connected with this
Agreement. Nothing contained in this Section shall be con-
strued to release the County from the performance of any of
the agreements on its part herein contained; and in the event
the County should fail to perform any such agreement on its
part, the Lessee may institute such action against the County
as the Lessee may deem necessary to compel performance so long
as such action does not abrogate the Lessee's obligations con-
tained in the first sentence of this Section 5.6. The Lessee
may, however, at its own costs and expense and in its own name
or in the name of the County, prosecute or defend any action

or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the County hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the County in any such action or proceeding if the Lessee shall so request.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. Subject to the provisions of Section 8.9, the Lessee may, also at its own expense, make from time to time any Additions or Alterations to the Project it may deem desirable for its business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified). Subject to the provisions of Section 9.7 hereof, such Additions and Alterations so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items, the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged

all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Removal of Leased Equipment. The County shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Leased Equipment. If no event of default under this Agreement shall have happened and be continuing, in any instance where the Lessee in its discretion determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, subject to the provisions of Section 8.9 hereof, the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and (on behalf of the County) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the County therefor, provided that the Lessee shall either:

(a) Substitute (either by direct payment of the cost thereof or by advancing to the County the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery, equipment or related property having equal or greater utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution shall not impair operating unity, all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Leased Equipment; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such Leased Equipment to anyone other than itself or in the

case of the scrapping thereof, (ii) that in the case of the trade-in of such Leased Equipment for other machinery, equipment or related property not to be installed in the Building or on the Leased Land, and (iii) that in the case of the sale of any such Leased Equipment to the Lessee or in the case of any other disposition thereof, the Lessee shall pay to the Agent for prepayment of First Series Bonds in accordance with the Loan Agreement an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices.

The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

The Lessee shall promptly report to the County each such removal, substitution, sale and other disposition and shall pay to the Agent such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid to the Agent promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid to the Agent on account of all such sales, trade-ins or other dispositions not previously reported aggregates at least \$150,000. The Lessee shall not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

SECTION 6.3. Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina,

case of the scrapping thereof, (ii) that in the case of the trade-in of such Leased Equipment for other machinery, equipment or related property not to be installed in the Building or on the Leased Land, and (iii) that in the case of the sale of any such Leased Equipment to the Lessee or in the case of any other disposition thereof, the Lessee shall pay to the Agent for prepayment of First Series Bonds in accordance with the Loan Agreement an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices.

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The Lessee shall promptly report to the County each such removal, substitution, sale and other disposition and shall pay to the Agent such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid to the Agent promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid to the Agent on account of all such sales, trade-ins or other dispositions not previously reported aggregates at least \$150,000. The Lessee shall not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

SECTION 6.3. Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina,

and (ii) that these factors, among others, have induced the Lessee to enter into this Agreement.

However, the Lessee will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Lease Rentals of the County from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the Lease Rentals therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, and including all ad valorem taxes lawfully assessed upon the leasehold estate hereby granted and conveyed to the Lessee in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

If the Lessee shall first notify the County of its intention so to do, the Lessee may, at its expense and in its own name and behalf or in the name and behalf of the County, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the County shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such

items the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The County will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the County may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date thereof until paid, the Lessee agrees to pay.

The County agrees that any investment tax credit with respect to the Project shall be made available to the Lessee and the County will fully cooperate with the Lessee in any effort by the Lessee to avail itself of any such investment tax credit.

SECTION 6.4. Insurance Required. Throughout the Lease Term, the Lessee shall keep the Project continuously insured as hereinafter provided, paying (except as provided in Section 4.3 hereof) as the same become due all premiums in respect thereto. Such insurance shall include but not necessarily be limited to:

(a) Insurance upon the repair or replacement basis if available, and otherwise to the full insurable cash value of the Project as determined by an insurer selected by the Lessee or as otherwise agreed to by the County and Lessee, against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in South Carolina; provided that the insurance required by this subsection may contain a deductible provision of not in excess of \$ 5,000 direct damage applicable

to each separate instance of loss or damage insured against. In time of war in which the United States is a belligerent, such insurance to the extent of the full insurable cash value of the Project as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in South Carolina.

(b) Boiler and pressure vessel (including pressure pipes) explosion insurance in an amount at least equal to \$ 500,000 (with deductible provisions not to exceed \$ 1,000) with respect to all boilers and pressure vessels and pressure pipes installed in the Project.

(c) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks and passageways, such insurance to afford protection of not less than \$500,000 with respect to bodily injury each occurrence.

(d) Insurance (or authorization by the appropriate officials of the State of South Carolina to self insure) covering any liability under the Workmen's Compensation laws of South Carolina for deaths of or injuries to persons arising out of any act or omission during the Lease Term.

SECTION 6.5. Application of Net Proceeds of Insurance.
The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows:

(i) the Net Proceeds of the insurance required in Section 6.4(a) and (b) hereof shall be applied as provided in Section 7.1 hereof, and (ii) the Net Proceeds of the insurance required in Section 6.4(c) and (d) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6. Additional Provisions Respecting Insurance.

All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee. All policies evidencing such insurance shall provide for payment of the losses to the County and the Lessee as their respective interests may appear, and the policies required by Section 6.4(a) and (b) shall contain standard mortgagee clauses requiring that all Net Proceeds of insurance resulting from any claim in excess of \$500,000 for loss or damage covered thereby be paid to the Trustee; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to settlement of any claim in excess of \$500,000. The insurance hereby required may be contained in blanket policies now or hereafter maintained by the Lessee.

All such policies or a certificate or certificates of the insurers that such insurance is in force and effect shall be deposited with the County and shall contain a provision that any such policy may not be cancelled unless the County is notified at least 15 days prior to cancellation; and at least 15 days prior to expiration of any such policy, the Lessee shall furnish the County with evidence satisfactory to the latter, that the policy has been renewed or replaced or is no longer required by this Lease.

SECTION 6.7. Advances by County. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease or shall fail to keep the Project

in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition, the County, after written notice to the Lessee of its intent to take such action, may (but unless satisfactorily indemnified shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the County shall become an additional obligation of the Lessee to the County, which amounts, together with interest thereon at the Penalty Rate from the date hereof, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such destruction or damage is not greater than \$ 500,000, the Lessee (i) shall promptly repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a plant for the manufacture of the products described in Section 2.2(d) hereof or such other products as the Lessee may deem appropriate, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from such claims for losses. All Net Proceeds of insurance resulting from such claims for losses not in excess of \$ 500,000 shall be paid to the Lessee, subject to the provisions of Section 7.1(e).

(b) If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such destruction or damages

is in excess of \$500,000, the Lessee shall promptly give written notice thereof to the County. All Net Proceeds of insurance resulting from such claims for losses in excess of \$500,000 shall be paid to and held by the Depository in a separate trust account whereupon the Lessee shall proceed promptly to repair, rebuild or restore the the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a plant for the manufacture of the products referred to in Section 2.2(d) or such other products as the Lessee may deem appropriate, whereupon the Depositor shall apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

(c) In the event the Net Proceeds are not sufficient to pay in full the costs of any such repair, rebuilding or restoration, the Lessee shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(d) The Lessee shall not, by reason of the payment of such excess costs be entitled to any reimbursement from the County or the holders or owners of the Bonds or any abatement or diminution of the rents payable under Section 5.3 hereof.

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration shall be paid to the Lessee. If the Bonds have been fully paid (or provision therefor has been made), all Net Proceeds shall be paid to the Lessee.

(f) Notwithstanding any other provision of this Section, in any event of damage or destruction when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of the Lessee to restore the Project.

SECTION 7.2. Condemnation. In the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof. The County and the Lessee shall cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings, to be paid to and held by the Depository in a separate trust account, to be applied in one or more of the following ways as shall be directed in writing by the Lessee:

(a) To the restoration of the Project to substantially the same condition thereof as existed prior to the exercise of the said power of eminent domain.

(b) To the acquisition, by construction or otherwise, in the name of the County of improvements consisting of a building or buildings, facilities, machinery, equipment or other properties suitable for the Lessee's operations at the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than as herein provided to the same extent as if such other improvements were specifically described

herein and demised hereby): provided, that such improvements shall be acquired by the County subject to no liens or encumbrances other than Permitted Encumbrances.

(c) For payment to the Lessee, provided that the Lessee shall furnish to the County a certificate of an Independent Engineer acceptable to the County stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (iii) that improvements have been acquired which are suitable for the Lessee's operations at the Project as contemplated by the foregoing subsection (b) of this Section.

The Lessee shall direct the County in writing as to which of the ways specified in this Section the Lessee elects to have the condemnation award applied.

Any balance of the Net Proceeds of the award in such eminent domain proceedings shall be paid to the Lessee. If the Bonds have been fully paid (or provision for payment thereof has been made), all Net Proceeds shall be paid to the Lessee.

The County shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and shall, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and

behalf of the County. In no event shall the County voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

Notwithstanding any other provision of this Section, in any event of condemnation when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of Lessee to restore or repair the Project.

SECTION 7.3. Condemnation of Lessee-Owned Property.

The Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or takings of its own property not included in the Project (except for damages for the value of its leasehold estate under this Agreement which shall be disposed of pursuant to Section 7.2 hereof).

ARTICLE VIII

SPECIAL COVENANTS, IMPROVEMENT BONDS

SECTION 8.1. No Warranty of Condition or Suitability
by the County. The County makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Lessee's purposes or needs.

SECTION 8.2. County's Right of Access to the Project.
The Lessee agrees that the County and its duly authorized agents shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Project, including such rights of access to the Project as may be reasonably necessary for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The rights of access hereby reserved to the County may be exercised only after any such agent shall have executed release of liability and secrecy agreements in the form then currently used by the Lessee. However, nothing contained in this Section 8.2 or in any other provision of this Agreement shall be construed to entitle the County to any information or inspection involving the confidential know-how of the Lessee.

SECTION 8.3. Lessee to Maintain its Corporate Existence, Conditions Under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another corporation organized under the laws of one of the States of the United States, or permit one or more other such Corporations to consolidate with or merge into it, or sell or otherwise transfer to another such corporation, all or substantially all of its assets as an entirety and thereafter

dissolve, provided the surviving, resulting or transferee corporation, as the case may be, (i) shall have a net worth of not less than 90% of the net worth of the Lessee immediately preceding such merger, sale or transfer and (ii) assumes in writing all of the obligations of the Lessee under this Agreement; in which event the County shall release in writing, concurrently with and contingent upon such assumption, the Lessee from all liability hereunder, and provided that prior to such sale, transfer, consolidation or merger the Trustee shall be furnished a certificate from the chief financial officer of Lessee or his deputy stating that in the opinion of such officer none of the covenants contained in this Agreement will be violated as a result of such sale, transfer, consolidation or merger.

SECTION 8.4. Qualification in South Carolina. The Lessee warrants that it is, and throughout the Lease Term it will continue to be duly qualified to do business in South Carolina.

SECTION 8.5. Release of Certain Land. In addition to the rights granted by Section ____ hereof, the parties hereto reserve the right at any time and from time to time to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created hereby of (i) any unimproved part of the Leased Land (on which neither the Building nor any Leased Equipment is situated, but upon which transportation or utility facilities may be situated) on which the County then proposes to construct, or cause to be constructed, improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof under another and different lease agreement or (ii) any part (or interest in such part) of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid there shall be deposited with the County the following:

(a) A copy of the said amendment as executed.

(b) A resolution of the County Board (i) stating that the County is not in default under any of the provisions of the Indenture and the Lessee is not to the knowledge of the County in default under any of the provisions of this Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the Leased Land to be released, (iii) stating the purpose for which the County desires the release, and (iv) stating that the said improvements which will be so constructed will be such as will promote the continued industrial development of South Carolina.

(c) A resolution of the board of directors of the Lessee approving such amendment and a certificate of the president, any vice president or treasurer of the Lessee stating that the Lessee is not in default under any of the provisions of this Agreement.

(d) A copy of any agreement wherein the County agrees to construct, or cause to be constructed, improvements on the portion of the Leased Land so requested to be released and to lease the same, or a copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.

(e) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purposes hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness

of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

And, provided further, if such release relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a manufacturing plant.

No release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the County agrees that it shall execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release, (ii) a written application signed by the president or a vice president or the treasurer of the Lessee requesting such instrument, and (iii) a certificate executed by the president or a vice president or the treasurer of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not

of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

And, provided further, if such release relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a manufacturing plant.

No release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the County agrees that it shall execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release, (ii) a written application signed by the president or a vice president or the treasurer of the Lessee requesting such instrument, and (iii) a certificate executed by the president or a vice president or the treasurer of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not

impair the effective use or interfere with the operation of the Project. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.7. Indemnification Covenants. (a) Lessee shall and agrees to indemnify and save the County harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Lease Term, and, Lessee further, shall indemnify and save the County harmless against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act of negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act of negligence of any assignee or sublessee of Lessee, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of Lessee. Lessee shall indemnify and save the County harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid or in connection with any action or proceeding brought thereon, and upon notice from the County, Lessee shall defend them or either of them in any such action or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested

impair the effective use or interfere with the operation of the Project. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.7. Indemnification Covenants. (a) Lessee shall and agrees to indemnify and save the County harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, of from any work or thing done on, the Project during the Lease Term, and, Lessee further, shall indemnify and save the County harmless against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act of negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act of negligence of any assignee or sublessee of Lessee, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of Lessee. Lessee shall indemnify and save the County harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid or in connection with any action or proceeding brought thereon, and upon notice from the County, Lessee shall defend them or either of them in any such action or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested

of it by the Lessee, or by reason of the County's ownership of the Project or the operation of the Project by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability, then in such event the Lessee shall indemnify and hold harmless the County against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Lessee shall defend the County in any such action or proceeding.

SECTION 8.8. Financial Statements of Lessee. The Lessee agrees to furnish the County such information respecting the business affairs, operation and financial condition of the Lessee and its consolidated subsidiaries as may be reasonably requested; and without any request to furnish to the Agent, and upon request, to the holder of any Bond (a) as soon as available to the stockholders of the Lessee, copies of all quarterly and other interim financial statements as the Lessee shall furnish to its stockholders, and (b) as soon as available, and in any event within one hundred fifty (150) days after closing of each fiscal year of the Lessee, a copy of the annual audit report (including balance sheets, profit and loss, and surplus statements) of the Lessee and its consolidated subsidiaries for such fiscal year, all as prepared and certified by independent public accountants of recognized standing; provided, however, that if the annual report of Lessee to its stockholders shall contain financial statements of

substantially similar detail and similarly prepared and certified, copies of such annual report may be delivered in lieu of the copies of the audit reports referred to herein.

SECTION 8.9. Covenants of Lessee with Respect to Capital Expenditures. The County is issuing the First Series Bonds pursuant to an election made under Section 103(c)(6)(D) of the Internal Revenue Code of 1954, as amended. In order to insure that interest on the First Series Bonds will not become subject to Federal Income Taxes as a result of a violation of the capital expenditures limitation prescribed in said Section 103(c)(6)(D), the Lessee covenants with the County, the Trustee, and with each of the future holders of any First Series Bonds or interest coupons appertaining thereto as follows:

(1) That all rights and privileges granted to the Lessee hereunder shall be exercised in such manner that the covenants made by this Section 8.9 shall be observed, and if any conflict between Section 8.9 and any other provisions in this Agreement shall arise, then in such case, Section 8.9 shall control;

(2) That the Lessee will not commit nor permit the commission of any act which (a) would cause the First Series Bonds not to qualify as, or not to continue to be, an exempt small issue under the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, and (b) would cause interest on the First Series Bonds to become subject to Federal Income Taxes by virtue of the provisions of Section 103(c)(1) of the Internal Revenue Code of 1954, as amended; nor will Lessee fail to take any action necessary to be taken in order that (a) the First Series Bonds shall qualify as, and continue to be, an exempt small issue under the provisions of said Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, and (b) interest on the First Series Bonds will continue to be exempt from Federal Income

Taxes by virtue of the provisions of Section 103(a)(1) of the Internal Revenue Code of 1954, as amended;

(3) That within 120 days following (i) April 1, 1975, and (ii) the first day of each April 1 thereafter to and including April 1, 1978, the Lessee will furnish to the Agent a certificate signed by the Chief Financial officer of the Lessee or his deputy stating that during the period beginning _____ to such April 1 (or, in the case of the April 1, 1978 certificate, to the 3rd anniversary of the date of the delivery of the First Series Bonds), capital expenditures (including the \$3,500,000 principal amount of the First Series Bonds) in excess of the greater of (a) \$5,000,000 or (b) the capital expenditures limitation prescribed by said Section 103(c)(6)(D) if hereafter amended so as to increase the limitation, have not been paid or incurred with respect to "facilities" described in Section 103(c)(6)(E) of the Internal Revenue Code of 1954, in Spartanburg County, South Carolina, or which the Lessee or a related person as defined in Section 103(c)(6)(C) of the Internal Revenue Code of 1954, as amended, is the principal user; and

(4) That it will comply with the governing regulations applicable to Section 103 of the Internal Revenue Code of 1954 to the extent that compliance therewith is necessary in order that interest on the First Series Bonds shall remain exempt from Federal Income Taxes.

SECTION 8.10. Improvement Bonds. Subject to the obligations of the County under the Resolution and in particular Article II thereof, and subject to the provisions of Section 8.9 hereof, the County and the Lessee may hereafter negotiate

one or more amendments to this Agreement pertaining to an increase in the obligations of the County and the Lessee upon an undertaking of the County to provide Additions or Alterations for the Project through the issuance of additional Bonds pursuant to the Resolution and in such instance the Lease Term provided in Section 5.1 may be extended until the maturity date of the last maturing additional Bonds; provided that no obligation is imposed on the County by this Section 8.10 to enter into any such amendment and no such amendment is permitted hereunder which would result either in the breach of the County's agreements pursuant to the Resolution or in the reduction of Lessee's obligations pursuant to this Agreement.

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING; REDEMPTION;
RENT PREPAYMENT AND ABATEMENT; INSTALLATION OF LESSEE'S OWN
MACHINERY AND EQUIPMENT

SECTION 9.1. Assignment and Subleasing. This Agreement may be assigned, and the Project may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of the County, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 8.3 hereof) or subleasing shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment or subleasing, the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 hereof and for the payment, performance and observance of the other obligations and agreements on its part herein provided to be performed and observed by it.

(b) The assignee or sublessee shall assume in writing the obligations of the Lessee hereunder to the extent of the interest assigned or subleased.

(c) The Lessee shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the County a true and complete copy of each such assignment or sublease, as the case may be, accompanied by a certificate of an independent certified public accountant and an opinion of Independent Counsel that nothing in the transaction so done has violated any covenant of Section 8.9

SECTION 9.2. Assignment of Interest by County. The County will assign its interest in and pledge the Lease Rentals pursuant to the Assignment, to the Agent as security for payment of the principal of, premium, if any, and interest on the Bonds.

SECTION 9.3. Restrictions on Sale of Project by County.

The County agrees that, except as set forth in Section 9.2 hereof or other provisions of this Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project during the Lease Term.

SECTION 9.4. Redemption of Bonds. The County at the request at any time of the Lessee and, if the same are then subject to redemption, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Resolution to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Lessee, on the earliest redemption date on which such redemption may be made under such applicable provisions.

SECTION 9.5. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the County agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments due by reason of the provisions of Section 5.3 hereof.

SECTION 9.6. Installation of Lessee's Own Machinery and Equipment. Subject always to the provisions of Section 8.9, the Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property which may be attached or affixed to the Project. All such machinery, equipment and other personal property shall remain the sole property of the Lessee and the Lessee may remove the same from the Project at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee.

The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property. Neither the County nor the Agent shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 9.6 and all such machinery, equipment and personal property shall be and remain identified as the property of the Lessee by appropriate tags or other markings.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure of the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement which are applicable to the payment of the principal of, premium, if any, and interest on the Bonds, at the times specified therein.

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the County or the Agent, (or in the case of any such default, which cannot with due diligence be cured within such 30-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter to prosecute the curing of such default with due diligence.)

(c) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry

on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee" as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been met.

The provisions of paragraph (b) of this Section are subject to the following limitations: if by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements of the Lessee on its part herein contained (other than the obligations on the part of the Lessee contained in Article V and Sections 6.3, 6.4, 8.7 and 8.9 hereof, to which this paragraph shall have no application), the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United

States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, it being agreed that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Lessee, unfavorable to the Lessee.

SECTION 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be subsisting, the County or the holders of at least 75% in aggregate principal amount of the Bonds may take any one or more of the following remedial steps:

(a) The County or the said Bondholders may, at its or their option, declare all installments of rent payable under Section 5.3 hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts Lessee hereby agrees to pay.

(b) The County, with the prior written consent of the Agent or the said Bondholders, may re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, it being agreed that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Lessee, unfavorable to the Lessee.

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(a) The County or the said Bondholders may, at its or their option, declare all installments of rent payable under Section 5.3 hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts Lessee hereby agrees to pay.

(b) The County, with the prior written consent of the Agent or the said Bondholders, may re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

(c) The County, with the prior written consent of the Agent or the said Bondholders may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other amounts payable by the Lessee hereunder.

(d) In the event any of the Bonds shall at the time be outstanding and unpaid, the County may have access to and inspect, examine and make copies of the books and records and any and all accounts, similar data and income tax and other tax returns of the Lessee.

(e) The County may take whatever action at law or in equity may appear necessary or desirable to collect the rent and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid to the Agent and applied in accordance with the provisions of the Loan Agreement or, if the Bonds have been fully paid (or provision for payment thereof has been made) and the Lessee is then in good standing with respect to the payment of rent hereunder and shall have paid the County and the Agent all other sums due and owing hereunder, to the Lessee.

No action taken pursuant to this Section (including repossession of the Project or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Section 5.3 and Section 10.2(a) hereof, all of which shall survive any such action, and the County may take whatever action at law or in equity as may appear necessary and desirable to collect the rent and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligations, agreement or covenant of the Lessee hereunder.

SECTION 10.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County, the Agent or the Bondholders is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County, the Agent or the Bondholders to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given hereunder shall also extend to the Agent and the Agent and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 10.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of this Agreement and the County or the Agent or the Bondholders should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance of observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the County or the Agent or the Bondholders the reasonable fees of such attorneys and such other expenses so incurred.

SECTION 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived, and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS IN FAVOR OF THE LESSEE

SECTION 11.1. Options to Terminate. The Lessee shall have, and is hereby granted, the following options to terminate the Lease Term:

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made), the Lessee may terminate the Lease Term (i) by paying to the Agent an amount which will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Loan Agreement (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, and expenses of redemption) and in case of redemption making arrangements satisfactory to the Agent for the giving of the required notice of redemption, (ii) by paying to the County any and all sums then due to the County under this Agreement, and (iii) by giving the County notice in writing of such termination, and such termination shall forthwith become effective.

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made) and of any and all sums then due to the County under this Agreement, the Lessee may terminate the Lease Term by giving the County notice in writing of such termination and such termination shall forthwith become effective.

SECTION 11.2. Option to Purchase Unimproved Land. If no event of default under this Agreement shall have happened and then be continuing, the Lessee shall have, and is hereby granted the option to purchase any part of the Leased Land on which neither the Building nor any Leased Equipment is located, but upon which transportation or utility facilities may be located, at any time and from time to time at and for the purchase price set forth in Exhibit A to this Agreement provided that it furnishes the County with the following;

ARTICLE XI

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SECTION 11.1. Options to Terminate. The Lessee shall have, and is hereby granted, the following options to terminate the Lease Term:

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made), the Lessee may terminate the Lease Term (i) by paying to the Agent an amount which will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Loan Agreement (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, and expenses of redemption) and in case of redemption making arrangements satisfactory to the Agent for the giving of the required notice of redemption, (ii) by paying to the County any and all sums then due to the County under this Agreement, and (iii) by giving the County notice in writing of such termination, and such termination shall forthwith become effective.

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made) and of any and all sums then due to the County under this Agreement, the Lessee may terminate the Lease Term by giving the County notice in writing of such termination and such termination shall forthwith become effective.

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(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Land with respect to which such option is to be exercised, (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Land on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice and (iii) a statement that the use to which the Lessee intends to devote such portion of the Leased Land will promote the continued industrial development of South Carolina.

(b) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the purposes hereinabove stated, and (ii) the purchase will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in Exhibit A to this Agreement.

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the County will promptly deliver such money to the Agent for prepayment of Bonds. In the event the Lessee shall exercise the option granted to it under this Section, the Lessee shall not be entitled to any abatement or diminution of the rents payable under Section 5.3, and if such option relates to Leased Land on which transportation or utility facilities are located, the County shall retain as easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project.

SECTION 11.3. Conveyance on Exercise of Option to Purchase. At the closing of any purchase pursuant to any option to purchase granted herein, the County shall upon receipt of the purchase price deliver to the Lessee the following:

(a) Documents conveying to the Lessee good and marketable title to the property being purchased as such property then exists, subject to the following:

- (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County;
- (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented;
- (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement;
- (iv) Permitted Encumbrances other than this Agreement; and
- (v) the rights and title of any condemning authority.

ARTICLE XII

ADDITIONAL OBLIGATIONS OF LESSEE AND COUNTY

SECTION 12.1. Obligation to Purchase Project. The

Lessee hereby agrees to purchase, and the County hereby agrees to sell, the Project for one dollar, and any and all sums then due to the County under this Agreement, at the expiration or sooner termination of the Lease Term following full payment of the Bonds, or provision for payment thereof having been made. At the closing of the foregoing purchase, the County shall deliver to the Lessee the documents referred to in Section 11.3 hereof. The right to purchase granted in this Section may be exercised whether or not the Lessee is in default hereunder provided that no such default will result in nonfulfillment of any condition to this right.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Quiet Enjoyment. The County agrees so long as the Lessee shall fully and punctually pay all of the rents and other amounts provided to be paid hereunder by the Lessee, and shall fully and punctually perform all of its other covenants and agreements hereunder, that the Lessee shall peaceably and quietly have, hold and enjoy the Project during the Lease Term.

SECTION 13.2. Surrender of Project. Except as otherwise provided in this Agreement at the expiration or sooner termination of the Lease Term, the Lessee agrees to surrender possession of the Project peaceably and promptly to the County in as good condition as at the commencement of the Lease Term, ordinary wear, tear and obsolescence only excepted.

SECTION 13.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows: if the County, to the Board of County Commissioners of Spartanburg County, Spartanburg County Courthouse, Spartanburg, South Carolina; if to the Lessee, at Precision Park, Keene, New Hampshire, 03431, Attention: Treasurer; or to the Agent, at _____ Attention: _____. The County, the Lessee and the Agent may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 13.4. Recording and Filing.

(a) This Agreement as originally executed shall be recorded prior to the recordation of the Indenture. It shall be recorded and indexed as a miscellaneous conveyance and as a security agreement in

the appropriate office of the County in which the Project is located or in such other office as may at the time be provided by law as the proper place for recordation thereof. The security interest of the County created herein as to any personal property, equipment and fixtures forming a part of the Project shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions, in the appropriate office of the County in which the Project is located, and in the Office of the Secretary of State in the City of Columbia, South Carolina. The parties further agree that all necessary continuation statements shall be filed within the time prescribed by the South Carolina Uniform Commercial Code--Secured Transactions in order to continue the security interests created by this Agreement, to the end that the rights of the holders of the Bonds and the Agent in the Project shall be fully preserved as against creditors of, or purchasers for value from the County or the Lessee.

(b) The deed conveying the Leased Land to the County and this Agreement may be recorded prior to the delivery of the First Series Bonds. If subsequent to such recording the First Series Bonds shall not be delivered on or before the date prescribed in Section 4.2 hereof, or such later date as the Lessee may agree upon in writing, then the said deed and this Agreement shall be of no force and effect and in such event the County and the Lessee do hereby mutually release and discharge each other from any and all claims of any character which either may have against the other by reason of or arising from a failure to deliver the First Series Bonds; and all properties conveyed to the County by the said deed and for the same consideration paid by the County less any

advances made therefor or on behalf of the Lessee. All parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

(a) The Lessee covenants to deliver to the County and the Trustee within 120 days after April 1, 1975, after each April 1 thereafter until the Completion Date, after the Completion Date and after the close of each fiscal year of the Lessee following the Completion Date, a description of the Project on such April 1, Completion Date or such last day of a fiscal year, as appropriate, if the Project is not adequately described in the demising clauses of this Agreement as then amended. Such description shall be sufficiently detailed so as to enable counsel to render the opinion referred to in clause (4) of the next succeeding sentence. Within 30 days after delivery of such description, the Lessee covenants that it will:

(1) prepare an amendment to this Agreement containing an adequate and full description of the Project;

(2) deliver the supplement to this Agreement to the County for execution;

(3) deliver the fully executed supplement to this Agreement to the County for recording and filing or re-recording or re-filing in all places required by the opinion of counsel referred to in Clause (4) of this subsection (a) of this Section 13.4; and

(4) deliver to the County a written opinion of counsel (who may be counsel for the County or the Lessee), addressed to the County that the description of the Mortgaged Property (as defined in Article I of the Indenture) contained in the demising clauses of this Agreement, as supplemented, is adequate for all purposes hereof and in the opinion given with respect to the

Completion Date, that such descriptions include descriptions of the entire Project; that this Agreement, as supplemented and all financing statements, continuation statements, notices and other instruments required by applicable law have been recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the County in the Project (and in the Assignment to the Agent of Lease Rentals payable under this Agreement) as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The Lessee and the County shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable by such counsel in order to enable him to render the opinion referred to in subsection (a) (4) of this Section 13.5. The County shall file and record and re-record or cause to be filed and recorded and re-recorded all instruments required to be filed and recorded and re-recorded pursuant to the opinion of such counsel and shall continue or cause to be continued the liens of such instruments for so long as the First Series Bonds shall be outstanding, except as otherwise in this Agreement required.

SECTION 13.6. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Lessee and their respective successors and assigns, subject, however, to the provisions of Sections 8.3, 9.1, 9.2 and 9.3 hereof.

SECTION 13.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invali-

SECTION 13.8. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Agent.

SECTION 13.9. Net Lease. This Agreement shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those herein expressly provided.

SECTION 13.10. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.11. Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the laws of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of its Board of County Commissioners of Spartanburg County and the official seal of said County Board to be impressed hereon and attested by the Secretary of said County Board; and ANDREWS BEARING CORPORATION has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done as of the day and year first above written.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County Commissioners of Spartanburg County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

Signed, Sealed and Delivered in the
Presence of:

ANDREWS BEARING CORPORATION

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and Delivered in
the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn, deposes and says that (s)he saw the
corporate seal of Spartanburg County, South Carolina, affixed
to the foregoing Lease Agreement, and that (s)he also saw
_____ as Chairman and _____
as Secretary of the Board of County Commissioners of Spartanburg
County, sign and attest the same and that (s) he with _____
_____ witnessed the execution and delivery thereof as
the act and deed of the said Spartanburg County, South Carolina.

SWORN to before me this

_____ day of _____, A. D., 1975.

_____(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA.
My Commission expires _____.

STATE OF NEW HAMPSHIRE

COUNTY OF

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal of
Andrews Bearing Corporation affixed to the foregoing Lease Agree-
ment and that (s)he also saw _____, as
President and _____ as Secretary of said Corpo-
ration, sign and attest the same, and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said Andrews Bearing Corpora-
tion.

SWORN to before me this

_____ day of _____, A. D., 1975.

(LS)

NOTARY PUBLIC FOR STATE OF
My Commission expires: _____.

EXHIBIT "A"

(Attached to Lease Agreement between Spartanburg County, South Carolina, and Andrews Bearing Corporation, dated as of March 1, 1975.)

DESCRIPTION OF LEASED LAND

All that certain tract or parcel of land lying on the north side of South Carolina Highway No. 42-65 (New Cut Road) and on the east side of South Carolina Highway No. 42-30 (Sigsbee Road, also known as Fairforest-Boiling Springs Road) in School District No. 6, Spartanburg County, South Carolina, containing 26.00 acres, more or less, and being shown and designated as Lot C on a plat of a survey of property to be leased to MPB Corporation by Gooch and Associates dated December 5, 1974, attached hereto and to be recorded herewith, as beginning at an old spike at the center of the intersection of South Carolina Highway 42-65 and South Carolina Highway 42-30, and running thence with South Carolina Highway 42-30 N 25-06 E 280.3 feet to a nail, N 18-02 E feet to a nail, and N 14-14 E 183.1 feet to an old spike; thence leaving said highway S 58-38 E 409.5 feet to an old iron pin; thence S 78-50 E 867.8 feet to an old pipe; thence S 1-21W 1100.7 feet to an old nail in the center of South Carolina Highway 42-65; thence with said highway N 58-12 W 881.2 feet to an old nail, N 61-53 W 257 feet to an old nail, N 59-49 W 200 feet to a nail, and N 55-25 W 306.2 feet to the beginning corner.

ALSO, all of the right, title and interest of the grantor to tap on a sewer line located within the limits of a 25-foot water and sewer easement adjoining the eastern boundary of the within described property, and being more particularly described as a reserved right in the deed from The First National Bank of South Carolina as Executor, et al, to Larry O. Harmon recorded in Deed Book 39-J, page 249, said R.M.C. Office. This conveyance is made subject to existing rights of way and easements for South Carolina Highways 42-65 and 42-30, and to existing rights of way and easements for electric power transmission lines, telephone lines, water and sewer lines.

This is the same property conveyed to Andrews Bearing Corporation by deed of The First National Bank of South Carolina as Executor, et al, recorded in Deed Book 41-K, page 711, R.M.C. Office for Spartanburg County.

SIZE OF BUILDING TO BE CONSTRUCTED ON LEASED LAND IN TERMS OF SQUARE FOOTAGE: 95,000 sq. ft.

AMOUNT OF TITLE INSURANCE TO BE OBTAINED PURSUANT TO SECTION 3.3: \$1,800,000.

RELEASE PAYMENT TO BE MADE FOR RELEASE OF LEASED LAND PURSUANT TO SECTION 11.3: \$6,000 per acre.

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to Lease Agreement between Spartanburg County, South Carolina, and Andrews Bearing Corporation, dated as of March 1, 1975.)

Cincinnati O.D. Grinder
Drill Presses
Greenerd Press
Welding Equipment
Arrow Chip Dryer
Lift Tables
Rotary Table
Belt Sanders
Milwaukee Rotary Hammer
Stud Gun
Gages
Watchclock
Storage Bins
Micrometers
Cone Automatic Screw Machine
Van Norman Grinders
Forklift
Office Furniture and Fixtures
Band Trimmer
Bryant Grinder
Heald Track Grinders
Cincinnati Drill Press
Gardner Grinder
Blanchard Grinder
DoAll Saw
Coolant System
18" Lathe
Miscellaneous factory machiner and equipment
Heald 1CF70 Grinder
Heald 1CF91 Ext. Grinders
1209 Bryant Grinder
New Britain 61 Multispindle screw machine
400 Ton Punch Press
Oil Reclaim System
Fay Lathes
#3 Cincinnati Centerless Grinder
#2 Cincinnati Centerless Grinder
35 Ton Bliss Presses
Material Handling Equipment
Bridge Cranes
Chip Disposal System
Degreasing System
Siveco Tumbler
Heat Treat System
2V18 Gardner Grinder
Bryant 3216 Grinder

THE CHASE MANHATTAN BANK
National Association



1 Chase Manhattan Plaza, New York, New York 10015

February 7, 1975

Mr. Donald D. Davis
Senior Vice President
MPB CORPORATION
Precision Park
Keene, New Hampshire 03431

Dear Don:

We have had several discussions recently regarding the capital expenditures for the construction of a project in South Carolina, which will be operated by Andrews Bearing Corporation, a wholly-owned subsidiary of MPB Corporation. It is our understanding that a substantial portion of the cost of the project, amounting to \$3.5 million, will be funded through a tax-exempt industrial development loan to Spartanburg County, who will purchase the project and lease it to Andrews Bearing. Additionally, other equipment will be transferred to the project.

This will confirm our willingness to provide the necessary financing within the following framework, subject to the participation of the MPB's other banks as follows:

<u>Participants:</u>	The Chase Manhattan Bank (Agent)	\$1,400,000
	First National Bank of Boston	1,400,000
	First New Haven National Bank	500,000
	Keene National Bank	200,000 ✓
		<u>\$3,500,000</u>

Moreover, the First National Bank of South Carolina has indicated an interest to purchase a \$250,000 participation in the early maturities of the loans to the County. It is our preference that F.N.B. of Boston and Chase sell equal shares in their loans to the County to the F.N.B. of South Carolina.

Takedown: Lump sum, upon completion of the necessary documentation, to be deposited in a special account with the First National Bank of South Carolina and to be disbursed to HCB for construction costs.

Borrower: Spartanburg County, South Carolina. Borrowing to be evidenced by industrial development bonds issued to the Bank.

1095

Purpose: Construction of a project which will be leased by the County to Andrews Bearing.

Guarantor: MPB will guarantee the principal and interest on the loan to the County.

Purchase: MPB recognizes that the loan is being made by the Banks to the County on the basis that the interest is tax-exempt. If for any reason, the interest becomes includable in the Federal gross income of any Bondholder, or the Bonds become unconstitutional, invalid or unenforceable, then MPB will purchase the Bonds. Moreover, if any interest already paid become includable, then MPB will pay an additional amount which, together with the interest actually received, will equal interest at 123% of the Chase's prime rate during that period, plus interest, penalties, and preference taxes, if any.

Financial Covenants: To be determined, but similar to those existing in the present MPB-Chase loan agreement.

Term: Seven years from the date of takedown, payable in 18 consecutive, substantially equal, quarterly installments with no principal amortization for the first 10 quarters.

Interest Rate: 80% of the Chase's prime rate to large businesses in effect from time to time, payable quarterly.

Prepayment: Permitted in whole or part in stated multiples at any time without penalty.

Arrangement Fee: 1/2 of 1% of the total financing payable to the Chase at closing.

Commitment Fee: 1/2 of 1% per annum in the unused commitment beginning March 31, 1975 payable to each of the banks in relationship to their participation.

Other Fees: All legal expenses are to be for the account of MPB including the counsel for the Banks, a Bond counsel acceptable to the Banks, local counsel to the County and your outside counsel.

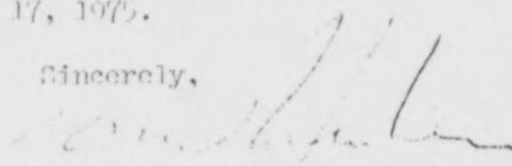
To Mr. Donald D. Davis
Senior Vice President

Page No. 3

Naturally, our willingness to provide this financing is contingent upon, among other things, the completion of the necessary documentation and the negotiation, execution and delivery of satisfactory loan and guarantee agreements, incorporating the principles set forth above and containing such other terms and conditions we may deem appropriate to the transaction. Moreover, while in our discussions with the other Banks, they have indicated an interest to participate. This should be firmed up.

To indicate your acceptance of this proposal, please sign and return the enclosed copy of this letter on or before February 17, 1975.

Sincerely,



Thomas V. Reifenheiser
Vice President

cc: Kenneth A. Irvine, V.P.
Peter M. Mortimer
Milbank Tweed, Hadley & McCloy
John S. Mechem
Goodwin, Procter & Hoar

9

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

March 31, 1975

Honorable P. C. Smith
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

Re: \$3,500,000 Spartanburg County, South Carolina First
Mortgage Industrial Revenue Bonds, Series 1975
(Andrews Bearing Corporation - Lessee)

I am enclosing herewith a certified copy to the State Budget
and Control Board authorizing a Supplemental Resolution and Supple-
mental Petition in connection with the above bonds.

Yours very truly,

Tom Hutcherson
(jh)

TAH:wjh

Enclosure

A SUPPLEMENTAL RESOLUTION
RELATING TO THE FINANCING OF THE ACQUISITION, CONSTRUCTION
AND EQUIPPING OF CERTAIN INDUSTRIAL FACILITIES IN SPARTANBURG
COUNTY (TO BE LEASED TO ANDREWS BEARING CORPORATION) THROUGH
THE ISSUANCE OF THREE MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$3,500,000) OF SPARTANBURG COUNTY, SOUTH CAROLINA, FIRST
MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1975 (ANDREWS
BEARING CORPORATION - LESSEE); AND AUTHORIZING A SUPPLEMENTAL
PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CARO-
LINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO ACT NO.
103 OF THE 1967 ACTS OF THE SOUTH CAROLINA GENERAL ASSEMBLY.

As an incident to the adoption of this Resolution, the
Board of County Commissioners of Spartanburg County (which is
the governing body of the County) (the County Board), has made
the following findings:

1. Heretofore the County Board did agree with Andrews
Bearing Corporation, a South Carolina corporation and a wholly
owned subsidiary of MPB Corporation, a Delaware corporation,
that the County Board would assist in financing the acquisi-
tion, construction and equipping of certain industrial facili-
ties to be used for the manufacture of bearings (including the
acquisition of a parcel of land located in Spartanburg County),
through the issuance of Industrial Revenue Bonds pursuant to
the authorization of Act No. 103 of the 1967 Acts of the South
Carolina General Assembly, as amended (the Act). The County
Board is advised that the proposed industrial project is
dependent upon the assistance which the County might render
through the sale of \$3,500,000 Industrial Revenue Bonds pur-
suant to the Act. It was contemplated that the Bonds would
be publicly sold and that, therefore, in order to enable the
Bonds to be secured by a Guaranty Agreement by MPB Corporation,
it would be necessary that MPB Corporation be the Lessee of
the Project to be financed with the Bonds. It was also
contemplated that the Bonds would be issued pursuant to an
Indenture between the County and a bank acting as Trustee for
the holders of the Bonds. Subsequent negotiations have

resulted in a private sale of the Bonds to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively the Purchasers). As a result of this private placement, it is no longer necessary that MPB be the Lessee of the Project nor is it necessary that there be a Trust Indenture establishing the rights of the bond holders. The negotiations resulting in the private placement also established a maturity schedule and interest rate on the Bonds different from the maturity and interest rate negotiated in connection with the proposed public sale. By Resolution dated November 27, 1974, the County Board authorized a Petition to the State Budget and Control Board of South Carolina (the State Board) requesting the State Board's approval of the proposed financing as then contemplated. The County Board adopts this Resolution to authorize a supplemental Petition to the State Board seeking the State Board's approval of the Bonds in connection with the financing as modified.

2. Andrews Bearing Corporation (the Lessee) will lease the Project from the County pursuant to a Loan Agreement (the Loan). The County will enter into a Loan Agreement with the Purchasers pursuant to which the Bonds will be issued. MPB Corporation (the Guarantor) will enter into a Guaranty and Purchase Agreement with The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank, the Purchasers pursuant to which the Guarantor unconditionally guarantees payment of principal and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes such to Federal Income Taxes. The Bonds will be issued pursuant to a Resolution adopted by the County Board.

3. The County Board has determined that the Project will subserve the purposes of the Act and neither the Project nor the Bonds will give rise to any pecuniary liability of Spartanburg County or a charge against its general credit or taxing power.

4. The amount necessary to finance the Project is Three Million Five Hundred Thousand Dollars (\$3,500,000).

5. The Lessee has submitted to the County Board a draft of the proposed Lease, under which the Lessee will agree to pay as rent the amount necessary to provide the quarterly payments of principal and interest on the Bonds, which will be dated March 1, 1975, and will mature and bear interest as set forth in paragraph 6(d) of the Petition attached hereto.

6. The proposed Lease obligates the Lessee unconditionally to pay the amount necessary to provide the quarterly payments of principal and interest, and premium, if any, to become due on the bonds and to pay other costs in connection therewith and contains an appropriate provision requiring the Lessee to pay in lieu of taxes, such amounts as would otherwise be paid if the Lessee owned the Project.

7. In view of the well-established credit of the Guarantor and its successful arrangements to effect a sale of the Bonds without the establishment of reserve funds for the payment of the principal and interest, no such reserve funds will be established.

8. The bonds will be issued as tax exempt bonds by virtue of an election to be made pursuant to the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF SPARTANBURG COUNTY, 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 determines to finance the Project above described, and to authorize the sale of the Bonds by Spartanburg County as aforesaid.

BE IT FURTHER RESOLVED:

That the Supplemental Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Supplemental Petition shall be duly executed by the Chairman of this Board and attested by the County Administrator.

Chairman, Board of County Commis-
sioners of Spartanburg County

(SEAL)

Attest:

County Administrator of
Spartanburg County

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

SUPPLEMENTAL PETITION

The Supplemental Petition of the Board of County Commissioners of Spartanburg County (the County Board) respectfully shows:

1. The County Board is the governing body of Spartanburg County as established by law, and as such is the County Board referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Sessions, as amended (the Act).

2. The Act authorizes and empowers the County Board, if it shall comply with the provisions set forth in the Act, to acquire land, buildings, equipment, machinery and other improvements deemed necessary, suitable and useful by any manufacturing or processing enterprise; to lease the same; and to finance the acquisition, constructing and equipping of the same through the issuance of bonds payable from and secured by a pledge of the revenues to be derived from the leasing of such land, buildings, equipment and machinery and other improvements.

3. Heretofore by Petition dated November 27, 1974 (the Original Petition), the County Board sought the approval of the State Budget and Control Board of South Carolina (the State Board) to the financing of certain industrial facilities in Spartanburg County through the issuance of Three Million Five Hundred Thousand Dollars (\$3,500,000) of industrial revenue bonds of the County. The Original Petition contemplated a public sale of the bonds and in that connection, an Indenture

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between the County and a Trustee for the bond holders. Such public sale also necessitated that MPB Corporation be the Lessee of the facilities rather than Andrews Bearing Corporation, a wholly owned subsidiary of MPB Corporation, which is, in fact, the entity operating the financed facilities.

By Resolution dated December 12, 1974, the State Board approved the Original Petition, and Notice of such approval was published in the SPARTANBURG HERALD on December 18, 1974. No action has been filed in the Court of Common Pleas of Spartanburg County challenging such approval by the State Board.

Subsequent to the State Board approval as aforesaid, it was determined that the Bonds would be sold privately to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively, the Purchasers) rather than sold publicly. These negotiations also resulted in changed maturity schedule and interest rate, a different Lessee and different or modified documents, none of which were within the scope of the State Board approval previously obtained. The County Board now submits this Supplemental Petition to the State Board in order to set forth the information required by the Act in relation to the proposed financing as its particulars have now been determined.

4. The County Board has agreed with Andrews Bearing Corporation, a South Carolina corporation (the Lessee) that the County Board will undertake to finance the acquisition, constructing and equipping of industrial facilities located in Spartanburg County, through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection, the

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County Board has agreed to accept a conveyance of the parcel of land on which the new industrial facilities will be located, and the County Board has agreed to issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee), pursuant to the Act in order to finance the acquisition, constructing and equipping of the facilities which, when completed, will provide facilities for the manufacture of bearings (said facilities being hereinafter referred to as the Project).

5. The County Board is advised by the Lessee that the cost of acquiring the said land and the cost of constructing a building thereon, and the cost of acquiring and installing the necessary machinery and equipment will amount to approximately Three Million Five Hundred Thousand Dollars (\$3,500,000) and that, therefore, in order to finance the acquisition, constructing and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue Three Million Five Hundred Thousand Dollars (\$3,500,000) Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) (the Bonds).

6. The Bonds will be sold to the Purchasers pursuant to a Loan Agreement (the Loan Agreement) between the County and The Chase Manhattan Bank (National Association) as agent for the Purchasers. Payment of the principal and interest on the Bonds will be guaranteed by MPB Corporation, a Delaware corporation (the Guarantor) pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers. The Guaranty and Purchase Agreement also provides that the Guarantor will purchase the Bonds from the Purchasers in the event interest on the Bonds become such to Federal Income Taxes.

7. When complete, the Project will employ approximately 350 persons.

8. For the reasons above set forth and hereinafter disclosed, the County Board has found:

(a) The proposed Project will subserve the purposes of the Act.

(b) By reason of undertaking the Project, no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing power.

(c) The proposed Lease between the County and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds.

(d) The Bonds will be dated March 1, 1975, and will mature in eighteen consecutive, substantially equal quarterly installments beginning December 31, 1977, and will bear interest at 80% of the Prime Rate to large business in effect from time to time at The Chase Manhattan Bank (National Association).

(e) The terms of the Lease will require the Lessee to carry proper insurance and to pay all costs of maintaining the Project in good repair.

9. Pursuant to Section 14 of the Act, the County Board sets forth the following information:

(a) The Project to be undertaken consists of the acquisition of a parcel of land located in Spartanburg County, South Carolina and the construction and equipping of an appropriate building thereon which will constitute a facility for the manufacture of bearings.

(b) The Project will provide employment during the period of its construction and when completed will provide permanent employment for approximately 350 persons. It is, therefore, believed that the Project will have a beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the entire Project will amount to approximately \$3,500,000, including the cost of acquiring the said land, the construction of the necessary building thereon, and all other expenses to be incurred in connection therewith.

10. The proposed Lease, a draft copy of which is presented herewith, will provide, among other things, the following:

(a) To finance the cost of the acquisition and construction of the Project the County will issue \$3,500,000 Spartanburg County First Mortgage Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee. Such rents will be assigned to The Chase Manhattan Bank (National Association) as agent for the Purchasers.

(b) The proceeds derived from the sale of the Bonds will be deposited with First National Bank of South Carolina and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, constructing and equipping of the Project, and the issuance of the Bonds.

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments to Spartanburg County, to any School District in Spartanburg County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Spartanburg County, by any such School District, and by said political units if the Project were owned by the Lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the Lessee were it the owner of the Project.

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

11. The payment of the Bonds will be unconditionally guaranteed by the Guarantor pursuant to a Guaranty and Purchase Agreement between the Guarantor and The Chase Manhattan Bank (National Association), as agent for the Purchasers.

12. The County Board will adopt a Resolution (the Resolution) providing for the issuance of the Bonds. The Resolution makes provision for the issuance of Three Million Five Hundred Thousand Dollars (43,500,000) of Bonds referred to above, and for the issuance of additional bonds thereunder. It provides for the payment and redemption of the Bonds and additional bonds.

13. The proposed Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution (draft copies of which are enclosed herein) will be in the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking 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 Supplemental Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, Loan Agreement, Guaranty and Purchase Agreement and Resolution, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such

result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 13 of the Act.

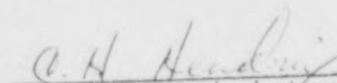
Respectfully submitted,

BOARD OF COUNTY COMMISSIONERS
OF SPARTANBURG COUNTY

(SEAL)


Chairman

Attest:


County Administrator of
Spartanburg County

March 3, 1975

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

I, the undersigned, County Administrator of Spartanburg
County, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy
of the Resolution unanimously adopted by the said Board at a
duly called and regularly held meeting at which the following
members attended and remained throughout on March 3, 1975:

James O. Thomason M. L. Workman, J. C.
Bailey for J. Watson

That the said Resolution was proposed by James O. Thomason
and seconded by M. L. Workman, and the same is now in
full force and effect and has not been modified, amended,
repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and the
Seal of the said County Board this 3 day of March, A. D.,
1975.

(SEAL)

C. H. Hendrix
County Administrator of
Spartanburg County

A RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

APPROVING THE UNDERTAKING OF THE BOARD OF COUNTY COMMISSIONERS OF SPARTANBURG COUNTY TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF FACILITIES FOR THE MANUFACTURE OF BEARINGS (TO BE LEASED TO ANDREWS BEARING CORPORATION) THROUGH THE ISSUANCE OF \$3,500,000 SPARTANBURG COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS PURSUANT TO ACT NO. 103 OF 1967, AS AMENDED, AND PROVIDING FOR THE PUBLICATION OF NOTICE OF SUCH APPROVAL.

WHEREAS, heretofore the Board of County Commissioners of Spartanburg County (the County Board) did, pursuant to Act No. 103 of the General Assembly of the State of South Carolina for the year 1967, as amended, (the Act), petition the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act, on behalf of Andrews Bearing Corporation (a South Carolina Corporation), and

WHEREAS, the undertaking now proposed consists of the acquisition of a parcel of land and the construction and equipping thereon of facilities for the manufacture of bearings (said tract and the buildings, machinery and equipment constituting said facility being hereinafter referred to as the Project), and leasing the Project to Andrews Bearing Corporation, a South Carolina Corporation (the Lessee). The Project will be financed through the issuance of \$3,500,000 Industrial Revenue Bonds, Series 1975 (Andrews Bearing Corporation - Lessee) (the Bonds); and

WHEREAS, the Bonds are to be sold to The Chase Manhattan Bank (National Association), First National Bank of Boston, First New Haven National Bank and Keene National Bank (collectively, the Purchasers) pursuant to a Loan Agreement (the Loan Agreement) between the County and the Purchasers; and

WHEREAS, the Project will be leased to the Lessee at a rental sufficient to provide for the payment of the Bonds and costs and expenses resulting from the issuance thereof; and

WHEREAS, MPB Corporation, a Delaware corporation, of which Lessee is a wholly owned subsidiary, will enter into a Guaranty and Purchase Agreement with The Chase Manhattan Bank (National Association) as Agent (the Agent) for the Purchasers of the Bonds whereby the Guarantor unconditionally guarantees payment of the principal of and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes subject of Federal income taxation; and

WHEREAS, in order to finance the acquisition, construction and equipping of the Project, the County Board proposes to issue the Bonds in the aggregate principal amount of \$3,500,000 pursuant to a Resolution (the Resolution) and additionally secured by an Assignment of the County's interest under the Lease Agreement to the Agent; and

WHEREAS, the form of the Loan Agreement, Lease Agreement, Guaranty and Purchase Agreement and Resolution have been considered by this Board.

NOW, THEREFOR, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

1. It has been found and determined by the State Board:

(a) That the statement of facts set forth in the recitals of this Resolution are in all respects true and correct.

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the completion of the Project, a general summary of the terms and conditions of the Loan Agreement, the Lease Agreement, the Guaranty Agreement and the Resolution to be made by the County Board and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project will provide employment for approximately 350 persons and will be of benefit to Spartanburg County and adjoining areas.

(d) That the Project is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

(e) That the Project will be operated as facilities for the manufacture of bearings by the Lessee.

(f) The Bonds will be issued as tax exempt bonds by virtue of an election to be made pursuant to the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954.

2. On the basis of the foregoing findings, the proposed undertaking of the County Board to finance the cost of completing the acquisition, construction and equipping of the Project through the issuance of \$3,500,000 Spartanburg County Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Guaranty and Purchase Agreement, Resolution and Assignment, pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the undertaking of Spartanburg County described in paragraph 2, supra, shall be published in THE SPARTANBURG HERALD, which is a newspaper having general circulation in Spartanburg County.

4. The notice to be published shall be in form substantially as set forth in EXHIBIT "A" of this Resolution.

EXHIBIT "A"

NOTICE PURSUANT TO ACT NO. 103 OF
THE ACTS OF THE GENERAL ASSEMBLY
OF SOUTH CAROLINA FOR THE YEAR
1967, AS AMENDED

Notice is hereby given that following the filing of a Petition by the Board of County Commissioners of Spartanburg County (the County Board) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertakings (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), viz:

The acquisition by the County Board of a parcel of land in Spartanburg County, on which the County Board will cause to be constructed facilities for the manufacture of bearings (said tract of land and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$3,500,000 of Spartanburg County Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Andrews Bearing Corporation, a South Carolina corporation (the Lessee) under a Lease Agreement, and the Bonds of Spartanburg County will be payable by the County solely from the rentals to be paid to the County by Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon. In addition, MPB Corporation, a Delaware corporation of which the Lessee is a wholly owned subsidiary, will enter into a Guaranty and Purchase

Agreement with The Chase Manhattan Bank (National Association) as Agent for the Purchasers of the Bonds, pursuant to which MPB Corporation unconditionally guarantees payment of the principal of and interest on the Bonds and agrees to purchase the Bonds in the event interest thereon becomes subject to Federal income taxes.

In addition, Lessee has agreed to pay as additional rentals to Spartanburg County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Spartanburg County, the said School District, and the said other political units wherein the Project is situate, if the Project were owned by Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to Lessee if it were the owner of the Project.

The Lease by which Spartanburg County is leasing the Project to Lessee provides that Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 350 persons.

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 undertaking of the County Board by action de novo instituted in the Court of Common Pleas for Spartanburg County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

Publication Date: _____

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND.

I, P. C. SMITH, Auditor of the State of South Carolina,
and Secretary of the State Budget and Control Board, DO HEREBY
CERTIFY:

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

His Excellency, James B. Edwards, Governor of South
Carolina and Chairman of the Board;

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

The Honorable John Henry Mills, Comptroller General
of South Carolina;

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

The Honorable F. Julian Leamond, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the _____, at Columbia,
South Carolina, at _____, .M., _____, 1975,
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:

That at said meeting, a Resolution, of which the
attached is a true, correct and verbatim copy, was intro-
duced by MR. PATTERSON, who moved its adoption, said motion
was seconded by MR. MILLS, and upon vote being taken and
recorded it appeared that the following votes were cast:

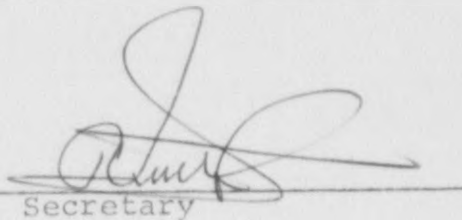
FOR MOTION

5

AGAINST MOTION

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


Secretary

_____, 1975.

STATE OF SOUTH CAROLINA)
COUNTY OF CHARLESTON)

RIGHT OF WAY EASEMENT

APRIL 1, 1975

The undersigned, the State Budget and Control Board and Patriot's Point Development Authority does hereby grant to the South Carolina State Highway Department without compensation the right of way through the following property, part of which was formerly marsh land, which is owned by the State, for the construction and maintenance of a road to be known as Patriot's Point Road, said road being shown on the "Plan and Profile of Proposed State Highway, Charleston County, File 10.(7)739, Project E-739, Patriot's Point Road, from U. S. 17 to Patriot's Point," and being situate on the West bank of the Cooper River in the County of Charleston, South Carolina. The right of way hereby granted has such dimensions and locations as are shown on the aforesaid drawings.

IN WITNESS WHEREOF the State of South Carolina has caused this to be executed by James B. Edwards, Governor, after authorized by Resolutions of the State Budget and Control Board of the State of South Carolina and after approval by the Office of the Attorney General of the State of South Carolina and in the name of Patriot's Point Development Authority by a majority of its governing body, which governing body consists of a Board of Nine (9) members.
This 27th day of March 1975.

WITNESS:

THE STATE OF SOUTH CAROLINA

[Signature]
W. F. Putnam
[Signature]
D. Brock A. Roberts
Frank K. Sloan
Herman J. Foster
Frank K. Sloan
Herman J. Foster
Frank K. Sloan
Herman J. Foster
Alvin M. Wincoff
Frank K. Sloan

[Signature]
James B. Edwards
Governor

PATRIOT'S POINT DEVELOPMENT AUTHORITY

By [Signature]
Chairman
By [Signature]
Member
By [Signature]
Member
By George E. Langston, Jr.
Member
By [Signature]
Member

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

AFFIDAVIT

PERSONALLY appeared before me, A Notary Public for South Carolina, Deborah A. Roberts, who being duly sworn says that she saw the within-named Patriot's Point Development Authority, by its Chairman Charles F. Hyatt, sign, seal and as the act and deed of the Authority deliver the within instrument for the uses and purposes therein stated, and that she with Nancy C. Wannamaker witnessed the execution and delivery thereof.

Deborah A. Roberts

SWORN to and subscribed before me
this 27th day of March, 1975

Frank K. Sloan (LS)
Notary Public for South Carolina
My commission expires: 8-10-80

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

AFFIDAVIT

PERSONALLY appeared before me, A Notary Public for South Carolina, W. T. Putnam, who being duly sworn says that he saw the within-named State of South Carolina by Honorable James B. Edwards, Governor and Chairman of the State Budget and Control Board, sign, seal and as the act and deed of the State deliver the within instrument for the uses and purposes therein stated, and that he with P. C. Smith witnessed the execution and delivery thereof.

W. T. Putnam

SWORN to and subscribed before
me this 27th day of March, 1975

C. D. Feltz (LS)
Notary Public for South Carolina
My commission expires: April 9, 1978

AFFIDAVIT

Frank K. Sloan

Sam R. Hicken (LS)

Notary Public for South Carolina

My commission expires: 12-21-50