

MINUTES OF BUDGET AND CONTROL BOARD MEETING

MAY 22 1974

The State Budget and Control Board met in the Conference Room of the Governor's Office at 10:00 a. m. on May 22, 1974 with the following members in attendance.

Governor John C. West
Senator Rembert C. Dennis
Mr. R. J. Aycock
Mr. Henry Mills
Mr. Grady L. Patterson

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

The following business was conducted.

REVENUE SHARING REPORT - Senator Dennis advised the Board that on the previous day, Mr. Charles "Pug" Ravenel, a Democratic gubernatorial candidate, had indicated that Revenue Sharing Funds totaling some \$68,000,000 had been "misdirected". Mr. Ravenel also accused the Legislature of using this money to expand the Retirement System at the expense of other programs.

Senator Dennis observed that, although Mr. Ravenel's statements and understanding of the situation were completely erroneous, citizens of the State would tend to believe the charges; and therefore, the true picture should be presented.

The Board unanimously approved a recommendation by Senator Dennis that Messrs. P. C. Smith and Grady L. Patterson prepare a formal statement to refute the charges of the candidate.

NYTRONICS COMPONENTS GROUP, INC. - In its meeting of May 7, 1974, the Budget and Control Board declined to approve a Petition from Darlington County for the issuance of Industrial Revenue Bonds in the amount of \$2,875,000 on behalf of Nytronics Components Group, Inc. At the

present meeting, Mr. Bernard M. Goldsmith and Mr. Leo A. Moreau, of the aforementioned Corporation, appeared to discuss the matter further.

Mr. P. C. Smith outlined the financial status of Nytronics Components Group, Inc. and, in light of the financial statements, expressed serious concern as to the ability of the Corporation to make Debt Service payments in the event of even a slight recession.

Mr. Goldsmith, Chairman of the Board of Nytronics, commented on the glowing economic prospects of the Darlington concern and furnished financial statements for the first seven months of the current fiscal year to demonstrate his point. He further indicated that, although the parent Corporation has had some financial troubles in the past, it would be agreeable for the parent organization to guarantee payment of the Debt Service of the subsidiary.

It was determined, in further discussion, that the assets of the Corporation may be worth considerably more than the financial statements reflect; and if such were the case, Board members indicated that they would be more inclined to approve the Petition.

It was finally agreed that the officers of Nytronics Components Group, Inc., would get another appraisal of its real property and would furnish an estimate of the value of the equipment presently on hand and to be purchased. It was also agreed that the possibility of obtaining commercial insurance for the payment of the Debt Service would be investigated. The Board agreed to hold this matter in abeyance pending receipt of additional information.

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

MINUTES OF THE PREVIOUS MEETING - Prior to the present meeting, all Board members had been furnished with the minutes of the meeting of May 7, 1974. These minutes were approved without corrections.

DEPARTMENT OF CORRECTIONS NOTE - Mr. P. C. Smith called the attention of the Board to the fact that for a considerable time, efforts had been made to find a way of retiring the Debt Service obligation of the Department of Corrections pertaining to a Note to the State of South Carolina. This Note is commonly referred to as the "Laundry Note" and has an outstanding principal balance of \$1,100,000.

Mr. Smith stated that Mr. Grady L. Patterson has now indicated that a fund balance in excess of \$1,000,000 exists in the General Fund appropriation for Debt Service payments. This balance has come about as a result of the delay in issuing certain bonds which were anticipated at the time of the appropriation.

The Board unanimously agreed to use these funds to retire the Note due by the Department of Corrections.

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

FOREIGN TRAVEL - The Budget and Control Board approved the following requests for foreign travel.

University of South Carolina - Professor R. G. Wirsing
to travel to India

Clemson University - Dr. H. G. Spencer to travel to
England

Data pertaining to these requests have been retained in these files and are identified as Exhibits III and IV, respectively.

INDUSTRIAL REVENUE BONDS - The Budget and Control Board approved a Petition of Horry County for the issuing of Industrial Revenue Bonds totaling \$2,500,000 on behalf of A V X Corporation.

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

ARCHITECTURAL CONTRACTS - The Budget and Control Board approved the following requests for architectural contracts.

University of South Carolina - construction of auditorium -
Geiger, McElveen and Kennedy - Architects
Caudill, Rowlett and Scott - Associate Architects

South Carolina Highway Department - construction of three
district buildings - W. O. Fulmer - Architect

Letters pertaining to the above have been retained in these files
and are identified as Exhibits VIII and IX, respectively.

CAPITAL IMPROVEMENT BONDS REQUESTS - Mr. P. C. Smith furnished
each Board member with a copy of permanent improvement requests as made
by the various agencies and as proposed by Governor West along with the
recommendations of the Finance Division as to which of the items should
be considered for the fiscal year 1974-75.

Board members took the matter under consideration and agreed to
discuss the specific items at a subsequent meeting. A copy of the perma-
nent improvements schedule has been retained in these files and is iden-
tified as Exhibit VI.

SOUTH CAROLINA HOUSING AUTHORITY - TRANSFER OF FUNDS - Mr. P.
C. Smith advised the Budget and Control Board that he had received informa-
tion from the State Housing Authority that there had been considerable
changes in the Federal Government Housing Subsidy Program and the avail-
ability of Federal funds. For this reason, officials of the Housing
Authority now feel that funds which were originally appropriated for per-
sonal services can be more effectively used in implementing Federal programs.
The Board approved the request of the State Housing Authority for the trans-
fer of \$107,500 from Personal Services to Special Payments, Aid to Other
Entities and Contributions and Dues.

Letters pertaining to this matter have been retained in these
files and are collectively identified as Exhibit VII.

BUDGET SUBMISSION - TECHNICAL AND COMPREHENSIVE EDUCATION - In
a letter dated December 5, 1973, Dr. R. C. Smith, Chairman of the Commis-
sion on Higher Education, advised Governor West that the Act establishing
the State Board for Technical and Comprehensive Education required that

Organization to submit its academic educational budget to the Commission on Higher Education for review and comment. Dr. Smith observed that the Commission on Higher Education received copies of the budget on November 1, 1973, which was after the hearing held by the Budget and Control Board. In looking toward the 1975-76 budget, Dr. Smith requested instructions as to how this matter should be handled.

In his reply of December 13, 1973, Governor West suggested that comments from the Technical and Comprehensive Education Board would be appropriate prior to a final decision.

In the present meeting, letters were presented from Mr. Y. W. Scarborough, Jr., of the Board for Technical and Comprehensive Education, and from Dr. Howard Boozer, Executive Director of the Commission on Higher Education, indicating that accord had been reached with respect to budget submission and the plans, as agreed to by the two officials, were sanctioned by the Budget and Control Board.

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

PERSONNEL DIVISION - SALARY RECOMMENDATION - Dr. Jack Mullins

appeared before the Board to discuss the possibility of the Board's changing its position with respect to salary increases for the fiscal year 1974-75. Dr. Mullins called attention to the fact that, upon his recommendation, the Budget and Control Board had previously taken the position that any monies made available for salary increases for the fiscal year 1974-75 should be used to implement a restructuring of salary schedules as shown in the "Brown Report". Dr. Mullins stated that, because of the rapidly accelerating rate of inflation, he now feels that all State employees should receive a basic across-the-board raise, but with a portion of the salary funds set aside for critical spot adjustments.

Board members agreed with Dr. Mullins' position that a two percent salary adjustment should be set aside for spot increases and that

the balance, hopefully six percent, would be guaranteed to each and every employee. The Board further agreed that these across-the-board increments should in no way affect normal merit increases.

Dr. Mullins reported that he had one further item but that it pertained to a personnel matter. Therefore, the Board unanimously agreed to conduct the balance of its business in Executive Session.

EXHIBIT II
MAY 22, 1974

DEPARTMENT OF CORRECTIONS

LAUNDRY NOTE

Principal Balance Due on Department of Corrections Note as of July 1, 1974	1 100 000 00
Interest Due As Of July 1, 1974	<u>11 346 50</u>
Total	1 111 346 50
Available From Debt Service Funds	<u>1 059 917 00</u>
Balance	<u><u>51 429 50</u></u>

EXHIBIT III
MAY 22, 1974

Accounting Dept. Copy
Department Approved Copy
Department File Copy

UNIVERSITY OF SOUTH CAROLINA
TRAVEL AUTHORIZATION FORM

TA No. **No 22351**

Date 4 8 74
Mo. Day Yr.

SECTION I

Requested by Professor Robert G. Wirsing Dept. Institute of International
Name of Traveler (if more than one person, see reverse side of pink copy for instructions) Name Studies

For the purpose of Research Travel to India (See attached letter for explanation)

Karachi to Bombay - Bombay to New Delhi - New Delhi to Karachi, Ind.

Duration of trip: From 5 25 74 To: 5 30 74
Mo. Day Yr. Mo. Day Yr.

Destination of Trip India

Does this authorization supersede a previously approved trip? no If so, give TA. No. _____

SECTION II

- Method of Travel
Common Carrier
Bus
Plane
Railroad
Other
Personal Vehicle
University Vehicle
Other - Explain _____

State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

Approval Subject To The Following

- Full Reimbursement
Transportation
Subsistence only
Other or % _____

SECTION III

Estimated Cost	AMOUNT
Transportation (Do not include USC Vehicle)	\$150.00
Subsistence \$20 per day for six days	\$120.00
*Other Expenses	
Estimated Total Cost	\$270.00

*Explain _____

SECTION IV

Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
2190J	K-102	52024		\$270.00

SECTION V

Approved [Signature]
Acting ~~Director~~ Director
[Signature]
Dean, V. P. or Provost

4/8/74

Date

9 Apr 74

Date

If trip plans are altered after submission of this form, the Treasurer's Office must be notified.

The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.

The University reserves the right not to reimburse expenditures without receipts. Be sure to obtain receipts whenever practical.

TREASURER'S OFFICE USE ONLY

Amount	P or C	Date Paid
Common Carrier \$ _____	<input type="checkbox"/>	
Lodging, Meals or Other _____	<input type="checkbox"/>	
Total \$ _____		

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Does this authorization supersede a previously approved trip? no If so, give TA. No. _____

SECTION II
Method of Travel
Common Carrier
Bus
Plane
Railroad
Other
Personal Vehicle
University Vehicle
Other - Explain _____

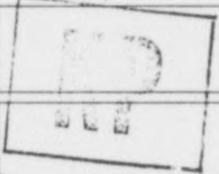
State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

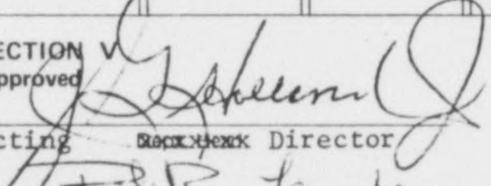
Approval Subject To The Following
Full Reimbursement
Transportation
Subsistence only
Other or % _____

SECTION III	AMOUNT
Estimated Cost	
Transportation (Do not include USC Vehicle)	\$150.00
Subsistence \$20 per day for six days	\$120.00
*Other Expenses	
Estimated Total Cost	\$270.00

*Explain _____

SECTION IV
Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
21900	K-102	52024		\$270.00

SECTION V
Approved  4/8/74
Acting ~~Director~~ Director Date
 9 Apr 74
Dean, V. P. or Provost Date

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The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.
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TREASURER'S OFFICE USE ONLY

Amount	P or C	Date Paid
Common Carrier \$ _____	<input type="checkbox"/>	
Lodging, Meals or Other _____	<input type="checkbox"/>	
Total \$ _____		



Exhibit III
May 22, 1974

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

5-13-74

Office of the Treasurer

TO: William T. Putnam
FROM: Joseph Jones *JJ*
SUBJECT: Foreign Travel Approval

Attached is a travel authorization request No. 22351
dated April 8, 1974 covering foreign travel to India
by Robert L. Herring.

Will you please submit this request to the Budget and
Control Board for approval.

Green Accounting Dept. Copy
 Yellow Department Approved Copy
 Pink Department File Copy

UNIVERSITY OF SOUTH CAROLINA
 TRAVEL AUTHORIZATION FORM

TA No. **Nº 22351**

Date 4 8 74
 Mo. Day Yr.

SECTION I

Requested by Professor Robert G. Wirsing Dept. Institute of International
 Name of Traveler (if more than one person, see reverse side of pink copy for instructions) Name Studies

For the purpose of Research Travel to India (See attached letter for explanation)

Karachi to Bombay - Bombay to New Delhi - New Delhi to Karachi, Ind.

Duration of trip: From 5 25 74 To: 5 30 74
 Mo. Day Yr. Mo. Day Yr.

Destination of Trip India

Does this authorization supersede a previously approved trip? no If so, give TA. No. _____

SECTION II Method of Travel	SECTION III Estimated Cost	AMOUNT
Common Carrier	Transportation (Do not include USC Vehicle)	\$150.00
Bus <input type="checkbox"/>	Subsistence <u>\$20 per day for six days</u>	\$120.00
Plane <input checked="" type="checkbox"/>	*Other Expenses _____	
Railroad <input type="checkbox"/>	Estimated Total Cost _____	\$270.00
Other		
Personal Vehicle <input type="checkbox"/>		
University Vehicle <input type="checkbox"/>		
Other - Explain _____		

State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

Approval Subject To The Following

Full Reimbursement

Transportation

Subsistence only

Other or % _____

SECTION IV
 Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
21900	K-102	52024	KP	\$270.00

SECTION V
 Approved [Signature] 4/8/74
 Acting ~~Director~~ Director Date
[Signature] 9 Apr 74
 Dean, V. P. or Provost Date

If trip plans are altered after submission of this form, the Treasurer's Office must be notified.

The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.

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TREASURER'S OFFICE USE ONLY

Amount	P or C	Date Paid
Common Carrier \$ _____	<input type="checkbox"/>	
Lodging, Meals or Other _____	<input type="checkbox"/>	
Total \$ _____		

EXHIBIT IV
MAY 22, 1974

RCE/ep

CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA 29631

OFFICE OF THE PRESIDENT

May 16, 1974

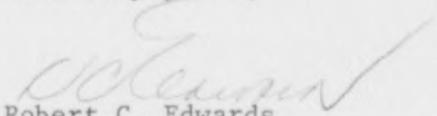
Mr. P. C. Smith
State Auditor
State of South Carolina
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. Smith:

Clemson University has granted a six-month sabbatical leave to Dr. H. Garth Spencer, professor of chemistry and head of the Department of Chemistry and Geology, in order that he may increase his research capabilities by studying with Dr. Jim Barrie at the Imperial College of Science and Technology in London, England. There are no travel or other incidental costs involved with Dr. Spencer's stay in England which will be from June 24, 1974 to January 1, 1975; but, in keeping with the University policy, Dr. Spencer's salary, which will amount to approximately \$14,000, will be paid to him during this period.

We believe that Dr. Spencer's studies in England will be to the benefit both of Clemson University and the State of South Carolina, and we request your permission to grant him this privilege for foreign travel.

Sincerely yours,


Robert C. Edwards
President

RCE/ep

cc: Dean Henry Vogel
Dr. H. Garth Spencer
Dean Victor Hurst

EXHIBIT I
MAY 22, 1974

STATE OF SOUTH CAROLINA
COUNTY OF HORRY

TO THE STATE BUDGET AND CONTROL)
BOARD OF SOUTH CAROLINA) P E T I T I O N

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

1. The County Board is the governing body of Horry County, South Carolina, 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 Session, 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, enlargement, improvement and expansion 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. AVX Corporation, a Delaware corporation (the Lessee) now operates facilities for the manufacture of ceramic capacitors on a 22-acre site located south of the City of Myrtle Beach, in Horry County, South Carolina. The plant site together with the principal building are owned by Jefferson Standard Life Insurance Company and are leased to the Lessee. Recently, the Lessee has constructed a new building on the premises at a cost of \$600,000. The Lessee has advised the County Board that it has the option to purchase the plant site and principal building from Jefferson Standard Life Insurance Company for the sum of approximately \$950,000. The Lessee

has proposed that the County Board undertake to finance the acquisition of the said existing facilities, including the 22-acre plant site, and in connection therewith, to enlarge, improve and expand the same by the construction of a new building including manufacturing facilities, laboratory facilities and administration offices at a cost of approximately \$300,000, and the acquisition of new equipment and machinery at a cost of approximately \$600,000; and that the County Board finance the aforesaid acquisition, enlargement, improvement and expansion through the issuance of \$2,500,000 Horry County, South Carolina, Industrial Revenue Bonds (the Bonds) pursuant to the authorization of Act No. 103 of the 1967 Acts of the South Carolina General Assembly, as amended (the Act). The Lessee has advised the County Board that its proposed improvement, enlargement and expansion program is dependent upon the assistance which the County might render through the sale of \$2,500,000 Industrial Revenue Bonds pursuant to the Act. The County Board has agreed so to finance the acquisition, enlargement, improvement and expansion of the said facilities (the said 22-acre tract of land, together with the existing buildings thereon and the proposed building to be constructed, together with the new equipment and machinery to be acquired from the bond proceeds [but not including the equipment and machinery now located in the existing buildings] being hereinafter referred to as the "Project"), and adopts this Resolution to evidence its approval of the issuance of the Bonds as aforesaid and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

4. The County Board is advised by the Lessee that the cost of acquiring the said land and principal building from Jefferson Standard Life Insurance Company will be approximately

\$950,000; the cost of reimbursing the Lessee for the construction of the new building on the premises will be \$600,000; the cost of the construction of a new building including manufacturing facilities, laboratory facilities and administration offices will be approximately \$300,000, and the cost of acquiring new equipment and machinery will be approximately \$600,000; and that, therefore, in order to finance the acquisition, enlargement, improvement and expansion of the Project by the Lessee, including the costs and charges incident to the issuance and sale of the Bonds, it will be necessary that the County Board issue the Bonds in the principal amount of \$2,500,000.

5. When completed, the Project will employ approximately 30 persons in addition to those now employed at the said plant.

6. For the reasons above set forth and hereafter 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 Board 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 which will bear interest at a rate to be established not to exceed 8 1/2% per annum and will be payable in successive, annual installments of principal and interest beginning in 1978 through 1999, with interest also payable semiannually.

(d) The Lessee is negotiating for the sale of the Bonds with an Underwriter and expects negotiations to be completed in the near future.

(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 and to pay, in lieu of taxes, such amounts as would otherwise be paid if the Lessee owned the Project.

7. 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 the existing buildings, including the 22-acre plant site, (but not including the equipment and machinery now located in the existing buildings) and the proposed building to be constructed, together with the new equipment and machinery to be acquired from the Bond proceeds, all of which will continue to be operated as facilities for the manufacture of ceramic capacitors.

(b) The Project, when completed, will provide employment for approximately 30 persons in addition to those now employed at the said plant.

(c) The cost of the entire Project will amount to approximately \$2,500,000, including the cost of acquiring the said plant site, together with the existing buildings, (but not including the equipment and machinery now located in the existing building), the construction of the proposed new building, together with the acquisition of new equipment and machinery to be installed in the new building, and all other expenses to be incurred in connection therewith.

8. The proposed Lease, will provide, among other things, the following:

(a) To finance the cost of the acquisition, enlargement, improvement and expansion of the Project, the County will issue \$2,500,000 Horry County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1974 (AVX Corporation - Lessee) (the Bonds). The Bonds will be secured by a pledge of the

rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to a bank yet to be named, as Trustee.

(b) The proceeds derived from the sale of the Bonds will be deposited with the Trustee and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, enlargement, improvement and expansion 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 Horry County, to any School District in Horry 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 Horry 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 will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

(e) The Lease will contain provisions which would provide for its amendment in order to make provision for the issuance of additional bonds under the conditions therein set forth and more fully set forth in the Indenture.

9. The proposed Trust Indenture will be in conventional form and constitute a forecloseable mortgage upon the Project. Included in the granting clause will be:

(a) All real property, equipment and machinery and interests therein, acquired or to be acquired for the Project.

(b) The right, title and interest of the County in the Lease.

(c) All rentals and revenues derived by the County under the Lease, except those payments to be made in lieu of taxes or by way of indemnification or attorneys fees.

The Indenture will make provision for the initial issuance of Two Million Five Hundred Thousand Dollars (\$2,500,000) of Bonds to be secured thereunder. It will make provision for the issuance of additional bonds to the extent and in the manner to be set forth in the Indenture. It will provide for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. It will impose upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

10. The proposed Lease and the proposed Trust Indenture will be in substantially the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act.

11. In addition, the Lessee may enter into a Guaranty Agreement with the Trustee under the Indenture pursuant to which Guaranty Agreement the Lessee will unconditionally guarantee the payment of the principal and interest on the Bonds as the same become due.

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

That the State Budget and Control Board accept the filing of the 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 and the Indenture, 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 14 of the Act.

Respectfully submitted,

COUNTY BOARD OF COMMISSIONERS OF
Horry County, South Carolina

By *William C. Kitchens*
Chairman

(SEAL)

By *Gladys A. Allen*
Clerk

Pwt

IRVINE FURMAN BELSER (1889-1969)
IRVINE F. BELSER, JR.
CLINCH HEYWARD BELSER
CHARLES E. BAKER
TOWNSEND M. BELSER, JR.
(PATENTS AND TRADEMARKS)
JACKSON L. BARWICK, JR.

BELSER, BELSER, BAKER & BARWICK

ATTORNEYS AND COUNSELORS AT LAW

1213 LADY STREET

P. O. BOX 11690

COLUMBIA, S. C. 29211

May 22, 1974

AREA CODE 803
253-9453
256-2452

JEAN H. TOAL
LEWIS M. LEVY
JAMES W. PEARCE

State Budget and Control Board
Hampton Office Building
Columbia, S. C. - Att: Honorable Patrick C. Smith, State Auditor

John P. Henry, Esquire
Attorney for Horry County
P. O. Box 87
Conway, S. C. 29526

Re: AVX Corporation
\$2,500,000 Industrial Revenue Bonds

Dear Sirs:

The last page of the equipment list which I forwarded to you with my letter of May 20, 1974, inadvertently failed to show the dollar amounts of the costs of the equipment listed on that page.

I accordingly enclose to you herewith another copy of the last page of the equipment list, this one showing the dollar amounts. Would you please substitute this for the page previously supplied to you.

We appreciate your assistance in this matter and hope that this oversight has not caused you any additional inconvenience.

Sincerely yours,

Irvine F. Belser, Jr.
Irvine F. Belser, Jr.

IFBJr/gs
Encl

CC AVX Corporation
98 Cutter Mill Road
Great Neck, N. Y. 11021 - Att: Mr. Bernard Zisman, V-Pres - Finance

AVX Corporation
P. O. Box 867
Myrtle Beach, S. C. 29577 - Att: Mr. Benedict P. Rosen, V-Pres,
General Manager

P.S. TO MR. ZISMAN AND MR. ROSEN:

I am delighted to be able to advise that the State Budget and Control Board heard and approved this morning the Petition of the Horry County Board of Commissioners for approval of the bond issue!

IFB
IFB

<u>PT. NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT REQUESTED</u>
66	Additional Facilities for Mechanical Engineering Department	\$8,600.00
66	Miscellaneous Equipment for New Facilities	\$2,000.00
56	Security System	\$9,700.00
56	Master Key System for Outside Entrances	\$2,300.00
56	Dry Chemical Fire Extinguishers for Ducts	\$5,300.00
56	Additional Air Conditioning Ducts for Press Area	\$1,800.00
56	Re-establish Proper Drainage, Clean out Swash and Minor Grading and Storm Drainage	\$5,000.00
56	Pave Exit by New Power Substation	\$1,500.00
56	Recirculating Water System for Complete Plant	\$25,000.00
73	IBM Selectric Corrective Typewriter	\$690.00
32	(2) Diamond Grinders	\$12,000.00
37	(4) Binder Burn-Out Ovens	\$6,000.00
34	Automatic T.P. Assembly Machine	\$25,000.00
37	70 Ft. Kiln Installation	\$15,000.00
92	Divisional Trailer for Procurement and Industrial Relations	8,600.00
52	Trailer and Facilities for Purchasing Dept.	8,600.00
50	FURNITURE FOR IND. ENGINEERING	1,000.00
91	REPLACEMENT OF OBSOLETE OFFICE EQUIPMENT ACCOUNTING	1,200.00
34	TWO KILNS	57,000.00
31	NEW SOLDER STATIONS-DSMRS(6)	3,000.00

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

May 15, 1974

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

Dear Pat:

Re: \$2,500,000 Horry County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1974 (AVX Corporation - Lessee)

Enclosed you will find a Petition of the County Board of Commissioners of Horry County with respect to the captioned bond issue. You should be receiving financial data with respect to this Company in the near future directly from the Company.

Sincerely,

TBG

TBG:jr

Encs.

PS: Also enclosed is the original and ten copies of a Resolution to be considered by the State Board approving this Project. When the Resolution has been adopted, please return ten certified copies to me.

TBG.

CC: Stanley Schlesinger, Esq.
Irvine F. Belser, Jr., Esq.
John Patrick Henry, Esq.

A RESOLUTION

APPROVING THE UNDERTAKING OF THE COUNTY BOARD OF COMMISSIONERS OF Horry County TO FINANCE THE ACQUISITION, ENLARGEMENT, IMPROVEMENT AND EXPANSION OF FACILITIES FOR THE MANUFACTURE OF CERAMIC CAPACITORS (TO BE LEASED TO AVX CORPORATION) THROUGH THE ISSUANCE OF \$2,500,000 Horry County Industrial Revenue Bonds Pursuant to Act No. 103 of 1967, as amended, and providing for the publication of notice of such approval.

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WHEREAS, heretofore the County Board of Commissioners of Horry County, South Carolina (the County Board) did, pursuant to Act No. 103 of the Acts 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; and

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WHEREAS, the proposed undertaking consists of the acquisition by the County Board of the existing buildings, and the 22-acre plant site (but not including the equipment and machinery now located in the existing buildings) now being operated by AVX Corporation, a Delaware corporation, (the Lessee) for the manufacture of ceramic capacitors, and the enlargement and expansion of the said existing facilities by the construction of an additional building and the acquisition and installation of new machinery and equipment, all of which will continue to be operated as facilities for the manufacture of ceramic capacitors, (said 22-acre tract of land, and the existing and proposed buildings, [but not including the equipment and machinery now located in the existing buildings) together with the new machinery and equipment to be acquired from the Bond proceeds, being hereafter referred to as the Project) all of which is to be financed by the issuance of Bonds pursuant to the Act, and leased by the County Board to the Lessee; and

WHEREAS, in order to finance the acquisition, enlargement, improvement and expansion of the Project, the County Board

proposes to provide for an issue \$2,500,000 Horry County, South Carolina, First Mortgage Industrial Revenue Bonds, pursuant to the Act payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Horry County and a bank yet to be named, as Trustee, and the proceeds of the Bonds will be expended as follows: approximately \$1,550,000 to acquire the existing buildings and plant site (of which approximately \$600,000 will be used to reimburse the Lessee for the cost of the recently constructed building), approximately \$300,000 to construct an additional building and approximately \$600,000 to acquire and install new equipment and machinery.

NOW, THEREFORE, 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 to this Resolution are in all respects true and correct.

(b) That the County Board has filed a proper petition to the State Board setting forth a brief description of the Project and its anticipated effect upon the economy of Horry County and of the areas adjacent thereto, a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease and the Trust Indenture 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, when completed, will provide employment for approximately 30 persons in addition to those now employed at the said plant, and will be of benefit to Horry County and adjacent areas.

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

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2. On the basis of the foregoing findings the proposed undertakings of the County Board to acquire the existing buildings, together with the 22-acre plant site, to finance the construction thereon of the proposed building, and the acquisition and installation of new equipment, to lease the Project to the Lessee and to finance the cost of acquiring, enlarging, improving and expanding the Project through the issuance of \$2,500,000 Horry County First Mortgage Industrial Revenue Bonds pursuant to the Act payable from the revenues to be derived from the leasing of the Project, and additionally secured by the said Trust Indenture, all 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 of the State Board in giving approval to the undertaking of Horry County above described in paragraph 2, supra, shall be published in Columbia, South Carolina, THE STATE, and in the Myrtle Beach, South Carolina, SUN-NEWS, both of which are newspapers having general circulation in Horry County.

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

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 County Board of Commissioners of Horry 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 undertaking (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 of the existing buildings, including the 22-acre plant site lying south of the City of Myrtle Beach in Horry County (but not including the equipment and machinery now located in the existing buildings) now owned by Jefferson Standard Life Insurance Company and leased to and being operated by AVX Corporation, a Delaware corporation, (the Lessee) for the manufacture of ceramic capacitors, and the improvement, enlargement and expansion of the existing facilities by the construction of a new building which will include manufacturing facilities, laboratory facilities and administrative offices and the acquisition and installation of new equipment, (the said 22-acre tract of land, the existing buildings [but not including the equipment and machinery now located in the existing buildings], the proposed new building, together with the new equipment and machinery to be acquired and installed, being hereinafter referred to as the Project). To finance the acquisition, enlargement, improvement and expansion of the Project, the County Board will issue \$2,500,000 of Horry County, South Carolina, First Mortgage 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,

and the Bond proceeds will be expended as follows: approximately \$1,550,000 to acquire the existing buildings and plant site (of which approximately \$600,000 will be used to reimburse the Lessee for the cost of the recently constructed building), approximately \$300,000 to construct an additional building and approximately \$600,000 to acquire and install new equipment and machinery. The County Board will lease the Project to the Lessee under a Lease Agreement and the Bonds will be payable solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition the Lessee has agreed to pay to Horry 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 Horry County, the said School District and the said other political units wherein the Project is situate, 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.

The Lease by which Horry County will lease the Project to the Lessee provides that the 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 30 persons in addition to those now employed at the existing facilities.

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 Horry County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH

PUBLICATION DATE:

_____, 1974.

IRVINE FURMAN BELSER (1889-1969)
IRVINE F. BELSER, JR.
CLINCH HEYWARD BELSER
CHARLES E. BAKER
TOWNSEND M. BELSER, JR.
(PATENTS AND TRADEMARKS)
JACKSON L. BARWICK, JR.

BELSER, BELSER, BAKER & BARWICK

ATTORNEYS AND COUNSELORS AT LAW

1213 LADY STREET
P. O. BOX 11690
COLUMBIA, S. C. 29211

AREA CODE 803
253-9453
256-2452

JEAN H. TOAL
LEWIS M. LEVY
JAMES W. PEARCE

May 20, 1974

State Budget and Control Board
Hampton Office Building
Columbia, South Carolina
Attention: Honorable Patrick C. Smith, State Auditor

John P. Henry, Esquire
Horry County Attorney
P. O. Box 87
Conway, South Carolina 29526

Henry - 7/11/74

Re: AVX Corporation
\$2,500,000 Industrial Revenue Bonds

Dear Sirs:

I enclose to each of you herewith to supplement the information in your files, a photocopy of a letter to me from AVX Corp. from Mr. Benedict P. Rosen, Vice President-General Manager, and the enclosed list of the equipment to be purchased with the proceeds of the above referenced Revenue Bonds. As Mr. Rosen indicated this list is not necessarily final or complete but is representative of the equipment which will actually be purchased.

We very much appreciate your assistance and hope that it will proceed as smoothly as it has up to now.

With our kindest personal regards,

Sincerely yours,

Irvine F. Belser, Jr.
Irvine F. Belser, Jr.

IFBJr/bj
Encls

State Budget and Control Board
John P. Henry, Esquire
Page 2
May 20, 1974

cc: AVX Corporation
98 Cutter Mill Road
Great Neck, New York 11021
Attn: Mr. Bernard Zisman, Vice President - Finance

AVX Corporation
P. O. Box 867
Myrtle Beach, South Carolina 29577
Attn: Mr. Benedict P. Rosen, Vice President - General Manager

AVX CERAMICS
DIVISION OF AVX CORPORATION

AVX Ceramics
P. O. Box 867
Myrtle Beach, S. C. 29577
803-448-3191
TWX 810-661-2252

May 17, 1974

Irvine F. Belser, Jr., Esq.
Belser, Belser, Baker, Barwick & Toal
1213 Lady Street
P. O. Box 11690
Columbia, So. Carolina 29211

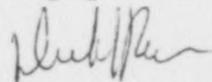
Dear Mr. Belser:

Included is a list of equipments anticipated to be purchased in 1974 for the Myrtle Beach production facility. This list is representative of, but not necessarily inclusive of, all items which will be purchased. As in most technological businesses, equipments may be substituted as new products are developed in the course of the year. We hope, however, that this information is sufficient. This list totals approximately \$1 million and does not include any facility expansion.

Again, I would like to thank you for your help in discussing with the Country Representatives our intent, and insuring the success of our proposal being passed by the local Board. I am sure that your efforts contributed substantially.

If I can be of any further assistance, or if any additional information is required, please advise.

Very truly yours,



Benedict P. Rosen
Vice President - General Manager

BR/c
Encs.

<u>DEPT.#</u>	<u>CMER#</u>	<u>DESCRIPTION</u>	<u>BUDGET#</u>	<u>AMOUNT BUDGETED</u>	<u>AMOUNT REQUESTED</u>
31	4-06-002-07	(2) PRELIMINARY TEST MACH.	74-11	20,000	20,000
31	4-06-002-08	COATING MACHINE	74-26	90,000	38,500
34	4-06-004-15	1 STACKING MACHINE	74-36	1,800	1,800
34	4-06-004-16	4 LAMINATING PRESSES	74-37	20,000	30,000
34	4-06-004-17	2 DICING MACHINES	74-38	12,000	12,000
34	4-06-004-18	2 REEL STAMP & TEST MACH.	74-52	40,000	40,000
34	4-06-004-19	1 AUTO FINAL TEST MACH.	74-51	18,000	18,000
34	4-06-004-21	2 SCREENING MACHINES	74-35	3,000	3,000
34	4-06-004-22	1 SOLDER CHIP MACH.	74-41	5,000	5,000
34	4-06-004-24	2 DICING MACHINES	74-38	ADD'L	3,000
34	4-06-004-31	3 IR TESTERS	74-56	6,000	7,790
34	4-06-004-32	3 CHIP CAP. TESTERS	74-40- 446	14,000	35,000
34	4-06-004-33	1 DIXON CAPACITOR	74-44	125,000	25,000
34	4-06-004-34	2 AVX SOLDER MACHINES	74-47	9,000	17,000
34	4-06-004-35	3 PRECISION BRIDGES	74-53	14,400	14,400
34	4-06-004-36	1 CHIP STAMP MACHINE	74-50	3,500	3,000
34	4-06-004-46	6 MICROSCOPES	74-42	2,400	2,400
34	4-06-004-47	3 HULL PRESSES	74-134	46,000	46,620
34	4-06-004-51	1 75-A BRIDGE	74-54	3,500	3,500
58	4-06-012-02	1 STERCOMICROSCOPE	74-86	565	565
58	4-06-012-03	2 MEGOHMMETERS	74-73	1,070	1,250
73	4-06-015-01	1 DRILL PRESS	74-105	750	991
73	4-06-015-02	1 NEW GRINDER	74-106	800	800
73	4-06-015-03	DO-ALL-GAGE BLOCKS	74-108	600	600
73	4-06-015-04	HEIGHT GAUGE	74-110	575	575
52	4-06-015-07	IMPROVE AIR-CONDITIONING	74-98	100,000	27,099
37	4-06-006-02	2 EXTRUSION DIE BODIES	74-121	1,300	1,300
57	4-06-011-02	OFFICE FURNITURE	74-89	4,000	415
58	4-06-012-04	MONSANTO TENSOMETER	74-74	2,810	2,810
73	4-06-015-10	ROCKWELL TESTER	74-102	1,025	880
34	4-06-011-03	IBM TYPEWRITER	74-61	560	560
34	3-06-004-54	CLEAN TERMINATING MACH.	74-57	5,000	8,095
95	3-06-011-13	TYPEWRITER	74-114	690	743
58	3-06-012-13	DIGITAL CAP BRIDGE	74-62	5,495	5,225
58	3-06-012-14	DIGITAL TEMP INDICATOR	74-64	1,200	875
30	3-06-016-01	GENERATOR AND (2) TRANSDUCER	74-60	1,474	1,474
34	3-06-004-49	BETA 200	74-49	19,575	19,500
34	3-06-004-52	OVERHAUL LEAD TRANSFORMER	74-59	2,300	2,300

<u>DEPT#</u>	<u>DESCRIPTION</u>	<u>BUDGET#</u>	<u>AMOUNT BUDGETED</u>
58	INSERTION LOSS MEASURING DEV	74-61	3,000
58	DIGITAL MICROMETER	74-63	1,000
58	LIFE TEST CABINET	74-65	10,000
58	TEST FIXT. EXT.	74-66	2,000
58	TEST FIXT. HOLDERS	74-67	14,000
58	CONNECTOR CABLES	74-68	1,000
58	TEST FIXTURES	74-69	8,100
58	ADAPTERS FOR CHIPS	74-70	4,320
58	DIGITAL CA. BRIDGE	74-71	4,750
58	AUTO IR SYSTEM	74-72	27,515
58	SHOCK TESTER	74-75	5,800
58	VIBRATOR INSTALL	74-76	2,000
58	CONSTANT TEMP. BATH	74-77	1,200
58	MEGOhmmETER	74-78	945
58	TC CAP BRIDGE	74-79	5,000
58	PULSE TEST SET	74-80	2,000
58	PRE SET-UP AC/DC	74-81	1,000
58	MULTIPLE IR TESTER	74-82	2,000
58	STD. CAP MEASURING	74-83	2,875
58	GAGE MD542 SHEFF. VISUAL	74-84	900
58	OPTICAL COMPARATOR	74-85	3,500
58	MISC. ITEMS	74-87	10,000
57	CALIBRATION EQUIP.	74-88	3,000
56	FIRE PROOF VAULT	74-90	4,000
56	RECIRCULATE WATER SYS.	74-91	7,500
56	REPAIRS TO ROOF	74-92	8,000
56	AIR COMPRESSOR	74-93	11,500
56	GROUND DETECTOR	74-94	2,500
56	IMPROVE ENVIRONMENT	74-95	50,000
56	MAIN BUSS DUCT	74-96	25,000
37	CAMBER SORT	74-01	12,000
37	HCRZ. TUBE SAW	74-02	4,000
37	2 SYNTRON DUSTERS		2,120
37	MICROSCOPE	74-07	500
31	MISC. DUREZ EQUIP.	74-15	6,000
31	DUREZ VISCOSITY	74-16	5,000
31	DISC WASHING	74-17	3,000
31	VACUUM SYSTEM	74-18	5,000
31	CONVEYOR DEGREASE	74-19	7,000
31	3 FURNACE LOADERS	74-20	4,500
31	WAX CENTRIFUGE	74-21	2,500

<u>DEPT. #</u>	<u>DESCRIPTION</u>	<u>BUDGET #</u>	<u>AMOUNT BUDGETED</u>
31	ROLLER GAGE	74-22	1,500
31	PALETTIZED PAINT SYS.	74-23	10,000
31	REEL PACK SYSTEM	74-25	50,000
30	BETA 200 MACHINE	74-27	19,500
30	2 HV PAINT MACHINES	74-28	4,000
30	1 CORONA TEST	74-29	5,500
33	AUTO TEST & Q & PF	74-30	7,000
33	REVENT PLATING	74-31	2,000
33	EF12 BANDING	74-32	3,000
33	PLATING RM. EQUIP.	74-33	5,000
33	DEGREASING EQUIPMENT	74-34	5,000
34	4 CHIP I.R. VOLT.	74-39	30,000
34	DEGREASE SYSTEM	74-43	9,000
34	CHIP IR & VOLT.	74-45	7,500
34	MAGNETIC IR	74-48	2,800
34	BETA 200	74-40	19,575
34	2 SCALES	74-55	1,300
34	PLATE AXIALS	74-58	1,000
34	OVERHAUL LEAD FORMER	74-59	2,300
56	FLOOR BLD. #13	74-99	440
56	COND. EPOXY ST. BUSS DUCT	74-97	5,000
56	MONITORING SYSTEM		2,000
56	LEASEHOLD IMPROVEMENT	74-115	25,000
56	POWDER STORAGE	74-118	15,000
73	VOLTMETER	74-100	1,500
73	TEST EQUIPMENT	74-101	2,000
73	MISC. CLEANING EQUIP.	74-103	3,500
73	MAIN LINE VALVE	74-104	654
73	MISC. TEST EQUIP.	74-107	2,000
73	DO-ALL-GRANITE PLATE	74-109	110
73	ROCKWELL TESTER	74-111	925
73	GRANITE ANGLE PLATE	74-112	200
73	BRIDGEPORT MILL	74-113	3,350
56	ADD'L EMER LIGHTS	74-116	663
56	VENTING SYSTEM	74-117	2,137
56	FENCING	74-120	11,000
52	XEROX EVALUATION	74-122	4,037
52	COVER RAMP	74-123	3,000

<u>CWER NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT REQUESTED</u>
4-06-001-01	(5) Voltage & Corona Test	\$32,500.00
4-06-002-01 -EXPENSE	Screen Frames	3,290.00
4-06-002-02 -EXPENSE	(1) Oven Belt	1,400.00
4-06-002-03 -EXPENSE	(1) Oven Belt	1,545.00
4-06-002-04 -EXPENSE	(2) Belts for Calibrating Ovens	1,846.00
4-06-002-05 -EXPENSE	Belt for Firing Furnace #5	2,130.00
4-06-002-06 -EXPENSE	Belt for Firing Furnace #7.	2,130.00
4-06-002-09	Oven and Capacitrol	815.00
4-06-011-04 -EXPENSE	Adding Machine	125.00
4-06-011-06 -EXPENSE	Swivel Arm Chair	115.00
4-06-002-10 -EXPENSE	Line Supervisor Seminar	500.00
4-06-003-02	Eyelet Machine	21,060.00
4-06-003-01	(2) Preliminary Test Machines	19,930.00
4-06-004-23 -EXPENSE	(2) Monroe Calculators	674.00
4-06-004-25 -EXPENSE	Burn-In Fixtures	1,200.00
4-06-004-26 -EXPENSE	Boonton Capacitance Meter	2,100.00
4-06-004-27 -EXPENSE	HOLDERS and Cover for Heaters	1,248.00
4-06-004-28 -EXPENSE	Quartz Glass	1,400.00
4-06-004-29	Heater for Dixon Machine	750.00

<u>EPT. NO.</u>	<u>CHER NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT REQUESTED</u>
34	4-06-004-30	(3) Stacking Machines	\$ 5,940.00
34	4-06-004-37	(3) Dicing Machines	4,950.00
34	4-06-004-39	(9) 200 lbs. Slurry Pots	5,400.00
34	4-06-004-40	(1) 50CV Kadyzolver	3,320.00
34	4-06-004-41	Vibro Energy Mill	6,884.00
34	4-06-004-42	(2) Slipcasters	27,958.00
34	4-06-004-43	Dump Tank	981.00
34	4-06-004-44-EXPENSE	(2) Cenco Hyvac Units	690.00
34	4-06-004-45-EXPENSE	1500 Frames and 50 Racks	2,060.00
34	4-06-004-48-EXPENSE	Aluminum Grind Media	1,008.00
34	4-06-004-49	(3) Binder Burn-Out Ovens	7,119.00
34	4-06-004-50-EXPENSE	Storage Shelves and Benches	3,300.00
34	4-06-004-52	(2) Stamp Machines	5,200.00
34	4-06-004-53-EXPENSE	30 Cavity Molds	26,300.00
34	4-06-004-54-EXPENSE	(8) Loading Plates	1,200.00
34	4-06-004-55-EXPENSE	(2) Stainless Steel Conveyor Belts	2,542.00
34	4-06-004-56-EXPENSE	Stainless Steel Conveyor Belt	2,760.00
34	4-06-004-57-EXPENSE	(8) Olean Terminating Plates	1,200.00
	4-06-004-58	(3) Blue M Ovens	1,644.00

<u>DEPT. NO.</u>	<u>CMER NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT REQUESTED</u>
34	4-06-004-59-EXPENSE	Production Burn-In Facilities	\$27,100.00
34	4-06-004-60-EXPENSE	16 Cavity Molds	9,000.00
34	4-06-004-61	Cover and Holder for Heater	5,915.00
34	4-06-011-08-EXPENSE	Office Frurniture	2,319.00
34	4-06-004-62-EXPENSE	Barber Colman Controlls	2,904.00
34	4-06-004-63-EXPENSE	Line Supervisor Seminar	500.00
37	4-06-006-01-EXPENSE	Replacement Rotary Tooling	50,500.00
37	4-06-010-01-EXPENSE	Gear Motor	675.00
37	4-06-011-05-EXPENSE	SR-20 Calculator	144.00
37	4-06-011-07-EXPENSE	Secretarial Desk	220.00
52	4-06-014-02-EXPENSE	Purchasing Seminar	745.00
52	4-06-015-07	Chemical Pump	573.00
53	4-06-014-01-EXPENSE	Move David Lollar	525.00
54	4-06-014-05-EXPENSE	(2) Gates Acoustinet Cabinets	698.00
54	4-06-014-10-EXPENSE	Placement Services - Stamps	2,475.00
56	4-06-014-03-EXPENSE	Partitions for EDP Area	980.00
56	4-06-014-04-EXPENSE	Compelamatic Compressor	790.00
56	4-06-014-11-EXPENSE	#1 Air Compressor	553.00
	4-06-014-12-EXPENSE	Air Conditioner Compressor	682.00
	4-06-015-05	Vent System Kiln	1,049.00

<u>PT. NO.</u>	<u>CMER NO.</u>	<u>DESCRIPTION</u>	<u>AMOUNT REQUESTED</u>
56	4-06-015-12	Additional Parking Space	\$ 6,000.00
56	4-06-015-13	Decorate Main Lobby	3,556.00
56	4-06-015-11	Refrigeration Equipment	1,726.00
58	4-06-012-01	AC Line Voltage Regulator	600.00
58	4-05-012-05	Analytical Balance	670.00
70	4-06-015-06	Desi-Counter Scales	560.00
73	4-06-011-01-EXPENSE	Monroe Calculator	359.00
73	4-06-011-09-EXPENSE	Slide Rule Calculator	181.00
73	4-06-011-10-EXPENSE	Office Furniture	433.00
73	4-06-015-08	Kondia Mill	12,000.00

<u>PT. NO.</u>	<u>DESCRIPTION</u>
66	Additional Facilities for Mechanical Engineering Department
66	Miscellaneous Equipment for New Facilities
56	Security System
56	Master Key System for Outside Entrances
56	Dry Chemical Fire Extinguishers for Ducts
56	Additional Air Conditioning Ducts for Press Area
56	Re-establish Proper Drainage, Clean out Swash and Minor Grading and Storm Drainage
56	Pave Exit by New Power Substation
56	Recirculating Water System for Complete Plant
73	IBM Selectric Corrective Typewriter
32	(2) Diamond Grinders
37	(4) Binder Burn-Out Ovens
34	Automatic T.P. Assembly Machine
37	70 Ft. Kiln Installation
92	Divisional Trailer for Procurement and Industrial Relations
52	Trailer and Facilities for Purchasing Dept.
50	FURNITURE FOR IND. ENGINEERING
91	REPLACEMENT OF OBSOLETE OFFICE EQUIPMENT ACCOUNTING
34	TWO KILNS
31	NEW SOLDER STATIONS-DSMRS(6)

IRVINE FURMAN BELSER (1889-1969)
IRVINE F. BELSER, JR.
CLINCH HEYWARD BELSER
CHARLES E. BAKER
TOWNSEND M. BELSER, JR.
(PATENTS AND TRADEMARKS)
JACKSON L. BARWICK, JR.

BELSER, BELSER, BAKER & BARWICK

ATTORNEYS AND COUNSELORS AT LAW
1213 LADY STREET
P. O. BOX 11690
COLUMBIA, S. C. 29211

AREA CODE 803
253-9453
256-2452

JEAN H. TOAL
LEWIS M. LEVY
JAMES W. PEARCE

May 17, 1974

State Budget and Control Board
Hampton Office Building
Columbia, South Carolina

Attention: Honorable Patrick C. Smith, State Auditor

Re: AVX Corporation
\$2,500,000 Industrial Revenue Bonds

Dear Pat:

In accordance with our telephone conversation of earlier today, I hand you herewith the following documents containing financial information in regard to AVX Corporation:

1. Annual Report for 1972;
2. Annual Report for 1973;
3. First Quarter Report for 1974;
4. Photocopy of Form 10-K to the Securities and Exchange Commission for the fiscal year ended December 29, 1973.

A Resolution was duly adopted by the Horry County Board of Commissioners on May 14, 1974, approving the proposed bond issue and authorizing a Petition to the State Budget and Control Board for approval of the same. A photocopy of said Resolution and attached proposed Petition and Certificate is enclosed herewith for your information and file.

When I deliver the aforesaid materials, I will explain the proposed bond issue in somewhat more detail, so that you will have ample opportunity to familiarize yourself with the Company's financial picture and the proposed bond issue by the time of the hearing on the aforesaid Petition.

With my kindest personal regards, and looking forward to working with you in connection with this matter,

Sincerely yours,

Irvine F. Belser, Jr.

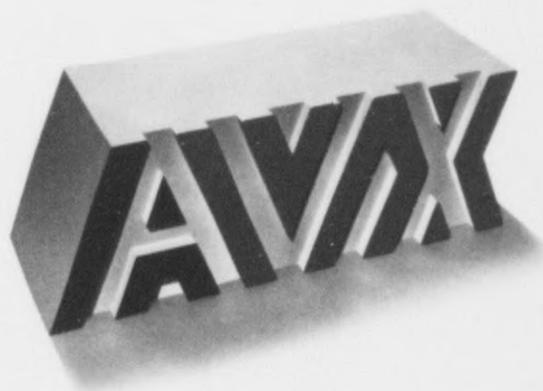
Irvine F. Belser, Jr.

IFBJr/gs
Encls

CC AVX Corp., 98 Cutter Mill Rd., Great Neck, NY 11021 - Att:
Mr. Bernard Zisman, V-Pres.- Finance
AVX Corp., P.O. Box 867, Myr. Beach, SC 29577 - Att:
Mr. Benedict P. Rosen, V-Pres.-Gen. Mgr.

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1st
QUARTER
REPORT
1974



AVX Corporation
98 Cutter Mill Rd., Great Neck, N.Y. 11021
Phone (516) 829-8500

FACILITIES

Myrtle Beach, S.C. □ Olean, N.Y.
Edison, N.J. □ San Diego, Calif. □ Tijuana, Mexico

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DEAR SHAREHOLDER:

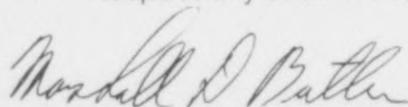
I am pleased to report excellent results for the first quarter of 1974. Sales for the thirteen weeks ending March 30, 1974 increased 38% to \$9,771,000 from \$7,072,000 a year earlier. Net income from continuing operations more than doubled to \$508,000 as compared to \$203,000 in the corresponding period last year. In addition, extraordinary income resulting from the Opcoa Division tax loss carryforward was \$52,000 for a net income in the period of \$560,000.

Earnings from continuing operations increased to \$.35 per share as compared to \$.16 per share in the same period a year earlier.

The Opcoa Division continued to operate at a loss during the first quarter, but the successful introduction of new products resulted in our receiving new orders for over \$2.3 million in this period. We expect that as these new orders materialize into shipments, we shall see an improvement in the Opcoa operating results.

The ceramic capacitor business continues to be strong and our current backlog increased to over \$25 million during this period. We look to the future with continued confidence.

Respectfully submitted,



Marshall D. Butler
Chairman of the Board

AVX CORPORATION FINANCIAL SUMMARY

(Unaudited)

	Thirteen Weeks Ended	
	March 30, 1974	March 31, 1973
Sales	\$9,771,000	\$7,072,000
Income from contin- uing operations	508,000	203,000
Per Share .....	.35	.16
Extraordinary income..	52,000	—
Per Share .....	.04	—
Net Income	560,000	203,000
Per Share .....	.39	.16
Average Shares outstanding	1,437,615	1,261,694

AVX CORPORATION CONDENSED BALANCE SHEET

(Unaudited)

	March 30, 1974	March 31, 1973
ASSETS		
Current assets	\$11,422,000	\$ 8,246,000
Fixed assets, net	4,971,000	3,226,000
Other assets	869,000	9,000
	<u>\$17,262,000</u>	<u>\$11,481,000</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities	\$ 3,927,000	\$ 3,341,000
Long-term liabilities	750,000	844,000
Stockholders' equity	12,585,000	7,296,000
	<u>\$17,262,000</u>	<u>\$11,481,000</u>

AVAX

ANNUAL REPORT 1973

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

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2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
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AMX CORPORATION AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS

	1973	1972
Net Sales From Continuing Operations.....	\$30,187,000	\$23,339,000
Income From Continuing Operations	939,000	1,133,000
Loss From Operations Sold	—	967,000
Income Before Extraordinary Items	939,000	166,000
Extraordinary Items	454,000	175,000
Net Income	1,393,000	341,000
Earnings Per Share		
Before Extraordinary Items	\$.69	\$.13
Extraordinary Items .....	.33	.14
Net Income	\$1.02	\$.27
Book Value Per Share	\$8.51	\$7.48

The annual meeting
of the shareholders
will be held on Friday,
May 17, 1974
at 10:30 AM
in the Terrace Room (40th Floor)
Bankers Club of America
120 Broadway,
New York, New York.

TO OUR SHAREHOLDERS:

I first joined AVX as your chief executive officer in October 1973, convinced that the solid foundation the Company had built could be improved upon in sales and earnings.

Fiscal 1973 was an eventful year. It was a year during which AVX Corporation established itself as an important producer and marketer of ceramic capacitors and light emitting diodes (LEDs) to the expanding electronics industry. Concurrently, AVX finished its fiscal year with a sound balance sheet free of any long term borrowings and is well positioned to finance a program of internal growth and diversification.

In the year ended December 29, 1973 sales increased by 29% to \$30,187,000 from \$23,339,000 the previous year. Net income advanced to \$1,393,000 in the 1973 period compared to \$341,000 in the year ended December 30, 1972. Net earnings per share rose to \$1.02 for 1973 compared to \$.27 a year earlier, restated to include the effects of acquisitions. In 1972, losses from discontinued operations amounted to \$967,000 or \$.78 per share. Extraordinary credits totaled \$454,000 or \$.33 a share in 1973 compared to \$175,000 or \$.14 a share in the year ended December 30, 1972.

The heart of our operations is ceramic capacitors. The outlook for the multi-layer ceramic capacitor is excellent. The market share for ceramic capacitors grew from 14% of the total capacitor market in 1967 to over 25% of a larger market in 1973. It is expected that the market for ceramic capacitors, currently valued at \$150 million annually, will double again by 1977.

During the year, the AVX brand made gains in product acceptance and industry-wide quality recognition. Our ceramic capacitors are widely used in such markets as electronic data processing, telecommunications, military and aerospace, home entertainment and other specialized instrumentation.

The strong demand for ceramic capacitors last year, sparked by a number of exciting new applications, contributed to a Company backlog of \$21,914,000 at year end as compared to a backlog of \$8,381,000 on December 30, 1972. Production facilities at Myrtle Beach, S.C. were enlarged by approximately 45,000 square feet, representing a 50% increase in its

production capacity. This expanded facility, which came on-stream in the last quarter of 1973, together with our Olean, N.Y. facilities, are making good progress in advancing our production and shipping schedules.

In mid-year, the Aerovox Corporation, which had sold all of its operations and physical assets as of January 2, 1973, was merged into AVX. Aerovox held over 84% of the stock of AVX and we gained significant liquid assets and a broader stockholder base through this transaction. This merger, together with our operational results, contributed to the Company's healthy financial position which at the year end showed a net worth of \$11,881,000 and a current ratio of approximately 3:1 and no long term borrowing.

In August 1973, AVX acquired Opcoa, a producer of solid state visible number displays and related assemblies, with a proven expertise in the use of gallium phosphide light emitting diodes (LEDs). In 1973, sales of Opcoa products almost doubled over the previous year. Orders received during the month of January 1974, which exceeded \$900,000, represented a breakthrough into the high-volume pocket calculator and electronic watch markets. While Opcoa continues to lose money, the increase in order backlog and the resultant shipments should reduce losses in 1974.

In a move to further expand our ceramic capabilities, AVX purchased the inventories and production equipment of a small manufacturer of ceramic electromagnetic interference filters in San Diego, California.

AVX today has over 2,400 stockholders, is traded on the American Stock Exchange, and is fortunate in having continuity in its management team, together with the new knowledgeable young managers who recently joined the company. I am gratified by the coordination, technical expertise and vitality displayed by the entire staff. I especially wish to extend greetings to and commend the more than 2,400 employees of the Company for their special skills and commitments.

Since joining the Company, I have purchased 26,900 shares of AVX for an investment of \$438,600, and, if the stockholders approve, I intend to purchase 60,000 additional shares pursuant to the proxy statement enclosed with this annual report.

We deeply regret the passing of Charles B. Smith, Associate of Rockefeller Family & Associates, on February 7, 1974. Mr. Smith was a director of AVX Corporation since its inception. His managerial insights, his guidance and his friendship will be greatly missed.

Our goal is to seek accelerated progress in share of market, production volume and earnings, and we are implementing long range strategies to achieve this. 1973 was a year of turnaround and positioning the Company for future growth. We have a strong position in growth markets and our product lines are meeting the requirements of new high-volume consumer applications. We look forward to a significantly improved performance by your Company in 1974.

Management is mindful and appreciative of the confidence shown by shareholders, suppliers and customers, and we will continue to improve our products and to act vigorously to build a larger and more profitable Company in the years ahead.

Respectfully submitted,



Marshall D. Butler
Chairman of the Board



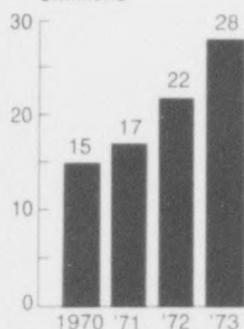
PRODUCTS & MARKETS AVX CERAMICS DIVISION

AVX Ceramics Division last year achieved record sales, production and profitability. At the start of 1974, backlog exceeded \$21 million, or almost the total value of shipments in 1972. To meet the rising demand for capacitors, we undertook an expansion program and a realignment of our production capabilities. In the last quarter of 1973, 45,000 square feet of additional manufacturing space in Myrtle Beach became fully operative. These enlarged facilities, housing new equipment, are today producing significantly larger volumes of dipped ceramic as well as chip capacitors. The Division designs, manufactures and markets two types of capacitors: multi-layer ceramic, called "ceralam," and disk and tubular ceramic capacitors.

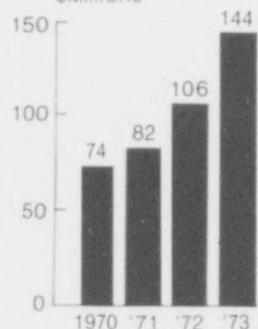
AVX ceramic capacitors are used in such diverse applications as machine tool controls, automotive ignition systems, digital computers, transistor radios, color TV, electronic data processing, military and aerospace systems, communications, specialized instrumentation and others.

As one of the largest domestic suppliers of ceramic capacitors to the electronics industry, the potential of AVX parallels the burgeoning use of integrated circuitry. Demand for ceramic capacitors continues to expand rapidly along with the widespread use of integrated circuits and hybrid technologies by both industrial and consumer equipment manufacturers. The modern trend in telecommunications away from electro-mechanical switching devices toward electronic switching depends upon quality capacitors. Because of their adaptability to solid state circuits, ceramic

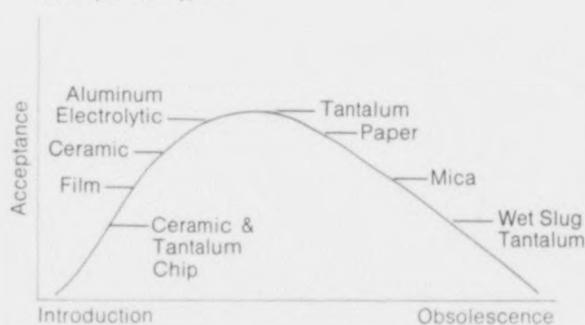
AVX CERAMICS
DIVISION
SALES
\$Millions



CERAMIC
CAPACITOR SALES,
ALL U.S. COMPANIES
\$Millions



MARKET
SHARE
TRENDS
All Capacitor Types



AGE CURVES. Items on the left-hand portion of the curve should see expanded growth; those on the right should occupy a decreasing percentage of the market, although their sales in absolute dollar volume may not decline. Thus chip and film capacitors should experience continued technical development and increasing market share in the next few years. —Source: "Electronics" magazine.

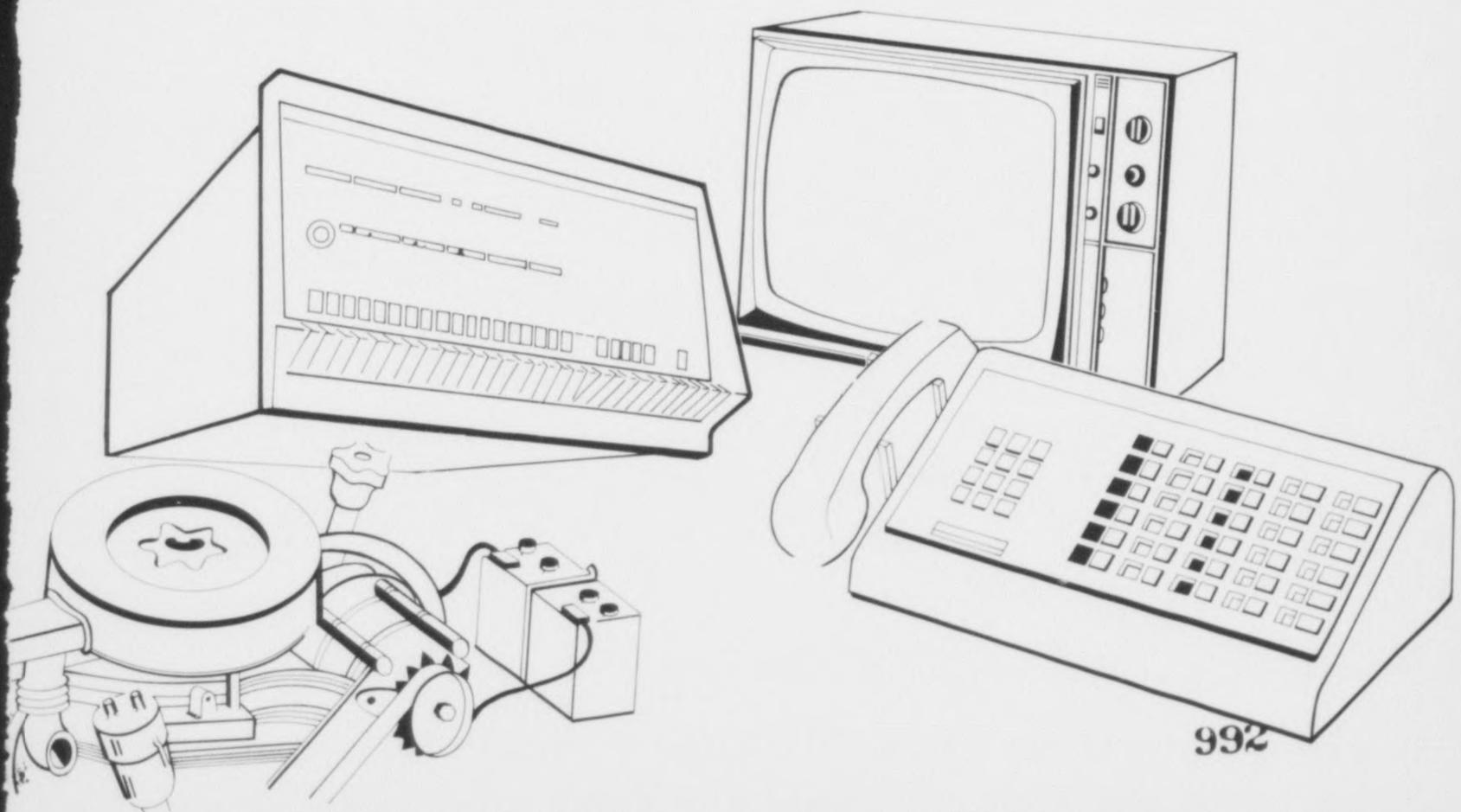
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capacitors are in increasing demand for traditional uses as well as new market applications, such as point-of-sale displays and electronic watches. In 1973, there was also a resurgence of interest in disk capacitors, sparked by the strong advances in solid state technology. The automotive industry has become a user of disks as the more complex FM radios in new cars gain in popularity.

Major modifications at our Olean plant enabled production of axial leaded multi-layer capacitors for the high-volume computer and communications markets. This new product line complements Olean's advanced technology capacitors designed for military and industrial use.

AVX transferred its electromagnetic interference (EMI) filter business, previously conducted at Olean, to its newly acquired facilities in San Diego and Tijuana. We are now in the process of building a strong EMI filter business on the West Coast.

Production and profits of the AVX Ceramics Division continue to show significant gains. A major factor in our past performance and our positive outlook for the year ahead is the know-how and responsiveness of our engineering, production, marketing and administrative personnel, as we face mounting demands and distribution challenges in the time ahead.



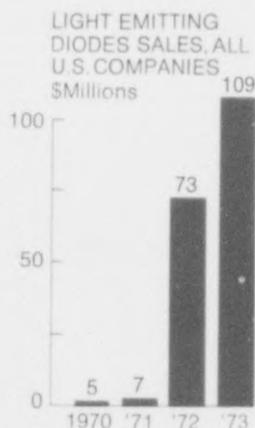
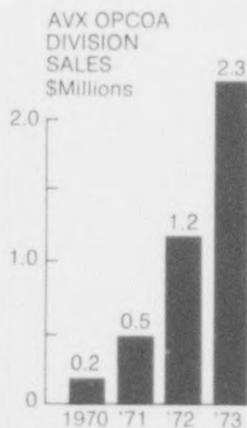
PRODUCTS & MARKETS

AVX OPCOA DIVISION

The Opcoa Division designs, develops, manufactures and markets solid state light emitting diode (LED) products including indicator lamps, discrete number displays and numeric display arrays. Markets for these products have grown rapidly from \$73 million in 1972 to over \$100 million in 1973. Indications from industry sources are that the dollar volume of LED products will continue to grow rapidly as the technological advantages of long life, high reliability and compatability with semiconductor integrated circuits promote wide usage in many types of electronic equipment.

Among the many varied applications for LEDs are indicator lights in the computer and automotive fields, numeric readouts for electronic instruments such as digital voltmeters and electronic point-of-sale equipment now beginning to appear in department stores and banks. At present, the largest market for LED devices is for portable calculators in which eight and nine digit numeric displays are combined with silicon integrated circuits. Some of the new and still emerging applications include electronic digital watches, clocks and TV tuners.

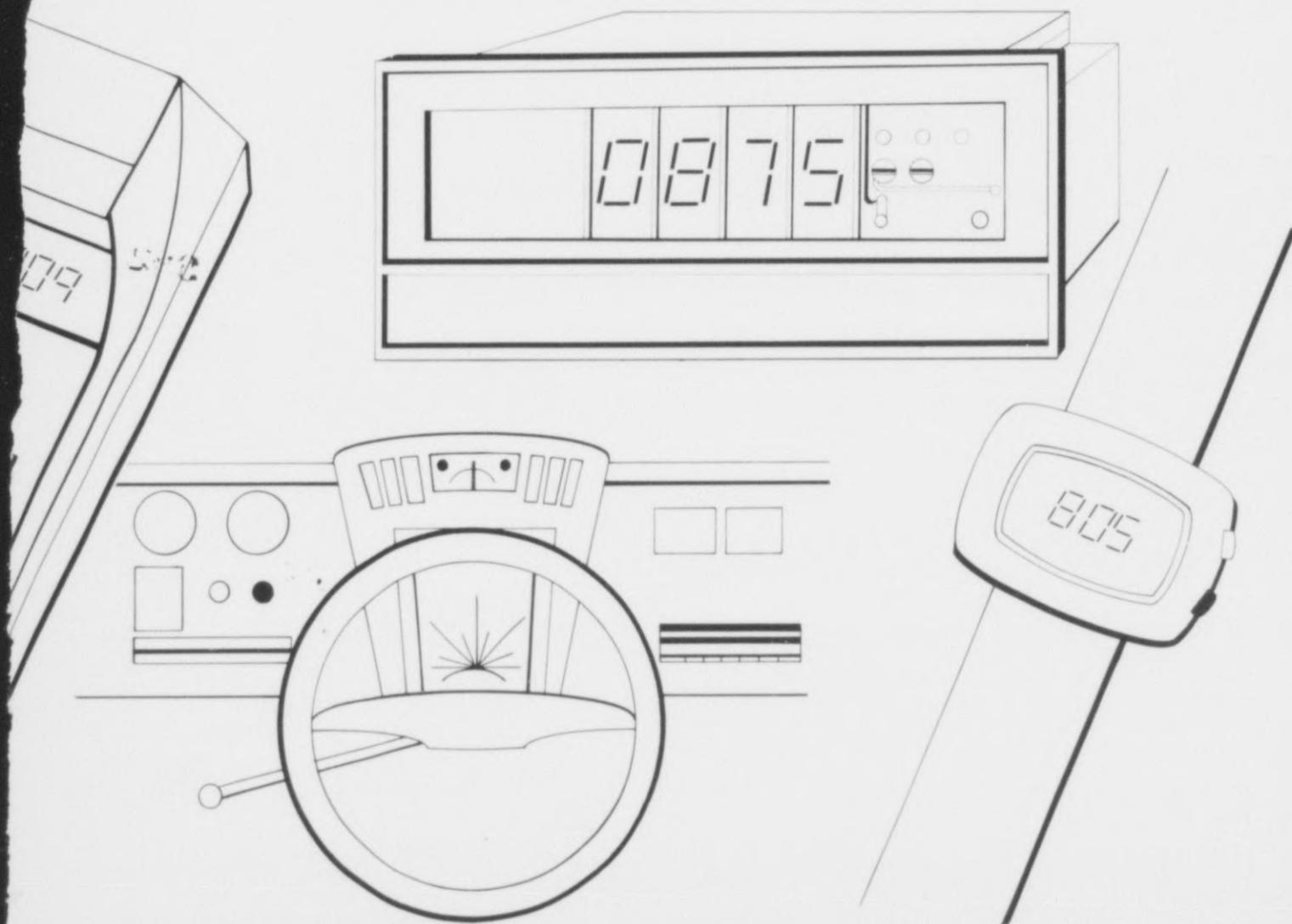
Opcoa manufactures LEDs from the compound semiconductor gallium phosphide (GaP) which enables us to produce yellow and green lights as well as the more common red units. Our manufacturing process is integrated in that we grow the single crystal gallium phosphide material, form the liquid phase epitaxial layers to produce high efficiency light emitting junctions.



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and assemble these devices into lamps and displays. A principal feature of GaP is that it consumes less power to achieve high levels of ambient lighting. This is of critical importance in battery operated watches, calculators and other applications where long battery life is desirable. The Opcoa Division, which became part of AVX in the third quarter of 1973, is in the forefront of this new GaP technology.

Sales of Opcoa have climbed from \$500,000 in 1971 to \$1.2 million in 1972 to \$2.3 million in 1973. The LED industry is based on sizable engineering investment resulting in the capability to carry out high technology operations. Large volume production is necessary for optimum efficiency and profit. Opcoa has maintained a much higher level of engineering and manufacturing capability than was required for its relatively low production in recent years. Sales backlog today is considerably up, with orders exceeding \$900,000 in the month of January. As new markets emerge and sales continue to climb, Opcoa expects to establish a firm business base before the end of 1974.



AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	December 29, 1973	December 30, 1972
Current assets:		
Cash and marketable securities	\$ 1,327,000	\$ 2,171,000
Accounts and notes receivable, less allowance for doubtful accounts of \$163,000 in 1973 and \$130,000 in 1972	4,242,000	3,850,000
Receivable related to sale of subsidiary and product lines, less non-current portion (Note 4)	300,000	1,914,000
Inventories (Note 5)	4,285,000	2,191,000
Other current assets	254,000	80,000
	<u>10,408,000</u>	<u>10,206,000</u>
Fixed assets, at cost less accumulated depreciation (Notes 1, 6 and 13)	4,770,000	3,095,000
Other assets:		
Note receivable related to sale of subsidiary and product lines (Note 4)	450,000	600,000
Goodwill (Note 2)	337,000	—
Other	77,000	98,000
	<u>864,000</u>	<u>698,000</u>
	<u>\$16,042,000</u>	<u>\$13,999,000</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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LIABILITIES AND STOCKHOLDERS' EQUITY

	December 29, 1973	December 30, 1972
Current liabilities:		
5¾% note payable to bank	\$ —	\$ 250,000
Current portion of leased property and equipment obligations (Note 1)	155,000	109,000
Accounts payable	1,002,000	870,000
Accrued expenses	1,856,000	1,390,000
Federal and state income taxes payable (Note 9)	580,000	392,000
Reserve for estimated expenses related to sale of subsidiary and product lines (Note 4)	—	300,000
	<u>3,593,000</u>	<u>3,311,000</u>
Long-term portion of leased property and equipment obligations (Note 1)	568,000	661,000
Minority interest (Note 2)	—	869,000
Stockholders' equity (Notes 1, 2, 3, 7 and 8):		
Preferred stock, \$1 par value:		
Authorized — 1,000,000 shares in 1972		
Issued — none	—	—
Common stock, \$1 par value:		
Authorized shares—4,000,000 in 1973 and 5,000,000 in 1972		
Issued shares—1,395,768 in 1973 and 1,595,818 in 1972.....	1,396,000	1,596,000
Additional paid-in capital.....	8,995,000	8,724,000
Retained earnings.....	1,490,000	428,000
	<u>11,881,000</u>	<u>10,748,000</u>
Less — Cost of 257,145 shares held in the treasury (Note 2)	—	1,590,000
	<u>11,881,000</u>	<u>9,158,000</u>
Commitments (Note 13)	<u>\$16,042,000</u>	<u>\$13,999,000</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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AVX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT
OF INCOME AND RETAINED EARNINGS

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
CONTINUING OPERATIONS:		
Net sales	\$30,187,000	\$23,339,000
Costs, expenses and other (income):		
Cost of sales	23,352,000	17,950,000
Selling, general and administrative expenses	4,640,000	2,936,000
Interest expense	68,000	101,000
Other (income), including interest income of \$241,000 in 1973 and \$40,000 in 1972	(198,000)	(94,000)
	<u>27,862,000</u>	<u>20,893,000</u>
Income from continuing operations before income taxes and minority interest	2,325,000	2,446,000
Provision for income taxes (Note 9)	1,268,000	1,133,000
	<u>1,057,000</u>	<u>1,313,000</u>
Minority interest (Note 2)	118,000	180,000
Income from continuing operations	939,000	1,133,000
Loss from operations of subsidiary and product lines sold, less income tax credit of \$475,000 (Note 4)	—	967,000
Income before extraordinary items	939,000	166,000
Extraordinary items (Note 11)	454,000	175,000
Net income	1,393,000	341,000
Retained earnings at beginning of year	428,000	87,000
Cancellation of treasury stock (Note 2)	(331,000)	—
Retained earnings at end of year	<u>\$ 1,490,000</u>	<u>\$ 428,000</u>
Income (loss) per share of common stock (Note 12):		
Income from continuing operations	\$.69	\$.91
Loss from operations sold	—	(.78)
Income before extraordinary items .....	.69	.13
Extraordinary items .....	.33	.14
Net income	<u>\$ 1.02</u>	<u>\$.27</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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AMX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT
OF INCOME AND RETAINED EARNINGS

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
CONTINUING OPERATIONS:		
Net sales	\$30,187,000	\$23,339,000
Costs, expenses and other (income):		
Cost of sales	23,352,000	17,950,000
Selling, general and administrative expenses	4,640,000	2,936,000
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Other (income), including interest income of \$241,000 in 1973 and \$40,000 in 1972	(198,000)	(94,000)
	<u>27,862,000</u>	<u>20,893,000</u>
Income from continuing operations before income taxes and minority interest	2,325,000	2,446,000
Provision for income taxes (Note 9)	1,268,000	1,133,000
	<u>1,057,000</u>	<u>1,313,000</u>
Minority interest (Note 2)	118,000	180,000
Income from continuing operations	939,000	1,133,000
Loss from operations of subsidiary and product lines sold, less income tax credit of \$475,000 (Note 4)	—	967,000
Income before extraordinary items	939,000	166,000
Extraordinary items (Note 11)	454,000	175,000
Net income	<u>1,393,000</u>	<u>341,000</u>
Retained earnings at beginning of year	428,000	87,000
Cancellation of treasury stock (Note 2)	(331,000)	—
Retained earnings at end of year	<u>\$ 1,490,000</u>	<u>\$ 428,000</u>
Income (loss) per share of common stock (Note 12):		
Income from continuing operations	\$.69	\$.91
Loss from operations sold	—	(.78)
Income before extraordinary items .....	.69	.13
Extraordinary items .....	.33	.14
Net income	<u>\$ 1.02</u>	<u>\$.27</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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AVX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
SOURCE OF FUNDS:		
From operations:		
Income before extraordinary items	\$ 939,000	\$ 166,000
Depreciation and amortization	473,000	588,000
Minority interest	118,000	180,000
	<u>1,530,000</u>	<u>934,000</u>
Extraordinary items including, in 1972, \$2,564,000 proceeds from sale of subsidiary and product lines less non- current portion of \$600,000 (Note 4)	454,000	1,983,000
	<u>1,984,000</u>	<u>2,917,000</u>
Financing through long-term leased equipment obligations	99,000	225,000
Proceeds received by AVX Corp. from sale of common stock, allocated to additional paid-in capital \$764,000 (Notes 2 and 8) and to minority interest \$689,000	—	1,453,000
Exercise of stock options (Note 7)	55,000	69,000
Elimination of minority interest and recognition of goodwill (Note 2)	1,217,000	—
Reduction in note receivable related to sale of subsidiary and product lines	150,000	—
Proceeds from sale of Opcoa common stock (Note 3)	—	1,462,000
Other	8,000	42,000
Total funds provided	<u>3,513,000</u>	<u>6,168,000</u>
USE OF FUNDS:		
Deemed purchase of minority interest and recognition of goodwill (Note 2)	1,217,000	—
Sale of net current assets of subsidiary and product lines (Note 4)	—	550,000
Additions to fixed assets	2,184,000	1,454,000
Repayment of long-term debt	—	950,000
Repayment of leased property and equipment obligations	192,000	114,000
Total funds used	<u>3,593,000</u>	<u>3,068,000</u>
Increase (decrease) in working capital	<u>\$ (80,000)</u>	<u>\$ 3,100,000</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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AVX CORPORATION AND SUBSIDIARIES
ANALYSIS OF CHANGES
IN WORKING CAPITAL

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
COMPONENTS OF WORKING CAPITAL INCREASE (DECREASE):		
Increase (decrease) in current assets:		
Cash and marketable securities	\$ (844,000)	\$ 1,189,000
Accounts and notes receivable	592,000	(114,000)
Receivable related to sale of subsidiary and product lines	(1,614,000)	1,914,000
Inventories	2,094,000	(952,000)
Other current assets	174,000	(34,000)
	<u>202,000</u>	<u>2,003,000</u>
(Increase) decrease in current liabilities:		
Note payable to bank	250,000	(250,000)
Current portion of leased property and equipment obligations	(46,000)	(34,000)
Accounts payable and accrued expenses	(598,000)	1,716,000
Federal and state income taxes payable	(188,000)	(392,000)
Reserve for estimated expenses	300,000	57,000
	<u>(282,000)</u>	<u>1,097,000</u>
Increase (decrease) in working capital	(80,000)	3,100,000
Working capital at beginning of year	6,895,000	3,795,000
Working capital at end of year	<u>\$ 6,815,000</u>	<u>\$ 6,895,000</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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AVX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF ACCOUNTING POLICIES:

Basis of Consolidation and Restatement of Prior Year:

The 1973 consolidated financial statements include the accounts of AVX Corporation (AVX), three insignificant wholly-owned subsidiaries, and, for 1972, the loss from operations sold as of January 2, 1973. In June 1973 AVX purchased certain inventory and production equipment of the Potter—California Division of Pemcor, Inc. On August 21, 1973 AVX acquired all the common stock of Opcoa, Inc. (Opcoa) (Note 3) in a transaction accounted for as a pooling of interests. Accordingly, the financial statements for the year ended December 30, 1972 have been restated to include the accounts of Opcoa.

Inventories: Inventories are stated at the lower of cost, on the first-in, first-out basis, or market.

Fixed Assets and Related Depreciation: Depreciation of fixed assets is generally computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and betterments which do not materially prolong the useful lives of the assets are charged to income as incurred. The cost of fixed assets retired or sold and the related accumulated depreciation are removed from the accounts and any gain or loss is recognized in income.

Goodwill: Goodwill, which aggregated \$337,000 at December 29, 1973 and was incurred in the merger of Aerovox Corporation (Aerovox) into AVX (Note 2), is being amortized on the straight-line method over a forty-year period.

Research and Development Expenses: Research and development costs are charged to income. These amounted to \$694,000 and \$324,000 in 1973 and 1972, respectively.

Income Taxes: Recognition is given in the accompanying financial statements to the income tax effect of certain timing differences in reporting transactions for book and tax purposes. These timing differences relate principally to certain expenses charged to book income but not currently deductible for tax purposes and different methods of computing depreciation for book and tax purposes. Income taxes currently payable are reduced by the full investment tax credit allowable.

Leased Property and Equipment Obligations: The Olean, New York operating facilities and certain production equipment are leased under contracts which expire through 1979. These leases have been accounted for as purchases in the accompanying financial statements because the terms of the leases, which include options to purchase, indicate such leases are effectively instalment purchases of property and equipment. The net book value of the property and equipment at December 29, 1973 aggregated approximately \$810,000.

NOTE 2—MERGER OF AEROVOX INTO AVX: On June 4, 1973 the stockholders of Aerovox and its then 84% owned subsidiary, AVX Corporation, voted to merge Aerovox into AVX and to establish the authorized common stock of AVX at 4,000,000 shares. Each share of outstanding common stock of Aerovox was exchanged for 0.9 shares of AVX common stock. Concurrent with this transaction Aerovox cancelled and retired 257,145 shares of its common stock previously held in treasury and also

cancelled its 1,000,000 shares of authorized but unissued \$1 par preferred stock.

The merger was accounted for as if Aerovox had purchased the minority interest in AVX, which resulted in goodwill of \$342,000. Accordingly, the accompanying financial statements for 1972 are the historical consolidated financial statements of Aerovox, after restatement to include the accounts of Opcoa (Note 3), and after giving effect to the 0.9 exchange ratio in computing earnings per share.

Had the merger been effected as of January 1, 1972, income before extraordinary items and net income, in total and per share, would have been as follows:

	Total		Per Share	
	1973	1972	1973	1972
Income before extraordinary items ..	\$1,057,000	\$346,000	\$.74	\$.26
Net income	1,511,000	521,000	1.06	.39

AVX was incorporated on April 24, 1972 as a wholly-owned subsidiary of Aerovox and in June 1972 AVX sold 160,000 shares of common stock in a public offering and received net proceeds of \$1,453,000. After this transaction Aerovox's equity interest in AVX decreased to approximately 84%. The \$764,000 excess of the proceeds received by AVX over the resulting reduction in Aerovox's equity in the net assets of AVX has been credited to additional paid-in capital.

NOTE 3—ACQUISITION OF OPCODEA: On August 21, 1973 AVX acquired Opcoa, a manufacturer of light emitting diodes (LEDs) for 232,941 shares of AVX common stock in a transaction accounted for as a pooling of interests. Opcoa's net sales and net loss for the unaudited period in 1973 prior to August 21, 1973 were approximately \$1,569,000 and \$446,000, respectively.

Net sales and net income (loss) of AVX and Opcoa for 1972 were:

	AVX	Opcoa	Combined
Net sales	\$22,170,000	\$1,169,000	\$23,339,000
Net income (loss)	777,000	(436,000)	341,000

NOTE 4—SALE OF SUBSIDIARY AND PRODUCT LINES:

On January 2, 1973, AVX sold the capital stock of its Canadian subsidiary, Aerovox Canada Limited, and substantially all of the operating assets of its Electrical Products Division for \$2,415,000, as finally determined. Consideration comprised \$1,665,000 cash and an 8½% note for \$750,000, \$150,000 of which was payable December 31, 1973 and the balance payable in equal quarterly instalments through December 31, 1977, and the assumption of certain liabilities. The note is secured by the capital stock of Aerovox Canada Limited. The 1972 results of operations of the Canadian subsidiary have been converted into U.S. dollars at appropriate rates of exchange and, along with the results of operations of the Electrical Products Division, comprise the loss from operations sold in the accompanying statement of income. The gain on this sale of

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\$224,000 has been credited in the 1972 statement of income as an extraordinary item net of \$68,000 in income taxes. Net sales of the subsidiary and the Electrical Products Division amounted to approximately \$10,068,000 in 1972.

NOTE 5—INVENTORIES: Inventories consist of the following:

	December 29, 1973	December 30, 1972
Raw materials	\$1,920,000	\$ 669,000
Work in process	1,931,000	1,280,000
Finished goods	434,000	242,000
	<u>\$4,285,000</u>	<u>\$2,191,000</u>

NOTE 6—FIXED ASSETS: Fixed assets are as follows:

	December 29, 1973	December 30, 1972
Land and improvements	\$ 2,000	\$ 2,000
Buildings and improvements	1,388,000	668,000
Machinery and equipment	5,710,000	4,726,000
Leasehold improvements	340,000	262,000
Construction in progress	438,000	105,000
	<u>7,878,000</u>	<u>5,763,000</u>
Less—Accumulated depreciation ..	<u>3,108,000</u>	<u>2,668,000</u>
	<u>\$4,770,000</u>	<u>\$3,095,000</u>

NOTE 7—STOCK OPTIONS: Under the qualified stock option plans for officers and key employees, options are granted at the market value of common stock on the date of grant, become exercisable in varying instalments commencing, at the earliest, on the date of grant, and expire five years from the date of grant. A summary of the activity of the qualified plans during 1973 follows:

	Number of shares	Option price per share	Aggregate option price
Outstanding at beginning of year:			
Aerovox.....	48,887	\$ 5.13 to \$10.38	\$ 387,000
Adjustment due to 0.9 exchange ratio (Note 2).....	(4,889)	.57 to 1.15	—
	<u>43,998</u>	<u>5.70 to 11.53</u>	<u>387,000</u>
AVX (including Opcoa options outstanding at December 30, 1972).....	40,393	8.60 to 18.87	550,000
	<u>84,391</u>	<u>5.70 to 18.87</u>	<u>937,000</u>
Granted.....	36,120	12.25 to 20.50	532,000
Exercised.....	(7,765)	(5.70 to 18.87)	(55,000)
Cancelled.....	(6,251)	(8.05 to 18.87)	(81,000)
Outstanding at end of year.....	<u>106,495</u>	<u>\$ 5.70 to \$20.50</u>	<u>\$1,333,000</u>

Options to purchase 82,883 shares at prices ranging from \$5.70 to \$20.50 per share or a total of \$1,073,000 were exercisable at December 29, 1973. Further options for 23,400 shares may be granted under the plan.

In addition, during 1972 nonqualified options were granted

to purchase 4,500 shares at an option price per share of \$8.89 for an aggregate option price of \$40,000. Options to purchase 450 shares under this grant were cancelled prior to December 30, 1972. The remaining options are exercisable at any time and expire no later than 10 years from date of grant.

Nonqualified options for 4,651 shares at prices ranging from \$10.75 to \$16.21 per share or a total of \$64,000 were assumed in the AVX-Opcoa merger. Options for 930 shares lapsed during the year and the remaining options become exercisable in varying instalments and expire through 1979. Options for 2,325 shares of these non-qualified options are exercisable only upon the attainment of certain specified sales goals. At December 29, 1973 options for 465 shares were exercisable.

In November 1972, Opcoa granted a warrant to a consultant to purchase 4,651 shares at \$14.19 per share (an amount that exceeded the market price at the date of grant). The warrant has been assumed by AVX and is exercisable in whole or in part at any time through November 1977.

In November 1973, AVX granted a nonqualified option for 45,000 shares at a price of \$9.75 per share or a total of \$439,000 to Marshall D. Butler, Chairman of the Board and Chief Executive Officer, pursuant to an employment contract, as amended. The option expires in five years and is exercisable, subject to certain exceptions, as to 15,000 shares after six months, an additional 15,000 shares after 18 months and as to all shares after 30 months. In addition, Mr. Butler received the right to purchase up to 60,000 shares through September 30, 1975 at a price of \$11.75 per share, market value at the date of grant, or a total of \$705,000. These grants are subject to approval by the stockholders.

NOTE 8—COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL: Changes in the common stock and additional paid-in capital accounts are summarized as follows:

	Common Stock		Additional paid-in capital	
	1973	1972	1973	1972
	Thousands of Dollars			
Balance at beginning of year....	\$1,596	\$1,490	\$8,724	\$6,525
Cancellation of treasury stock of Aerovox (Note 2).....	(257)	—	(1,002)	—
Net shares issued in merger of Aerovox into AVX (Note 2).....	49	—	(49)	—
Elimination of minority interest in AVX (Note 2).....	—	—	1,275	—
Exercise of stock options	8	11	47	57
Excess of proceeds received by AVX from sale of common stock over the resulting reduction of Aerovox's equity in net assets of AVX (Note 2).....	—	—	—	764
Net proceeds received upon sale of Opcoa common stock (Note 3).....	—	94	—	1,368
Common stock issued as bonuses to Opcoa employees..	—	1	001	7

	Common Stock		Additional paid-in capital	
	1973	1972	1973	1972
	Thousands of Dollars			
Federal income tax reductions attributable to deduction for certain stock option transactions.....	—	—	—	3
Balance at end of year.....	\$1,396	\$1,596	\$8,995	\$8,724

NOTE 9—INCOME TAXES: Provisions for income taxes are based upon book income or loss. The various elements of provisions for income taxes are summarized below:

	1973		1972	
	Thousands of Dollars			
Currently payable:				
Federal	\$ 705	\$ 180		
State	218	177		
	923	357		
Charges (credits) equivalent to (reductions) increases in income tax expense arising from:				
Reserves provided on books but not deductible until paid	(134)	(78)		
Expenses estimated to be incurred on disposition of subsidiary and product lines provided on books in 1971 and 1972 not deductible until 1972 and 1973, respectively	144	26		
Excess of depreciation for tax purposes over amount charged to income	22	17		
Gain on sale of subsidiary and product lines	(68)	68		
Investment tax credits deducted on books previously deducted for tax purposes	(73)	—		
Total provisions for income taxes	\$ 814	\$ 390		
Charged (credited) to the following:				
Continuing operations	1,268	1,133		
Discontinued operations	—	(475)		
Extraordinary items	(454)	(268)		
	\$ 814	\$ 390		

Total tax expense amounted to \$814,000 in 1973 and \$390,000 in 1972, respectively, or effective rates of 35.0% and 42.8%, respectively. These amounts are less than the amounts computed by applying the U.S. Federal income tax rate of 48% to income before tax. The reasons for the differences are as follows:

	1973		1972	
	Thousands of Dollars	% of Pretax Income	Thousands of Dollars	% of Pretax Income
Computed "expected" tax expense.....	\$1,116	48.0	\$437	48.0
Increase (decrease) in taxes resulting from:				
Investment and foreign tax credits.....	(177)	(7.6)	(193)	(21.2)

	1973		1972	
	Thousands of Dollars	% of Pretax Income	Thousands of Dollars	% of Pretax Income
State income taxes, net of federal income tax benefit.....	113	4.8	92	10.1
Benefit from income taxed at capital gains rate.....	—	—	(40)	(4.4)
Elimination of prepaid taxes related to sale of subsidiary and product lines.....	—	—	80	8.8
Losses of Opcoa to date of merger (Note 3) for which tax benefit is not currently available.....	216	9.3	210	23.1
Income tax credit in 1973 arising from utilization of Opcoa's loss carryovers and in 1972 from utilization of AVX's loss carryover (Note 11).....	(454)	(19.5)	(336)	(37.0)
Loss of former Canadian subsidiary not deductible for federal income tax purposes.....	—	—	140	15.4
	\$ 814	35.0	\$390	42.8

At December 29, 1973 a net operating loss carryover of \$394,000 is available to offset future taxable income. This carryover expires in 1976 and 1977 and results from pre-acquisition losses of Opcoa.

NOTE 10—DEFERRED PROFIT SHARING PLAN: The Company has a deferred profit sharing plan for certain employees. Contributions to the plan are based upon compensation paid to eligible employees, limited to a maximum percentage of consolidated pretax net profits, and subject to approval by the Company's Board of Directors. Deferred profit sharing expense of \$228,000 and \$186,000 was charged to operations in 1973 and 1972, respectively.

NOTE 11—EXTRAORDINARY ITEMS: Extraordinary items are summarized as follows:

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
	Thousands of Dollars	
Gain from sale of Canadian subsidiary and net assets of Electrical Products Division, less income taxes of \$68,000 (Note 4).....	—	\$156
Income tax credit in 1973 arising from utilization of Opcoa's loss carryovers and in 1972 from utilization of AVX's loss carryover (Note 9)	\$454	194
Settlement for \$210,000 of lawsuit, less related income taxes of \$101,000.....	—	(109)

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52 Weeks Ended	
December 29, 1973	December 30, 1972
Thousands of Dollars	

Estimated loss and expenses related to sale of subsidiary and Electrical Products Division, less income tax credits of \$41,000.....	—	(66)
	<u>\$454</u>	<u>\$175</u>

NOTE 12—NET INCOME PER COMMON SHARE: Income per share is based on the weighted average outstanding shares of common stock, 1,357,827 shares in 1973 and 1,245,962 in 1972, and includes stock options and a warrant deemed to be common stock equivalents. The average outstanding shares in 1972 have been restated to reflect the merger of AVX-Aerovox and AVX-Opcoa (Notes 2 and 3).

NOTE 13—COMMITMENTS: The Company leases a portion of its Myrtle Beach, South Carolina plant and its San Diego, California, Tijuana, Mexico and Edison, New Jersey (Opcoa)

plants at total annual rentals of approximately \$121,000 under agreements expiring in 1983, 1977, 1976 and 1988, respectively. Executive offices in Braintree, Massachusetts and Great Neck, New York are leased under agreements expiring in 1977 and 1978 at annual rentals of \$63,000. In addition, certain data processing and other equipment is rented.

Total rental expense included in the accompanying statement of income aggregated \$292,000 and \$524,000 for 1973 and 1972, respectively. Future annual rental commitments under existing noncancellable leases are as follows:

1974.....	\$268,000
1975.....	269,000
1976.....	224,000
1977.....	192,000
1978.....	136,000

Total rental commitments for the five-year period 1979 through 1983 aggregate \$444,000 and for the five-year period 1984 through 1988 aggregate \$134,000.

On January 29, 1974 the Board of Directors authorized negotiations for the purchase of the leased portion of the Myrtle Beach plant.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of AVX Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of AVX Corporation and its subsidiaries at December 29, 1973 and December 30, 1972, the results of their operations and the changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.



Boston, Massachusetts
February 14, 1974

Price Waterhouse & Co.

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AMX CORPORATION

98 CUTTER MILL ROAD, GREAT NECK,
NEW YORK 11021 PHONE (516) 829-8500

OFFICERS

Marshall D. Butler
Chairman of the Board and Chief Executive Officer
Daniel L. McQuillan
President and Chief Operating Officer
Bernard Zisman
Vice President—Finance, Treasurer and Secretary
Benedict P. Rosen
Vice President—General Manager, Ceramics Division
Aaron Kestenbaum
Vice President—General Manager, Opcoa Division

DIRECTORS

Marshall D. Butler, Chairman
Harry G. Brustlin
Herbert E. Grier
Milton C. Lauenstein
Daniel L. McQuillan
H. Russell Morrison, Jr.
W. Myron Owen
A. Robert Towbin

INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co

TRANSFER AGENT AND REGISTRAR

First National City Bank
New York, New York

FACILITIES

Myrtle Beach, South Carolina
Olean, New York
Edison, New Jersey
San Diego, California
Tijuana, Mexico

IN MEMORIAM



Charles B. Smith
Member of the Board of Directors
1965-1974

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A RESOLUTION

APPROVING THE ACQUISITION, ENLARGEMENT, IMPROVEMENT AND EXPANSION OF CERTAIN INDUSTRIAL MANUFACTURING FACILITIES IN HORRY COUNTY (TO BE LEASED TO AVX CORPORATION) THROUGH THE ISSUANCE OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000) OF HORRY COUNTY, SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1974 (AVX CORPORATION - LESSEE); AND AUTHORIZING THE PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO ACT NO. 103 OF THE 1967 ACTS OF THE SOUTH CAROLINA GENERAL ASSEMBLY, AS AMENDED.

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

1. AVX Corporation, a Delaware corporation (the Lessee) now operates facilities for the manufacture of ceramic capacitors on a 22-acre site located south of the City of Myrtle Beach, in Horry County, South Carolina. The plant site together with the principal building are owned by Jefferson Standard Life Insurance Company and are leased to the Lessee. Recently, the Lessee has constructed a new building on the premises at a cost of \$600,000. The Lessee has advised the County Board that it has the option to purchase the plant site and principal building from Jefferson Standard Life Insurance Company for the sum of approximately \$950,000. The Lessee has proposed that the County Board undertake to finance the acquisition of the said existing facilities, including the 22-acre plant site, and in connection therewith, to enlarge, improve and expand the same by the construction of a new building including manufacturing facilities, laboratory facilities and administration offices at a cost of approximately \$300,000, and the acquisition of new equipment and machinery at a cost of approximately \$600,000; and that the County Board finance the aforesaid acquisition, enlargement, improvement and expansion through the issuance of \$2,500,000 Horry County,

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South Carolina, Industrial Revenue Bonds (the Bonds) pursuant to the authorization of Act No. 103 of the 1967 Acts of the South Carolina General Assembly, as amended (the Act). The Lessee has advised the County Board that its proposed improvement, enlargement and expansion program is dependent upon the assistance which the County might render through the sale of \$2,500,000 Industrial Revenue Bonds pursuant to the Act. The County Board has agreed so to finance the acquisition, enlargement, improvement and expansion of the said facilities (the said 22-acre tract of land, together with the existing buildings thereon and the proposed building to be constructed, together with the new equipment and machinery to be acquired from the bond proceeds [but not including the equipment and machinery now located in the existing buildings] being hereinafter referred to as the "Project"), and adopts this Resolution to evidence its approval of the issuance of the Bonds as aforesaid and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

2. 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 Horry County or a charge against its general credit or taxing power.

3. The amount necessary to finance the Project is Two Million Five Hundred Thousand Dollars (\$2,500,000).

4. Under the Lease to be entered into with the County Board, the Lessee will unconditionally agree to pay as rent the amount necessary to provide the annual payments of principal and interest on the Bonds.

5. The proposed Lease will also obligate the Lessee unconditionally to pay other costs in connection therewith and

will contain 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.

6. In view of the credit of the Lessee, the establishment of reserve funds for the payment of the principal and interest will not be necessary.

7. The Lessee has advised the County Board that it is negotiating for the sale of the Bonds which will bear interest at a rate not to exceed 8 1/2% per annum and will be payable, in successive, annual installments of principal and interest, beginning in 1978, and continuing through 1999, with interest also payable semiannually.

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.

9. In addition, the Lessee may enter into a Guaranty Agreement with the Trustee under the Indenture pursuant to which Guaranty Agreement the Lessee will unconditionally guarantee the payment of the principal and interest on the Bonds as the same become due.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF COMMISSIONERS OF Horry 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 Horry County as aforesaid.

BE IT FURTHER RESOLVED:

That the 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 Petition

shall be duly executed by the Chairman and attested by the Clerk of the County Board.

By Julian Richardson

Chairman

H. G. McNeill

R. L. Hendrick

W. G. Hucks, Jr.

W. G. Sarris

Ernest W. Johnston, Jr.

(SEAL)

Constituting the Members of the County Board of Commissioners of Horry County

Attest:

Gladys A. Allen
Clerk, County Board of Commissioners
of Horry County

STATE OF SOUTH CAROLINA

COUNTY OF HORRY

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

P E T I T I O N

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

1. The County Board is the governing body of Horry County, South Carolina, 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 Session, 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, enlargement, improvement and expansion 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. AVX Corporation, a Delaware corporation (the Lessee) now operates facilities for the manufacture of ceramic capacitors on a 22-acre site located south of the City of Myrtle Beach, in Horry County, South Carolina. The plant site together with the principal building are owned by Jefferson Standard Life Insurance Company and are leased to the Lessee. Recently, the Lessee has constructed a new building on the premises at a cost of \$600,000. The Lessee has advised the County Board that it has the option to purchase the plant site and principal building from Jefferson Standard Life Insurance Company for the sum of approximately \$950,000. The Lessee

has proposed that the County Board undertake to finance the acquisition of the said existing facilities, including the 22-acre plant site, and in connection therewith, to enlarge, improve and expand the same by the construction of a new building including manufacturing facilities, laboratory facilities and administration offices at a cost of approximately \$300,000, and the acquisition of new equipment and machinery at a cost of approximately \$600,000; and that the County Board finance the aforesaid acquisition, enlargement, improvement and expansion through the issuance of \$2,500,000 Horry County, South Carolina, Industrial Revenue Bonds (the Bonds) pursuant to the authorization of Act No. 103 of the 1967 Acts of the South Carolina General Assembly, as amended (the Act). The Lessee has advised the County Board that its proposed improvement, enlargement and expansion program is dependent upon the assistance which the County might render through the sale of \$2,500,000 Industrial Revenue Bonds pursuant to the Act. The County Board has agreed so to finance the acquisition, enlargement, improvement and expansion of the said facilities (the said 22-acre tract of land, together with the existing buildings thereon and the proposed building to be constructed, together with the new equipment and machinery to be acquired from the bond proceeds [but not including the equipment and machinery now located in the existing buildings] being hereinafter referred to as the "Project"), and adopts this Resolution to evidence its approval of the issuance of the Bonds as aforesaid and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

4. The County Board is advised by the Lessee that the cost of acquiring the said land and principal building from Jefferson Standard Life Insurance Company will be approximately

\$950,000; the cost of reimbursing the Lessee for the construction of the new building on the premises will be \$600,000; the cost of the construction of a new building including manufacturing facilities, laboratory facilities and administration offices will be approximately \$300,000, and the cost of acquiring new equipment and machinery will be approximately \$600,000; and that, therefore, in order to finance the acquisition, enlargement, improvement and expansion of the Project by the Lessee, including the costs and charges incident to the issuance and sale of the Bonds, it will be necessary that the County Board issue the Bonds in the principal amount of \$2,500,000.

5. When completed, the Project will employ approximately 30 persons in addition to those now employed at the said plant.

6. For the reasons above set forth and hereafter 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 Board 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 which will bear interest at a rate to be established not to exceed 8 1/2% per annum and will be payable in successive, annual installments of principal and interest beginning in 1978 through 1999, with interest also payable semiannually.

(d) The Lessee is negotiating for the sale of the Bonds with an Underwriter and expects negotiations to be completed in the near future.

(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 and to pay, in lieu of taxes, such amounts as would otherwise be paid if the Lessee owned the Project.

7. 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 the existing buildings, including the 22-acre plant site, (but not including the equipment and machinery now located in the existing buildings) and the proposed building to be constructed, together with the new equipment and machinery to be acquired from the Bond proceeds, all of which will continue to be operated as facilities for the manufacture of ceramic capacitors.

(b) The Project, when completed, will provide employment for approximately ⁵⁰30 persons in addition to those now employed at the said plant.

(c) The cost of the entire Project will amount to approximately \$2,500,000, including the cost of acquiring the said plant site, together with the existing buildings, (but not including the equipment and machinery now located in the existing building), the construction of the proposed new building, together with the acquisition of new equipment and machinery to be installed in the new building, and all other expenses to be incurred in connection therewith.

8. The proposed Lease, will provide, among other things, the following:

(a) To finance the cost of the acquisition, enlargement, improvement and expansion of the Project, the County will issue \$2,500,000 Horry County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1974 (AVX Corporation - Lessee) (the Bonds). The Bonds will be secured by a pledge of the

rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to a bank yet to be named, as Trustee.

(b) The proceeds derived from the sale of the Bonds will be deposited with the Trustee and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, enlargement, improvement and expansion 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 Horry County, to any School District in Horry 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 Horry 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 will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

(e) The Lease will contain provisions which would provide for its amendment in order to make provision for the issuance of additional bonds under the conditions therein set forth and more fully set forth in the Indenture.

9. The proposed Trust Indenture will be in conventional form and constitute a forecloseable mortgage upon the Project. Included in the granting clause will be:

(a) All real property, equipment and machinery and interests therein, acquired or to be acquired for the Project.

(b) The right, title and interest of the County in the Lease.

(c) All rentals and revenues derived by the County under the Lease, except those payments to be made in lieu of taxes or by way of indemnification or attorneys fees.

The Indenture will make provision for the initial issuance of Two Million Five Hundred Thousand Dollars (\$2,500,000) of Bonds to be secured thereunder. It will make provision for the issuance of additional bonds to the extent and in the manner to be set forth in the Indenture. It will provide for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. It will impose upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

10. The proposed Lease and the proposed Trust Indenture will be in substantially the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act.

11. In addition, the Lessee may enter into a Guaranty Agreement with the Trustee under the Indenture pursuant to which Guaranty Agreement the Lessee will unconditionally guarantee the payment of the principal and interest on the Bonds as the same become due.

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

That the State Budget and Control Board accept the filing of the 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 and the Indenture, 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 14 of the Act.

Respectfully submitted,

COUNTY BOARD OF COMMISSIONERS OF
HORRY COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman

By _____
Clerk

STATE OF SOUTH CAROLINA

COUNTY OF HORRY

I, the undersigned, Clerk of the County Board of Commissioners of Horry County, South Carolina, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Resolution unanimously adopted by the said County Board of Commissioners of Horry County at a duly called and regularly held meeting at which all members attended and remained throughout on May 14, 1974.

That the said Resolution was offered by Henry G. McNeill, and seconded by R. L. Hendrick, 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 of Commissioners of Horry County, South Carolina, this 14th day of May, A. D. 1974.

(SEAL)

15/ Gladys A. Allen
Clerk, County Board of Commissioners
of Horry County, South Carolina

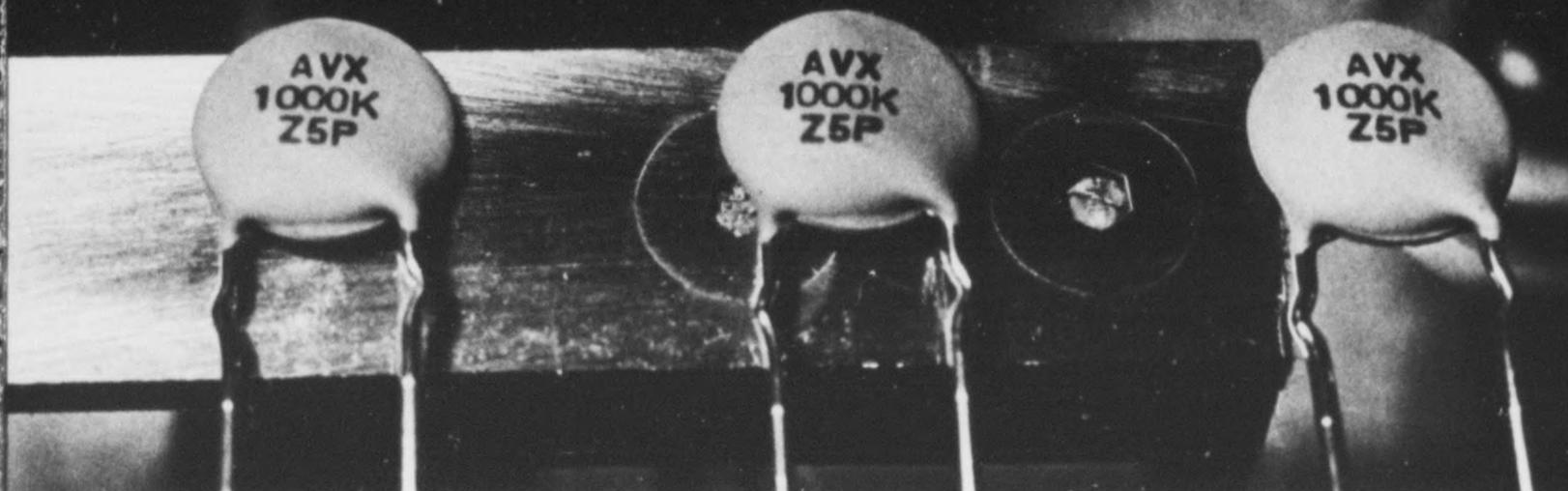
THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

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Aerovox Corporation Annual Report 1972

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Financial Highlights

*Ceramic capacitors in final test
on high speed equipment.*

	<u>1972</u>	<u>1971</u>
Continuing Operations (AVX Ceramics Corporation)		
Sales	\$22,170,000	\$16,692,000
Income	1,569,000	812,000
Per Share	1.40	.80
Consolidated Net Income (Loss)	777,000	(845,000)
Per Share	.70	(.83)
Current Ratio	2.9 to 1	1.8 to 1
Working Capital	5,736,000	3,511,000
Long-Term Debt	NONE	950,000
Stockholders' Equity	7,572,000	5,959,000
Per Share	6.85	5.45

Message from the President



Dear Shareholder:

Events of the past year, including completion of a comprehensive rebuilding program and the divestiture of unprofitable product lines and operations, have generated a renewed enthusiasm and optimism throughout the Company.

Briefly, 1972 was highlighted by the following:

- An overall return to profitability,
- The sale of the unprofitable electrical capacitor business,
- The emergence of our ceramic capacitor subsidiary, AVX Ceramics Corporation, as a company with outstanding growth potential.

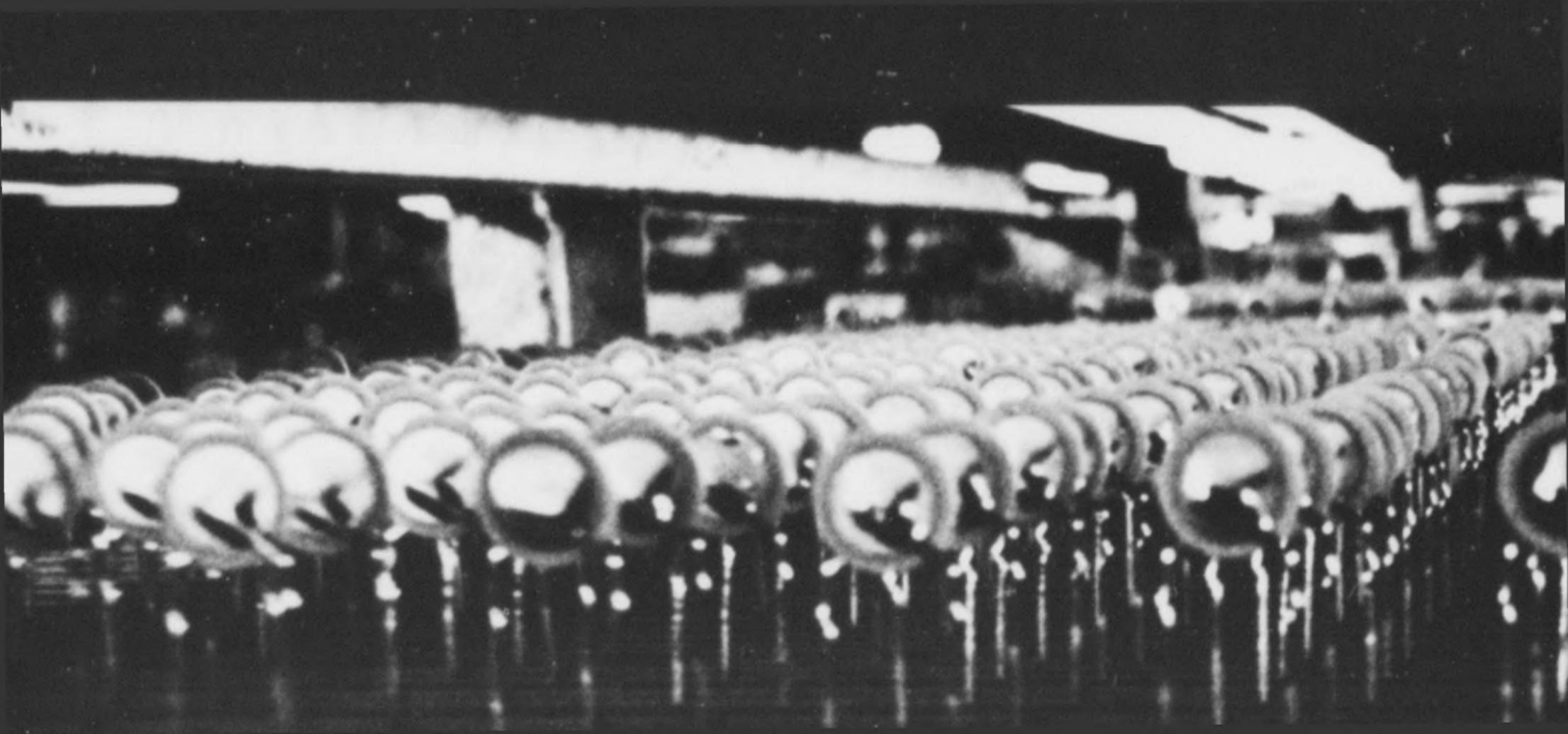
These accomplishments combine to make the past year one of the most significant in our history and provide the basis for high expectations for our future.

Sales from continuing operations, which in fact is our 84%-owned subsidiary AVX Ceramics Corporation, rose 33% to

\$22,170,000 in 1972. Income from continuing operations was \$1,569,000 or \$1.40 per share in 1972, compared to \$812,000 or \$.80 per share in 1971. Loss on operations sold or discontinued amounted to \$967,000 or \$.86 per share in 1972, compared to \$936,000 or \$.92 per share in 1971. Extraordinary items increased 1972 income by \$175,000 or \$.16 per share and reduced 1971 income by \$721,000 or \$.71 per share. Net income in 1972 was \$777,000, equal to \$.70 a share, compared to a net loss of \$845,000, equal to a loss of \$.83 a share in 1971.

Sale of the Electrical Products Division was completed on January 2, 1973, opening significant opportunities to the Company. In January, 1973 directors of both Aerovox and AVX Ceramics approved a merger of our Company into AVX Ceramics to allow the use of corporate resources in the ceramic capacitor and electronic filter field or in new businesses. This merger, to be accomplished through an exchange of stock at a ratio of nine-tenths of a share of

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AVX Ceramics for each share of Aerovox, will be voted on by shareholders of both Companies in early May. We anticipate that, effective with the merger, shares of the consolidated Company will be listed and traded on the American Stock Exchange.

Management fully endorses the proposed merger. A financially sound company that has excellent technical expertise and a prominent position in the electronics industry will result.

Our studies show that demand for ceramic capacitors and electronic filters will more than double by 1980. Our goal is to maintain a leadership position in this industry by increasing our investments in research, product development and engineering to broaden existing product lines and maintain competitive pricing structures.

At the end of February, 1973, our backlog was \$11.8 million, more than double the backlog level of a year ago. The rate of new orders was also twice that of a year ago. In order to meet this expanding

demand for ceramic capacitors, construction began last December on a 45,000 square foot addition to the production facility in Myrtle Beach, S.C. We expect to begin operations in this addition, which will increase our production capacity for multilayer ceramic capacitors by 35% by mid-1973.

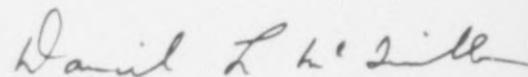
The recent currency revaluations have further boosted our expectations. The historic price advantages enjoyed by offshore competition in the domestic market will be reduced. In addition, we expect our prices in several foreign markets to become increasingly competitive as a result of these revaluations.

We have never been as optimistic about the future. Strong demand already exists for ceramic capacitors in the home electronics, data processing and military markets. In addition, we see increasing applications in the communications and automotive industries. As the leading manufacturer of ceramic capacitors, the Company is strongly positioned to benefit

from an increasing demand in both domestic and foreign markets.

H. Lynn Pierson and J. Churchill Owen, who have served the Company as Directors for many years, have chosen not to stand for re-election to the Board. Aerovox Corporation has benefitted greatly from their wisdom and experience and I extend to them our gratitude for their service.

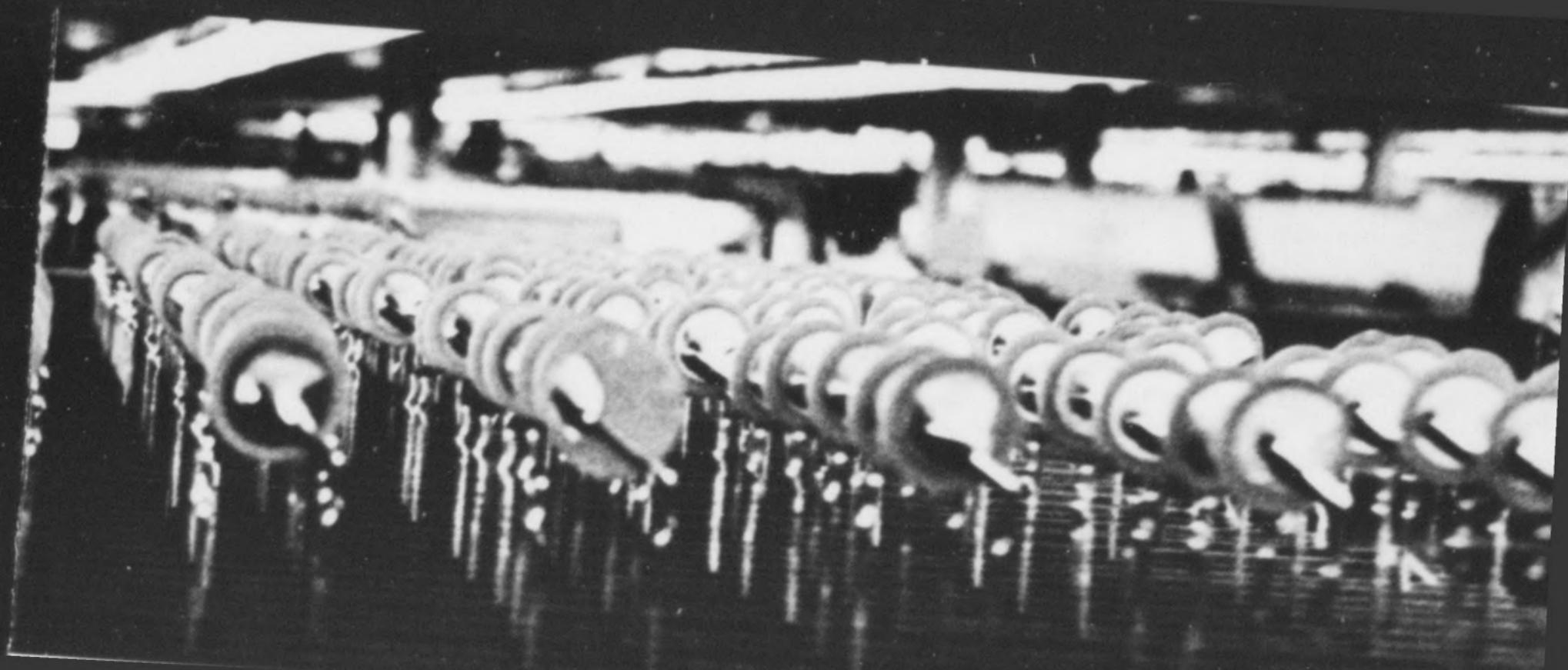
We extend our sincere appreciation to shareholders and employees for their support and confidence during this period of significant change for the Company. Without their continuing cooperation, the future would not look as bright.



Daniel L. McQuillan
President

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Product Review

High voltage ceramic capacitors during assembly.

Quality workmanship.

Capacitors are basic electrical and electronic components that are an integral part of virtually every circuit. As such, capacitors appear in almost every piece of electrical and electronic equipment made today, performing functions that include storage of electrical energy, altering current-voltage relationships, and adjusting voltage variations.

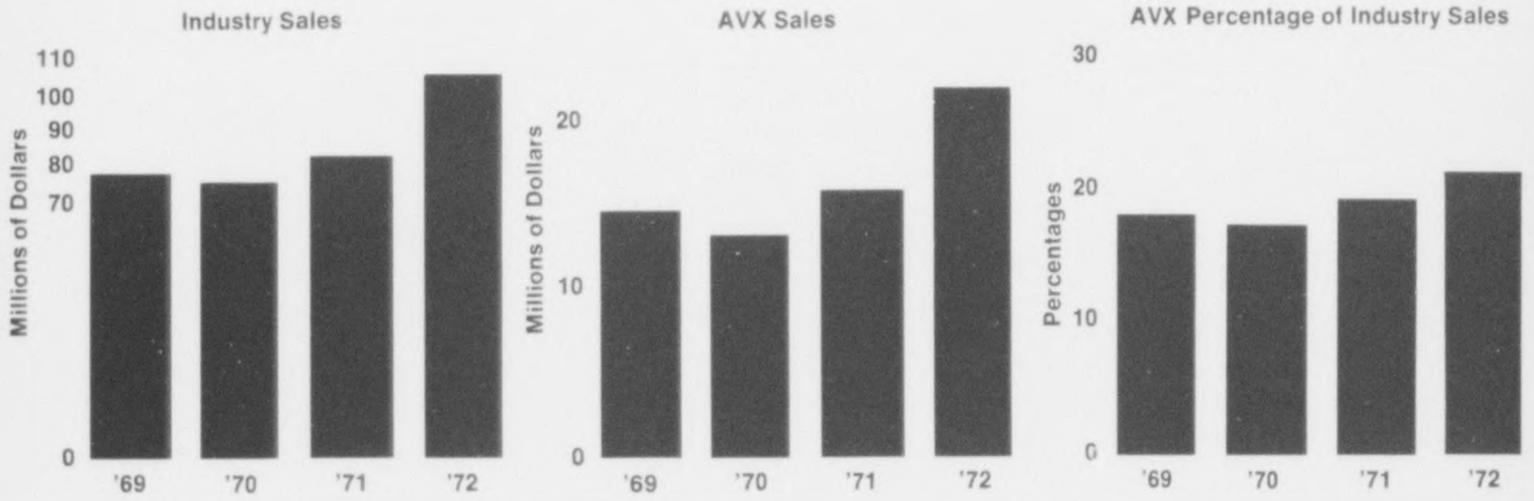
Capacitor performance is determined by the dielectric material used for insulation between conducting plates, with the most common materials being ceramic, mica, glass, paper, metal oxides and plastic films. Each material has individual features. Ceramics offer performance, size and cost advantages that are broadening the use of these capacitors in today's sophisticated solid state electronic circuitry and make ceramic capacitors the fastest growing segment of the capacitor industry.

Because capacitors are an integral part of an electronic circuit, the capacitor market has grown steadily along with the evolution of electronics into new industries and product applications. Today, ceramic capacitors are used in a wide variety of areas ranging from consumer electronics to data processing and communications. Because ceramic capacitors are solid state devices, they are highly reliable and demand for this type of capacitor is outpacing the growth of the electronics industry in general. The market should continue to expand in concert with the increased use of electronic circuitry.

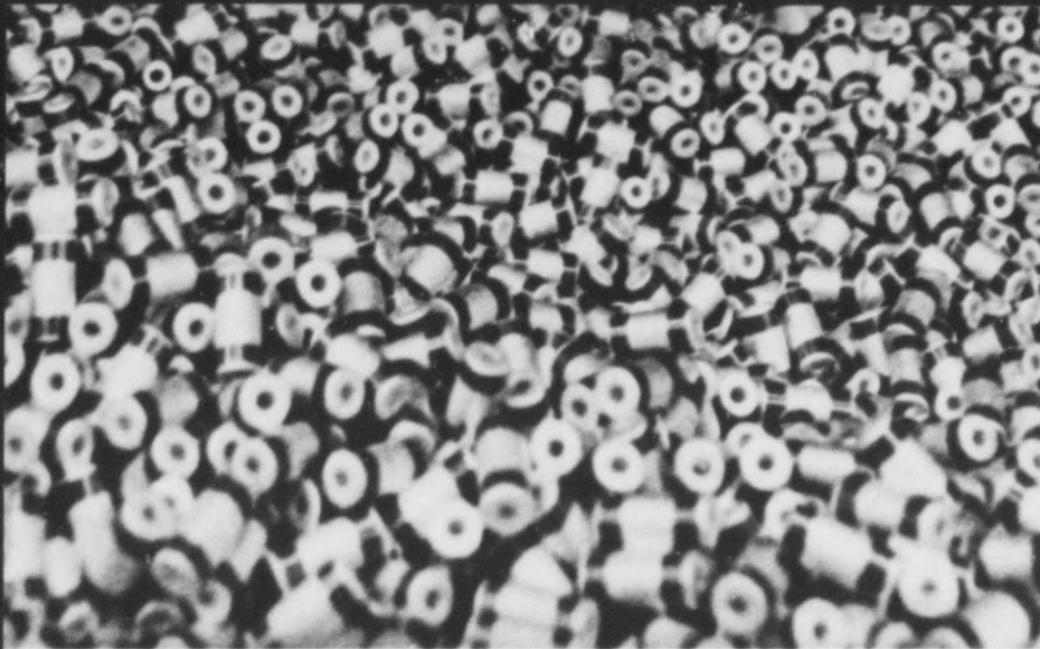
In 1972, the Company accounted for 21% of all ceramic capacitor sales in the United States and is recognized as the leading domestic manufacturer of ceramic capacitors.



Disk capacitors used in television sets, automobiles and home appliances.



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Product Review

Ceramic filter capacitors for the home entertainment industry.

Technological advances associated with the military and aerospace industries in the 1960's created a great deal of the earlier demand for ceramic capacitors. Although these industries represented approximately 30% of 1972 sales and will continue as sources of steady business, the real growth in ceramic capacitor use is occurring in other areas. The communications industry, which accounted for less than 10% of last year's sales, is one of the fastest growing markets due to wider use of solid state technology and the rapid expansion in requirements for communications equipment.

Consumer electronics, which for the past few years has been the largest market for ceramic capacitors, accounted for approximately 36% of 1972 sales. New

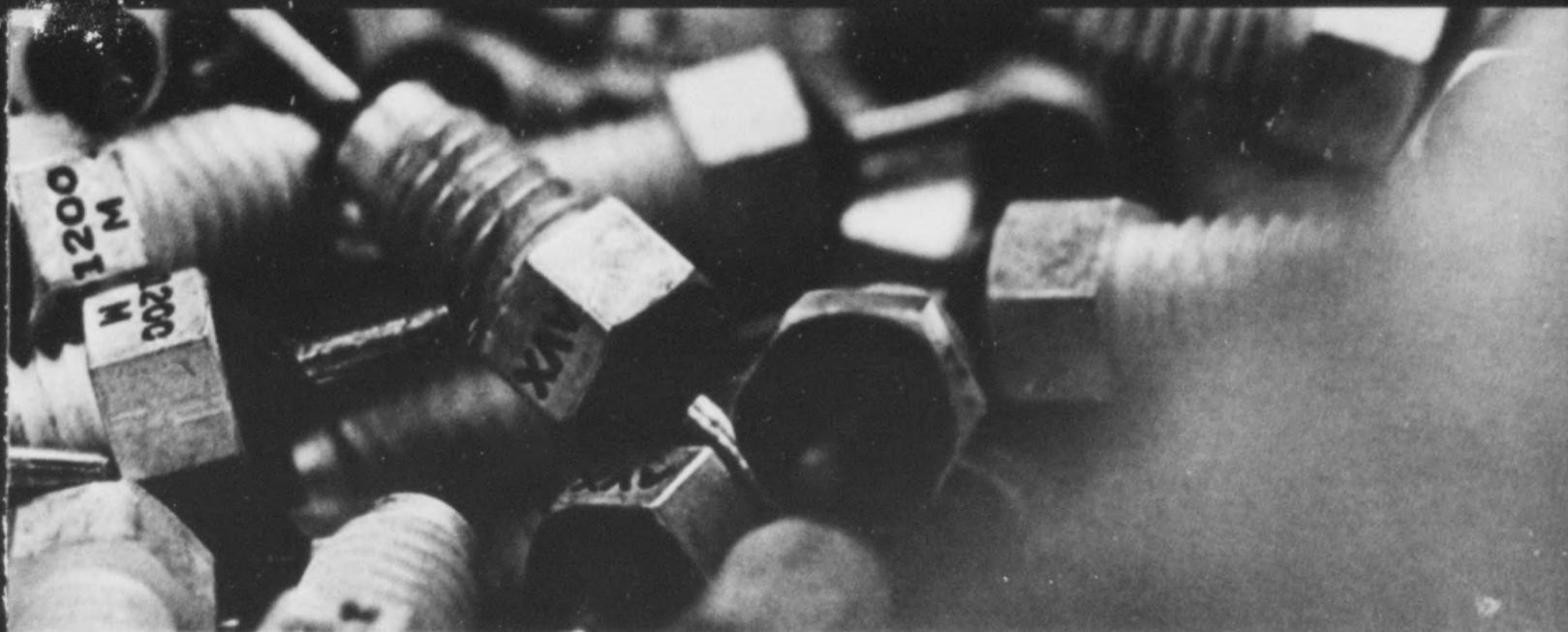
applications are constantly evolving in this field as solid state circuitry moves into such consumer items as electronic wrist watches, new self-developing electronic cameras, and video tape playback systems in addition to further growth in the established stereo and color television markets. Potential for expansion within the consumer electronics market is excellent as the use of miniaturization and electronics becomes more widespread.

Electronic data processing, sparked by the growing popularity of mini-calculators, is one of the fastest growing industries in the United States and represents another major user of ceramic capacitors. In 1972, this industry accounted for approximately 24% of total sales and such industry leaders as IBM, Univac and

Honeywell are expected to continue as significant customers in the future.

The automotive industry is one of the new markets opening to the Company. Until recently, sales of ceramic capacitors to this industry were primarily for use in radio and stereo systems. New governmental requirements for pollution and safety, however, will significantly increase the use of solid state circuitry in automobiles for items such as electronic ignition, seat belt locks, and anti-skid systems, and could make this industry a major user of ceramic capacitors within the next few years.

The Company is also exploring potential overseas markets for ceramic capacitors and last year licensed a Japanese firm, Kyoto Ceramics Co., Ltd., to manufacture and sell AVX Ceramics



Ceramic tubular capacitors used in communications industry.

capacitors in Japan. In addition, studies are under way to determine ways of increasing sales to European nations.

Although ceramic capacitors can be made to several thousand different specifications, three basic types exist: disk, tubular and multilayer.

Disk and tubular ceramic capacitors are made by depositing a thin film of silver on fired ceramic insulation and heating the units to extremely high temperatures.

Multilayer capacitors, which the Company sells under the Ceralam trade name, are manufactured by coating layers of ceramic insulating material with platinum or palladium. The layers, in many cases only one-thousandth of an inch thick, are stacked and the assembly is then fired into one multilayered unit.

Multilayer ceramic capacitors, the Company's largest single product line, offer outstanding expansion opportunities with demand expected to continue increasing at the 15% growth rate experienced in recent years. Primary markets for Ceralam products exist in the consumer electronic field, specifically in such areas as color television and speed controls for home appliances and power tools, and throughout the communications and industrial markets.

Aerovox Corporation and Subsidiaries

Consolidated Balance Sheet

	December 30, 1972	January 1, 1972
Assets		
Current assets:		
Cash and in 1972 commercial paper	\$ 1,264,000	\$ 749,000
Accounts and notes receivable, less allowance for doubtful accounts of \$125,000 in 1972 and \$71,000 in 1971	3,560,000	3,826,000
Receivable related to sale of subsidiary and product lines, less noncurrent portion (Note 2)	1,914,000	-
Inventories (Note 1)	1,956,000	3,099,000
Other current assets	69,000	111,000
Total current assets	<u>8,763,000</u>	<u>7,785,000</u>
Fixed assets, at cost, less accumulated depreciation and, at January 1, 1972, reserve for estimated loss from planned disposition of machinery and equipment related to discontinued operations (Notes 1, 2, 4 and 11)	2,397,000	3,687,000
Other assets including \$600,000 note receivable related to sale of subsidiary and product lines (Note 2)	680,000	119,000
	<u>\$11,840,000</u>	<u>\$11,591,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
5-3/4% note payable to bank	\$ 250,000	\$ -
Accounts payable	726,000	2,696,000
Accrued expenses	1,359,000	1,221,000
Federal and state income taxes payable (Note 7)	392,000	-
Reserve for estimated expenses related to sale of subsidiary and product lines and, in 1971, planned disposition of discontinued operations (Note 2)	300,000	357,000
Total current liabilities	<u>3,027,000</u>	<u>4,274,000</u>
Long-term liabilities:		
Long-term debt	-	950,000
Leasehold interest in property (Note 1)	372,000	408,000
	<u>372,000</u>	<u>1,358,000</u>
Minority interest in consolidated subsidiary (Notes 3 and 12)	869,000	-
Stockholders' equity (Notes 3, 5, 6 and 12):		
Preferred stock, \$1 par value:		
Authorized - 1,000,000 shares		
Issued - None		
Common stock, \$1 par value:		
Authorized - 5,000,000 shares		
Issued - 1,362,769 shares in 1972 and 1,351,306 shares in 1971	1,363,000	1,351,000
Additional paid-in capital	6,228,000	5,404,000
Retained earnings	1,571,000	794,000
	<u>9,162,000</u>	<u>7,549,000</u>
Less - Cost of 287,145 shares held in the treasury (Note 5)	1,590,000	1,590,000
	<u>7,572,000</u>	<u>5,959,000</u>
Commitments (Note 11)		
	<u>\$11,840,000</u>	<u>\$11,591,000</u>

Aerovox Corporation and Subsidiaries

Consolidated Balance Sheet

Assets	December 30, 1972	January 1, 1972
Current assets:		
Cash and in 1972 commercial paper	\$ 1,264,000	\$ 749,000
Accounts and notes receivable, less allowance for doubtful accounts of \$125,000 in 1972 and \$71,000 in 1971	3,560,000	3,826,000
Receivable related to sale of subsidiary and product lines, less noncurrent portion (Note 2)	1,914,000	—
Inventories (Note 1)	1,956,000	3,099,000
Other current assets	69,000	111,000
Total current assets	<u>8,763,000</u>	<u>7,785,000</u>
Fixed assets, at cost, less accumulated depreciation and, at January 1, 1972, reserve for estimated loss from planned disposition of machinery and equipment related to discontinued operations (Notes 1, 2, 4 and 11)	2,397,000	3,687,000
Other assets including \$600,000 note receivable related to sale of subsidiary and product lines (Note 2)	680,000	119,000
	<u>\$11,840,000</u>	<u>\$11,591,000</u>
 Liabilities and Stockholders' Equity		
Current liabilities:		
5-3/4% note payable to bank	\$ 250,000	\$ —
Accounts payable	726,000	2,696,000
Accrued expenses	1,359,000	1,221,000
Federal and state income taxes payable (Note 7)	392,000	—
Reserve for estimated expenses related to sale of subsidiary and product lines and, in 1971, planned disposition of discontinued operations (Note 2)	300,000	357,000
Total current liabilities	<u>3,027,000</u>	<u>4,274,000</u>
Long-term liabilities:		
Long-term debt	—	950,000
Leasehold interest in property (Note 1)	372,000	408,000
	<u>372,000</u>	<u>1,358,000</u>
Minority interest in consolidated subsidiary (Notes 3 and 12)	869,000	—
Stockholders' equity (Notes 3, 5, 6 and 12):		
Preferred stock, \$1 par value:		
Authorized—1,000,000 shares		
Issued—None		
Common stock, \$1 par value:		
Authorized—5,000,000 shares		
Issued—1,362,769 shares in 1972 and 1,351,306 shares in 1971	1,363,000	1,351,000
Additional paid-in capital	6,228,000	5,404,000
Retained earnings	1,571,000	794,000
	<u>9,162,000</u>	<u>7,549,000</u>
Less—Cost of 287,145 shares held in the treasury (Note 5)	1,590,000	1,590,000
	<u>7,572,000</u>	<u>5,959,000</u>
Commitments (Note 11)		
	<u>\$11,840,000</u>	<u>\$11,591,000</u>

Aerovox Corporation and Subsidiaries

Consolidated Statement of Operations and Retained Earnings

	52 weeks ended December 30, 1972	53 weeks ended January 1, 1972
Continuing operations:		
Net sales	<u>\$22,170,000</u>	<u>\$16,692,000</u>
Costs, expenses and other (income):		
Cost of sales	16,811,000	13,169,000
Selling, general and administrative expenses	2,464,000	1,852,000
Interest expense	67,000	140,000
Other (income), net	<u>(54,000)</u>	<u>(29,000)</u>
	<u>19,288,000</u>	<u>15,132,000</u>
Income from continuing operations before income taxes and minority interest	2,882,000	1,560,000
Provision for income taxes (Note 7)	<u>1,133,000</u>	<u>748,000</u>
	1,749,000	812,000
Minority interest in income of consolidated subsidiary (Note 3)	<u>180,000</u>	<u>—</u>
Income from continuing operations	1,569,000	812,000
Loss from operations sold or discontinued, less income tax credits of \$475,000 in 1972 and \$849,000 in 1971 (Note 2)	<u>967,000</u>	<u>936,000</u>
Income (loss) before extraordinary items	602,000	(124,000)
Extraordinary items (Note 9)	<u>175,000</u>	<u>(721,000)</u>
Net income (loss)	777,000	(845,000)
Retained earnings at beginning of year	<u>794,000</u>	<u>1,639,000</u>
Retained earnings at end of year	<u>\$ 1,571,000</u>	<u>\$ 794,000</u>
Income (loss) per share of common stock (Note 10):		
Income from continuing operations	\$1.40	\$.80
Loss from operations sold or discontinued	(.86)	(.92)
Income (loss) before extraordinary items	.54	(.12)
Extraordinary items	<u>.16</u>	<u>(.71)</u>
Net income (loss)	<u>\$.70</u>	<u>\$(.83)</u>

Aerovox Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position

	52 weeks ended December 30, 1972	53 weeks ended January 1, 1972
Source of funds:		
From operations:		
Income before extraordinary items	\$ 602,000	
Depreciation and amortization	<u>512,000</u>	
	1,114,000	
Extraordinary items:		
Proceeds from sale of subsidiary and facilities, less, in 1972, noncurrent portion of \$600,000 (Note 2)	1,964,000	\$ 48,000
Income tax credit from utilization of prior year's losses (Note 7)	<u>194,000</u>	<u>—</u>
	3,272,000	48,000
Proceeds received by AVX Ceramics from sale of common stock allocated to additional paid-in capital, \$764,000 (Notes 3 and 6), and to minority interest \$689,000	1,453,000	—
Exercise of stock options (Note 5)	69,000	1,000
Sale of fixed assets	—	124,000
Issuance of treasury stock in connection with conversion of subordinated notes (Note 5)	—	1,000,000
Leasehold interest in property (Note 1)	—	408,000
Minority interest in earnings of AVX Ceramics (Note 3)	180,000	—
Other	<u>70,000</u>	<u>—</u>
Total funds provided	<u>5,044,000</u>	<u>1,581,000</u>
Use of funds:		
By operations:		
Loss before extraordinary items		124,000
Depreciation and amortization		<u>(533,000)</u>
		(409,000)
Extraordinary items:		
Estimated loss and expenses related to sale of subsidiary and product lines and, in 1971, planned disposition of discontinued operations (Note 2)	66,000	639,000
Settlement of litigation (Note 9)	<u>109,000</u>	<u>—</u>
	175,000	230,000
Sale of net current assets of subsidiary and product lines (Note 2)	550,000	—
Additions to fixed assets (including leasehold interest in property of \$441,000 in 1971)	1,108,000	1,218,000
Repayment of long-term debt	950,000	—
Reduction in leasehold interest in property	36,000	—
Reduction of long-term debt in connection with conversion of subordinated notes (Note 5)	—	1,000,000
Decrease in deferred income taxes	—	68,000
Purchase of treasury stock (Note 5)	—	2,474,000
Other	<u>—</u>	<u>78,000</u>
Total funds used	<u>2,819,000</u>	<u>5,068,000</u>
Increase (decrease) in working capital	<u>\$2,225,000</u>	<u>(\$3,487,000)</u>

Aerovox Corporation and Subsidiaries

Consolidated Statement of Changes in Financial Position (continued)

	52 weeks ended December 30, 1972	53 weeks ended January 1, 1972
Components of working capital increase (decrease):		
Increase (decrease) in current assets:		
Cash and commercial paper	\$ 515,000	(\$1,617,000)
Accounts and notes receivable	(266,000)	903,000
Receivable related to sale of subsidiary and product lines	1,914,000	-
Inventories	(1,143,000)	(1,070,000)
Other current assets	(42,000)	36,000
	<u>978,000</u>	<u>(1,748,000)</u>
(Increase) decrease in current liabilities:		
Note payable to bank	(250,000)	-
Current portion of long-term debt	-	50,000
Accounts payable and accrued expenses	1,832,000	(1,572,000)
Federal and state income taxes payable	(392,000)	140,000
Reserve for estimated expenses	57,000	(357,000)
	<u>1,247,000</u>	<u>(1,739,000)</u>
Increase (decrease) in working capital	2,225,000	(3,487,000)
Working capital at beginning of year	3,511,000	6,998,000
Working capital at end of year	<u>\$5,736,000</u>	<u>\$3,511,000</u>

Aerovox Corporation and Subsidiaries

Notes to Consolidated Financial Statements

Note 1—Summary of Accounting Policies Basis of Consolidation and Restatement of Prior Year

The consolidated financial statements include the accounts of Aerovox Corporation (Company), two inactive wholly-owned subsidiaries and AVX Ceramics Corporation (AVX), an 84%-owned subsidiary (Note 3). The sale of a Canadian subsidiary and a major division as of January 2, 1973, are reflected in the financial statements as of December 30, 1972 (Note 2) and the accompanying 1971 consolidated statement of operations has been restated to be comparable with 1972. The restatement has no effect on previously reported consolidated net income for 1971 or consolidated retained earnings as of January 1, 1972. The results of operations of the Canadian subsidiary have been converted into U. S. dollars at appropriate rates of exchange and are included in loss on operations sold or discontinued. Continuing operations comprise AVX and costs and expenses related to both Aerovox and AVX.

Inventories

Inventories are stated at the lower of cost (determined by standard costs, which approximate actual costs on a first-in, first-out basis) or market and consist of the following:

	December 30, 1972	January 1, 1972
Raw materials	\$ 619,000	\$ 825,000
Work in process	1,131,000	1,685,000
Finished goods	206,000	589,000
	<u>\$1,956,000</u>	<u>\$3,099,000</u>

*Includes \$1,691,000 related to operations discontinued in 1972.

Depreciation and Amortization

Depreciation and amortization of fixed assets is computed primarily on the straight-line method for financial statement purposes based upon the estimated useful lives of depreciable property. Depreciation and amortization expense amounted to \$512,000 in 1972 and \$515,000 in 1971.

Leasehold Interest in Property

AVX rents its Olean, New York operating facilities and certain equipment under leases expiring in 1979 which contain options to purchase at any time for an amount equal to the related unpaid debt of the lessor. These leases were accounted for as purchases as of January 1, 1972 based upon the then current option prices.

Research and Development Expenses

The Company expenses all research and development expenses as incurred.

Note 2—Sale of Subsidiary and Product Line

On January 2, 1973 the Company sold the capital stock of its Canadian subsidiary and substantially all of the operating assets of its Electrical Products Division for approximately \$2,564,000, consisting of \$1,814,000 in cash and an 8% note for \$750,000, \$150,000 of which is payable December 31, 1973 and the balance payable in quarterly installments through December 31, 1977, and the assumption of certain liabilities. The note is secured by the capital stock of Aerovox Canada Limited. The gain on this sale of \$224,000 has been credited in the statement of operations as an extraordinary item after deducting \$68,000 of income taxes. Net sales of the subsidiary and the Electrical Products Division amounted to approximately \$9,401,000 and \$10,068,000 in 1971 and 1972, respectively.

During 1971 the Company decided to discontinue operating certain product lines which were disposed of or phased out in 1972. The estimated loss and expenses of \$807,000 expected to be incurred as a result of that decision were charged as an extraordinary item in 1971 after deducting \$38,000 in income tax benefits.

Note 3—AVX Ceramics Corporation

AVX was incorporated on April 24, 1972 as a wholly-owned subsidiary of the Company and, on May 22, 1972, the Company transferred to AVX as of April 1, 1972, the assets comprising its ceramic capacitor business in exchange for all of the capital stock of AVX and the assumption of certain liabilities, including \$1,200,000 of bank debt.

In June 1972 AVX sold 160,000 shares of capital stock in a public offering and received net proceeds of \$1,453,000. After this transaction, the Company's equity interest decreased to approximately 84%. The \$764,000 excess of the proceeds received by AVX from this sale over the resulting reduction in the Company's equity in the net assets of AVX has been credited to additional paid-in capital (Note 6).

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Statement of Financial Position

	December 30, 1972	January 1, 1972
Assets		
Cash and cash equivalents	\$ 2,000	\$ 45,000
Accounts receivable	668,000	1,066,000
Inventories	4,037,000	7,346,000
Prepaid expenses	167,000	280,000
Other assets	66,000	156,000
	<u>4,940,000</u>	<u>8,893,000</u>
Liabilities		
Accounts payable	2,543,000	5,206,000
Other liabilities	<u>2,397,000</u>	<u>3,687,000</u>

Notes to Financial Statements

1. The Company has various stock option plans for officers and key employees. Options granted under these plans have a term of ten years from the date of grant, become exercisable in whole or in part at the discretion of the Board of Directors, and expire no later than ten years from the date of grant. A summary of the activity of the plans during 1972 follows:

	Number of shares	Option price per share	Aggregate option price
Options granted during the year	79,500	\$5.13 to \$10.38	\$570,000
Options exercised	—	—	—
Options cancelled	11,483	5.13 to 7.25	67,000
Options outstanding at year-end	<u>19,150</u>	<u>5.13 to 9.88</u>	<u>116,000</u>
Options exercisable at year-end	<u>48,887</u>	<u>\$5.13 to \$10.38</u>	<u>\$387,000</u>

Options to purchase 17,612 shares at prices ranging from \$5.75 to \$10.38 per share or a total of \$146,000 were exercisable at December 30, 1972. Further options may be granted for 108,050 shares under the above plans.

In addition, during 1972 nonqualified options were granted to purchase 5,000 shares at an option price per share of \$8.00 for an aggregate option price of \$40,000. Options to

purchase 500 shares under this grant were cancelled prior to December 30, 1972. The remaining options are exercisable at any time and expire no later than ten years from date of grant.

AVX Ceramics Corporation has a stock option plan for officers and key employees under which 40,000 shares are reserved for the granting of either qualified or nonqualified options. Qualified options are granted at the

market value of common stock on the date of grant, are exercisable in whole or in part at any time and expire no later than five years from date of grant. During the thirty-nine weeks ended December 30, 1972, options were granted to purchase 28,800 shares at prices ranging from \$10.50 to \$18.87 per share, at an aggregate option price of \$419,000. No qualified options were exercised or cancelled. No nonqualified options have been granted as of December 30, 1972.

In February 1971 the Company repurchased 400,000 shares of its common stock and a warrant to purchase an additional 745,449 shares at the same amount for which these securities were originally sold in a private transaction in January 1970. The purchase price of \$2,450,000 and related expenses were charged to the treasury stock account. As of December 31, 1971, 142,855 unregistered shares of common stock held in treasury were issued in connection with the conversion of \$1,000,000 of subordinated notes. The \$884,000 cost of the shares issued has been credited to treasury stock. The \$116,000 excess of the principal amount of the convertible subordinated notes over the cost of the treasury stock issued has been credited to additional paid-in capital.

CORRECTION

Note 4 — Fixed Assets

Fixed assets were as follows:

	December 30, 1972	January 1, 1972
Land and improvements	\$ 2,000	\$ 45,000
Buildings and improvements	668,000	1,066,000
Machinery and equipment	4,037,000	7,346,000
Leasehold improvements	167,000	280,000
Construction in progress	66,000	156,000
	<u>4,940,000</u>	<u>8,893,000</u>
Less — Accumulated depreciation and, in 1971, reserve for estimated loss from planned disposition of machinery and equipment related to discontinued operations	<u>2,543,000</u>	<u>5,206,000</u>
	<u>\$2,397,000</u>	<u>\$3,687,000</u>

Note 5 — Common Stock and Stock Options

Under the Company's various stock option plans for officers and key employees, options are granted at the market value of common stock on the date of grant, become exercisable in varying installments commencing, at the earliest, one year after the date granted and expire five years from the date of grant. A summary of the activity of the plans during 1972 follows:

	Number of shares	Option price per share	Aggregate option price
Outstanding at beginning of year	79,500	\$5.13 to \$10.38	\$570,000
Granted	—	—	—
Exercised	11,463	5.13 to 7.25	67,000
Cancelled	19,150	5.13 to 9.88	116,000
Outstanding at end of year	<u>48,887</u>	<u>\$5.13 to \$10.38</u>	<u>\$387,000</u>

Options to purchase 17,612 shares at prices ranging from \$5.75 to \$10.38 per share or a total of \$146,000 were exercisable at December 30, 1972. Further options may be granted for 108,050 shares under the above plans.

In addition, during 1972 nonqualified options were granted to purchase 5,000 shares at an option price per share of \$8.00 for an aggregate option price of \$40,000. Options to

purchase 500 shares under this grant were cancelled prior to December 30, 1972. The remaining options are exercisable at any time and expire no later than ten years from date of grant.

AVX Ceramics Corporation has a stock option plan for officers and key employees under which 40,000 shares are reserved for the granting of either qualified or nonqualified options. Qualified options are granted at the

market value of common stock on the date of grant, are exercisable in whole or in part at any time and expire no later than five years from date of grant. During the thirty-nine weeks ended December 30, 1972, options were granted to purchase 28,800 shares at prices ranging from \$10.50 to \$18.87 per share, at an aggregate option price of \$419,000. No qualified options were exercised or cancelled. No nonqualified options have been granted as of December 30, 1972.

In February 1971 the Company repurchased 400,000 shares of its common stock and a warrant to purchase an additional 745,449 shares at the same amount for which these securities were originally sold in a private transaction in January 1970. The purchase price of \$2,450,000 and related expenses were charged to the treasury stock account. As of December 31, 1971, 142,855 unregistered shares of common stock held in treasury were issued in connection with the conversion of \$1,000,000 of subordinated notes. The \$884,000 cost of the shares issued has been credited to treasury stock. The \$116,000 excess of the principal amount of the convertible subordinated notes over the cost of the treasury stock issued has been credited to additional paid-in capital.

Aerovox Corporation and Subsidiaries

Notes

Note 6 — Additional Paid-In Capital

Changes in additional paid-in capital were as follows:

	52 weeks ended December 30 1972	53 weeks ended January 1, 1972
Balance at beginning of year	\$5,404,000	\$5,287,000
Excess of proceeds received by AVX from sale of common stock over the resulting reduction in the Company's equity in net assets of AVX (Note 3)	764,000	
Federal income tax reductions attributable to deductions for certain stock option transactions	3,000	
Excess of proceeds from exercise of stock options over the par value of common stock (Note 5)	57,000	1,000
Principal amount of subordinated notes converted in excess of cost of treasury stock issued (Note 5)		116,000
Balance at end of year	<u>\$6,228,000</u>	<u>\$5,404,000</u>

Note 7 — Income Taxes

The Company provides for income taxes based on book income or loss. The various elements of provisions for income taxes for fiscal years 1972 and 1971 are summarized as follows:

	Federal income taxes currently payable (recoverable)	State income taxes	Net deferred taxes related to timing differences charge (credit)
<u>1972</u>			
Provision for income taxes on continuing operations	\$1,081,000	\$177,000	\$ 33,000
Investment tax credit	(158,000)		
Income tax credits applicable to loss from operations sold or discontinued	(475,000)		
Net income tax credits applicable to extraordinary items	(268,000)		
	<u>\$ 180,000</u>	<u>\$177,000</u>	<u>\$ 33,000</u>
<u>1971</u>			
Provision for income taxes on continuing operations	\$ 816,000		\$ (68,000)
Income tax credits applicable to loss from operations sold or discontinued	(849,000)		
Net income tax credits applicable to extraordinary items	(10,000)		
	<u>\$ (43,000)</u>		<u>\$ (68,000)</u>

The Company uses the flow-through method of accounting for the investment tax credit. Approximately \$126,000 in unused investment tax credits on a book basis and \$57,000 on a tax basis remain available as a possible reduction of future income taxes through 1979.

Note 8—Deferred Profit-Sharing Plan

The Company has a formal deferred profit-sharing plan for certain employees of the Company and AVX. Contributions to the plan are based upon compensation paid to eligible employees, limited to a maximum percentage of

consolidated pretax net profits, and subject to approval by the Company's Board of Directors. Deferred profit-sharing expense of \$186,000 was charged to operations in 1972. No deferred profit-sharing expense was charged to operations in 1971.

Note 10—Net Income (Loss) Per Common Share

Income (loss) per share is based on the weighted average outstanding shares of common stock during the fiscal years (1,117,736 shares in 1972 and 1,012,798 shares in 1971) and includes stock options of the Company and AVX outstanding at December 30, 1972 deemed to be common stock equivalents. Stock options outstanding at January 1, 1972 are not included in the 1971 computation because their effect would be anti-dilutive.

Note 9—Extraordinary Items

Extraordinary items are summarized as follows:

	52 weeks ended December 30, 1972	53 weeks ended January 1, 1972
Gain from sale of capital stock of Canadian subsidiary and net assets of Electrical Products Division in 1972 (Note 2), and Canadian plant in 1971, less income taxes of \$68,000 in 1972 and \$28,000 in 1971	\$156,000	\$ 48,000
Income tax credit arising from utilization of prior year's loss carryovers	194,000	—
Estimated losses and expenses related to sale of subsidiary and product lines and, in 1971, to planned disposition of discontinued operations, less income tax credits of \$41,000 and \$38,000 for 1972 and 1971, respectively	(66,000)	(769,000)
Settlement for \$210,000 of lawsuit related to sale of allegedly defective capacitors, less related income taxes of \$101,000	(109,000)	—
	<u>\$175,000</u>	<u>(\$721,000)</u>

Note 11—Commitments

AVX leases its Myrtle Beach, South Carolina plant at an annual rental of approximately \$60,000 under an agreement expiring in 1983. These leased facilities are being expanded by the construction of a 45,000 square foot addition estimated to cost approximately \$520,000. The construction, which is expected to be completed by mid-1973, is being financed with working capital. AVX expects to enter into a sale and leaseback agreement with the present lessor upon completion of the addition.

Executive offices in Braintree, Massachusetts are leased under agreements expiring in 1977 and 1978 at an annual rental of approximately \$27,000.

Aerovox Corporation and Subsidiaries

Notes

Note 12—Proposed Merger of Aerovox Corporation and AVX Ceramics Corporation

The Boards of Directors of the Company and AVX have approved in principle a merger of the Company into AVX. Under the terms of the planned merger, which must be approved by the stockholders of both companies, each share of the Company will be exchanged for 0.9 shares of AVX.

In the merger, AVX would issue to the Company's stockholders, in exchange for their 1,105,624 shares outstanding, 850,000 shares (the number of AVX shares presently held by the Company) plus a number determined by dividing 20 $\frac{1}{2}$ into the net worth of the Company other than the 850,000 shares of AVX. The 20 $\frac{1}{2}$ represents the average reported bid price of AVX stock over the period January 2 through January 29, 1973.

On the basis of the Company's net worth of \$2,950,000 at January 2, 1973, AVX would issue approximately 145,000 shares bringing the total shares to be exchanged to 995,000. The exact terms of the transaction will be contained in a Proxy Statement to be issued in connection with the transaction.

The following condensed statements present the balance sheet and operations of the Company and AVX on an historical basis for 1971 and as if the companies had been merged during 1972:

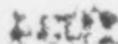
Condensed Balance Sheet

Assets	1972	1971
Current assets	\$ 8,763,000	\$ 7,785,000
Fixed assets, net	2,397,000	3,687,000
Other assets	680,000	119,000
	<u>\$11,840,000</u>	<u>\$11,591,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 3,027,000	\$ 4,274,000
Long-term liabilities	372,000	1,358,000
Stockholders' equity	8,441,000	5,959,000
	<u>\$11,840,000</u>	<u>\$11,591,000</u>

Condensed Statement of Operations

	1972	1971
Net sales from continuing operations	<u>\$22,170,000</u>	<u>\$16,692,000</u>
Income from continuing operations before extraordinary items	1,749,000	812,000
Loss from discontinued operations	(967,000)	(936,000)
Income (loss) before extraordinary items	782,000	(124,000)
Extraordinary items	175,000	(721,000)
Net income (loss)	<u>\$ 957,000</u>	<u>\$ (845,000)</u>
Per share:*		
Income from continuing operations before extraordinary items	\$1.43	\$.80
Loss from discontinued operations	(.79)	(.92)
Income (loss) before extraordinary items	.64	(.12)
Extraordinary items	.14	(.71)
Net income (loss)	<u>\$.78</u>	<u>(\$.83)</u>

*To determine the effect upon Aerovox common stock, in 1972 computed by applying the 0.9 exchange ratio to the 1,097,894 weighted average outstanding shares of AVX adjusted to give effect to the 145,000 shares to be issued in connection with the proposed merger and including stock options deemed to be common stock equivalents. 1971 per share amounts are historical; see Note 10.



Aerovox Corporation

10 Forbes Road at Route 128
P.O. Box 620
Braintree, Mass. 02184

Report of Independent Accountants

Directors

Herbert E. Grier
Senior Vice President of EG&G, Inc.
Milton C. Lauenstein
President of Ventron Corporation
Daniel L. McQuillan
President and Treasurer
H. Russell Morrison, Jr.
Chairman of the Board of
Huntingfield Corporation
W. Myron Owen
Chairman of the Board
Charles B. Smith
Associate, Rockefeller Family & Associates

Officers

W. Myron Owen
Chairman of the Board
Daniel L. McQuillan
President and Treasurer
T. Kenwood Mullare, Jr.
Corporate Counsel and Clerk
AVX Ceramics Corporation
Daniel L. McQuillan
President and Treasurer
Benedict P. Rosen
Vice President-General Manager
Donald K. Thostenson
Vice President-Sales
Joseph J. Giordano
Vice President-Controller
T. Kenwood Mullare, Jr.
Corporate Counsel and Secretary

Independent Accountants

Price Waterhouse & Co.
Boston, Massachusetts

Transfer Agent and Registrar

First National City Bank
New York, New York

To the Stockholders and Board of Directors of Aerovox Corporation

We have examined the consolidated balance sheet of Aerovox Corporation and its subsidiaries as of December 30, 1972 and January 1, 1972 and the related consolidated statements of operations and retained earnings and of changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 2, the parent company has sold the capital stock of its Canadian subsidiary and substantially all of the net assets of its Electrical Products Division. The Boards of Directors of Aerovox Corporation and its 84%-owned subsidiary, AVX Ceramics Corporation, have approved in principle a merger of Aerovox Corporation into AVX Ceramics Corporation, as explained in Note 3.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Aerovox Corporation and its subsidiaries at December 30, 1972 and January 1, 1972 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Boston, Massachusetts
February 14, 1973

Price Waterhouse & Co.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 29, 1973

Commission File Number 2-44374

AVX Corporation

(Exact name of registrant as specified in its charter)

<u>Delaware</u>	<u>04-249-7475</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

<u>98 Cutter Mill Road, Great Neck, New York</u>	<u>11021</u>
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (516) 829-8500

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

<u>Title of Each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock, Par Value \$1	American Stock Exchange Inc.

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. YES NO

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Item 1. Business

History

AVX Corporation ("AVX") was incorporated on April 24, 1972, as a wholly owned subsidiary of Aerovox Corporation ("Aerovox"). As of April 1, 1972, Aerovox transferred to AVX the assets comprising Aerovox's ceramic capacitor business, which constituted a separate business from Aerovox's manufacturing of other types of capacitors. On July 1, 1972, AVX sold 160,000 shares to the public, leaving Aerovox with 84% of the stock. On June 4, 1973, Aerovox, which had disposed of its remaining business, was merged into AVX.

On August 21, 1973, OPCOA, Inc. was merged into AVX, resulting in the issuance by AVX of 232,941 shares of Common Stock in exchange for all the outstanding shares of OPCOA. OPCOA was in the business of manufacturing and marketing solid state visible number displays, solid state lamps and related assemblies and indicator light assemblies using gallium phosphide ("GaP") light emitting diodes.

On June 22, 1973, AVX purchased, for approximately \$485,000 in cash, certain assets, principally inventories and production equipment, relating to the manufacture of ceramic electromagnetic interference filters of the Potter Division of PEMCOR, Inc., located at San Diego, California, and Tijuana, Mexico. AVX has begun to manufacture its ceramic electromagnetic interference filters at those locations.

Products

AVX is primarily engaged in the businesses of designing, manufacturing and selling (i) ceramic capacitors and electromagnetic filters and (ii) light emitting diode ("LED")

products utilizing gallium phosphide technology. The following table sets forth the approximate percentage of AVX's net sales and income from continuing operations before income taxes and minority interest accounted for by each of the two lines of business during the five fiscal years ended December 29, 1973.

	Year Ended				
	<u>12/27/69</u>	<u>12/26/70</u>	<u>1/1/71</u>	<u>12/30/72</u>	<u>12/29/73</u>
<u>Contribution to Sales</u>					
Ceramic Capacitors and electromagnetic filters	100%	99.7%	97%	95%	92%
Light emitting diode products*	---	.3%	3%	5%	8%
<u>Contribution to Net Income</u>					
Ceramic capacitors and electromagnetic filters	100%	148%	129%	118%	139%
Light emitting diode products*	---	(48)%	(29)%	(18)%	(39)%

* Represents the business of OPCOA acquired in August 1973. OPCOA was organized in August 1969.

Capacitors and Filters. A capacitor is a device capable of storing electrical energy for release at a pre-determined rate and time. Capacitors are used as basic components in electrical or electronic circuits in applications where blocking, coupling, by-passing, frequency discrimination, timing, voltage transient depression, energy storage, arc suppression, and power factor conditions may be required. The ceramic capacitor in tubular or disk form has found advantages in many consumer, industrial, military and aerospace applications

because of its exceptional physical and electrical performance and its high capacitance--volume relationships when compared to other types of dielectric materials.

In recent years, the development of the monolithic ceramic capacitor has provided increased capacitance per volume when lower voltages permit. In addition, the hermeticity of the ceramic structure provides improved reliability. Also, because of the small size and stack plate construction, the monolithic capacitor has gained popularity in many high frequency applications such as data processing and telecommunications.

AVX also designs, manufactures and sells ceramic electromagnetic interference filters which are used primarily to suppress electrical noise in communications, navigation and control equipment. These filters are manufactured by combining AVX's ceramic capacitors with inductors principally made by others.

LEDs. The OPCOA Division produces solid state visible number displays, solid state lamps and related assemblies and hardware based upon GaP technology. The LEDs produced by OPCOA and utilized in the displays emit visible red, yellow-green or, with appropriate filters, yellow or green light. A typical display manufactured by the OPCOA Division contains a seven-segment character, about one-third inch high, plus a decimal point. Each segment of the character is a narrow rectangle illuminated by a single GaP diode at its center. The shape of the character is such that, by activating the diodes in various segments, any digit (0 through 9) and several alphabet characters can be illuminated on the surface of the display.

The displays and assemblies are sold to manufacturers for incorporation in electronic products such as test equipment, aircraft and machine tool instrumentation, point-of-sale equipment, communications equipment, calculators, watches and computers. The lamps are utilized by other manufacturers primarily as indicator lights in instrumentation, computer and consumer products.

Markets

The following table sets forth the approximate percentages of sales of ceramic capacitors and filters of AVX during 1970, 1971, 1972 and 1973 by market:

	Percentage of Sales			
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Consumer products	30%	41%	38%	39%
Military and aerospace	32%	28%	35%	28%
Electronic data processing	25%	17%	18%	18%
Other (including tele-communications)	<u>13%</u>	<u>14%</u>	<u>9%</u>	<u>15%</u>
	100%	100%	100%	100%

Sales and Distribution

The following table sets forth the approximate percentages of sales by AVX of ceramic capacitors and filters accounted for by its largest customers other than distributors during the last two years:

	<u>1972</u>	<u>1973</u>
Largest customer (RCA)	14%	11%
Five largest customers	33%	35%
Twenty-five largest customers	65%	64%

Sales of ceramic capacitors and filters outside the United States represented approximately 9% and 6%, respectively, of AVX's capacitor and filter sales in the last two years.

No single customer accounted for more than 10% of sales of LED products during the last two fiscal years. During those periods, the five largest customers accounted for approximately 22% and 21%, respectively, of sales of LED displays and lamps. Sales of LED products outside the United States represented approximately 11% and 23%, respectively, of LED sales in the last two years.

Most sales of AVX's products are made through distributors and independent manufacturers' representatives. These manufacturers' representatives are compensated on a commission basis, handle other noncompeting electrical and electronic components, and sell directly to end users and to regional and national distributors. AVX has a sales and marketing staff of 32 persons who provide marketing, price and delivery information to the manufacturers' representatives and customers and also sell directly to customers. Engineering and technical personnel also assist the manufacturers' representatives in handling special customer requirements. AVX does not have significant long-term sales contracts.

AVX had a backlog of orders which it believes to be firm (i) for ceramic capacitors of approximately \$21,000,000 on December 29, 1973, as compared to approximately \$8,000,000 on December 30, 1972, and (ii) for LED products of approximately \$526,000 on December 29, 1973, as compared to approximately \$449,000 on December 30, 1972. Approximately 90% of the backlog of ceramic capacitors and 95% of the backlog of LED products at December 29, 1973, are scheduled for delivery

within six months. The backlog outstanding at any particular time is not necessarily indicative of the level of business to be expected in the ensuing period.

Raw Materials

The ceramic material in 90% of AVX's ceramic capacitors, and in most ceramic capacitors manufactured by others, is barium titanate, a powder. AVX buys approximately 98% of its requirements of barium titanate from one supplier which AVX believes to be the major domestic source of this material. AVX has been purchasing barium titanate from this supplier since 1954. Although alternative sources of supply do exist, AVX does not believe it could obtain sufficient quantities if the major supplier ceased to produce and no additional source of supply became available. AVX orders its requirements of barium titanate by the railroad carload or truckload and maintains on hand at least a three-week supply of this material, based on current production. AVX has never experienced difficulty in obtaining supplies of barium titanate.

AVX also uses palladium in its ceramic capacitors. The price of palladium has increased sharply since the middle of 1972. Management believes that an adequate supply of palladium will be available for the foreseeable future, although prices may continue to rise.

Approximately 95% of the polycrystalline GaP required for AVX's LEDs is purchased from three suppliers, one of which currently furnishes approximately 60% of OPCOA's requirements.

The other raw materials used by AVX, such as silver and copper wire, are supplied by, and available from, many suppliers.

Manufacturing

AVX manufactures a wide range of mechanical configurations of ceramic capacitors, with various electrical characteristics. The three basic configurations of ceramic capacitors are disk, tubular, and monolithic (multilayer). Disk and tubular ceramic capacitors are manufactured by depositing a thin metallic film of silver (the electrode) on the ceramic and firing the units at high temperatures. Monolithic (multilayer) ceramic capacitors are manufactured by depositing a thin metallic film, usually palladium or platinum, on layers of ceramic insulating material having thicknesses down to .01 inches, stacking these layers, and firing the entire assembly into a single monolithic block at very high temperatures. AVX's ceramic capacitors generally range in unit price from 1¢ to \$50 and are made to several thousand different specifications. AVX's ceramic capacitor manufacturing process is highly mechanized. The capacitors are manufactured to precise performance tolerances and, therefore, quality control is an important factor in the manufacturing process.

GaP diodes are manufactured by a process which begins with the conversion of polycrystalline GaP into single crystal ingots of GaP, one inch or more in diameter, in a pressurized high temperature furnace. The single crystal ingots are sliced into thin wafers on which epitaxial layers (approximately .002" thick) of GaP containing controlled amounts of selected impurities are grown to form the light emitting diode junction. The wafers are then further processed and eventually diced into a large number of diodes. The diodes are bonded to wires, encapsulated and assembled with associated components into lamps or displays by techniques which are basically modi-

fications of those in use for other semi-conductor products.

AVX estimates that full utilization is being made of its present equipment for production of GaP materials and diodes. It is currently engaged in a program to increase its capacity to produce polycrystalline GaP, crystals and diodes in its existing plant in Edison, New Jersey.

Almost all the assembly steps for AVX's LEDs are performed by an independent contractor in South Korea. However, legislation pending in the United States Congress may inhibit or prevent the use of low-cost foreign labor in the manufacture of products intended to be marketed in the United States. AVX cannot predict the effect which the enactment of such legislation would have upon the results of its operations.

Research and Development

During 1972 and 1973, AVX spent approximately \$324,000 and \$694,000, respectively for research and product development. AVX employs 34 persons full time in this work, 11 of whom hold advanced scientific degrees.

Patents and Trademarks

Although AVX owns a limited number of patents and patent applications relating to its business, it does not believe any such patent or patent application is material to its business. AVX utilizes two patents of Western Electric Company, Inc., under a non-exclusive licensing agreement (terminable at any time by either party) in the manufacture of LED products. AVX does not believe that such license is essential to its ability to produce such products although alternative manufacturing techniques might increase manufacturing costs. AVX relies in the conduct of its business

primarily on its experience and know-how in engineering, product design and process technology, rather than on patent protection. Certain products are covered by trademarks owned by AVX.

Employees

As of December 29, 1973, AVX had 2,418 full-time employees, of whom 2,242 were involved in manufacturing, 63 in product engineering, 34 in research and development and 79 in marketing, sales, administrative, and executive capacities.

Competition

Competition in the ceramic capacitor and filter business is intense. AVX estimates that there are approximately 25 domestic manufacturers of ceramic capacitors and filters. Although there are competitors for each category of AVX's products, only a few compete with the full line of AVX's products. Several competitors have greater financial and personnel resources than AVX. In certain instances AVX's products compete with nonceramic capacitors. Based upon published information, AVX believes it is one of the three largest manufacturers of ceramic capacitors in the United States.

Certain types of ceramic capacitors have been imported in recent years in successful competition with domestic manufacturers. Several domestic manufacturers of consumer products, including radio and television sets, now produce their products outside the United States and purchase some of their capacitors abroad. During the past several years, competition from foreign manufacturers has been reflected in

reductions in the price of some AVX products.

AVX competes with a large number of companies, both foreign and domestic, in the manufacture and marketing of conventional and solid state light emitting devices. Its share of sales of all such products is not significant.

A number of companies manufacture and market semiconductor light emitting diodes and devices, based on GaP or GaAsP technology, including companies with established customer relationships in the light emitting device market and companies with considerably larger financial resources than AVX. GaAsP diodes share a number of the advantages of GaP diodes over conventional light sources and may have certain advantages over red light emitting GaP diodes in certain pulse-type applications. However, GaP diodes produce more light output for a given power input and have physical properties which enable them to produce green light, while GaAsP diodes do not.

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

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Item 2. Summary of Operations

AVX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FIVE FISCAL YEARS ENDED DECEMBER 29, 1973

	Fiscal Period (f)				
	1969	1970	1971	1972	1973
	(in thousands of dollars except per share amounts)				
Continuing operations:					
Net sales	\$15,213	\$14,104	\$17,198	\$23,339	\$30,187
Costs, expenses and other (income) expense:					
Cost of sales (b)	14,062	11,753	13,629	17,950	23,352
Selling, general and administrative expenses	1,443	1,782	2,222	2,936	4,640
Interest expense	402	223	182	101	68
Interest income	(34)	(220)	(37)	(40)	(241)
Other (income) expense, net		(85)	(9)	(54)	43
	15,873	13,453	15,987	20,893	27,862
Income (loss) from continuing operations before income taxes and minority interest	(660)	651	1,211	2,446	2,325
Provision (credit) for income taxes	(240)	366	748	1,133	1,268
Minority interest (Note 2)	(420)	285	463	1,313	1,057
Income (loss) from continuing operations				180	118
Loss from operations sold or discontinued less related income tax credits (d)	(420)	285	463	1,133	939
Income (loss) before extraordinary items	(357)	(260)	(936)	(967)	-
Extraordinary items (c)	(777)	25	(473)	166	939
Net income (loss)	(1,914)	395	(721)	175	454
Retained earnings at beginning of year	(2,691)	420	(1,194)	341	1,393
Cancellation of treasury stock	3,552	861	1,281	87	428
Retained earnings at end of year	\$ 861	\$ 1,281	\$ 87	\$ 428	\$ 1,490
Per share of common stock (e):					
Income (loss) from continuing operations	\$ (.45)	\$.20	\$.41	\$.91	\$.69
Loss from operations sold or discontinued	(.38)	(.18)	(.82)	(.78)	-
Income (loss) before extraordinary items	(.83)	.02	(.41)	.13	.69
Extraordinary items	(2.04)	.27	(.63)	.14	.33
Net income (loss)	\$ (2.87)	\$.29	\$ (1.04)	\$.27	\$ 1.02
Average shares outstanding	938,491	1,449,044	1,144,567	1,245,962	1,357,827

Numerical note references relate to Notes to Consolidated Financial Statements which appear elsewhere in report.

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS
AND RETAINED EARNINGS OF AVX

(a) The foregoing statement reflects the June 4, 1973 merger of Aerovox and AVX (see Note 2 to Consolidated Financial Statements of AVX) which has been accounted for as if Aerovox had purchased the minority interest in AVX and the August 21, 1973 merger of AVX and Opcoa (see Note 3 to Consolidated Financial Statements of AVX) which has been accounted for as a pooling of interests. The historical consolidated statement of operations and retained earnings being provided is the historical consolidated statement of operations and retained earnings of Aerovox after restatement for all periods to include the results of operations of Opcoa and, as to the computation of earnings per share, gives retroactive effect to the 0.9 exchange ratio described in Note 2 to Consolidated Financial Statements of AVX.

The income (loss) from continuing operations represents the results of operations of the ceramic capacitor business and Opcoa that now comprises AVX and reflects the absorption of Aerovox corporate, general and administrative expenses, including all interest expense.

A reconciliation of the amount of net sales and net income (loss) from continuing operations previously reported by AVX and as reflected in the foregoing statement follows:

	Fiscal Period			
	1969	1970	1971	1972
	(in thousands of dollars)			
Net sales:				
Previously reported	\$15,213	\$14,065	\$16,692	\$22,170
Add: net sales of Opcoa	-	39	506	1,169
	\$15,213	\$14,104	\$17,198	\$23,339
Net income (loss):				
Previously reported	\$ (363)	\$ 598	\$ 812	\$ 1,569
Less: net losses of Opcoa	(57)	(313)	(349)	(436)
	\$ (420)	\$ 285	\$ 463	\$ 1,133

(b) Certain plant expenses previously included in selling, general and administrative expenses have been reclassified to cost of sales for the two fiscal periods ended December 26, 1970 to conform with 1971, 1972 and 1973 classifications.

(c) Extraordinary items are comprised of the following:

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
	(in thousands of dollars)				
Gains from sales of subsidiary and facilities less income taxes of \$34,000, \$28,000 and \$68,000 in 1970, 1971 and 1972, respectively		\$110	\$ 48	\$156	
Income tax credits arising from utilization of prior year's loss carryovers and in 1973 from utilization of Opcoa's loss carryovers		285		194	\$454
Estimated losses and expenses related to subsidiary and operations sold or discontinued less income tax credits of \$392,000, \$38,000 and \$41,000 for 1969, 1971 and 1972, respectively	\$(1,765)		(769)	(66)	
Settlement of law suit, less related income taxes of \$101,000				(109)	
Write-off of intangible assets		(149)			
	\$(1,914)	\$395	\$(721)	\$175	\$454

The \$156,000 extraordinary gain in 1972 represents proceeds from the sale of the Canadian subsidiary and the remaining product lines and facilities at New Bedford, Massachusetts over their related net book value after deduction of income taxes. In December 1971, the Canadian subsidiary sold its Hamilton, Ontario plant at a net gain of \$48,000 after deducting estimated relocation costs of \$50,000. The net gain of \$110,000 in 1970 resulted from the sale of the Moncks Corner, South Carolina plant. The extraordinary net loss and expenses of \$1,765,000 in 1969 relate to the abandonment of operations at the Moncks Corner, South Carolina plant and certain product lines of other plants. The extraordinary estimated net loss and expenses of \$769,000 in 1971 relate to the planned disposition of certain product lines discontinued in 1972. The \$66,000 extraordinary charge in 1972 relates to estimated expenses on the sale of the Canadian subsidiary and the remaining product lines and facilities at New Bedford, Massachusetts.

(d) Net sales and directly related costs and expenses attributable to operations sold or discontinued have been removed from "Continuing operations" and are included in "Loss from operations sold or discontinued less related income tax credits" in the

accompanying consolidated statement of operations and retained earnings. Net sales of operations sold or discontinued for the fiscal years 1969 through 1972 amounted to \$17,029,000, \$16,737,000, \$12,358,000 and \$10,068,000, respectively. Income tax credits applicable to these operations for the fiscal years 1969 through 1972 amounted to \$167,000, \$162,000, \$849,000 and \$475,000, respectively.

(e) Income (loss) per share is based upon the weighted average number of shares of common stock outstanding during each year, including for the 1973 and 1972 fiscal periods stock options and a warrant outstanding, and gives retroactive effect to the 0.9 exchange ratio and the acquisition of Opcoa described in Notes 2 and 3, respectively, of the Consolidated Financial Statements of AVX. Stock options outstanding at December 26, 1970 had no dilutive effect on income per share. Stock options outstanding at the end of fiscal periods 1969 and 1971 have not been included in the computations because their inclusion would have been anti-dilutive. No cash dividends have been paid.

(f) 52 weeks ended December 27, 1969 and December 26, 1970, 53 weeks ended January 1, 1972 and 52 weeks ended December 30, 1972 and December 29, 1973.

The net loss in 1969 was attributable primarily to selling price declines, inventory and goodwill write-offs and a month's strike at the Myrtle Beach, South Carolina plant. The improvement in net income in 1970 is attributable in large part to declines in labor and overhead expenses, which reflect the results of a cost reduction study undertaken by management. The net loss for 1971 is primarily attributable to the \$769,000 provision for estimated loss and expenses from planned disposition of discontinued operations, after related income tax credits of \$38,000 and the net loss of Opcoa. The increase in net income in 1972 and 1973 is attributable principally to increased sales without corresponding increases in costs reduced by the net losses of Opcoa.

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL
FIVE FISCAL YEARS ENDED DECEMBER 29, 1973

	Fiscal Period				
	1969	1970	1971	1972	1973
	(in thousands of dollars)				
Balance at beginning of year	\$3,364	\$3,985	\$6,408	\$6,525	\$8,724
Cancellation of treasury stock of Aerovox (Note 2)					(1,002)
Net shares issued in merger of Aerovox into AVX (Note 2)					(49)
Elimination of minority interest in AVX (Note 2)					1,275
Excess of proceeds received by AVX from sale of common stock over the resulting reduction of Aerovox's equity in net assets of AVX (Note 2)				764	
Excess of proceeds from sale of Opcoa common stock over par value of common stock	560	561		1,368	
Excess of proceeds from sale of Aerovox common stock over par value of common stock		1,862			
Excess of net proceeds from exercise of stock options over the par value of common stock	61		1	57	47
Principal amount of subordinated notes converted in excess of cost of treasury stock issued			116		
Common stock issued as bonuses to Opcoa employees				7	
Federal income tax reductions attributable to deduction for certain stock option transactions				3	
Balance at end of year	\$3,985	\$6,408	\$6,525	\$8,724	\$8,995

Numerical note references relate to Notes
to Consolidated Financial Statements
which appear elsewhere in this report.

Item 3. Properties

Manufacturing of ceramic capacitors takes place at Myrtle Beach, South Carolina, in a one-story brick building containing 153,000 square feet, including a 45,000 square foot addition completed in November 1973 (the basic plant being leased through 1983 and the addition, located on leased land, being owned by the Company), and in two one-story brick buildings in Olean, New York, containing an aggregate of 90,000 square feet (leased through 1979). Manufacturing of filters takes place at San Diego, California, and Tijuana, Mexico, in plants containing an aggregate of 28,000 square feet, leased through June 1978 and February 1976, respectively. Manufacturing of LED products takes place at Edison, New Jersey, in a plant containing 22,500 square feet, leased until 1989. AVX leases offices in Braintree, Massachusetts, and executive offices in Great Neck, New York.

Item 4. Parents and Subsidiaries

<u>Registrant</u>	<u>Where Organized</u>	<u>Percentage of Voting Securities Owned</u>
AVX Corporation	Delaware	

The subsidiaries of the Company considered in the aggregate as a single subsidiary would not constitute a significant subsidiary.

Item 5. Pending Legal Proceedings

None.

Item 6. Increases and Decreases in Outstanding Securities

Common Stock

<u>Date of Transaction</u>	<u>Number of Shares</u>
Outstanding December 30, 1972	1,010,000
Issued upon exercise of stock options December 31, 1972 - December 29, 1973	745 (1)
Issued June 4, 1973, upon merger of Aerovox into AVX	152,082 (2)
Issued August 21, 1973, upon merger of OPCOA into AVX	<u>232,941 (3)</u>
Outstanding December 29, 1973	1,395,768

-
- (1) Such shares were registered under the Securities Act of 1933 on Form S-8 (Registration No. 2-48192).
- (2) Such shares were registered under the Securities Act of 1933 on Form S-14 (Registration No. 2-47200). The 152,082 shares of Common Stock of AVX shown as having been issued represent the difference between the 1,002,082 shares issued in the merger to the stockholders of Aerovox and the 850,000 shares owned by Aerovox which were retired upon the merger.
- (3) Such shares were registered under the Securities Act of 1933 on Form S-14 (Registration No. 2-48274).

Options for Common Stock

<u>Date of Transaction</u>	<u>Number of Shares of Common Stock Offered Under Options</u>
Outstanding December 30, 1972	28,800
Granted December 31, 1972 - December 29, 1973	75,050
Assumed June 4, 1973, upon merger of Aerovox into AVX	38,328
Assumed August 21, 1973, upon merger of OPCOA into AVX	21,570
Exercised or lapsed December 31, 1972 - December 29, 1973	<u>4,482</u>
Outstanding December 29, 1973	159,266 (1)

-
- (1) The shares of Common Stock offered under the options

registered under the Securities Act of 1933 on Form S-8 (Registration Nos. 2-48192 and 49082). In addition, a warrant for the purchase of 4,651 shares of AVX Common Stock was assumed upon the merger with OPCOA and was outstanding on December 29, 1973.

Item 7. Approximate Number of Equity Security Holders

<u>Title of Class</u>	<u>Number of Record Holders</u>
Common Stock, Par Value \$1	2,400

Item 8. Executive Officers of the Registrant

<u>Name</u>	<u>Position</u>	<u>Age</u>
Marshall D. Butler	Chairman of the Board	47
Daniel L. McQuillan	President	53
Bernard Zisman	Vice President-Finance, Treasurer and Secretary	48
Benedict P. Rosen	Vice President-General Manager, Ceramic Division	37
Aaron Kestenbaum	Vice President-General Manager, OPCOA Division	47
William L. Dawson	Vice President-Marketing	34

Mr. Butler became Chairman of the Board and chief executive officer of the Company in September 1973. He was chief executive officer of Alloys Unlimited, Inc., a semi-conductor and electronic components manufacturer, from its founding in 1957 until its acquisition by The Plessey Company Limited in 1970. He served as President of Plessey Incorporated, the United States subsidiary of The Plessey Company Limited, from 1970 until April 1973. From April 1973 until September 1973, Mr. Butler attended to his personal investments.

Mr. McQuillan has been President of AVX since its

founding and has been President of Aerovox Corporation since 1970. He joined Aerovox in 1969 as Senior Vice President, and prior thereto was President of Transitor Electronics, Inc.

Mr. Zisman joined AVX as Vice President-Finance and Treasurer in November 1973 and became Secretary in March 1974. From November 1969 through November 1973, he had an independent management consulting firm and on a part-time basis held offices in corporations as follows: From November through December 1969, he was Vice President of Audio Communications, Inc.; from June 1971 through June 1972, he was Executive Vice President of Park Electrochemical Corp.; from June 1972 through June 1973, he was Vice President of Teletronics International Corp.; and from June 1973 through October 1973, he was Executive Vice President of Miconics Industries Inc. Prior to October 1969, he had been Vice President-Operations of Alloys Unlimited, Inc.

Mr. Rosen joined Aerovox in January 1972 as General Manager of its ceramics capacitor group and became a Vice President of AVX on its formation in April 1973. Prior to joining Aerovox, he held various management positions at Sprague Electric Company.

Mr. Kestenbaum was President of OPCOA, Inc. from its founding in August 1969 until its merger into AVX in August 1973. Prior to August 1969, he had been General Manager, Hybrid Micro Electronics Division of General Instrument Corporation.

Mr. Dawson joined AVX in February 1974. For more than five years prior to that he was General Manager, Electronic Materials Division of Plessey Incorporated.

No family relationship exists among any of the officers named above.

Item 9. Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware grants each Corporation organized thereunder the power to indemnify its directors and officers against liabilities for certain of their acts. See Article XI of Registrants' By-laws (Exhibit 3(b) of Registration Statement 2-44374) with respect to the directors and officers of Registrant.

Item 10. Financial Statements and Exhibits Filed

(a) Financial statements as set forth in the accompanying index to financial statements on page F-2 of this Annual Report.

(b) Exhibits:

- 1 Calculation of Earnings Per Share.

Items 11 through 15.

Items 11 through 15 are omitted from this Annual Report since the Registrant will file a definitive proxy statement pursuant to Regulation 14A not later than 120 days after December 29, 1973, the close of its fiscal year.

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.

AVX CORPORATION (Registrant),

by Bernard Zisman

Bernard Zisman
Vice President-Finance,
Treasurer and Secretary

Date: March 29, 1974

AVX CORPORATION AND SUBSIDIARIES

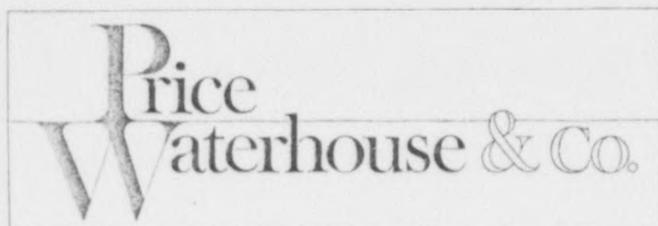
FORM 10-K
ANNUAL REPORT FOR YEAR ENDED DECEMBER 29, 1973
CONSOLIDATED FINANCIAL STATEMENTS

AVX CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated balance sheets - December 29, 1973 and December 30, 1972	F-4
Consolidated statement of income and retained earnings for two years ended December 29, 1973	F-5
Consolidated statement of changes in financial position for two years ended December 29, 1973	F-6, F-7
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XII - Valuation and qualifying accounts and reserves - fiscal years ended December 29, 1973 and December 30, 1972	F-20, 21

All schedules not listed above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.



225 FRANKLIN STREET, BOSTON, MASSACHUSETTS 02110
617-423-7330

February 14, 1974

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
AVX Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly the financial position of AVX Corporation and its subsidiaries at December 29, 1973 and December 30, 1972, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

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AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

<u>Assets</u>	<u>December 29, 1973</u>	<u>December 30, 1972</u>	<u>Liabilities and Stockholders' Equity</u>	<u>December 29, 1973</u>	<u>December 30, 1972</u>
Current assets:			Current liabilities:		
Cash and marketable securities	\$ 1,327,000	\$ 2,171,000	5-3/4% note payable to bank	\$ -	\$ 250,000
Accounts and notes receivable, less allowance for doubtful accounts of \$163,000 in 1973 and \$130,000 in 1972	4,242,000	3,850,000	Current portion of leased property and equipment obligations (Note 1)	155,000	109,000
Receivable related to sale of subsidiary and product lines, less non-current portion (Note 4)	300,000	1,914,000	Accounts payable	1,002,000	870,000
Inventories (Note 5)	4,285,000	2,191,000	Accrued expenses	1,856,000	1,390,000
Other current assets	254,000	80,000	Federal and state income taxes payable (Note 9)	580,000	392,000
	<u>10,408,000</u>	<u>10,206,000</u>	Reserve for estimated expenses related to sale of subsidiary and product lines (Note 4)	-	300,000
Fixed assets, at cost less accumulated depreciation (Notes 1, 6 and 13)	4,770,000	3,095,000		<u>3,593,000</u>	<u>3,311,000</u>
Other assets:			Long-term portion of leased property and equipment obligations (Note 1)	568,000	661,000
Note receivable related to sale of subsidiary and product lines (Note 4)	450,000	600,000	Minority interest (Note 2)	-	869,000
Goodwill (Note 2)	337,000	-	Stockholders' equity (Notes 1, 2, 3, 7 and 8):		
Other	77,000	98,000	Preferred stock, \$1 par value:		
	<u>864,000</u>	<u>698,000</u>	Authorized - 1,000,000 shares in 1972		
			Issued - none	-	-
			Common stock, \$1 par value:		
			Authorized shares - 4,000,000 in 1973 and 5,000,000 in 1972		
			Issued shares - 1,395,768 in 1973 and 1,595,818 in 1972	1,396,000	1,596,000
			Additional paid-in capital	8,995,000	8,724,000
			Retained earnings	1,490,000	428,000
				<u>11,881,000</u>	<u>10,748,000</u>
			Less - Cost of 257,145 shares held in the treasury (Note 2)	-	1,590,000
				<u>11,881,000</u>	<u>9,158,000</u>
			Commitments (Note 13)		
	<u>\$16,042,000</u>	<u>\$13,999,000</u>		<u>\$16,042,000</u>	<u>\$13,999,000</u>

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
Continuing operations:		
Net sales	\$30,187,000	\$23,339,000
Costs, expenses and other (income):		
Cost of sales	23,352,000	17,950,000
Selling, general and administrative expenses	4,640,000	2,936,000
Interest expense	68,000	101,000
Other (income), including interest income of \$241,000 in 1973 and \$40,000 in 1972	(198,000)	(94,000)
	27,862,000	20,893,000
Income from continuing operations before income taxes and minority interest	2,325,000	2,446,000
Provision for income taxes (Note 9)	1,268,000	1,133,000
	1,057,000	1,313,000
Minority interest (Note 2)	118,000	180,000
Income from continuing operations	939,000	1,133,000
Loss from operations of subsidiary and product lines sold, less income tax credit of \$475,000 (Note 4)	-	967,000
Income before extraordinary items	939,000	166,000
Extraordinary items (Note 11)	454,000	175,000
Net income	1,393,000	341,000
Retained earnings at beginning of year	428,000	87,000
Cancellation of treasury stock (Note 2)	(331,000)	-
Retained earnings at end of year	\$ 1,490,000	\$ 428,000
Income (loss) per share of common stock (Note 12):		
Income from continuing operations	\$.69	\$.91
Loss from operations sold	-	(.78)
Income before extraordinary items	.69	.13
Extraordinary items	.33	.14
Net income	\$ 1.02	\$.27

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
Source of funds:		
From operations:		
Income before extraordinary items	\$ 939,000	\$ 166,000
Depreciation and amortization	473,000	588,000
Minority interest	118,000	180,000
	1,530,000	934,000
Extraordinary items including, in 1972, \$2,564,000 proceeds from sale of subsidiary and product lines less non- current portion of \$600,000 (Note 4)	454,000	1,983,000
	1,984,000	2,917,000
Financing through long-term leased equipment obligations	99,000	225,000
Proceeds received by AVX Ceramics from sale of common stock, allocated to additional paid-in capital \$764,000 (Notes 2 and 8) and to minority interest \$689,000	-	1,453,000
Exercise of stock options (Note 7)	55,000	69,000
Elimination of minority interest in subsidiary and recognition of goodwill (Note 2)	1,217,000	-
Reduction in note receivable related to sale of subsidiary and product lines	150,000	-
Proceeds from sale of Opcoa common stock (Note 3)	-	1,462,000
Other	8,000	42,000
Total funds provided	3,513,000	6,168,000
Use of funds:		
Deemed purchase of minority interest in subsidiary and recognition of goodwill (Note 2)	1,217,000	-
Sale of net current assets of subsidiary and product lines (Note 4)	-	550,000
Additions to fixed assets	2,184,000	1,454,000
Repayment of long-term debt	-	950,000
Repayment of leased property and equip- ment obligations	192,000	114,000
Total funds used	3,593,000	3,068,000
Increase (decrease) in working capital	\$ (80,000)	\$3,100,000

AVX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	52 Weeks Ended	
	December 29, 1973	December 30, 1972
Components of working capital increase (decrease):		
Increase (decrease) in current assets:		
Cash and marketable securities	\$ (844,000)	\$1,189,000
Accounts and notes receivable	392,000	(114,000)
Receivable related to sale of subsidiary and product lines	(1,614,000)	1,914,000
Inventories	2,094,000	(952,000)
Other current assets	174,000	(34,000)
	202,000	2,003,000
(Increase) decrease in current liabilities:		
Note payable to bank	250,000	(250,000)
Current portion of leased property and equipment obligations	(46,000)	(34,000)
Accounts payable and accrued expenses	(598,000)	1,716,000
Federal and state income taxes payable	(188,000)	(392,000)
Reserve for estimated expenses	300,000	57,000
	(282,000)	1,097,000
Increase (decrease) in working capital	(80,000)	3,100,000
Working capital at beginning of year	6,895,000	3,795,000
Working capital at end of year	\$6,815,000	\$6,895,000

AVX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Accounting Policies

Basis of Consolidation and Restatement of Prior Year

The 1973 consolidated financial statements include the accounts of AVX Corporation (AVX), three insignificant wholly-owned subsidiaries, and, for 1972, the loss from operations sold as of January 2, 1973. In June 1973 AVX purchased certain inventory and production equipment of the Potter - California Division of Pemcor, Inc. On August 21, 1973 AVX acquired all the common stock of Opcoa, Inc. (Opcoa) (Note 3) in a transaction accounted for as a pooling of interests. Accordingly, the financial statements for the year ended December 30, 1972 have been restated to include the accounts of Opcoa.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, or market.

Fixed Assets and Related Depreciation

Depreciation of fixed assets is generally computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and betterments which do not materially prolong the useful lives of the assets are charged to income as incurred. The cost of fixed assets retired or sold and the related accumulated depreciation are removed from the accounts and any gain or loss is recognized in income.

Goodwill

Goodwill, which aggregated \$337,000 at December 29, 1973 and was incurred in the merger of Aerovox Corporation (Aerovox) into AVX (Note 2), is being amortized on the straight-line method over a forty-year period.

Research and Development Expenses

Research and development costs are charged to income. These amounted to \$694,000 and \$324,000 in 1973 and 1972, respectively.

Income Taxes

Recognition is given in the accompanying financial statements to the income tax effect of certain timing differences in reporting transactions for book and tax purposes. These timing

differences relate principally to certain expenses charged to book income but not currently deductible for tax purposes and different methods of computing depreciation for book and tax purposes. Income taxes currently payable are reduced by the full investment tax credit allowable.

Leased Property and Equipment Obligations

The Olean, New York operating facilities and certain production equipment are leased under contracts which expire through 1979. These leases have been accounted for as purchases in the accompanying financial statements because the terms of the leases, which include options to purchase, indicate such leases are effectively instalment purchases of property and equipment. The net book value of the property and equipment at December 29, 1973 aggregated approximately \$810,000.

Note 2 - Merger of Aerovox into AVX

On June 4, 1973 the stockholders of Aerovox and its then 84% owned subsidiary, AVX Corporation, voted to merge Aerovox into AVX and to establish the authorized common stock of AVX at 4,000,000 shares. Each share of outstanding common stock of Aerovox was exchanged for 0.9 shares of AVX common stock. Concurrent with this transaction Aerovox cancelled and retired 257,145 shares of its common stock previously held in treasury and also cancelled its 1,000,000 shares of authorized but unissued \$1 par preferred stock.

The merger was accounted for as if Aerovox had purchased the minority interest in AVX, which resulted in goodwill of \$342,000. Accordingly, the accompanying financial statements for 1972 are the historical consolidated financial statements of Aerovox, after restatement to include the accounts of Opcoa (Note 3), and after giving effect to the 0.9 exchange ratio in computing earnings per share.

Had the merger been effected as of January 1, 1972, income before extraordinary items and net income, in total and per share, would have been as follows:

	<u>Total</u>		<u>Per Share</u>	
	<u>1973</u>	<u>1972</u>	<u>1973</u>	<u>1972</u>
Income before extraordinary items	\$1,057,000	\$346,000	\$.74	\$.26
Net income	1,511,000	521,000	1.06	.39

AVX was incorporated on April 24, 1972 as a wholly-owned subsidiary of Aerovox and in June 1972 AVX sold 160,000 shares of common stock in a public offering and received net proceeds of \$1,453,000. After this transaction Aerovox's equity interest in AVX decreased to approximately 84%. The \$764,000 excess of the proceeds received by AVX over the resulting reduction in Aerovox's equity in the net assets of AVX has been credited to additional paid-in capital.

Note 3 - Acquisition of Opcoa

On August 21, 1973 AVX acquired Opcoa, a manufacturer of light emitting diodes (LED's) for 232,941 shares of AVX common stock in a transaction accounted for as a pooling of interests. Opcoa's net sales and net loss for the unaudited period in 1973 prior to August 21, 1973 were approximately \$1,569,000 and \$446,000, respectively.

Net sales and net income (loss) of AVX and Opcoa for 1972 were:

	<u>AVX</u>	<u>Opcoa</u>	<u>Combined</u>
Net sales	\$22,170,000	\$1,169,000	\$23,339,000
Net income (loss)	777,000	(436,000)	341,000

Note 4 - Sale of Subsidiary and Product Lines

On January 2, 1973, AVX sold the capital stock of its Canadian subsidiary, Aerovox Canada Limited, and substantially all of the operating assets of its Electrical Products Division for \$2,415,000, as finally determined. Consideration comprised \$1,665,000 cash and an 8-1/2% note for \$750,000, \$150,000 of which was payable December 31, 1973 and the balance payable in equal quarterly instalments through December 31, 1977, and the assumption of certain liabilities. The note is secured by the capital stock of Aerovox Canada Limited. The 1972 results of operations of the Canadian subsidiary have been converted into U.S. dollars at appropriate rates of exchange and, along with the results of operations of the Electrical Products Division, comprise the loss from operations sold in the accompanying statement of income. The gain on this sale of \$224,000 has been credited in the 1972 statement of income as an extraordinary item net of \$68,000 in income taxes. Net sales of the subsidiary and the Electrical Products Division amounted to approximately \$10,068,000 in 1972.

Note 5 - Inventories

Inventories consist of the following:

	<u>December 29, 1973</u>	<u>December 30, 1972</u>
Raw materials	\$1,920,000	\$ 669,000
Work in process	1,931,000	1,280,000
Finished goods	434,000	242,000
	<u>\$4,285,000</u>	<u>\$2,191,000</u>

Inventories used in computing cost of sales for the two fiscal years ended December 29, 1973 were:

	<u>Continuing operations</u>	<u>Discontinued operations</u>
December 29, 1973	\$4,285,000	-
December 30, 1972	2,191,000	-
January 1, 1972	1,452,000	\$1,691,000

Note 6 - Fixed Assets

Fixed assets are as follows:

	<u>December 29, 1973</u>	<u>December 30, 1972</u>
Land and improvements	\$ 2,000	\$ 2,000
Buildings and improvements	1,388,000	668,000
Machinery and equipment	5,710,000	4,726,000
Leasehold improvements	340,000	262,000
Construction in progress	438,000	105,000
	<u>7,878,000</u>	<u>5,763,000</u>
Less - Accumulated depreciation	3,108,000	2,668,000
	<u>\$4,770,000</u>	<u>\$3,095,000</u>

Note 7 - Stock Options

Under the qualified stock option plans for officers and key employees, options are granted at the market value of common stock on the date of grant, become exercisable in varying instalments commencing, at the earliest, on the date of grant, and expire five years from the date of grant.

At December 29, 1973 there were outstanding options to purchase 106,495 shares of common stock under the qualified plans (including qualified options assumed in the merger of AVX-Aerovox and AVX-Opcoa) as follows:

<u>Granted in the fiscal year ended</u>	<u>Number of shares</u>	<u>Option price and market price on date granted</u>	
		<u>Per share</u>	<u>Total</u>
1969	10,828	\$ 8.05-11.53	\$ 120,000
1970	24,347	5.70-10.98	199,000
1971	2,907	10.75	31,000
1972	32,338	10.75-18.87	451,000
1973	36,075	12.25-20.50	532,000
	<u>106,495</u>		<u>\$1,333,000</u>

The excess of proceeds received over the par value of the stock issued is credited to additional paid-in capital. No charges have been made to operations with respect to these options.

At December 30, 1972, there were outstanding options to purchase 84,391 shares of common stock at prices ranging from \$5.70 to \$18.87 for an aggregate of \$937,000.

Qualified options which were exercised and which became exercisable during the two fiscal periods ended December 29, 1973 are summarized as follows:

<u>Options exercised</u>	<u>Number of shares</u>	<u>Option price</u>		<u>Market price</u>	
		<u>Per share</u>	<u>Total</u>	<u>Per share</u>	<u>Total</u>
1973	7,765	\$5.70-\$18.87	\$55,000	\$17.12-18.87	\$142,000
1972	10,317	5.70- 8.06	67,000	\$13.54	140,000

<u>Options became exercisable</u>	<u>Number of shares</u>	<u>Option price</u>		<u>Market price</u>	
		<u>Per share</u>	<u>Total</u>	<u>Per share</u>	<u>Total</u>
1973	43,515	\$5.70-\$20.50	\$548,000	\$12.25-\$20.50	\$669,000
1972	49,493	5.70- 18.87	568,000	7.50- 18.89	726,000

Options for 6,251 shares and 17,374 shares were cancelled during 1973 and 1972, respectively.

Options to purchase 82,883 shares at prices ranging from \$5.70 to \$20.50 per share or a total of \$1,073,000 were exercisable at December 29, 1973. Further options for 23,400 shares may be granted under the plan.

In addition, during 1972 nonqualified options were granted to purchase 4,500 shares at an option price per share of \$8.89 for an aggregate option price of \$40,000. Options to purchase 450 shares under this grant were cancelled prior to December 30, 1972. The remaining options are exercisable at any time and expire no later than 10 years from date of grant.

Nonqualified options for 4,651 shares at prices ranging from \$10.75 to \$16.21 per share or a total of \$64,000 were assumed in the AVX-Opcoa merger. Options for 930 shares lapsed during the year and the remaining options become exercisable in varying instalments and expire through 1979. Options for 2,325 shares of these non-qualified options are exercisable only upon the attainment of certain specified sales goals. At December 29, 1973 options for 465 shares were exercisable.

In November 1972, Opcoa granted a warrant to a consultant to purchase 4,651 shares at \$14.19 per share (an amount that exceeded the market price at the date of grant). The warrant has been assumed by AVX and is exercisable in whole or in part at any time through November 1977.

In November 1973, AVX granted a nonqualified option for 45,000 shares at a price of \$9.75 per share or a total of \$439,000 to Marshall D. Butler, Chairman of the Board and Chief Executive Officer, pursuant to an employment contract, as amended. The option expires in five years and is exercisable, subject to certain exceptions, as to 15,000 shares after six months, an additional 15,000 shares after 18 months and as to all shares after 30 months. In addition, Mr. Butler received the right to purchase up to 60,000 shares through September 30, 1975 at a price of \$11.75 per share, market value at the date of grant, or a total of \$705,000. These grants are subject to approval by the stockholders.

Note 8 - Common Stock and Additional Paid-In Capital

Changes in the common stock and additional paid-in capital accounts are summarized as follows:

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	
	<u>1973</u>	<u>1972</u>	<u>1973</u>	<u>1972</u>
Balance at beginning of year	\$1,596,000	\$1,490,000	\$8,724,000	\$6,525,000
Cancellation of treasury stock of Aerovox (Note 2)	(257,000)		(1,002,000)	
Net shares issued in merger of Aerovox into AVX (Note 2)	49,000		(49,000)	
Elimination of minority interest in AVX (Note 2)			1,275,000	
Exercise of stock options	8,000	11,000	47,000	57,000
Excess of proceeds received by AVX from sale of common stock over the resulting reduction of Aerovox's equity in net assets of AVX (Note 2)				764,000
Net proceeds received upon sale of Opcoa common stock (Note 3)		94,000		1,368,000
Common stock issued as bonuses to Opcoa employees		1,000		7,000
Federal income tax reductions attributable to deduction for certain stock option transactions				3,000
	<u>\$1,396,000</u>	<u>\$1,596,000</u>	<u>\$8,995,000</u>	<u>\$8,724,000</u>

Note 9 - Income Taxes

Provisions for income taxes are based upon book income or loss. The various elements of provisions for income taxes are summarized below:

	<u>1973</u>	<u>1972</u>
Currently payable:		
Federal	\$ 705,000	\$ 180,000
State	218,000	177,000
	<hr/> 923,000	<hr/> 357,000
Charges (credits) equivalent to (reductions) increases in income tax expense arising from:		
(a) Reserves provided on books but not deductible until paid	(134,000)	(78,000)
(b) Expenses estimated to be in- curred on disposition of sub- sidiary and product lines pro- vided on books in 1971 and 1972 not deductible until 1972 and 1973, respectively	144,000	26,000
(c) Excess of depreciation for tax purposes over amount charged to income	22,000	17,000
(d) Gain on sale of subsidiary and product lines	(68,000)	68,000
(e) Investment tax credits de- ducted on books previously deducted for tax purposes	(73,000)	
Total provisions for income taxes	<hr/> \$ 814,000	<hr/> \$ 390,000
Charged (credited) to the following:		
Continuing operations	\$1,268,000	\$1,133,000
Discontinued operations		(475,000)
Extraordinary items	(454,000)	(268,000)
	<hr/> \$ 814,000	<hr/> \$ 390,000

Total tax expense amounted to \$814,000 in 1973 and \$390,000 in 1972, respectively, or effective rates of 35.0% and 42.8%, respectively. These amounts are less than the amounts computed by applying the U.S. Federal income tax rate of 48% to income before tax. The reasons for the differences are as follows:

	<u>1973</u>	<u>% of Pretax Income</u>	<u>1972</u>	<u>% of Pretax Income</u>
Computed "expected" tax expense	\$1,116,000	48.0	\$437,000	48.0
Increase (decrease) in taxes resulting from:				
Investment and foreign tax credits	(177,000)	(7.6)	(193,000)	(21.2)
State income taxes, net of federal income tax benefit	113,000	4.8	92,000	10.1
Benefit from income taxed at capital gains rate	-	-	(40,000)	(4.4)
Elimination of prepaid taxes related to sale of subsidiary and product lines	-	-	80,000	8.8
Losses of Opcoa to date of merger (Note 3) for which tax benefit is not currently available	216,000	9.3	210,000	23.1
Income tax credit in 1973 arising from utilization of Opcoa's loss carryovers and in 1972 from utilization of AVX's loss carryover (Note 11)	(454,000)	(19.5)	(336,000)	(37.0)
Loss of former Canadian subsidiary not deductible for federal income tax purposes	-	-	140,000	15.4
	<u>\$ 814,000</u>	<u>35.0</u>	<u>\$390,000</u>	<u>42.8</u>

At December 29, 1973 a net operating loss carryover of \$394,000 is available to offset future taxable income. This carryover expires in 1976 and 1977 and results from pre-acquisition losses of Opcoa.

Note 10 - Deferred Profit Sharing Plan

The Company has a deferred profit sharing plan for certain employees. Contributions to the plan are based upon compensation paid to eligible employees, limited to a maximum percentage of consolidated pretax net profits, and subject to approval by the Company's Board of Directors. Deferred profit sharing expense of \$228,000 and \$186,000 was charged to operations in 1973 and 1972, respectively.

Note 11 - Extraordinary Items

Extraordinary items are summarized as follows:

	52 Weeks Ended	
	<u>December 29, 1973</u>	<u>December 30, 1972</u>
Gain from sale of Canadian subsidiary and net assets of Electrical Products Division, less income taxes of \$68,000 (Note 4)		\$156,000
Income tax credit in 1973 arising from utilization of Opcoa's loss carryovers and in 1972 from utilization of AVX's loss carryover (Note 9)	\$454,000	194,000
Estimated loss and expenses related to sale of subsidiary and Electrical Products Division, less income tax credits of \$41,000		(66,000)
Settlement for \$210,000 of lawsuit, less related income taxes of \$101,000		(109,000)
	<u>\$454,000</u>	<u>\$175,000</u>

Note 12 - Net Income Per Common Share

Income per share is based on the weighted average outstanding shares of common stock, 1,357,827 shares in 1973 and 1,245,962 in 1972, and includes stock options and a warrant deemed to be common stock equivalents. The average outstanding shares in 1972 have been restated to reflect the merger of AVX-Aerovox and AVX-Opcoa (Notes 2 and 3).

Note 13 - Commitments

The Company leases a portion of its Myrtle Beach, South Carolina plant and its San Diego, California, Tiajuna, Mexico and Edison, New Jersey (Opcoa) plants at total annual rentals of approximately \$121,000 under agreements expiring in 1983, 1977, 1976 and 1988, respectively. Executive offices in Braintree, Massachusetts and Great Neck, New York are leased under agreements expiring in 1977 and 1978 at annual rentals of \$63,000. In addition, certain data processing and other equipment is rented.

Total rental expense included in the accompanying statement of income aggregated \$292,000 and \$524,000 for 1973 and 1972, respectively. Future annual rental commitments under existing noncancellable leases are as follows:

1974	\$268,000
1975	269,000
1976	224,000
1977	192,000
1978	136,000

Total rental commitments for the five-year period 1979 through 1983 aggregate \$444,000 and for the five-year period 1984 through 1988 aggregate \$134,000.

On January 29, 1974 the Board of Directors authorized negotiations for the purchase of the leased portion of the Myrtle Beach plant.

Note 14 - Supplementary Income Statement Information

	<u>Charged to costs and expenses</u>	
	52 weeks ended	
	<u>December 29,</u>	<u>December 30,</u>
	<u>1973</u>	<u>1972</u>
Maintenance and repairs	\$ 460,000	\$ 949,000
Depreciation and amortization of fixed assets	\$ 468,000	\$ 588,000
Taxes, other than income:		
Real estate taxes, etc.	\$ 95,000	\$ 159,000
Payroll taxes	1,232,000	1,142,000
	\$1,327,000	\$1,301,000
Rent	\$ 292,000	\$ 524,000
Advertising costs	\$ 294,000	\$ 228,000
Research and development costs	\$ 694,000	\$ 324,000
Royalties	\$ 10,000	\$ 21,000

AVX CORPORATION AND SUBSIDIARIES

SCHEDULE V - FIXED ASSETS

FISCAL YEARS ENDED DECEMBER 29, 1973 AND DECEMBER 30, 1972

<u>Description</u>	<u>Balance at beginning of year</u>	<u>Additions at cost</u>	<u>Retire- ments or sales</u>	<u>Other charges (credits)</u>	<u>Balance at end of year</u>
Fiscal year ended December 29, 1973:					
Land and improvements	\$ 2,000				\$ 2,000
Buildings and improvements	668,000	\$ 720,000			1,388,000
Machinery and equipment	4,726,000	1,041,000	\$ 69,000	\$ 12,000 (A)	5,710,000
Leasehold improvements	262,000	90,000		(12,000) (A)	340,000
Construction in progress	105,000	333,000			438,000
	<u>\$5,763,000</u>	<u>\$2,184,000</u>	<u>\$ 69,000</u>	<u>\$ -</u>	<u>\$7,878,000</u>
Fiscal year ended December 30, 1972:					
Land and improvements	\$ 45,000	\$ 30,000	\$ 73,000		\$ 2,000
Buildings and improvements	1,066,000	525,000	1,056,000	\$133,000 (A)	668,000
Machinery and equipment	7,732,000	916,000	3,907,000	(13,000) (A) (2,000) (B)	4,726,000
Leasehold improvements	371,000	16,000		(120,000) (A) (5,000) (B)	262,000
Construction in progress	156,000	(33,000)	18,000		105,000
	<u>\$9,370,000</u>	<u>\$1,454,000</u>	<u>\$5,054,000</u>	<u>\$ (7,000)</u>	<u>\$5,763,000</u>

Notes:

- (A) Reclassifications.
- (B) Elimination of fully-depreciated assets.

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AVX CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF FIXED ASSETS
FISCAL YEARS ENDED DECEMBER 29, 1973 AND DECEMBER 30, 1972

<u>Description</u>	<u>Balance at beginning of year</u>	<u>Provision charged to operations</u>	<u>Retire- ments or sales</u>	<u>Other (charges) credits</u>	<u>Balance at end of year</u>
Fiscal year ended December 29, 1973:					
Buildings and improvements	\$ 213,000	\$ 25,000			\$ 238,000
Machinery and equipment	2,352,000	424,000	\$ 28,000		2,748,000
Leasehold improvements	103,000	19,000			122,000
	<u>\$2,668,000</u>	<u>\$468,000</u>	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$3,108,000</u>
Fiscal year ended December 30, 1972:					
Buildings and improvements	\$ 324,000	\$ 27,000	\$ 259,000	\$ 121,000 (B)	\$ 213,000
Machinery and equipment	4,739,000	525,000	2,779,000	(1,000) (B) (2,000) (A) (130,000) (C)	2,352,000
Leasehold improvements	192,000	36,000		(5,000) (A) (120,000) (B)	103,000
	<u>\$5,255,000</u>	<u>\$588,000</u>	<u>\$3,038,000</u>	<u>\$(137,000)</u>	<u>\$2,668,000</u>

Notes:

- (A) Elimination of fully depreciated assets.
- (B) Reclassification.
- (C) Utilization of reserve for estimated loss from planned disposition of machinery and equipment related to discontinued operations.

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AVX CORPORATION AND SUBSIDIARIES

SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FISCAL YEARS ENDED DECEMBER 29, 1973 AND DECEMBER 30, 1972

	<u>Balance at beginning of year</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at end of year</u>
		<u>Charged to income</u>	<u>Other</u>		
Allowance for doubtful accounts:					
Fiscal year ended December 29, 1973	\$130,000	\$ 79,000		\$ 46,000(A)	\$163,000
Fiscal year ended December 29, 1972	\$ 71,000	\$169,000		\$110,000(A)	\$130,000
Estimated loss from planned disposition of inventory of discontinued operations:					
Fiscal year ended December 30, 1972	\$320,000	\$ 83,000		\$403,000(B)	
Reserve for estimated expenses related to sale of subsidiary and product lines and, in 1972, planned disposition of discontinued operations:					
Fiscal year ended December 29, 1973	\$300,000			\$300,000	
Fiscal year ended December 30, 1972	\$357,000	\$154,000(C)		\$211,000(D)	\$300,000
Allowance for revaluation of inventories:					
Fiscal year ended December 29, 1973	\$ 83,000	\$160,000		\$ 1,000	\$242,000
Fiscal year ended December 30, 1972	\$ 20,000	\$ 63,000			\$ 83,000
Warranty reserve:					
Fiscal year ended December 29, 1973	\$ 50,000	\$ 67,000			\$117,000
Fiscal year ended December 30, 1972		\$ 50,000			\$ 50,000

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AVX CORPORATION AND SUBSIDIARIES

SCHEDULE XII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FISCAL YEARS ENDED DECEMBER 29, 1973 AND DECEMBER 30, 1972

Notes:

- (A) Uncollectible balances written off and in 1972 transfer of \$69,000 to Belleville Industries, Inc. in connection with a Purchase Agreement as of December 29, 1972.
- (B) Abandonment of inventories of discontinued operations (\$288,000) and sales of such inventories at loss (\$115,000).
- (C) Charges for estimated expenses related to sale of subsidiary and product lines.
- (D) Utilization of reserve for estimated expenses from planned disposition of discontinued operations.

AVX CORPORATION AND SUBSIDIARIES

EXHIBIT I

CALCULATION OF EARNINGS PER SHARE AS REQUIRED
UNDER INSTRUCTION NUMBER 3 AND INTERPRETIVE RELEASE #9083

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
	(in thousands of dollars except per share amounts)				
Income (loss) from continuing operations	\$ (420)	\$ 285	\$ 463	\$ 1,133	\$ 939
Loss from operations sold or discontinued	(357)	(260)	(936)	(967)	-
Income (loss) before extraordinary items	(777)	25	(473)	166	939
Extraordinary items	(1,914)	395	(721)	175	454
Net income	\$ (2,691)	\$ 420	\$ (1,194)	\$ 341	\$ 1,393
Weighted average number of common shares and common share equivalents outstanding	938,491	1,449,044	1,144,567	1,245,962	1,357,827
Incremental shares issuable under APB #15 from outstanding stock options assuming full dilution				7,220	
Total shares outstanding and contingently issuable	938,491	1,449,044	1,144,567	1,253,182	1,357,827
Income (loss) per share:					
Income (loss) from continuing operations	\$ (.45)	\$.20	\$.41	\$.90	\$.69
Loss from operations sold or discontinued	(.38)	(.18)	(.82)	(.77)	-
Income (loss) before extraordinary items	(.83)	.02	(.41)	.13	.69
Extraordinary items	(2.04)	.27	(.63)	.14	.33
Net income	\$ (2.87)	\$.29	\$ (1.04)	\$.27	\$ 1.02

The earnings per share set forth in the consolidated statement of operations included in this Annual Report on Form 10-K includes the calculation of income (loss) per share in accordance with Opinion #15 of the Accounting Principles Board. Accordingly, the dilution in earnings per share resulting from shares contingently issuable as a result of outstanding stock options has not been considered in 1969 and 1971 because such contingent shares would be anti-dilutive or, in 1970, because as set forth in the Opinion such dilution was less than 3%.

The above calculation of income (loss) per share under SEC interpretive release #9083 dated February 18, 1971 is on a fully diluted basis using the period end price when greater than the average market price. No additional dilution results in 1969, 1970, 1971 and 1973 because such stock options are anti-dilutive either because there was an operating loss or because the exercise price exceeded the market price of the common stock obtainable on exercise. There is no change in income per share in 1972 resulting from the inclusion of the additional contingently issuable shares.

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EXHIBIT VI
MAY 22, 1974PERMANENT IMPROVEMENTS

	<u>REQUESTED BY AGENCY</u>	<u>PROPOSED BY GOVERNOR</u>	<u>RECOMMENDED</u>
1. Adjutant General's Office	205,000	0	205,000
2. Budget and Control Board	6,300,000	0	6,300,000
3. University of South Carolina	8,000,000	0	8,000,000
4. Clemson University	13,456,550	0	5,090,000
5. Medical University	16,500,000	0	5,000,000
6. The Citadel	2,137,140	0	2,137,140
7. Winthrop College	640,000	0	640,000
8. Francis Marion College	680,000	0	680,000
9. College of Charleston	5,960,000	0	5,960,000
10. Lander College	6,750,000	0	2,600,000
11. Department of Education	150,000	2,000,000	1,500,000
12. State Board for Technical & Comp. Ed.	0	500,000	500,000
13. Opportunity School	175,000	0	0
14. Department of Archives & History	500,000	0	500,000
15. Arts Commission	1,451,686	0	0
16. Dept. of Health & Environmental Control	24,272,250	378,000	142,000
17. Department of Mental Health	0	6,000,000	0
18. State Agency of Vocational Rehabilitation	0	1,000,000	0
19. Department of Corrections	0	37,500,000	7,500,000*
20. Forestry Commission	180,000	0	180,000
21. Dept. of Parks, Recreation & Tourism	30,000	1,500,000	30,000
22. Clark's Hill Authority	2,000,000	0	0
23. Aeronautics Commission	736,697	0	736,697
24. State Highway Department	0	800,000	800,000
25. State Ports Authority	<u>0</u>	<u>68,000,000</u>	<u>13,600,000*</u>
TOTAL	<u>90,124,323</u>	<u>117,678,000</u>	<u>62,100,837</u>

5-21-74 *First year of recommended 5-year program.

1077

PERMANENT IMPROVEMENTS

<u>AGENCY/Project</u>	<u>REQUESTED BY AGENCY</u>	<u>PROPOSED BY GOVERNOR</u>	<u>RECOMMENDED</u>
1. ADJUTANT GENERAL'S OFFICE	205,000	0	205,000
1. Construct Armory: Andrews	100,000	0	100,000
2. Construct Armory: McEntire ANGB	105,000	0	105,000
2. BUDGET & CONTROL BOARD	6,300,000	0	6,300,000
1. Acquire Property Adjoining Lace House	220,000	0	220,000
2. Acquire Highway Department Building	4,675,000	0	4,675,000
3. Construct 285-Space Parking Structure	905,000	0	905,000
4. Renovation: Wade Hampton Building	500,000	0	500,000
3. UNIVERSITY OF SOUTH CAROLINA	8,000,000	0	8,000,000
1. Behavioral & Social Science Center	5,000,000	0	5,000,000
2. Auditorium Complex: Supplement	3,000,000	0	3,000,000
4. CLEMSON UNIVERSITY	13,456,550	0	5,090,000
1. Biological Sciences Bldg.; Supplement	2,100,000	0	2,100,000
2. Ag. Eng. Bldg. Ren. & Addition: Supplement	1,100,000	0	1,100,000
3. Dairy Science Research Center: Supplement	700,000	0	700,000
4. Nursing Bldg. (note contingency request in item 10)	900,000	0	0
5. Utilities System: Expansion & Imp.	740,000	0	740,000
6. Finish Expansion Space: Library, Phases 2 & 3	1,950,000	0	450,000 (Phase 2 only)
7. University Union & Related: Exp. & Imp.	1,500,000	0	0
8. Renovation: Tillman & Godfrey Halls (Education)	1,200,000	0	0
9. Renovation: Sirrine Hall (I.M. & Textile Science)	1,000,000	0	0
10. Nursing Building (Contingency)	2,000,000	0	0
11. Improvements: Public Service Activities	266,550	0	0
5. MEDICAL UNIVERSITY	16,500,000	0	5,000,000
1. Renovation: Hospital	6,000,000	0	5,000,000
2. Radiology, Lab., Clinical Science Bldg. II	10,000,000	0	0
3. Renovation: College of Pharmacy	500,000	0	0
6. THE CITADEL	2,137,140	0	2,137,140
1. Addition & Renovation: Capers Hall	1,537,140	0	1,537,140
2. Deas Hall (Physical Education): Supplement	600,000	0	600,000
7. WINTHROP COLLEGE	640,000	0	640,000
1. Oakland Avenue Underpass	550,000	0	550,000
2. Outside Physical Education Areas	90,000	0	90,000

2078

PERMANENT IMPROVEMENTS

<u>AGENCY/Project</u>	<u>REQUESTED BY AGENCY</u>	<u>PROPOSED BY GOVERNOR</u>	<u>RECOMMENDED</u>
8. FRANCIS MARION COLLEGE	680,000	0	680,000
1. Learning Center: Supplement	255,000	0	255,000
2. Rogers Library: Convert Second Floor to Library Use	270,000	0	270,000
3. Campus Development	155,000	0	155,000
9. COLLEGE OF CHARLESTON	5,960,000	0	5,960,000
1. Fine Arts Center: First Increment	2,900,000	0	2,900,000
2. Central Maintenance & Warehouse Facility	350,000	0	350,000
3. Central Energy Facility: Phase 2	750,000	0	750,000
4. Outdoor Activities Facility	600,000	0	600,000
5. Faculty & Administrative Facilities	600,000	0	600,000
6. Botannical Greenhouse	60,000	0	60,000
7. Renovation: Craig Union & Men's Dormitory	300,000	0	300,000
8. Utilities, Fire, Lighting & Security Systems	400,000	0	400,000
10. LANDER COLLEGE	6,750,000	0	2,600,000
1. Student & Administrative Center	2,600,000	0	2,600,000
2. Classroom - Office Complex	3,000,000	0	0
3. Land Acquisition	800,000	0	0
4. Renovations	350,000	0	0
11. DEPARTMENT OF EDUCATION	150,000	2,000,000	1,500,000
1. Equipment: Vocational School	0	500,000	500,000
2. Construction: Vocational School	150,000	1,000,000	1,000,000
3. Buses	0	500,000	0
12. STATE BD. FOR TECHNICAL & COMP. ED.	0	500,000	500,000
1. Equipment	0	500,000	500,000
13. OPPORTUNITY SCHOOL	175,000	0	0
1. 8-Bed Infirmary	175,000	0	0
14. DEPT. OF ARCHIVES & HISTORY	500,000	0	500,000
1. Const. & Equip. Records Center	500,000	0	500,000
15. ARTS COMMISSION	1,451,686	0	0
1. Restore Atalaya Castle for State Arts Center	836,686	0	0
2. Physical Plant for State Theater	615,000	0	0
16. DEPT. OF HEALTH & ENVIRONMENTAL CONTROL	24,272,250	378,000	142,000
1. State Park: Paint & Carpenter Shop	48,000	0	0
2. State Park: Paving	58,000	0	0
3. Const. & Equip 12 District Health Centers	24,166,250	0	0
4. Lab. & Data Processing Equipment	0	236,000	0
5. Emergency Medical Services	0	142,000	142,000

2079

PERMANENT IMPROVEMENTS

<u>AGENCY/Project</u>	<u>REQUESTED BY AGENCY</u>	<u>PROPOSED BY GOVERNOR</u>	<u>RECOMMENDED</u>
17. DEPT. OF MENTAL HEALTH	0	6,000,000	0
1. Regional Treatment Facility (Village "C")	0	6,000,000	0
18. STATE AGENCY OF VOCATIONAL REHABILITATION	0	1,000,000	0
1. Model Training & Evaluation Centers	0	1,000,000	0
19. DEPARTMENT OF CORRECTIONS	0	37,500,000	7,500,000
1. Replace C.C.I. Facilities: 5-year program	0	37,500,000	7,500,000
20. FORESTRY COMMISSION	180,000	0	180,000
1. Six Residences for Tower Operators	180,000	0	180,000
21. DEPT. OF PARKS, RECREATION AND TOURISM	30,000	1,500,000	30,000
1. Recreation Land Trust Fund	0	1,000,000	0
2. Camp for the Handicapped	0	500,000	0
3. Payment #4 on Hampton Plantation Purchase	30,000	0	30,000
22. CLARK'S HILL AUTHORITY	2,000,000	0	0
1. Capital Outlay (Water, Sewer, Roads)	2,000,000	0	0
23. AERONAUTICS COMMISSION	736,697	0	736,697
1. Airport Development	736,697	0	736,697
24. STATE HIGHWAY DEPARTMENT	0	800,000	800,000
1. Beach Erosion Control	0	800,000	800,000
25. STATE PORTS AUTHORITY	0	68,000,000	13,600,000
1. Facilities Expansion: 5-year Program	0	68,000,000	13,600,000
 TOTAL	 <u>90,124,323</u>	 <u>117,678,000</u>	 <u>62,100,837</u>

EXHIBIT VII
MAY 22, 1974

COMMISSIONERS

- HUGH C. LANE
Chairman
- HEMPHILL PRIDE, II
Vice Chairman
- JOHN HARDIN
- DR. R. L. HURST
- REV. I. D. NEWMAN
- SHEDDIE TETTERTON
- JOHN C. WEST
Governor
- DR. E. K. AYCOCK
State Health Officer
- GRADY L. PATTERSON
State Treasurer
- P. C. SMITH
State Auditor



L. STEVE MAYFIELD
Executive Director

Suite 1101
1122 Lady Street
Columbia, S. C. 29201
(803) 758-2844

SOUTH CAROLINA STATE HOUSING AUTHORITY

May 2, 1974

Hon. P. C. Smith
State Auditor
205 Wade Hampton Building
Columbia, South Carolina 29201

Dear Pat:

Thank you very much for the opportunity to discuss the Authority's request for a revision of its Fiscal Year 1973-74 budgeted funds. As per your request, I am attaching a summary of the types of activities that the Authority will undertake if the budget revision request is granted.

I was pleased to hear that you feel the Budget and Control Board will approve the request. If you envision any problems with their understanding our request, I would like to appear before them in person. In my opinion, this budget request is justified and will result in providing additional housing accommodations for the State's lower income citizens.

We have sent for a description of the budget and program activities of the Council of State Housing Agencies and will furnish you with this as soon as it is available.

Best personal regards,

L. Steve Mayfield
Executive Director

LSM:vpd

CC: Hugh C. Lane

Attachment

COMMISSIONERS

HUGH C. LANE
Chairman

HEMPHILL PRIDE, II
Vice Chairman

JOHN HARDIN
DR. R. L. HURST
REV. I. D. NEWMAN
SHEDDIE TETTERTON

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Governor

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Executive Director

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1122 Lady Street
Columbia, S. C. 29201
(803) 758-2844

SOUTH CAROLINA STATE HOUSING AUTHORITY

May 2, 1974

MEMO TO: State Budget and Control Board

FROM: L. Steve Mayfield *LSM*

SUBJECT: Explanation of Authority's Fiscal Year 1973-74
Budget Revision Request

Since the Authority prepared its Fiscal Year 1973-74 budget in September, 1972, there has been considerable alterations in the Federal Government's housing subsidy programs and availability of competitive grants for State housing agencies. For instance, in January, 1973, the Federal Government imposed a "Moratorium" on the Department of Housing & Urban Development's (HUD's) housing subsidy programs. The Moratorium on HUD's programs is still in effect. The Moratorium did not nullify, however, the housing subsidy programs of the Farmers Home Administration (FmHA). Additionally, in July, 1973, the Authority was selected from among ninety-seven competitors as one of seven finalists in the nation to compete for a HUD-sponsored/financed "Basic Homes Program." The Program will provide a \$750,000 grant to each of four selectees to actually construct one hundred (100) homes for rural poor families.

Based upon the facts known to the Authority in September, 1972, we anticipated an extensive hiring of personnel in order to utilize to the maximum degree possible HUD's public housing and related subsidy programs and implement the Basic Homes Program. The Authority now finds it advisable, in order to take maximum advantage of the remaining Federal housing subsidy programs, not to hire personnel but rather to contract with related Federal and State institutions/agencies for necessary services and to assist local housing sponsors secure Federal loans and grants.

Specifically, the Authority is desirous of transferring \$107,500 from the category Personal Services to Implementing Federal Programs: Special Payments, Aid to Other Entities and Dues. This transfer of funds, with the exception of dues and legal

services, relates exclusively to the utilization of approximately \$15 million of available Federal housing subsidy funds for needy South Carolinians.

The Authority has already worked out preliminary contractual agreements with Federal agencies and State institutions in order to accomplish our desired objectives. The following activities will be performed with the funds transferred to the "Special Payments" budget category:

- * The design and implementation of a Home Counseling Plan by Clemson University Extension Service that is required in order to have the possibility of receiving the HUD Basic Homes Program. The Plan would provide an educational program to teach such basic homeownership responsibilities as house maintenance, family budgeting, nutrition, and use of sanitary facilities to low-income families who, for the first time in their lives, have the opportunity for homeownership..... \$25,000
- * The purchase of independent architectural services to supervise construction of the houses under the Basic Homes Program..... \$ 7,500
- * The provision of various legal, financial and real estate services in connection with the Basic Homes Program..... \$ 2,000
- * The implementation of a Contractual Agreement to permit FmHA to contract for the performance of services required in order to originate and process Section 502, 504 and 515 loans expected to total approximately \$10 million for use of that agency's housing subsidy programs for lower-income families in rural areas. (The Federal agency, Appalachian Regional Commission, is expected to provide a matching \$10,000 to provide FmHA with a total of \$27,500.)..... \$17,500
- * The costs of expert testimony relating to the Authority's current housing finance legislation and the court testing of the legislation... \$ 2,000

The following activities will be performed with the funds transferred to the "Aid to Other Entities" category. They are required in order to permit non-profit housing sponsors and communities to utilize available FmHA Section 515 subsidy programs and funds totaling more than \$4 million. These 100% loans are available for up to a 50-year period with interest rates as low as 1% and thus provide housing for families with annual incomes as low as \$5,300.

- * Grants to eligible local non-profit sponsors and communities throughout the State of 1% of the required 2% front end funds to permit them to obtain Section 515 elderly and family subsidized housing projects..... \$52,500

The following expenditure would come under the category "Dues:"

- * Membership, Council of State Housing Agencies..... \$1,000

The expenditure of these funds is anticipated to be before July 1; however, the actual expenditure may be slightly after the end of the fiscal year. Therefore, we are also requesting carry-over privileges for these funds which are allocated to specific projects.

Of this total budget revision request of \$107,500, more than \$71,000 is reimburseable funds from various Federal Government agency grants that the Authority has received.

LSM:vpd



SOUTH CAROLINA STATE HOUSING AUTHORITY

SUITE 1101 • 1122 LADY STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 758-2844

Pat

As per your request, the attached describes the activities of the Council of State Housing Agencies to which the S.C. Authority should belong & pay dues.

Steve Mayfield

5/31/74

085

ARTICLES OF INCORPORATION
OF
COUNCIL OF STATE HOUSING AGENCIES

TO: The Recorder of Deeds, D. C.
Washington, D. C.

We, the undersigned, Charles L. Edson, Bruce S. Lane,
and Susan R. Baron, natural persons of the age of twenty one years
or more acting as incorporators of a corporation, adopt the following
Articles of Incorporation for such corporation pursuant to the District
of Columbia Non-Profit Corporation Act:

FIRST: The name of the Corporation is the Council of State
Housing Agencies.

SECOND: The period of duration of the Corporation shall be
perpetual.

THIRD: The purpose of the Corporation is to promote the
common interests of state housing finance and
development agencies in public policies and programs
for meeting the housing and related needs of low,
moderate and middle income persons and in the
financing and/or development of housing to meet
such needs by:

- a. keeping members fully informed about new federal
and state administrative and legislative develop-
ments that affect the programs of state housing

finance and development agencies and the growth and operation of such agencies, and assisting the exchange of information and views among such agencies regarding such matters.

- b. encouraging and assisting the formation and more effective operation of housing finance and development agencies and the formulation and implementation of effective governmental programs of assistance for meeting lower income housing needs.
- c. informing the public about the programs, activities and achievements of housing finance and development agencies and acting as a clearing of information among the agencies themselves.
- d. presenting to concerned parties the policies or views of the Corporation or its members concerning public issues relevant to the programs and operations of housing finance and development agencies.
- e. performing such other activities necessary or proper to forward the interest of the Corporation.

FOURTH: The Corporation shall have members.

FIFTH: There shall be one class of members, designated as Members, and such other classes of members as shall

from time to time be provided by the Bylaws. The manner of election or appointment and the qualifications and rights of the members of each class when there may be more than one class shall be set forth in the Bylaws.

SIXTH:

The internal affairs of the Corporation shall be regulated by the Bylaws. In the event of the liquidation, dissolution or other discontinuance of the Corporation, all of its then remaining assets and property of whatsoever nature and description shall, as determined by the directors, be returned to the members in proportion to their respective contributions (but not to exceed their total contributions) and/or shall be paid over and transferred to such other corporations, funds or foundations selected by the directors and organized and operated exclusively for purposes related as nearly as possible to the purposes of the Corporation; provided, however, that such assets and property shall not be distributed to any corporation, fund or foundation any part of whose net earnings inure to the benefit of any private individual, shareholder, or corporation for profit.

SEVENTH: The address, including street and number of the Corporation's initial registered office is:

Council of State Housing Agencies
Suite 707(a)
1025 Connecticut Avenue, N. W.
Washington, D. C. 20036

And the name of its initial registered agent at such said address is Charles L. Edson.

EIGHTH: The number of directors constituting the Initial Board of Directors is five (5) and the names and addresses, including street and number, of the persons who are to serve as the initial directors until the first annual meeting or until their successors be elected and qualified are:

John W. Biasucci
West Virginia Housing Development
Fund
900 Charleston National Plaza
Charleston, West Virginia 25301

John G. Burnett
New York State Urban Development Corporation
1345 Avenue of the Americas
New York, New York 10019

Kenneth G. Hance, Jr.
Virginia Housing Development Authority
Imperial Building
Fifth and Franklin Streets
Richmind, Virginia 23219

John P. Renna
New Jersey Housing Finance Agency
101 Oakland Street
Trenton, New Jersey 08618

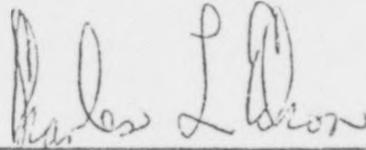
William J. White
Massachusetts Housing Finance Agency
45 School Street
Boston, Massachusetts 02108

NINTH: The name and address, including street and number,
of each incorporation is:

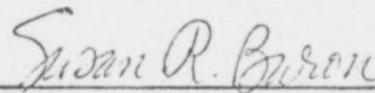
Charles L. Edson
1025 Connecticut Avenue, N. W.
Washington, D. C. 20036

Bruce S. Lane
1025 Connecticut Avenue, N. W.
Washington, D. C. 20036

Susan R. Baron
1025 Connecticut Avenue, N. W.
Washington, D. C. 20036







COMMISSIONERS

HUGH C. LANE
Chairman

HEMPHILL PRIDE, II
Vice Chairman

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P. C. SMITH
State Auditor



L. STEVE MAYFIELD
Executive Director

Suite 1101
1122 Lady Street
Columbia, S. C. 29201
(803) 758-2844

SOUTH CAROLINA STATE HOUSING AUTHORITY

April 23, 1974

4/24 - Mayfield to

*provide add'l. data on use of funds
- services, etc.*

MEMO TO: State Budget and Control Board
Comptroller General
State Treasurer

FROM: State Housing Authority

SUBJECT: Revision of FY 1973-74 Budgeted Funds

The Authority hereby requests permission to transfer a portion of its FY 1973-74 budgeted funds from the budget category "Personal Service" to the category "Implementing Federal Funds."

The Authority prepared its budget twenty-three months ago and, because of our limited operational experience, the Federal housing moratorium, and the uncertainty of Federal operational grants to the Authority, we were not able to fully anticipate the exact amount and category of expenditures at budget preparation time. This request does not involve an increase or decrease of funds to the Authority.

Specifically, the budget revision requested is:

From:	Personal Service	Category 101	(\$107,500)
To:	Special Payments	Category 104	\$54,000
	Aid to Other Entities	Category 1850	52,500
	Dues & Memberships	Category 411	1,000

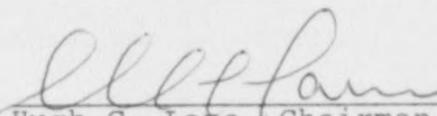
This revision is essential in order to implement and fully utilize Federal subsidized housing programs and projects with a

State Budget & Control Board
Comptroller General
State Treasurer

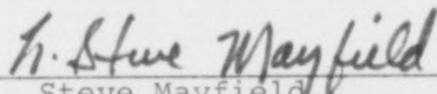
April 23, 1974
Page 2

total value of almost \$15 million for needy South Carolinians.

The expenditure of these funds is anticipated to be before July 1; however, the actual expenditure may be slightly after the end of the fiscal year. Therefore, we are also requesting carry-over privileges for these funds which are allocated to specific projects.



Hugh C. Lane, Chairman
S. C. State Housing Authority
Commissioners



L. Steve Mayfield
Executive Director
S. C. State Housing Authority

LSM:vpd
Attachment

092



CC: The Hon. able T. Eston Marchant
President T. F. Jones
Provost W. H. Patterson

EXHIBIT III
MAY 22 1974

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

DIVISION OF BUSINESS AFFAIRS

January 11, 1974

The State Budget and Control Board
P. O. Box 11333
Columbia, South Carolina 29211

Attention: Mr. P. C. Smith

SUBJECT: Auditorium (Cultural Center)
State Project No. 27-93

Gentlemen:

At their meeting on January 5, the Board of Trustees of the University took the following action in regard to the above project and on which they request your approval:

1. Appointment of Architect

In accordance with new Budget Board procedures, the University advertised the project for interested architects on July 25, 1973. An analysis was made of each of the sixteen interested South Carolina firms. From this list, the Administration arrived at a list of what was considered to be the top five firms for this particular project. In arriving at this list, attention was paid to experience on similar projects and cognizance was also paid to the amount of recent work performed by each architectural firm with the University (see attachment A).

Simultaneously, the University, recognizing that an auditorium is a highly specialized type of architectural, acoustical, lighting, engineering problem, evaluated more than twenty out-of-state architectural firms who might be associated with the South Carolina firm heading the project. Here again, the Administration boiled this list down to five leading firms (see attachment B).

From the list of five South Carolina architects and the list of five associated architects, the Trustees unanimously voted that the project be awarded as follows:

Architect - Geiger, McElveen, Kennedy (Columbia)

Associated Architect - Caudill, Rowlett, Scott (Houston)

2. Project Financing

The University originally requested \$8,500,000 for construction and equipment of the auditorium. (This is considerably less than a comparable project recently completed at the University of Akron which cost \$13,000,000.) The final sum approved in the 1973 Capital Bond Act was \$8,400,000 but this included more than \$3,000,000 required for the purchase of the property on which the auditorium would be located, the property on which ETV would be located and the additional energy facilities that would have to be constructed.

The University Trustees accordingly respectfully request that the State authorize an additional \$3,000,000 of Capital Bonds that would bring construction and equipment up to the original intended level (see attached E-11).

As in the past, the University would be ready to discuss these two Trustee requests with the Budget Board if so desired.

Yours truly,

H. Brunton
Vice President - Business Affairs

HB/mf

Enclosures

Architects/Engineers
 Project Completed or Started Since 1/ 0

Construction Cost

1. Wilbur Smith and Associates - Columbia (Stadium* 8,100,000 Pickens Garage 2,900,000)	\$11,000,000
2. LBC&W Assoc. - Columbia (Library 6,600,000** Russell 2,600,000)	9,200,000
3. Gill and Wilkins - Florence (Law 4,800,000 Biology 2,900,000)	7,700,000
4. Hallman and Weems - Aiken (Columbia Hall 3,100,000 Nursing 2,800,000)	5,900,000
5. Geiger, McElveen and Kennedy - Columbia (Business Administration 4,300,000***)	4,300,000
6. Lafaye, Lafaye - Columbia (P.E. 1,460,000 P.E. Add. 2,700,000)	4,160,000
7. Pearlstine and Anderson - Columbia (Blossom Garage 1,180,000 Bates West 2,600,000 ⁺)	3,780,000
8. Riley, Bultman and Coulter - Columbia (Bates West 2,600,000 ⁺)	2,600,000
9. Harmon and Keenan - Columbia (Cliff Apts. 2,400,000)	2,400,000
10. Jackson and Miller - Columbia (Student Health 1,350,000)	1,350,000
11. Blume, Cannon and Ott - Columbia (Energy West 1,300,000 ⁺)	1,300,000
12. Bruce Flemming and Assoc. - Columbia (Energy West 1,300,000 ⁺)	1,300,000
13. Riddle and Wilkes - Myrtle Beach (Baruch 120,000 Coastal 900,000)	1,020,000
14. Jack Dowis - Florence (Longstreet 900,000****)	900,000
15. Felkel and Hastings - Columbia	
16. Ray Rogers - Columbia (Horseshoe Renovation 500,000?)	500,000
17. Jones and Fellers (Spring Sports 340,000)	340,000
18. Califf and Player - Columbia (Fraser Hall 135,000)	135,000

Continuing Projects

Bruce Flemming and Assoc. -	mechanical distribution
Southeastern -	electrical distribution
Wilbur Smith and Assoc. -	outdoor lighting
Innocenti and Webel -	landscape planning
Ken White and Assoc. -	book store
Charles Pinckard -	food service

*in conjunction with Finch-Heery - Atlanta

**with consultant Edward Durrell Stone - New York

***in conjunction with Curtis and Davis - New Orleans

****in conjunction with George Izenour, New Haven, Conn.; Russell Wright, Reston, Va.

⁺combination of firms

A.C. Paul
5/22/74

EXHIBIT IX
MAY 22, 1974



SOUTH CAROLINA
STATE HIGHWAY DEPARTMENT
DRAWER 191
COLUMBIA, S. C. 29202

May 9, 1974

Mr. P. C. Smith
Secretary, Budget and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

The Highway Department is planning to construct new license sales and patrol office buildings at Abbeville, Hampton and Rock Hill. Estimated cost of these offices is \$81,000 each for Abbeville and Hampton and \$138,000 for the Rock Hill office.

The Abbeville and Hampton offices are primarily a duplication of offices recently completed in Manning, Seneca and Beaufort. Proposal for the Rock Hill office is primarily a duplication of offices completed in Spartanburg and Aiken.

Architect for the above offices was the firm of W. O. Fulmer, Columbia, South Carolina. Mr. Fulmer has advised the Department that he would prepare plans for the proposed construction for a fee of six percent. It is my understanding that this is less than the normal fee charged for such work.

I would appreciate your advising us if it will be permissible to award this work to Mr. Fulmer or will it be necessary to publicly advertise for architectural services.

With kindest regards, I remain

Yours very truly,

S. N. Pearman
Chief Highway Commissioner

1096

Pub. mty



EXHIBIT X
MAY 22, 1974

State of South Carolina
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201
May 17, 1974

Jack S. Mullins, Ph.D.
Director

803-758-3334

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

Dear Mr. Smith:

General Fred C. Craft, Director of Disaster Preparedness, wished to appeal reallocation decisions of the State Personnel Division concerning his deputy director and four Civil Defense Coordinator IV positions to the Budget and Control Board. We had agreed, following an extensive study of the positions, to reallocate each of the positions in question by one grade on the present pay plan effective July 1, 1974, but General Craft feels strongly that the grades should be higher.

Because his agency is operating under a continuing resolution of Congress for federal funding, it is necessary that any reallocations of grades be effective with the pay period starting June 14, 1974. Accordingly, we wish to seek Board approval on this matter.

If possible, we would like to request that these items be placed on the agenda for the next Budget and Control Board meeting.

Sincerely,

Jack S. Mullins

Jack S. Mullins
Director

JSM/jan

cc: General Fred C. Craft

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*Outstanding
Mach. Prod. mtg.*



*EXHIBIT XI
MAY 22, 1974*

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
RUTLEDGE BUILDING
1429 SENATE STREET
COLUMBIA, S. C. 29201

HOWARD R. BOOZER
EXECUTIVE DIRECTOR

May 9, 1974

TELEPHONE
803 / 758-2407

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

Dear Pat:

On December 5, 1973, Dr. R. Cathcart Smith, Chairman of the Commission on Higher Education, wrote to Governor West requesting confirmation that the Budget and Control Board would like the Commission's comments on 1975-76 budget proposals of the State Board for Technical and Comprehensive Education. In Governor West's December 13 reply, he asked for the TEC Board's reaction prior to bringing the matter before the Budget and Control Board. TEC's Chairman, Mr. Y. W. Scarborough, Jr., subsequently wrote to Governor West on February 13 indicating TEC's willingness to make timely budget submissions to the Commission and to mention the Commission's views during TEC's hearing before the Budget and Control Board. Copies of these three letters are attached for your ready reference.

I would appreciate your ascertaining from the Budget and Control Board whether they are satisfied with the above arrangements or if they would like anything further to be done.

Sincerely yours,

Howard R. Boozer

/rl

Attachments



SOUTH CAROLINA
state board for technical and comprehensive education

1429 SENATE STREET, COLUMBIA, SOUTH CAROLINA 29201 • 803/758-3171

CHARLES E. PALMER
EXECUTIVE DIRECTOR

February 13, 1974

CHAIRMAN

Y. W. SCARBOROUGH, JR.
Charleston, S. C.
First Congressional District

MEMBERS

WILLIAM A. HORGER
Orangeburg, S. C.
Second Congressional District

P. HENDERSON BARNETTE
Greenwood, S. C.
Third Congressional District

TRACY J. GAINES
Inman, S. C.
Fourth Congressional District

HARRY E. WILKINSON, JR.
Sumter, S. C.
Fifth Congressional District

JOHN G. WELLMAN
Johnsonville, S. C.
Sixth Congressional District

JOHN L. BAUER
Greenville, S. C.
At-Large

HERBERT DeCOSTA
Charleston, S. C.
At-Large

EX-OFFICIO MEMBERS

CYRIL B. BUSBEE
Columbia, S. C.
Superintendent of Education

Director,
State Development Board

The Honorable John C. West
Governor
State of South Carolina
State House
Columbia, South Carolina 29201

Dear John:

You wrote me concerning our thoughts in response to Cathcart Smith's letter to you with reference our budget being submitted to the Commission on Higher Education for review and comment.

Our Board would have no objection to submitting our Education budget to the Commission on Higher Education well in advance of both our presentation and their presentation to the Budget and Control Board. We would appreciate any comments of the Commission on Higher Education being made to our Board. We would consider the comments carefully and do everything in our power to adhere to their wishes. Our Budget presentation to the Budget and Control Board would certainly mention the comments or lack of comments of the Commission on Higher Education.

I personally am very much in support of the Commission on Higher Education. I think they are doing a good job and will be able to do an even better job in the years to come. They are one of the answers to better Higher Education in the State of South Carolina.

I want to thank you for all of the support you have given TEC. TEC seems to be in good shape. Dr. Charles Palmer is doing an outstanding job.

Sincerely,

Y. W. Scarborough, Jr.

WSjr/clb

copy to Dr. Howard Boozer ✓

1099



State of South Carolina

JOHN C. WEST
GOVERNOR

OFFICE OF THE GOVERNOR
COLUMBIA 29211

December 13, 1973

R. Cathcart Smith, M. D.
Chairman
South Carolina Commission on Higher Education
903 Bell Street
Conway, South Carolina 29526

Dear Cathcart:

Thank you for your letter of December 5. It is my inclination that a TEC budget should likewise be presented to the Higher Education Commission, but prior to bringing the matter up to the Budget and Control Board, I would like to have the reaction of the TEC Commission.

Best regards.

Sincerely,

John C. West

JCW/bb

cc: Mr. Y. W. Scarborough
Mr. P. C. Smith
Dr. Charles Palmer
✓ Dr. Howard Boozer

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SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

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

December 5, 1973

R. CATHCART SMITH, CHAIRMAN
707 BELL STREET
CONWAY, S. C. 29526

JOHN K. CAUTHEN
2407 WHEAT STREET
COLUMBIA, S. C. 29205

HUGH M. CHAPMAN
P. O. BOX 727
COLUMBIA, S. C. 29201

ALESTER G. FURMAN, III
DAMEL BUILDING
GREENVILLE, S. C. 29601

GEDNEY M. HOWE, JR.
57 BROAD STREET
CHARLESTON, S. C. 29401

FRED R. SHEHEEN
CAMDEN CHRONICLE
CAMDEN, S. C. 29820

T. EMMET WALSH
P. O. BOX 5156
SPARTANBURG, S. C. 29301

WILLIAM H. GRIER
(WITHROFT)
P. O. BOX 945
ROCK HILL, S. C. 29730

J. M. J. HOLLIDAY
(THE CITADEL)
GALIVANTS FERRY, S. C. 29544

T. ESTON MARCHANT
(UNIVERSITY OF S. C.)
1306 MAIN STREET
COLUMBIA, S. C. 29201

HARRISON L. PEEPLES
(MEDICAL UNIVERSITY)
ESTILL, S. C. 29918

ALEX M. QUATTLEBAUM
(CLEMSON)
P. O. BOX 1839
FLORENCE, S. C. 29501

JAMES A. ROGERS
(STATE COLLEGE BOARD)
FLORENCE MORNING NEWS
FLORENCE, S. C. 29501

I. P. STANDACK
(S. C. STATE COLLEGE)
2635 TWO NOTCH ROAD
COLUMBIA, S. C. 29204

The Honorable John C. West
Governor, State of South Carolina
State House
P. O. Box 11450
Columbia, South Carolina 29211

Dear Governor West:

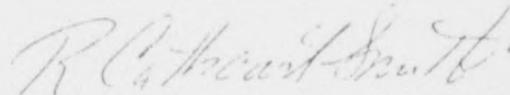
The act establishing the State Board for Technical and Comprehensive Education states that the Board's "academic educational budget" shall be presented to the Commission on Higher Education "for review and comment." Presentation of TEC's 1974-75 budget proposal was made to the Commission on November 1. Discussion of the budget was animated and extended. However, since TEC's hearing before the Budget and Control Board had already taken place, the Commission felt it was too late to raise substantive issues. In addition, the law is not clear as to whom the Commission's comments should be directed.

Looking toward 1975-76, the Commission has made some suggestions to the TEC Board which it would also like to make to the Budget and Control Board. Most importantly, the TEC budget proposal should be presented to the Commission well in advance of TEC's 1974 hearing with the Budget and Control Board. This should allow adequate time for analysis by the Commission staff, meaningful review by the Commission, and the transmittal of Commission comments jointly to the TEC Board and to the Budget and Control Board. It also seems essential that terminology and statistics utilized in TEC's budget be made more comparable to the terminology and statistics employed by colleges and universities in South Carolina and nationwide. Some progress has been made in this, and Dr. Boozer and Dr. Palmer will give additional attention to this matter in the months ahead.

The Honorable John C. West
December 5, 1973
Page 2

I would appreciate your confirmation that the Budget and Control Board would like the Commission's comments on TEC's 1975-76 budget. If you have any questions or would like to discuss this matter further, please let me know.

Cordially yours,



R. Cathcart Smith
Chairman

/afi

cc: Mr. Y. W. Scarborough
Mr. P. C. Smith
Dr. Palmer
Dr. Boozer



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

P. C. SMITH
STATE AUDITOR

TELEPHONE
(803) 758-3106

May 27, 1974

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

Dear Dr. Boozer:

In its meeting of May 22, 1974, the State Budget and Control Board discussed the question of the submission of the annual budget of the State Board for Technical and Comprehensive Education to the Commission on Higher Education for its views and comments. The Budget and Control Board also gave its attention to the letters of Mr. Y. W. Scarborough, Jr., and Dr. R. Cathcart Smith, which you included in your letter of May 9, 1974.

Members of the Budget and Control Board were pleased with the spirit of cooperation which was indicated by the correspondence and approved the budget procedures which had been arranged between the two agencies.

If the Budget and Control Board can be of any assistance to either the Commission on Higher Education or the State Board for Technical and Comprehensive Education in developing further budgetary procedures, please let us know.

Yours very truly,

A handwritten signature in cursive script that reads "William T. Putnam".

William T. Putnam
Assistant State Auditor

WTP:sj