

MINUTES OF  
Budget and  
Control Board  
Meeting  
February 22, 1983

016071

## State Budget and Control Board

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



Box 12444  
Columbia  
29211

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

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

February 22, 1983

MEMORANDUM

TO: Budget and Control Board Division Directors

FROM: William A. McInnis, Secretary *WAM*

SUBJECT: Summary of Board Actions at February 22, 1983 Meeting

The following is a summary of actions taken by the Budget and Control Board at the referenced meeting:

1. Approved the minutes of meetings held on January 25, January 26, and February 8, 1983;
2. Received as information a State Personnel Division report on reductions-in-force for January 1983 and a cumulative report for September 1982 - January 1983;
- 2A. Received as information a State Personnel Division report on new hires during FY 82-83 as compared with FY 81-82 which presented employment trends for both fiscal years;
3. Approved on the condition that the required reviews are completed with satisfactory results a Pickens County proposal to issue not to exceed \$7,500,000 Hospital Facilities Revenue Bonds on behalf of the Countryside Manor project;
4. Approved on the condition that the required reviews are completed with satisfactory results a Greenville County proposal to issue \$300,000 Industrial Revenue Bonds on behalf of the Eastern Industrial Supplies, Inc., project;
5. Received as information a Division of Local Government report on expenditures of rural improvement funds during January 1983;
6. Received as information a State Engineer report that the following permanent improvement projects have been reviewed favorably by the Joint Bond Review Committee and released by staff: (a) on Summary 26-83: ETV, item 1; (b) on Summary 27-83: Budget and Control Board, Division of General Services, items 1A and 1B; Clemson University, items 2A, 2B, and 2C; University of South Carolina, item 3; Medical University, item 4; Technical & Comprehensive Education, items 5B and 5D; Mental Retardation, items 6A and 6B; and Criminal Justice Academy, item 7; and (c) on Summary 28-83: Parks, Recreation and Tourism, item 1; Department of Corrections, items 2, 3 and 4; Budget and Control Board, Division of General Services, item 5; Clemson University, items 8, 9 and 10;

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7. Received as information a State Engineer report that the following Wildlife and Marine Resources Department permanent improvement projects have been approved by staff: Cashua Ferry Boat Landing (8-53);

8. Received as information the activity report of the State Fire Marshal Division for the month of January 1983;

9. Received as information reports on payments of interviewee travel expenses made by Clemson University, the College of Charleston, the Sea Grant Consortium and the Department of Mental Health;

10. Heard State Human Affairs Commission Vice-Chairman Samuel Lyons advise that his agency has no authority to hold state agencies accountable with regard to affirmative action performance and that his agency can only gather information on the subject and pass it to the Board; also heard Vice-Chairman Lyons ask what the Board will do in response to the information provided particularly at budget preparation time to which Governor Riley responded that the Board will inquire into this subject at budget hearings;

11. Approved in concept the alternate proposal for the use of facilities at State Park presented by Executive Director Putnam under which the Department of Mental Health would use the Farmer Building for patients now housed at Crafts Farrow and the Department of Corrections would use the Moncrief Building to house approximately 250 inmates who would be compatible with those served in the other State Park facilities and authorized Mr. Putnam to head a team to coordinate the implementation of the concept and to approve the details involved;

11A. After hearing a report from Executive Director Putnam in which he advised that state agencies are beginning to get very panicky as regards the Board's December, 1982 notification that they should be prepared to implement a budget reduction of up to 3.5%, directed staff to renotify state agencies of the current budgetary situation and to ask those agencies to file contingency plans to cover the needed budget reduction within the next two weeks;

12. Approved proposed schedule for the 1984-85 budget request process;

13. Approved the trade-in of a Cessna 180 airplane by the Wildlife and Marine Resources Department with the trade-in value of \$31,019.20 to be applied to the purchase of a replacement Cessna 180 airplane, in accordance with regulation 19-445.2150 (E);

14. Received as information a report by the Division of General Services on the collection of waste oil and the distribution of #5 fuel oil during 1982;

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Summary of Budget and Control Board Actions

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15. Approved the lease/purchase of 29 van wagons by the Department of Corrections at a cost of \$347,105.85 at an interest rate of 9.45%;

16. Approved the installment purchase of an electronic composer from IBM by Florence-Darlington Technical College at a cost of \$11,737.58 and at an interest rate of 10%;

17. Approved the following travel on behalf of the Department of Agriculture: (a) E. Wayne Mack to Germany and England during the February 24 - March 6, 1983 period; (b) Senator T. Ed Garrison to West Germany, England and Ireland during the February 24 - March 5, 1983 period; and (c) Roy W. Copelan, Jr., to West Germany and England during the February 24 - March 6, 1983 period;

18. Agreed to hold its next regular meeting at 9:30 a.m. on Tuesday, March 8, 1983, in the Governor's conference room in the State House;

19. Approved the State Plan on Technology prepared by the Office of Information Resource Management of the Division of General Services after asking Division of General Services staff to remove references to DISOSS (Distributed Office Support System) and DOSF (Distributed Office Support Facility) and to IBM in that plan;

20. Approved a University of South Carolina request for an extension of the disability leave without pay status of an employee at the Lancaster Campus on the condition that Retirement System Director Collins has no objection to this action and on the further condition that the employee not receive any benefits as a result of this action; and

21. Ratified actions taken during executive session.

WAM:dw

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MINUTES OF BUDGET AND CONTROL BOARD MEETING

FEBRUARY 22, 1983      9:30 A. M.

The Budget and Control Board met at 9:30 A. M. on Tuesday, February 22, 1983, in the Governor's conference room in the State House with the following members in attendance:

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

Mr. Grady L. Patterson, Jr., was absent from the meeting.

Also attending were Executive Director W. T. Putnam; Board Secretary William A. McInnis; Governor's Executive Assistant Katherine M. Clarke; Deputy Attorney General Frank K. Sloan; and staff members of the various Board divisions.

MINUTES OF PREVIOUS MEETING - Board members previously had been furnished a draft version of the minutes of meetings held on January 25, January 26, and February 8, 1983.

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

BLUE AGENDA - Board members were advised that the reviews required in connection with blue agenda items 3 and 4, relating to county proposals to issue revenue bonds, had not yet been completed. Members were further advised that item 3, a Pickens County proposal to issue hospital facilities revenue bonds, was the first attempt to build a retirement home facility under the Hospital Revenue Bond Act since that Act was amended in 1980 to include "retirement home facilities" within the definition of "hospital facilities."

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Upon a motion by Representative Mangum, seconded by Mr. Morris, the Board gave conditional approval to blue agenda items 3 and 4 and approved all other items on the blue agenda.

Blue agenda items are identified as such in these minutes.

PERSONNEL DIVISION - REDUCTION-IN-FORCE REPORT FOR JANUARY 1983;  
CUMULATIVE REPORT FOR 9/1/83 - 1/31/83 (BLUE AGENDA #1) - The Board received as information a State Personnel Division report on reduction-in-force activities and on the placement of persons involved in those reductions-in-force during January 1983 and a cumulative report for the September 1, 1982 through January 31, 1983 period.

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

PERSONNEL DIVISION - EMPLOYMENT TRENDS REPORT (BLUE AGENDA #2) - The Board received as information a State Personnel Division report on new hires during fiscal year 1982-83 as compared with fiscal year 1981-82 which presented employment trends for both fiscal years.

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

HOSPITAL FACILITIES REVENUE BONDS (BLUE AGENDA #3) - Upon a motion by Representative Mangum, seconded by Mr. Morris, the Budget and Control Board approved a Pickens County proposal to issue not to exceed \$7,500,000 Hospital Facilities Revenue Bonds on behalf of the Countryside Manor project, on the condition that the required reviews by the Attorney General's Office and the State Auditor's Office are completed with satisfactory results.

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

INDUSTRIAL REVENUE BONDS (BLUE AGENDA #4) - Upon a motion by Representative Mangum, seconded by Mr. Morris, the Budget and Control Board approved a Greenville County proposal to issue \$300,000 Industrial Revenue Bonds on behalf of the Eastern Industrial Supplies, Inc., project, on the condition that the required reviews by the Attorney General's Office and the State Auditor's Office are completed with satisfactory results.

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

DIVISION OF LOCAL GOVERNMENT - EXPENDITURES OF RURAL IMPROVEMENT FUNDS DURING JANUARY 1983 (BLUE AGENDA #5) - The Board received as information a Division of Local Government report for the January 1-31, 1983 period which included 17 projects involving a total expenditure of \$262,172 in State grant funds and which indicated that \$930,642 are available for grants, that 171 applications involving \$3,368,241 have been approved to date during the current fiscal year, and that 11 applications involving \$306,200 are pending.

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

GENERAL SERVICES, STATE ENGINEER - PROJECT ACTION BY STAFF (BLUE AGENDA #6) - The Board received as information a State Engineer report that the following permanent improvement projects have been reviewed by the Joint Bond Review Committee and released by staff: (a) on Summary 26-83: Educational Television Commission, item 1; (b) on Summary 27-83: Budget and Control Board,

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General Services, items 1A and 1B; Clemson University, items 2A, 2B, and 2C; University of South Carolina, item 3; Medical University, item 4; Technical and Comprehensive Education, items 5B and 5D; Mental Retardation, items 6A and 6B; Criminal Justice Academy, item 7; and (c) on Summary 28-83: Parks, Recreation and Tourism, item 1; Department of Corrections, items 2, 3, and 4; Budget and Control Board, General Services, item 5; Clemson University, items 6, 7, 8, 9, and 10.

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

GENERAL SERVICES, STATE ENGINEER - PROJECT ACTION BY STAFF (BLUE AGENDA #7) - The Board received as information a State Engineer report that the following Wildlife and Marine Resources Department project had been released by staff: Cashua Ferry boat landing (8-53).

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

STATE FIRE MARSHAL - JANUARY 1983 ACTIVITY REPORT (BLUE AGENDA #8) - The Board received as information a State Fire Marshal Division activity report for the month of January, 1983.

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

EXECUTIVE DIRECTOR'S OFFICE - INTERVIEWEE TRAVEL EXPENSE PAYMENTS (BLUE AGENDA #9) - The Board received as information reports on payments of interviewee travel expenses made by Clemson University, College of Charleston, Sea Grant Consortium, and Department of Mental Health.

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

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ADDITION TO AGENDA - Upon Governor Riley's request and motion, the Board agreed without objection to add an item relating to the use of State Park Health Center facilities to the agenda.

HUMAN AFFAIRS COMMISSION - REPORT BY VICE-CHAIRMAN - Vice-Chairman Samuel F. Lyons of the Human Affairs Commission advised the Board of his agency's preparation of its annual report which assesses the performance of state government agencies in the area of affirmative action. Mr. Lyons reminded the Board that his agency has no authority to hold state agencies accountable insofar as affirmative action performance is concerned and pointed out that his agency can only gather information and pass it to the Budget and Control Board. He expressed the hope that the Budget and Control Board would inquire about affirmative action performance at budget time and that it will attempt to tie budgets in some way to affirmative action performance. He pointed out that as more blacks and females assume elected positions it can be expected that more concern will be expressed about equality in the marketplace.

Governor Riley responded by commenting that Mr. Lyons' suggestions were worthwhile and by pointing out that the Board has inquired about this subject in budget hearings in the past and it will do so in future hearings.

Mr. Morris expressed concern that agencies be given credit for efforts in this area which are not successful. He noted that his office has offered numerous jobs to minority persons which are turned down.

Mr. Lyons commented in response to Mr. Morris that being outbid in the marketplace is a quasi-valid excuse at present but that it is not likely to be in the future.

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Governor Riley concluded this discussion by noting that budget time provides the Board an opportunity to comment on this subject and indicated that the Board will inquire into any affirmative action performance matter during budget hearings.

[Secretary's Note: Senator Dennis joined the meeting during Vice-Chairman Lyons' discussion.]

USE OF STATE PARK FACILITIES - Governor Riley introduced this item by noting that Executive Director Putnam would be asked to provide a brief history of the inquiry into the possibility of various uses of State Park facilities and that he would present an alternative proposal.

Executive Director Putnam noted that for the past five years the State Park Health Center has operated primarily for the treatment of tuberculosis patients and that prisoners from the Department of Corrections have been treated there for surgery and for serious medical problems. He noted that the average daily population at the Center has declined significantly and that the \$4,000,000 appropriation to sustain the operations of State Park has been determined by DHEC officials to be too much to continue to justify. He reminded the Board that the first step in the process of cutting back on the State Park operation was to move the prisoners who were being treated there to the Byrnes Clinic of the Department of Mental Health. He also noted that the remainder of the TB patients have now been moved to an outpatient treatment basis with perhaps a few on an inpatient basis being served at the Byrnes Clinic. He indicated that the Farmer Building (the hospital facility) at the moment is vacant as is the Moncrief Building.

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Mr. Putnam then noted that at its meeting on December 17 a majority of the Board had agreed to dedicate the Farmer and Moncrief Buildings for use by the Department of Corrections and that that action had generated much discussion. He reported that the Joint Bond Review Committee on February 3, in response to a request from the Department of Corrections for permission to use approximately \$400,000 of capital improvement bond funds to renovate State Park facilities for its purposes, did not recommend approval of that request.

Mr. Putnam then briefly alluded to an alternate proposal which would involve the use of certain of the facilities at State Park by the Department of Mental Health. Mr. Putnam then distributed a map of the State Park area together with aerial photographs of those facilities along with extracts from a study of Crafts Farrow facilities done for the Department of Mental Health. Mr. Putnam then reviewed the materials circulated in some detail to orient the members to the location of the several facilities under discussion.

At the conclusion of his review of the materials distributed, Mr. Putnam recommended that the Board consider allocating the use of the Farmer Building (the hospital) to the Department of Mental Health rather than to the Department of Corrections. He called the Board's attention to the study of the Crafts Farrow facilities done for the Department of Mental Health which contemplated the replacement of several major facilities at that institution. He pointed out that if the persons now occupying certain of those facilities at Crafts Farrow were moved to the Farmer Building the transaction could be consummated with no increased operating cost for the Department of Mental

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Health. He also noted that one of the proposed new facilities at Crafts Farrow would not have to be built if the proposed use of the Farmer Building can be implemented.

Governor Riley observed that accreditation for the Department of Mental Health is a yearly matter and the use of the Farmer Building for Crafts Farrow patients would permit beginning the renovation work needed to meet accreditation requirements. He noted that the Mental Health accreditation situation is not unlike the problem with the Department of Corrections.

In response to Mr. Mangum's question about operating costs, he was assured by Mr. Putnam that no additional operating costs would be involved but that the biggest cost to the Department of Mental Health would be approximately \$500,000 to install a sprinkler system required to meet Medicaid standards. He also noted the possibility that the Department of Mental Health could operate the x-ray facilities at State Park for all of the agencies.

Mr. Putnam also proposed that the Moncrief Building be utilized by the Department of Corrections to house up to 250 inmates and that it be used primarily for geriatric, lame, and handicapped inmates who would be compatible with other uses of State Park facilities and for those charged with the care of these inmates.

Governor Riley noted that the Moncrief Building would be a minimum security facility for geriatric inmates and for inmates with health-related needs.

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Mr. Putnam estimated that \$250,000 would be required to renovate the Moncrief Building for the Department of Corrections and that if the inmates to be housed there are replaced by additional inmates the 1983-84 operating cost of the Moncrief facility would be about \$2.4 million. Mr. Putnam emphasized that he has tried to avoid fixing on specific numbers of inmates but rather has focused on and emphasized the necessity that the inmates housed in the Moncrief Building be compatible with others to be served in the other State Park facilities.

Governor Riley complimented Mr. Putnam on his description of the alternate proposal.

Senator Hyman Rubin expressed the view that the proposed alternate is a great improvement and a considerable forward step from the original proposal in its proposal to use the Farmer Building for Crafts Farrow patients. He further expressed the view that the concept is excellent and that more work to refine the details is needed and that reasonable criteria on determining compatibility of inmates should be devised.

Mr. Morris observed that the alternate proposal presented by Mr. Putnam answers the major problem of finding a use of the State Park facilities by a state agency and he indicated his endorsement of the plan.

Following this discussion, upon a motion by Senator Dennis, seconded by both Mr. Morris and Representative Mangum, the Board approved in concept the alternate proposal for the use of facilities at State Park presented by Executive Director Putnam under which the Department of Mental Health would

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use the Farmer Building for patients now housed at Crafts Farrow and the Department of Corrections would use the Moncrief Building to house approximately 250 inmates who would be compatible with those served in the other State Park facilities and those charged with the care of such inmates and authorized Mr. Putnam to head a team to coordinate the implementation of this concept and to approve the details involved in its implementation.

Mr. Putnam indicated that he would keep Board members advised and that he plans to meet with members of the county delegation if they desire to do so. He also expressed his intention to meet with the Boards of the several agencies involved should that be desired. Governor Riley noted that Representatives Taylor, Campbell, and Hendricks all are very much interested in the subject and asked Mr. Putnam to contact them.

Mr. Morris observed that State Park will not be converted into a correctional facility but rather will become a health care facility for the use in part by the Department of Corrections.

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

BUDGET STATUS REPORT - The Board expressed no objection to Governor Riley's request that Mr. Putnam update the Board on the budget situation for the current year.

In response, Mr. Putnam distributed a copy of State Auditor Vaughn's December 20, 1982 memorandum which advised the agency heads of the Board's December 17, 1982 action which adopted in concept a plan to reduce 1982-83 expenditures approximately \$60,000,000 to bring those expenditures in line

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with revised revenue estimates. That memorandum also notified the agency heads to be prepared to implement a reduction of budgeted funds of up to 3.5% of the 1982-83 revised budget as of October 15, 1982.

Mr. Putnam noted that the agencies are beginning to get very panicky about the budget situation in that we are entering the last one-third of the fiscal year. He pointed out that only six pay periods remain and that the agencies are beginning to ask what they should do. Mr. Putnam expressed the feeling that the point of almost no turning back has been reached and expressed the view that if institutions like the Department of Mental Retardation or the Department of Mental Health have to suffer an additional 3.5% reduction the likelihood is that some of those institutions would have to be closed. He further indicated his feeling that the operation of the state government itself would be seriously impaired if the institutional operations were exempted and the burden of the budget reductions were imposed on the remainder of the state government. He noted that the only alternatives left at this time appear to be additional revenue or the furlough option.

In response to an inquiry, Senator Dennis and Representative Mangum indicated that the legislation relating to state employee furloughs is still in their respective committees.

Governor Riley noted that the long and short of the situation is that the options available have been depleted and urged that the agencies be put on notice to be making plans to deal with the situation under the present circumstances.

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Following this discussion, upon a motion by Representative Mangum, seconded by Mr. Morris, the Board directed staff to renotify state agencies of the current budgetary situation and to ask the agencies to file contingency plans to cover the needed budget reductions within the next two weeks.

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

EXECUTIVE DIRECTOR'S OFFICE AND FINANCE DIVISION - 1984-85 BUDGET PROCESS SCHEDULE - Mr. Putnam presented the proposed schedule for preparing the 1984-85 budget and noted that it involves two significant changes. One of the changes relates to the presentation to the Board by the several functional groups and the second change relates to the condensed time frames at the end of the process. The budget requests would be submitted two months later than in the prior year which would have the effect of moving the hearings into September. That change would allow agencies to work with the actual figures from the prior fiscal year and would permit more accurate economic projections to be made.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Senator Dennis, the Board approved the proposed schedule for the 1984-85 budget request process.

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

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GENERAL SERVICES - WILDLIFE AND MARINE RESOURCES AIRPLANE TRADE-IN -

Mr. Putnam advised the Board that, in accord with prior approvals by the Board and the Joint Bond Review Committee, the Wildlife and Marine Resources Department had proposed to trade in its existing Cessna 180 airplane on the acquisition of a replacement Cessna 180 and that a proposal had been received which would allow a trade-in value of \$31,019.20. That trade-in amount exceeds the approval authority of the Materials Management Office in the Division of General Services. Mr. Putnam further advised that the replacement airplane had been flown to Columbia from Maine on Thursday, February 10, and that, in order to permit the consummation of the exchange without delay or necessitating a return trip, he had authorized approval of the trade-in and had advised the Division of General Services that formal Board approval of the trade-in value in excess of \$25,000 would be sought at the present meeting.

Upon a motion by Mr. Morris, seconded by Representative Mangum, the Board approved the trade-in of a Cessna 180 airplane by the Wildlife and Marine Resources Department with a trade-in value of \$31,019.20 to be applied to the purchase of a replacement Cessna 180 airplane, in accordance with Regulation 19-445.2150(E).

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

GENERAL SERVICES - REPORT ON STATEWIDE WASTE OIL COLLECTION SYSTEM -

Division of General Services Acting Director Tony Ellis introduced staff member Mark Dozier who presented an annual report on the statewide system for the collection of waste oil and the distribution of reprocessed #5 fuel oil as

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a follow-up on behalf of General Services and the Joint Legislative Committee on Energy. The Board had approved that system at its meeting on July 14, 1981.

Mr. Dozier reported that, although it had been estimated that participating agencies could use up to 590,000 gallons of reprocessed #5 oil, only 95,000 gallons actually were sold and he attributed that situation to the very mild winter experienced in 1981-82. Mr. Dozier expressed the view that the waste oil program had proven to be very cost effective in that the average cost avoidance gained by purchasing reprocessed #5 oil through the waste oil program is twenty-three cents per gallon.

Following this discussion, the Board received as information the report by the Division of General Services on the collection of waste oil and the distribution of #5 fuel oil during 1982.

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

[Secretary's Note: Representative Mangum excused himself from the meeting at this point.]

GENERAL SERVICES - DEPARTMENT OF CORRECTIONS LEASE/PURCHASE OF VAN WAGONS - Upon a motion by Mr. Morris, seconded by Senator Dennis, the Board approved the lease/purchase of 29 van wagons by the Department of Corrections at a cost of \$347,105.85 at an interest rate of 9.45%.

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

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GENERAL SERVICES - FLORENCE-DARLINGTON TEC INSTALLMENT PURCHASE -

Upon a motion by Mr. Morris, seconded by Senator Dennis, the Board approved the installment purchase of an electronic composer from IBM by Florence-Darlington Technical College at a cost of \$11,737.58 and at an interest rate of 10%.

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

DEPARTMENT OF AGRICULTURE - FOREIGN TRAVEL - The Board without objection agreed to add to the agenda and, upon a motion by Mr. Morris, seconded by Senator Dennis, the Board approved the following foreign travel which is to be paid for from foreign trade missions appropriations and other sources, as requested by Commissioner Tindal: (a) E. Wayne Mack to Germany and England during the February 24 - March 6, 1983 period; (b) Senator T. Ed Garrison to West Germany, England and Ireland during the February 24 - March 5, 1983 period; and (c) Roy W. Copelan, Jr., to West Germany and England during the February 24 - March 6, 1983 period.

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

FUTURE MEETING - The Board agreed to hold its next regular meeting at 9:30 A. M. on Tuesday, March 8, 1983, in the Governor's conference room in the State House.

EXECUTIVE SESSION - Executive Director Putnam advised the Board that a contractual matter and a personnel matter had been proposed for consideration in executive session. Upon a motion by Senator Dennis, seconded by Mr. Morris, the Board agreed to consider these matters in executive session whereupon Governor Riley declared the meeting to be in executive session.

RATIFICATION OF EXECUTIVE SESSION ACTIONS - Following the Board's consideration of executive session items, the meeting was opened and, upon a motion by Mr. Morris, seconded by Senator Dennis, the Board ratified the following actions taken in executive session:

(1) Approved the state plan on technology prepared by the Office of Information Resource Management of the Division of General Services after asking Division of General Services staff to remove references to DISOSS (distributed office support system) and DOSF (distributed office support facility) and to IBM in that plan; and

(2) Approved a University of South Carolina request for an extension of the disability leave without pay status of an employee at the Lancaster Campus on the condition that Retirement System Director Collins has no objection to this action and on the further condition that the employee not receive any benefits as a result of this action.

The meeting was adjourned at 11:10 A. M.

[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's press secretary in the State House and near the Board Secretary's office in the Wade Hampton Office Building at 4:30 p.m. on Friday, February 18, 1983.]

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# EXHIBIT

STATE BUDGET AND CONTROL BOARD FEB 22 1983

NO. 01 BLUE AGENDA

MEETING OF February 22, 1983

ITEM NUMBER 1

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## STATE BUDGET & CONTROL BOARD

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Agency: State Personnel Division

Subject: Reduction-in-Force Report for January 1983 and Cumulative Report for September 1, 1982 - January 31, 1983

The attached report is the January report on reduction-in-force activities and on the placement of persons involved in those reductions-in-force.

The University of South Carolina, the Water Resources Commission, and Clemson University each has undergone small reductions-in-force during the month of January, 1983. Eight employees were affected by these actions. One was placed in the private sector, four declined services offered by State Personnel and the remaining three have been added to the total reduction-in-force population available.

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Board Action Requested:

Receive as information.

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Staff Comment:

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Attachments:

Referenced report

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# EXHIBIT

STATE BUDGET AND CONTROL BOARD

MEETING OF February 22, 1983

FEB 22 1983

NO. 0 <sup>2</sup>/<sub>2</sub> BLUE AGENDA

ITEM NUMBER

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STATE BUDGET & CONTROL BOARD

Agency: State Personnel Division

Subject: Employment Trends Report

The attached report presents statistical information on new hires during fiscal year 1982-83 as compared with fiscal year 1981-82. It also presents employment trends for both of the referenced fiscal years.

Board Action Requested:

Receive as information.

Staff Comment:

Attachments:

Referenced report dated 2/8/83

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# EXHIBIT

FEB 22 1983 NO. 02

SOURCE: PDSPEC30  
DATE: 2/08/83  
PREPARED BY: RWB

STATE BUDGET & CONTROL BOARD

## NEW HIRES DURING FISCAL YEAR 1982 COMPARED TO FISCAL YEAR 1983

	FISCAL 1981-1982				FISCAL 1982-1983			
	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u>	<u>4th</u> <u>QUARTER</u>	<u>1st</u> <u>QUARTER</u>	<u>2nd</u> <u>QUARTER</u>	<u>3rd</u> <u>QUARTER</u> (January)	<u>4th</u> <u>QUARTER</u>
New Hires	2,602	1,513	1,269	875	2,369	1,141	402	
Average Employees	54,836	55,343	55,350	54,692	54,297	54,645	54,659	
Average Vacancies	5,214	4,528	4,545	5,226	6,311	5,619	5,536	
Average Positions	60,050	59,871	59,895	59,918	60,608	60,264	60,195	
Hires as a % of Average Positions	4.33	2.53	2.12	1.46	3.90	1.89	.67	

SOURCE: PDGEN205  
DATE: 2/08/83  
PREPARED BY: RWB

## EMPLOYMENT TRENDS FISCAL YEARS 1982 AND 1983

<u>END OF MONTH</u>	<u>FILLED POSITIONS</u>	<u>PERCENT OF CHANGE</u> (since June, 1981)
June, 1981	55,340	-
September, 1981	54,876	(0.84%)
December, 1981	55,423	0.15%
March, 1982	55,355	0.03%
June, 1982	54,106	(2.23%)
September, 1982	54,662	(1.24%)
December, 1982	54,645	(1.27%)
January, 1983	54,674	(1.22%)

Although 3,912 new employees have been hired since July 1, 1982, the total number of filled positions increased by only 568.

016093



# EXHIBIT

STATE BUDGET AND CONTROL BOARD  
MEETING OF February 22, 1983

FEB 22 1983

BLUE AGENDA  
NO. 03 ITEM NUMBER

3

Agency: Pickens County

STATE BUDGET & CONTROL BOARD

Subject: Proposal to Issue Hospital Facilities Revenue Bonds  
(Not to Exceed \$7,500,000, Countryside Manor Project)

The proposed project consists of the acquisition, construction, and equipping of a retirement home facility containing approximately 115 assisted living units and an adult residential care facility with approximately 60 beds.

The required reviews by the Attorney General's Office and the State Auditor's Office were incomplete as these agenda materials were being prepared. Staff will advise the Board on the results of these reviews at the meeting.

Insofar as staff knows, this is the first attempt to build a "retirement home facility" under the Hospital Revenue Bond Act. That Act was amended by Act 430 of 1980 so as to include "retirement home facilities" within the definition of "hospital facilities."

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Board Action Requested:

If review results are satisfactory, adopt a resolution approving the Pickens County proposal to issue not to exceed \$7,500,000 Hospital Facilities Revenue Bonds on behalf of the Countryside Manor project.

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Staff Comment:

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Attachments:

016094

# EXHIBIT

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NO. 03

RESOLUTION  
OF  
STATE BUDGET & CONTROL BOARD  
THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

APPROVING AN UNDERTAKING BY PICKENS COUNTY, SOUTH CAROLINA, PURSUANT TO CHAPTER 7 OF TITLE 44, SECTION 44-7-1410 ET SEQ. OF THE 1976 CODE OF LAWS OF SOUTH CAROLINA, AS AMENDED, TO ASSIST IN FINANCING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF A RETIREMENT HOME FACILITY TO BE OWNED BY COUNTRYSIDE MANOR, INC. THROUGH THE ISSUANCE OF ITS PICKENS COUNTY, SOUTH CAROLINA, HOSPITAL REVENUE BONDS, SERIES 1983 (COUNTRYSIDE MANOR PROJECT).

WHEREAS, the County Council of Pickens County, South Carolina (the "County Council"), pursuant to Chapter 7 of Title 44, Section 44-7-1410 et seq. of the 1976 Code of Laws of South Carolina, as amended (the "Act"), has petitioned the State Budget and Control Board of South Carolina (the "State Board"), seeking approval from the State Board of a financial undertaking proposed by Pickens County, South Carolina (the "Issuer"); and

WHEREAS, the undertaking provides for the issuance, sale and delivery of Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") in an aggregate principal amount not to exceed \$7,500,000 pursuant to the Act, the proceeds of which will be used to finance the costs of the acquisition, construction and equipping of a retirement home facility in Pickens County, South Carolina, containing (i) approximately 115 assisted living units and (ii) an adult residential care facility with approximately 60 beds (the "Project") to be owned by Countryside Manor, Inc., a South Carolina corporation (the "Corporation"); and

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STATE BUDGET & CONTROL BOARD

WHEREAS, such retirement home facility constitutes a "hospital facility" within the meaning of the Act, and the Corporation constitutes a "hospital agency" within the meaning of the Act; and

WHEREAS, it is expected that the Series 1983 Bonds will be issued and sold to or through Buchanan & Co., Inc.; and

WHEREAS, the proceeds of the Series 1983 Bonds will be loaned by the Issuer to the Corporation in exchange for the Corporation's agreement under a Loan Agreement (the "Loan Agreement") to pay amounts to the Issuer sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds; and

WHEREAS, the Corporation will own the Project and will secure payments to be made by it under the Loan Agreement by the grant to the Issuer pursuant to a Mortgage and Security Agreement (the "Mortgage") of a mortgage lien and a security interest in the Project and certain other appropriate property; and

WHEREAS, Bryson F. Hill, Jr., a resident of the State of Alabama, will guarantee payment of the Basic Payments (as defined in the Loan Agreement) by the Corporation for a period of approximately six years pursuant to a Guaranty Agreement (the "Guaranty"); and

WHEREAS, the Issuer will secure payment of the Series 1983 Bonds by the execution and delivery to The Citizens and Southern National Bank of South Carolina, as trustee for the holders of the Series 1983 Bonds (the "Trustee"), of an Indenture of Trust (the "Indenture") granting to the Trustee substantially all of the

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Issuer's rights under the Loan Agreement and all of the Issuer's rights under the Mortgage; and

WHEREAS, the proposed financing will be materially assisted if the State Board permits proceeds of the Series 1983 Bonds to be used to pay interest on those Bonds for such period (up to six months) after the estimated date of completion of construction of the Project (estimated to occur 8 months following issuance of the Series 1983 Bonds) as is deemed advisable by the Corporation; and

WHEREAS, the general terms of the principal loan documents (the Loan Agreement, the Indenture, the Mortgage, and the Guaranty) contemplated in connection with this transaction have been reviewed by the Attorney General of South Carolina on behalf of the State Board; and

WHEREAS, the State Board has made such independent investigation and study as it has deemed advisable.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

1. That it has been found and determined by the State Board as follows:

(a) The statements of fact set forth in the recitals of this Resolution are in all respects true and correct;

(b) The County Council has filed with the State Board pursuant to the Act a proper Petition reciting facts which are in all respects true and correct;

## EXHIBIT

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STATE BUDGET & CONTROL BOARD

(c) The amount which will be needed to finance the costs of and related to the Project will be approximately \$7,025,000;

(d) The Project will promote the public health and welfare by constituting a "hospital facility" within the meaning of the Act, which Project will serve the people of the State of South Carolina and of Pickens County, South Carolina and make accessible to them modern and efficient "hospital facilities" within the meaning of the Act;

(e) The Project is intended to promote the purposes of the Act and is reasonably anticipated to effect this result;

(f) The proposed financing is economically feasible; and

(g) No approval of the Project or the Series 1983 Bonds is required from the Department of Health and Environmental Control by Article 3, Chapter 7, Title 44 or by Section 44-7-1490 of the 1976 Code of Laws of South Carolina, as amended.

2. That on the basis of the foregoing findings the proposed Project and the proposed undertaking of the Issuer to finance the Project through the issuance of the Series 1983 Bonds pursuant to the Act (including changes in any details of the consummated financing which do not materially affect the undertaking) are hereby approved.

3. That the State Board hereby finds advisable and permits proceeds of the Series 1983 Bonds to be used to pay interest on those Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project (estimated to

EXHIBIT

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-4-

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

occur eight months following issuance of the Series 1983 Bonds) as is deemed advisable by the Corporation.

4. That notice of this action taken by the State Board in giving its approval to the undertaking of the Issuer, shall be published in The Greenville News, which is a newspaper published in Greenville, South Carolina and having general circulation in Pickens County, South Carolina.

5. That notice to be published shall be in the form substantially as set forth as Exhibit "A" of this Resolution.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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"EXHIBIT A"

NOTICE OF APPROVAL OF PROJECT AND FINANCING  
BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

Notice is hereby given that the State Budget and Control Board of South Carolina (the "State Board") has approved the financing by Pickens County, South Carolina (the "County") of the acquisition, construction and equipping of a retirement home facility containing (i) approximately 115 assisted living units and (ii) an adult residential care facility with approximately 60 beds (the "Project") to be owned by Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), and to be located in Pickens County, South Carolina, through the issuance of Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") in a principal amount not to exceed \$7,500,000, pursuant to the provisions of Chapter 7 of Title 44, Section 44-7-1410 et seq. of the 1976 Code of Laws of South Carolina, as amended.

The proceeds of the Series 1983 Bonds will be loaned by the County to the Corporation in exchange for the Corporation's agreement under a loan agreement (the "Loan Agreement") to pay amounts to the County sufficient to meet the payment schedule on the Series 1983 Bonds. The Corporation will own the Project and will secure payments to be made by it under the Loan Agreement by the grant to the County pursuant to a mortgage and security agreement (the "Mortgage") of a mortgage lien and security

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interest in the Project and other appropriate property. The County will secure payment of the Series 1983 Bonds by the execution and delivery to The Citizens and Southern National Bank of South Carolina, as trustee for the holders of the Series 1983 Bonds (the "Trustee"), of an indenture of trust (the "Indenture") granting to the Trustee substantially all of the County's rights under the Loan Agreement and all of the County's rights under the Mortgage. Bryson F. Hill, Jr., a resident of the State of Alabama, will guarantee payment by the Corporation of the Basic Payments (as defined in the Loan Agreement) to be made by it for a period of approximately six years pursuant to a Guaranty Agreement (the "Guaranty").

The Series 1983 Bonds will be payable by the County solely from payments received by the County from the Corporation under or in connection with the Loan Agreement. Neither the Project nor the Series 1983 Bonds, nor any charges in connection with the Project or the Series 1983 Bonds, shall constitute or give rise to a pecuniary liability of the County or a charge against the general credit or taxing power of the County.

By resolutions dated December 6, 1982, December 20, 1982, and January 17, 1983, the County Council found that there is a need for the Project in Pickens County, South Carolina, that the Corporation is financially responsible and is capable of fulfilling whatever obligations may be imposed upon it by the financing arrangement worked out in connection therewith, including obligations to operate, repair and maintain at its own expense the

EXHIBIT 016101

Project and to discharge such other responsibilities as may be imposed on it by the Loan Agreement, that payments to the County by the Corporation shall be sufficient to allow the County to meet the payment schedule on the Series 1983 Bonds, that the Corporation shall be obligated at its own expense to pay the costs of operating and maintaining the Project in good repair and the costs of keeping it properly insured, and that utilities and public services necessary for the Project are or will be made available.

The South Carolina Department of Health and Environmental Control has stated that no approval of the Project or the Series 1983 Bonds is required from it.

Notice is hereby 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 this undertaking of the County, the action of the County Council, or the action of the Department of Health and Environmental Control by action de novo instituted in the Court of Common Pleas in the County.

STATE BUDGET AND CONTROL BOARD  
OF SOUTH CAROLINA

By: /s/ William A. McInnis  
Secretary

EXHIBIT

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STATE BUDGET & CONTROL BOARD

# EXHIBIT

FEB 22 1983

NO. 03

STATE OF SOUTH CAROLINA  
COUNTY OF RICHLAND

STATE BUDGET & CONTROL BOARD

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

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

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

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

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

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

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

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:30 A.M., Tuesday, February 22, 1983, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of: Senator Dennis (during consideration of this item) and Mr. Patterson.

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

## FOR MOTION

3

## AGAINST MOTION

0

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

That any and all conditions attached to the referenced Board action have been satisfied as of the date of this certificate.

**016103**

APR 25 1983

William A. McInnis  
Secretary

The State of South Carolina



Office of the Attorney General

T. TRAVIS MEDLOCK  
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING  
POST OFFICE BOX 11549  
COLUMBIA, S.C. 29211  
TELEPHONE 803-758-2061

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

April 20, 1983

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

Re: Hospital Revenue Bond Series 1983,  
Pickens County (Countryside Manor  
Project)

Dear Mr. McInnis:

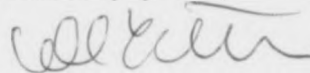
We have reviewed the above proposed bond issue in accordance with §44-7-1590, Code of Laws of South Carolina, 1976 (as amended). It is our opinion that this facility should be deemed eligible for hospital bond financing because it is an assisted living facility designed for persons needing a certain amount of health-related care. For example, a physician is on the staff and available to the residents. The facility would have a RN or LPN on duty at all times. A resident's vital signs are monitored regularly. A resident can summon emergency help by means of an alert system. A pharmacy is provided and the distribution of individual medication is made by the staff. Meals are eaten in the central dining facility, thus enabling the resident's diet to be supervised. In essence this facility is designed more to provide health-related assistance to persons with special health needs than to provide independent living accommodations to persons without special health needs. In addition, we have reviewed the related party transactions that are proposed as a part of this project, and have determined that they are not prohibited by state law. For these reasons we would advise

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Mr. William A. McInnis  
April 20, 1983  
Page Two

the Board that this proposed facility may properly be approved by the Board in accordance with §44-7-1590, Code of Laws of South Carolina, 1976 (as amended).

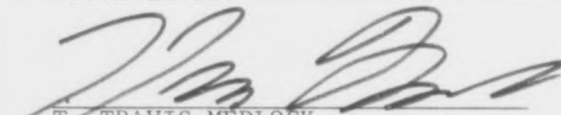
Sincerely yours,



David C. Eckstrom  
Assistant Attorney General

DCE/cs

APPROVED BY:



T. TRAVIS MEDLOCK  
Attorney General

cc: Mr. Eric Amstutz

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

016105

TO William A. McInnis  
Deputy Executive Director  
State Budget and Control Board

FROM AUDITING DIVISION  
State Auditor's Office  
P O BOX 11333 COLUMBIA SOUTH CAROLINA 29211  
Phone (803) 758-8406

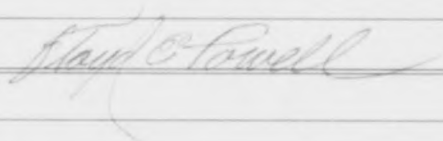
SUBJECT

Date 3 / 11 / 83

MESSAGE

The attached memo summarizes our review of the feasibility study for Countryside Manor, Inc. in connection with the proposed issuance of hospital revenue bonds by Pickens County in an amount not to exceed \$7,500,000. We also return for your files the following documents concerning this project: Mortgage and Security Agreement, Trust Indenture, Loan Agreement, Guaranty Agreement and Preliminary Official Statement.

Signed



REPLY

EXHIBIT

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NO. 03

STATE BUDGET & CONTROL BOARD

016106

Signed

Date

Ennis MRM 8593

SEND PARTS 1 AND 2 WITH CARBON INTACT PART 3 WILL BE RETURNED WITH REPLY

3 PART

March 11, 1983

# EXHIBIT

FEB 22 1983

NO. 03

Countryside Manor, Inc. (the Project)  
Review of Financial Feasibility Study

STATE BUDGET & CONTROL BOARD

Re: Hospital Revenue Bond Issue, Pickens County,  
Not to Exceed \$ 7,500,000

1. We have reviewed the preliminary financial feasibility study prepared for the above named project by May, Zima & Company, Certified Public Accountants, Atlanta, Georgia. Countryside Manor, Inc. is a newly created South Carolina corporation organized for the specific purpose of constructing an "assisted living facility" to be licensed by the State of South Carolina as an "adult residential care facility". The facility, as planned, will have fifty-six two-bedroom units, fifty-nine one-bedroom units, four private rooms, and twenty-eight semi-private rooms (two beds in each room). Since Countryside Manor, Inc., is a corporation newly organized for the specific purpose of construction of the project, there is no financial history and, therefore, historical financial statements of prior operations do not exist.
2. May, Zima & Company, per the feasibility study, presented the following conclusions:

"We believe that the underlying assumptions provide a reasonable basis for Management's forecast. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results achieved during the forecast periods will vary from the forecast, and the variations may be material.

The accompanying financial forecast indicates that sufficient funds could be generated to meet the assisted living facility's operating expenses, working capital needs, and other financial requirements, including the debt service requirements associated with the proposed \$6,800,000 bond issue, during the forecast periods. However, the achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured.

We have no responsibility to update this report for events and circumstances occurring after the date of this report. (January 27, 1983)"

016107



3. The forecast assumes that residents accepted for occupancy will be charged an entrance fee in accordance with the following schedule:

Two Bedroom Unit	\$19,900
One Bedroom Unit	13,900
Private Room	8,000
Semi-Private Room	4,000

Twenty percent of all entrance fees are recorded as marketing income in the year in which collected, the remainder will be held for possible refund if the occupant leaves the project and the vacated unit or room can be resold to a new occupant. The rates quoted above are forecast for the initial year and are forecast to increase 5% annually in each of the subsequent fiscal years of the forecast through January 31, 1989.

In addition to the entrance fees as described above, each occupant is to be charged a monthly rental fee forecast as follows:

Single Occupant	\$850
Additional Occupant	425

These monthly rental rates are forecast for the initial fiscal year and are estimated to increase by 6% in February 1985 and 6% in each fiscal year thereafter through January, 1989.

4. Some other key assumptions utilized in the feasibility study are as follows:

The forecast rented units and percentages of occupancy, which were prepared by the Company and approved by Management are as follows:

Forecast Rented Units					
Fiscal Year	2 BR Units	1 BR Units	Adult Residential Care Facility Beds	Additional Occupants (2 BR Units)	Percentage Occupancy
Jan.31					
1985	39	41	42	39	70%
1986	47	50	51	47	85%
1987	53	56	57	53	95%
1988	53	56	57	53	95%
1989	53	56	57	53	95%

Occupancy in year one was forecast on a gradual basis to take into consideration the "rent-up" period.

## EXHIBIT

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STATE BUDGET & CONTROL BOARD

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4. (continued)

Management fees were forecast at 4% of gross rental revenues in 1985, 5% of gross rental revenues in 1986, 6% of gross rental revenues in 1987, and 7% of gross rental revenues thereafter.

The inflation rate applied to operating expenses (except management fees) was 7% per year during the forecast period.

Interest was forecast on the short term Bonds (\$1,800,000) at 9.5% and on the long term Bonds (\$5,000,000) at 13.5%.

Project to be completed and in operation, February, 1984.

Number of units forecast to be vacated by original occupants and resold to new occupants for an additional entrance fee:

Units Resold	1985	1986	1987	1988	1989
2 Bedroom	3	3	4	4	4
1 Bedroom	4	3	5	4	5
Private	0	1	0	1	0
Semi-Private	3	5	5	5	5

5. The ratio of debt service coverage per the feasibility study is as follows:

Before Management Fees(1)	1.20	1.38	1.48	1.63	1.20
After Management Fees	1.13	1.26	1.42	1.42	1.13

(1) Management fees are subordinate to debt service requirements

Our review noted that the underwriters for the prospective bond issue, Buchanan & Co., Inc., had included as one of their requirements for underwriting the issue, that a financial feasibility study be prepared "which will show a debt service coverage of at least 1.20 times during the first year of operation and increasing to 1.5 times by the end of the fifth year". As listed above, the study indicated a debt service coverage of only 1.20 in the fifth year. We therefore inquired of bond counsel for the project concerning the discrepancy and, as a result, Buchanan & Co., by letter dated February 18, 1983, amended their original stipulation from 1.5 debt service coverage in the fifth year to the amount as shown by the feasibility study, 1.20.

## EXHIBIT

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STATE BUDGET & CONTROL BOARD

016109

6. The feasibility study and the preliminary copy of the official statement prepared by the underwriters for the public sale of the bonds contain several disclosures of non-arms length transactions and related party transactions. Details are as follows:
- a. Page 19 of the feasibility study discloses that approximately \$300,000 of bond proceeds will be used to purchase furniture, fixtures and equipment for the project from United Medical & Surgical Supply Co. Ricky Merritt, president of Countryside Manor and a 31 2/3% stockholder, is an employee of United. Page 19 also discloses that \$120,000 of bond proceeds will be paid to Unico Development Services, Inc. as reimbursement for "development" expenses. The sole stockholders of Unico are Mr. C. Donald Stone and Mrs. James A. Stone who are also stockholders of United Medical & Surgical Supply.
  - b. Page 62 of the underwriters official statement discloses that Bryson F. Hill, secretary-treasurer of Countryside and a 31 2/3% stockholder, is the president and 100% owner of First American Management Co., Inc. which will receive a thirty-year contract to manage the project for a monthly fee. The management company will also receive \$160,000 from the bond proceeds as a marketing fee.

Since these transactions were non-arms length, they were described verbally to David Extron of the Attorney General's office in order that any possible question as to legality of their purpose could be considered.

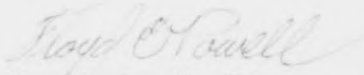
- 7. Our review of the preliminary feasibility study produced no indications that would cause us to dispute any of the assumptions, estimates or forecast information contained therein.
- 8. Assuming that the final feasibility study will have no material deviations from the preliminary study reviewed by us, and relying upon the assumptions, estimates and forecasts prepared by May, Zima & Company as utilized in the feasibility study, we concur with their conclusion that the project will generate sufficient revenues to meet the debt service requirements of the proposed bond issue. It must be borne in mind, however, that this conclusion is heavily reliant upon certain assumptions and estimates and therefore there is no assurance that actual revenues will, in fact, equal the forecast levels as projected by the feasibility study.
- 9. Our favorable conclusion is also contingent upon satisfactory approval by the Attorney General's office of the project, particularly as to the various matters concerning non-arms length and related party transactions as described in Item 6 above.

## EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

  
Floyd E. Powell, CPA  
Director of Auditing Services  
Audit Division  
Office of the State Auditor

016110

# EXHIBIT

FEB 22 1983

NO. 0

## REVENUE BOND ISSUE PETITION PROCESSING CHECKLIST

STATE BUDGET & CONTROL BOARD

[Item for Board meeting of 2/22/83]

1. Local Government: Pickens County
2. Bond Counsel:
  - (a) Firm Kyche, Burger, Freeman & Perkins
  - (b) Contact Person Eric Amstutz Phone 242-3131
  - (c) Address Box 10207, Greenville, SC 29603
3. Project Name: Countryside Manor
4. Issue Amount: \$ 7,500,000 Type: Hospital Facilities
5. Employment Impact of Project:
6. Type/Nature of Business of Firm Involved: retirement home facility  
containing 115 assisted living units and 60-bed adult  
nursidential care facility

\* \* \* \* \*

7. Processing Checklist	Rec'd. From	Sent To
(a) Governing body resolution/ordinance/ petition	EA 2/16	DE 2/17
(b) Documents on issuance/securing of bonds	EA 2/16	DE 2/17
(c) Financial Information: (1) Audited Statements (3 most recent years) OR (2) If private placement, "investment letter" (Purchaser: <u>                                    </u> ) (3) Review by State Auditor's Office (memo) <u>copy to Pickens 2/14/83</u>	EA 2/16  3/14/83	FP 2/17  XXXXXXXXXX
(d) Health and Environmental Control certification	EA 2/16	DE 2/17
(e) B&C Board Resolution and Notice ( <u>6</u> copies for certification for bond counsel)	EA 2/16	(1) DE 2/17
(f) Review by Attorney General's Office (letter)	OK 4/25	XXXXXXXXXX

Motion: TCM

Second: EDM

Absent: GP

Votes: For 3

Res during item  
Absent 0

Certificates signed: 4/25/83

Resolutions mailed: 4/25/83

016111

bcc The Honorable Earle E. Morris, Jr.

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

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



Box 12444  
Columbia  
29211

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

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

February 16, 1983

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

Mr. David C. Eckstrom  
Assistant Attorney General  
Rembert C. Dennis Building  
Columbia, SC 29201

Dear Mr. Eckstrom:

Re: Pickens County Hospital Revenue Bonds, Series 1983  
(Countryside Manor Project)

Your particular attention is invited to this Pickens County proposal in view of the fact that, to my knowledge, the Budget and Control Board has not yet approved a project described as "retirement home facilities" for financing under the Hospital Revenue Bond Act.

As you probably know, Code Section 44-7-1430 (see copy enclosed), which contains the definition of "hospital facilities" was amended to include "retirement home facilities" by Act 430 of 1980.

You should also note that the Pickens County Council Petition to the Budget and Control Board, in paragraph 4, finds that the proposed project will constitute a "retirement home facility" and a "hospital facility" within the meaning of Code Section 44-7-1430 and for the purposes of the Hospital Revenue Bond Act. Please also note in the enclosures that Attorney Eric B. Amstutz indicates that the Wyche, Burgess, Freeman & Parham firm will be serving as bond counsel for this issue. Attorney Amstutz invites any questions any of us may have about this proposed issue.

Sincerely,

*William A. McInnis*

William A. McInnis  
Deputy Executive Director

WAM:dw  
Enclosures

016112

facilities of all county, township or municipal hospitals, clinics and tuberculosis camps. 1975-76 Op Atty Gen, No 4359, p 192.

## ARTICLE 11

## HOSPITAL REVENUE BOND ACT

## § 44-7-1430. Definitions.

In this article, the following words and terms shall, unless the context otherwise requires, have the following meanings:

[See parent volume for text of items (a)-(c)]

(d) "Hospital facilities" shall mean any one or more buildings, structures, additions, extension, improvements or other facilities, whether or not located on the same or contiguous site or sites (and including existing facilities), machinery, equipment, furnishings or other real or personal property suitable for health care or medical care; and includes, without limitation, general hospitals, chronic diseases, maternity, mental, tuberculosis and other specialized hospitals; facilities for emergency care, intensive care and self-care; clinics and outpatient facilities; clinical, pathological and other laboratories, hospital research facilities; extended care facilities; skilled nursing home facilities; nursing home facilities; retirement home facilities; laundries; residences and training facilities for nurses, interns, physicians and other staff members; food preparation and food service facilities; administration buildings, central service and other administrative facilities; communication, computer and other electronic facilities; fire-fighting facilities, pharmaceutical and recreational facilities; storage space, x-ray, laser, radiotherapy and other apparatus and equipment; dispensaries; utilities; vehicular parking lots and garages; office facilities for hospital staff members and physicians; and such other health and hospital facilities customarily under the jurisdiction of or provided by hospitals, or any combination of the foregoing, with all necessary, convenient or related interests in land, machinery, apparatus, appliances, equipment, furnishings, appurtenances, site preparation, landscaping and physical amenities.

[See parent volume for items (e) through (i)]

HISTORY: 1980 Act No. 430, eff May 22, 1980.

**Effect of Amendments—**

The 1980 amendment added the words "retirement home facilities" after "nursing home facilities" in subsection (d).

EXHIBIT

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FEB 22 1983

NO. 03

STATE BUDGET &amp; CONTROL BOARD

016113



C. GRANVILLE WYCHE  
ALFRED F. BURGESS  
C. THOMAS WYCHE  
DAVID L. FREEMAN  
JAMES C. PARHAM, JR.  
JAMES M. SHOEMAKER, JR.  
WILLIAM W. KEHL  
CHARLES W. WOFFORD  
LARRY D. ESTRIDGE  
D. ALLEN GRUMBINE  
CARY H. HALL, JR.  
CARL F. MULLER  
HENRY L. PARR, JR.  
BRADFORD W. WYCHE  
ERIC B. AMSTUTZ  
FRANK S. HOLLEMAN, III

WYCHE, BURGESS, FREEMAN & PARHAM

PROFESSIONAL ASSOCIATION

ATTORNEYS AT LAW

GREENVILLE, SOUTH CAROLINA 29603

February 15, 1983

POST OFFICE BOX 10207  
44 EAST CAMPERDOWN WAY  
CABLE ADDRESS: JURAL  
TELEPHONE 803-242-3131

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

State Budget and Control Board  
of South Carolina  
c/o Mr. William McInnis  
212 Wade Hampton Office Building  
Columbia, South Carolina 29201

Re: Pickens County, South Carolina, Hospital  
Revenue Bonds, Series 1983 (Countryside  
Manor Project)

Gentlemen:

We are bond counsel for the above-referenced issue and would respectfully request that the State Budget and Control Board, at its meeting on February 22, 1983, adopt the enclosed Resolution in connection with these bonds.

These bonds are to be issued pursuant to Title 44, Chapter 7, Article 11, of the 1976 Code of Laws of South Carolina, as amended (the "1976 Code"), commonly known as the Hospital Revenue Bond Act. The proceeds of the bonds will be used to finance the acquisition, construction and equipping of a "retirement home facility" within the meaning of Section 44-7-1430 of the 1976 Code, as amended by 1980 Act No. 430. This facility will contain 115 assisted living units and a 60-bed adult residential care facility. At least the 60-bed portion of the project will be licensed by the Department of Social Services pursuant to Title 43, Chapter 28 of the 1976 Code. A detailed description of the project can be found in Exhibit 1 attached to the Petition of Pickens County. As this description demonstrates, the project will provide numerous services to its residents in the way of health care and, therefore, fits within the definition of a "hospital facility" for purposes of such Section 44-7-1430.

Enclosed, please find six copies of the proposed State Budget and Control Board Resolution. We would be grateful if five of these copies could be signed and returned to us if and when the Board acts favorably on our request.

Pursuant to Reg. Section 19-102, we also enclose for the Board's review the following:

1. Resolution of the Pickens County Council authorizing a Petition to the State Budget and Control Board, as amended by resolution of February 7, 1983.

016114



# EXHIBIT

State Budget and Control Board  
of South Carolina  
Page Two  
February 15, 1983

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

2. Petition of the Pickens County Council to the State Budget and Control Board.
3. Two copies of each of the following documents, in substantially the form in which they will be executed at the closing of the proposed bond issue:
  - a. Loan Agreement between the Corporation and the County (Exhibit A).
  - b. Indenture of Trust between the County and the Trustee on behalf of the Bondholders (Exhibit B).
  - c. Mortgage and Security Agreement from the Corporation to the County (Exhibit C).
  - d. Guaranty signed by Bryson F. Hill, Jr., guaranteeing certain payments to be made by the Corporation (Exhibit D).
  - e. Preliminary Official Statement relating to the above-referenced bonds (Exhibit E).
4. As Appendix B to the Preliminary Official Statement are audited Financial Statements of the Corporation as of January 31, 1983. The Corporation was organized in December, 1982, and accordingly does not have any other financial results which could be the subject of financial statements. In order to aid the Board in determining the financial feasibility of the proposed project, we herewith enclose a copy of a letter from Buchanan and Co., Inc., the underwriter for the issuer, stating its interest in purchasing the bonds upon the occurrence of certain conditions, and a feasibility study prepared by MayZima & Co., certified public accountants, demonstrating the expected financial feasibility of the project.
5. A letter dated January 31, 1983, from the South Carolina Department of Health & Environmental Control in which such Department states that the project does not fall under the purview of the State Hospital Construction and Franchising Act. This decision is based on the Department's finding that the project does not constitute a "health care facility" as defined by the State Hospital Construction and Franchising Act. We would note in this regard that Section 44-7-130(9) of the State Hospital

016115

State Budget and Control Board  
of South Carolina  
Page Three  
February 15, 1983

## EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

Construction and Franchising Act defines "health care facility" in a way that does not include "retirement home facilities" within its purview, whereas Section 44-7-1430 of the Hospital Revenue Bond Act expressly includes "retirement home facilities" as "hospital facilities" which can be the subject of hospital revenue bonds. Since no Certificate of Need is required under Title 44, Article 3, Chapter 7, of the 1976 Code (the State Hospital Construction and Franchising Act), the enclosed letter shows that the Corporation has complied with Section 44-7-1490 of the Hospital Revenue Bond Act which requires the procurement of "such approval of the Department of Health and Environmental Control . . . as may be required under Article 3, Chapter 7, Title ~~44~~."

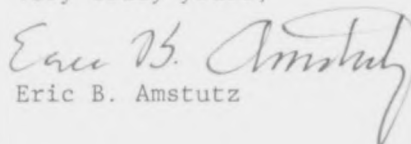
At this time, the Corporation expects that the terms and conditions of the bonds will be as follows:

- a. The interest rate on the bonds to mature no later than March 1, 1989, will be approximately 10% and the interest rate on the bonds to mature no later than March 1, 2013, will be approximately 13.5%.
- b. The total principal amount of the bonds will be \$6,800,000 and will be sold to the public at par.
- c. The bond proceeds will fund only 12 months of interest on the bonds, it being expected that construction will last between 10 and 12 months after closing of the bond issue.

If the Board, the Attorney General's Office, or the Office of the State Auditor has any questions about this bond issue, the undersigned is available at any time to discuss such questions at 242-3131.

Thank you very much for your assistance in this matter.

Very truly yours,

  
Eric B. Amstutz

EBA:eh

Enclosures

016116

South Carolina  
Department of  
Health and  
Environmental  
Control

FEB 4 1983

BOARD

J. Lorin Mason, Jr., M.D., Chairman  
Gerald A. Kaynard, Vice-Chairman  
Leonard W. Douglas, M. D. , Secretary  
Oren L. Brady, Jr.  
Moses H. Clarkson, Jr.  
Barbara P. Nuessle  
James A. Spruill, Jr.

COMMISSIONER

Robert S. Jackson, M.D.  
2600 Bull Street  
Columbia, S.C. 29201

February 1, 1983

EXHIBIT

FEB 22 1983 NO. 03

Mr. William A. McInnis, Deputy Exec. Director  
State Budget and Control Board  
P.O. Box 12444  
Columbia, SC 29211

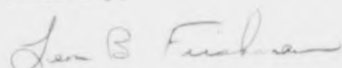
STATE BUDGET & CONTROL BOARD

Dear Mr. McInnis:

This is to notify you that the projects described in the enclosed letters do not fall under the purview of the S. C. Certification of Need Program. The applicants have indicated that the projects may be financed with Hospital Revenue Bonds.

If you have any questions or if we can be of further assistance, do not hesitate to contact us at 758-0368.

Sincerely,



Leon B. Frishman, Director  
Division of Certification of Need  
Bureau of Health Facilities and Services Development

LBF:dbw

Enclosures

016117

# South Carolina Department of Health and Environmental Control

BOARD  
J. Lorin Mason, Jr., M.D., Chairman  
Gerald A. Kaynard, Vice-Chairman  
Leonard W. Douglas, M. D., Secretary  
Oren L. Brady, Jr.  
Moses H. Clarkson, Jr.  
Barbara P. Nuessle  
James A. Spruill, Jr.

COMMISSIONER  
Robert S. Jackson, M.D.  
2600 Bull Street  
Columbia, S.C. 29201

January 28, 1983

Re: Cooper Hall, An Assisted Living Retirement  
Center developed by Unico Development Services, Inc.  
Mt. Pleasant, South Carolina

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

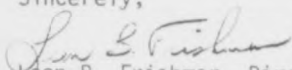
Mr. C. Benjamin Smith  
Project Development Consultant  
Unico Development Services, Inc.  
P.O. Box 132  
Greenville, SC 29602

Dear Mr. Smith:

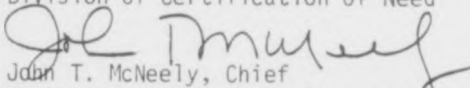
Based upon information provided the Department in your correspondence dated January 10, 1983, and January 26, 1983, and correspondence from the Palmetto-Lowcountry Health Systems Agency, Inc. dated January 25, 1983, this is to advise that the above referenced project does not fall under the purview of the State Hospital Construction and Franchising Act. This decision is based on the finding that this project as described in the aforementioned correspondence is not a "health care facility" as defined by the State Hospital Construction and Franchising Act nor is it a capital expenditure "by or on behalf of a health care facility" pursuant to Section 102 of the Regulation No. 61-15, Certification of Need for Health Facilities and Services.

If we can be of further assistance to you, please advise.

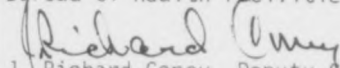
Sincerely,



Leon B. Frishman, Director  
Division of Certification of Need



John T. McNeely, Chief  
Bureau of Health Facilities and Services Development



J. Richard Coney, Deputy Commissioner  
Office of State Health Planning and Development

016118

LBF:dbw

cc: Mr. Lynn W. Beasley

South Carolina  
Department of  
Health and  
Environmental  
Control

BOARD  
J. Lorin Mason, Jr., M.D., Chairman  
Gerald A. Kaynard, Vice-Chairman  
Leonard W. Douglas, M. D., Secretary  
Oren L. Brady, Jr.  
Moses H. Clarkson, Jr.  
Barbara P. Nuessle  
James A. Spruill, Jr.

COMMISSIONER  
Robert S. Jackson, M.D.  
2600 Bull Street  
Columbia, S.C. 29201

January 31, 1983

Re: Countryside Manor, Inc., An Assisted  
Living Retirement Center  
Easley, South Carolina

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

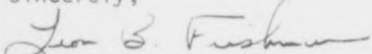
Mr. C. Donald Stone, President  
Unico Development Services, Inc.  
P.O. Box 132  
Greenville, SC 29602

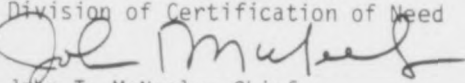
Dear Mr. Stone:

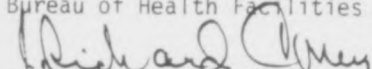
Based upon information provided the Department in your correspondence dated January 18, 1983, and January 28, 1983, and a telephone conversation with Ms. Kathryn Torrance of the S. C. Appalachian Health Council, it has been determined that the above referenced project does not fall under the purview of the State Hospital Construction and Franchising Act. This decision is based on the finding that this project as described in the aforementioned correspondence is not a "health care facility" as defined by the State Hospital Construction and Franchising Act nor is it a capital expenditure "by or on behalf of a health care facility" pursuant to Section 102 of Regulation No. 61-15, Certification of Need for Health Facilities and Services.

If we can be of further assistance, please advise.

Sincerely,

  
Leon B. Frishman, Director  
Division of Certification of Need

  
John T. McNeely, Chief  
Bureau of Health Facilities and Services Development

  
J. Richard Coney, Deputy Commissioner  
Office of State Health Planning and Development

016119

LBF:dbw

cc: Mr. James F. Keasler

South Carolina  
Department of  
Health and  
Environmental  
Control

BOARD  
J. Lorin Mason, Jr., M.D., Chairman  
Gerald A. Kaynard, Vice-Chairman  
Leonard W. Douglas, M. D., Secretary  
Oren L. Brady, Jr.  
Moses H. Clarkson, Jr.  
Barbara P. Nuessle  
James A. Sprull, Jr.

COMMISSIONER  
Robert S. Jackson, M.D.  
2600 Bull Street  
Columbia, S.C. 29201

January 31, 1983

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

Re: Countryside Manor, Inc., An Assisted  
Living Retirement Center  
Easley, South Carolina

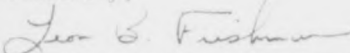
Mr. C. Donald Stone, President  
Unico Development Services, Inc.  
P.O. Box 132  
Greenville, SC 29602

Dear Mr. Stone:

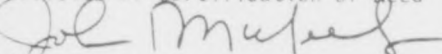
Based upon information provided the Department in your correspondence dated January 18, 1983, and January 28, 1983, and a telephone conversation with Ms. Kathryn Torrance of the S. C. Appalachian Health Council, it has been determined that the above referenced project does not fall under the purview of the State Hospital Construction and Franchising Act. This decision is based on the finding that this project as described in the aforementioned correspondence is not a "health care facility" as defined by the State Hospital Construction and Franchising Act nor is it a capital expenditure "by or on behalf of a health care facility" pursuant to Section 102 of Regulation No. 61-15, Certification of Need for Health Facilities and Services.

If we can be of further assistance, please advise.

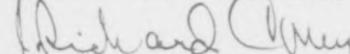
Sincerely,



Leon B. Frishman, Director  
Division of Certification of Need



John T. McNeely, Chief  
Bureau of Health Facilities and Services Development



J. Richard Coney, Deputy Commissioner  
Office of State Health Planning and Development

LBF:dbw

cc: Mr. James F. Keasler

016120



# UNICO Development Services, Inc.

7 MICHAEL DRIVE • P. O. BOX 132  
GREENVILLE, SOUTH CAROLINA 29602 • 803/269-2275

January 18, 1983

EXHIBIT

Mr. Leon Frishman, Director  
Division of Certificates of Need  
Bureau of Health Facilities and Development  
Dept. of Health and Environmental Control  
2600 Bull Street  
Columbia, South Carolina 29201

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

RE: Countryside Manor Assisted Living Community  
Easley, South Carolina

Dear Mr. Frishman:

We are project co-ordinators and consultants for the proposed Countryside Manor Assisted Living Community on Highway 8 in Easley, Pickens County, South Carolina. This project is designed and will be operated as an adult residential care facility under the statutes and regulations as administered under the South Carolina Department of Social Services.

Our review of the South Carolina Need Certificate law indicates that a Certificate of Need is not required for this facility. However, to satisfy the Bond Council, we will need a determination from your office. Please consider this letter as our request for an official determination of the reviewability from your agency. We will be more than pleased to furnish you with any information that you might request.

We greatly appreciate the co-operation your agency has given us in the past and look forward to hearing from you in the near future.

Very truly yours,

C. Donald Stone  
Project Co-Ordinator

CDS/j

016121



# UNICO Development Services, Inc.

7 MICHAEL DRIVE • P. O. BOX 132  
GREENVILLE, SOUTH CAROLINA 29602 • 803/269-2275

January 28, 1983

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

Mr. Leon B. Frishman, Director  
Div. of Certification of Need  
S. C. Depart. of Health & Environ. Control  
2600 Bull Street  
Columbia, S. C. 29201

Dear Mr. Frishman:

Reference is made to your three questions pertaining to Countryside Manor, Inc. We feel we can answer your three questions by a clarification of the following statement.

Countryside Manor, Inc. is a South Carolina Corporation organized under the laws of the State of South Carolina with a Charter to do business under the laws of the State of South Carolina. This corporation is a separate entity, is not owned by nor associated with, nor a division of any other company, nor does it own any other company. The stockholders of Countryside Manor, Incorporated are as follows: Bryson F. Hill, Jr., Travers W. Paine, III, Rickey M. Merritt and Joanne J. Randall.

We do hope this clarifies the questions as to whether this corporation is associated or owned by any nursing home or hospital.

Very truly yours,

C. Donald Stone  
President

CDS/j

cc: Mr. James F. Keasler  
S. C. Appalachian Health Council

016122

FEB 25 1983

The State of South Carolina



Office of the Attorney General

T. TRAVIS MEDLOCK  
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING  
POST OFFICE BOX 11549  
COLUMBIA, S.C. 29211  
TELEPHONE 803-758-2081

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

February 23, 1983

Eric B. Amstutz  
Post Office Box 10207  
Greenville, South Carolina 29603

Re: Pickens County Hospital Revenue Bonds,  
Series 1983, (Countryside Manor Project)

Dear Mr. Amstutz:

Several questions have arisen in connection with our review of the above-referenced bond issue. It would facilitate our continued review of the matter if you would provide a response to the following:

(1) Please set out in detail the full extent to which the proposed project would provide "health care" or "medical care" as those terms are used in §44-7-1430(d), Code of Laws of South Carolina, 1976 (as amended).

(2) Please set out a schedule of the costs that are proposed to be paid from the bond proceeds, setting out for each item of cost the person or entity to whom payment would be made and the purposes for which the payment would be made. This question arises, in part, from the proposed payment of \$160,000 as a marketing fee to First American Management Company, Inc., from the bond proceeds.

(3) How is the requirement of §44-7-1520, *supra*, met in light of the statements made at page 20, ¶¶4 and 5 of the Preliminary Official Statement, Exhibit E?

016123

Eric B. Amstutz  
February 23, 1983  
Page Two

These questions have arisen during an initial review of the bond package. I will be away from the office on military duty until March 14, 1983. I hope that, upon receiving responses to these questions, we can complete the review as soon as I return to the office.

Sincerely,

*David C. Eckstrom*  
David C. Eckstrom  
Assistant Attorney General

DCE/cs

bcc: William A. McInnis

EXHIBIT  
FEB 22 1983 NO. 03  
STATE BUDGET & CONTROL BOARD

016124

# EXHIBIT

RESOLUTION OF THE COUNTY COUNCIL  
OF  
PICKENS COUNTY, SOUTH CAROLINA

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

The following resolution of the Pickens County Council was adopted at its regular meeting on February 7, 1983.

WHEREAS, on January 17, 1983, the County Council adopted a resolution to authorize a petition to the State Budget and Control Board of South Carolina for its approval of the issuance and sale of Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project);

WHEREAS, Countryside Manor, Inc. has determined that it will be in its best interests for The Citizens and Southern National Bank of South Carolina to act as Trustee for the above-referenced bonds.

NOW, THEREFORE, be it resolved by the County Council of Pickens County, South Carolina, in meeting duly assembled, that the above-referenced resolution of the County Council of Pickens County, South Carolina, adopted on January 17, 1983, and the Petition to the State Budget and Control Board attached thereto as Exhibit A are hereby amended to provide that the Trustee for such bonds will be The Citizens and Southern National Bank of South Carolina, and not the SouthTrust Bank of Alabama, National Association. In every other respect, said Resolution and Petition will remain in full force and effect.

\* \* \*

The foregoing constitutes a true copy of the resolution duly adopted by the County Council of Pickens County, South Carolina on February 7, 1983 amending a certain resolution of the County Council of Pickens County, South Carolina, adopted on January 17, 1983.

February 7, 1983

*Louis P. Watson*  
Clerk, County Council  
Pickens County, South Carolina

016125

A RESOLUTION

TO AUTHORIZE A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF THE ISSUANCE AND SALE OF PICKENS COUNTY, SOUTH CAROLINA HOSPITAL REVENUE BONDS, SERIES 1983 (COUNTRYSIDE MANOR PROJECT) PURSUANT TO CHAPTER 7 OF TITLE 44, SECTION 44-7-1410 ET. SEQ. OF THE 1976 CODE OF LAWS OF SOUTH CAROLINA, AS AMENDED; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THESE UNDERTAKINGS.

BE IT RESOLVED BY THE COUNTY COUNCIL OF PICKENS COUNTY, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

ARTICLE I  
FINDINGS OF FACT

As an incident to the adoption of this Resolution, the County Council (the "County Council") of Pickens County, South Carolina (the "Issuer") has made the following findings:

1. Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), has informed the County Council that the Corporation is planning the acquisition of land in Pickens County, South Carolina and the construction, equipping and installation thereon of buildings and related machinery, equipment and personal property for the purpose of establishing a retirement home facility containing approximately 110 assisted living units and a rest home with approximately 60 beds (the "Project"). The Project is more fully described in Exhibit 1 attached to the form of Petition attached hereto as Exhibit A.

2. The Project will constitute a "retirement home facility" and a "hospital facility" within the meaning of S.C. Code §44-7-1430 and for the purposes and within the intendment of the Hospital Revenue Bond Act, S.C. Code §§44-7-1410 to 44-7-1640 (the "Act").

3. Construction of the Project will promote the public health and welfare by providing "hospital facilities," as defined by the Act, to serve the people of the State of South Carolina and of Pickens County, South Carolina and to make accessible to them modern and efficient "hospital facilities," as defined by the Act.

4. There is a need for the proposed Project in Pickens County.

016126

5. Issuance of Pickens County Hospital Revenue Bonds for the purpose of financing the Project will promote and subserve the objectives of the Act by making accessible to the people of the State of South Carolina and of Pickens County modern and efficient "hospital facilities," as defined by the Act, at the lowest possible expense to those utilizing them.

6. The Corporation is financially responsible and is capable of fulfilling whatever obligations may be imposed upon it by the financing arrangements that should be worked out in connection herewith, including obligations to operate, repair and maintain at its own expense the Project, and to discharge such other responsibilities as may be imposed on it by the financing arrangement to be worked out.

7. Utilities and public services necessary for the Project are or will be made available.

8. Adequate provision will be made in the bond financing documents for the payment by the Corporation of amounts sufficient to pay the principal of, premium on, if any, and the interest on the Hospital Revenue Bonds to be issued and any reserves therefor and for the operation, repair and maintenance of the Project at the expense of the Corporation.

9. Financing of the Project will be materially assisted if Hospital Revenue Bonds are issued by the Issuer to finance the costs of the Project.

10. The willingness of the Issuer, acting through the County Council, to issue its Hospital Revenue Bonds to assist in financing the Project will promote and subserve the purposes of the Act.

11. The Issuer has, therefore, found and determined that, in order to promote the public health and welfare of the people of Pickens County and surrounding areas and to make accessible to them modern and efficient hospital facilities at the lowest possible cost, it is necessary for the Issuer to assist the Corporation in providing the funds for financing the cost of the acquisition, construction and equipping of the Project by issuing its Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") in an aggregate principal amount not to exceed \$7,500,000. At this time it is expected that the aggregate principal amount of the Series 1983 Bonds will be approximately \$6,800,000.

12. It is proposed that the Project be constructed, purchased and owned by the Corporation. The proceeds of the Series 1983 Bonds will be loaned by the Issuer to the Corporation to be used to finance the costs of or related to the Project. Simultaneously with the issuance, sale and delivery of the Series 1983 Bonds, the Corporation will enter into a Loan Agreement requiring it to make Basic Payments sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds as and when the same become due and payable; the Corporation shall execute a Mortgage and Security Agreement creating a mortgage lien and a security interest in various property of the Corporation, including the Project, to secure the Corporation's obligations under the Loan Agreement; and Bryson F. Hill, Jr. or Bryson F. Hill & Associates, Inc. (the "Guarantor") shall enter into a Guaranty Agreement guaranteeing payment by the Corporation of the principal of, premium, if any, and interest on the Series 1983 Bonds for a limited period of time.

13. It is reasonably estimated that the amount which will be needed to finance the costs of or related to the Project will be approximately \$7,025,000.

14. The Loan Agreement to be executed by the Corporation and the Issuer and the Indenture of Trust (the "Indenture") to be executed by the Issuer and the SouthTrust Bank of Alabama, National Association, as trustee for the holders of the Series 1983 Bonds (the "Trustee"), shall provide, among other things:

(a) For the creation and maintenance of a Debt Service Reserve Fund (as defined in the Loan Agreement),

(b) That the Corporation shall pay all costs required to keep the Project in good repair and properly insured,

(c) That the Corporation must effect completion of the Project if the proceeds of the Series 1983 Bonds prove insufficient to do so,

(d) That the Corporation must satisfy a Rate Covenant (as defined in the Loan Agreement) set forth in the Loan Agreement,

(e) That, under certain circumstances, the Corporation will have the freedom to remodel, improve and add to its Facilities, to remove its Facilities Equipment, to transfer certain assets free of the lien of the Mortgage and Security Agreement, to incur additional indebtedness, and to incur Parity Indebtedness (all as defined in the Loan Agreement),



(f) That, under certain circumstances, the Corporation will be able to prepay the Basic Payments (as defined in the Loan Agreement).

(g) That, under certain circumstances, the Issuer may issue Additional Bonds (as defined in the Loan Agreement) secured on a parity with the Series 1983 Bonds.

(h) Pursuant to the Indenture, that the Issuer will assign to the Trustee substantially all of its rights under the Loan Agreement and all of its rights under the Mortgage and Security Agreement, and

(i) For such other matters as are customarily provided for in connection with the issuance of hospital revenue bonds.

15. Neither the Project nor the Series 1983 Bonds, nor any documents executed in connection therewith, will give rise to an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation or constitute or give rise to any pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

16. No approval of the Project or the Series 1983 Bonds is required from the Department of Health and Environmental Control by Article 3, Chapter 7, Title 44 or by Section 44-7-1490 of the 1976 Code of Laws of South Carolina, as amended.

17. The Series 1983 Bonds will be issued as tax-exempt instruments by virtue of the provisions of the Act and Section 103 of the Internal Revenue Code of 1954, as amended.

18. The Corporation has arranged for the issuance and sale of the Series 1983 Bonds to or through Buchanan & Co.

19. The Corporation may enter into various contracts relating to the construction, acquisition and/or installation of the Project or parts thereof. Certain of these contracts may require payments which shall become due prior to issuance and sale of the Series 1983 Bonds.

20. The proposed financing will be materially assisted if the State Budget and Control Board deems advisable and permits proceeds of the Series 1983 Bonds to be used to pay interest on the Series 1983 Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project (estimated to occur 8 months following issuance of the Series 1983 Bonds) as is deemed advisable by the Corporation.

ARTICLE II  
PETITION TO THE STATE BUDGET AND CONTROL BOARD

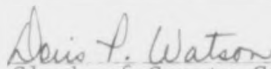
The Issuer is hereby authorized, directed and committed to submit a Petition to the State Budget and Control Board of South Carolina to seek the approval required by the Act. This Petition shall be substantially upon the terms of the Petition attached as Exhibit A to this Resolution.

ARTICLE III  
EXECUTION

The Chairman of County Council (or in his absence, the Vice Chairman of County Council) and the County Administrator of the Issuer are hereby authorized and empowered to execute all documents required to effectuate the intent of this Resolution, and the Clerk of County Council is hereby authorized and empowered to attest to these signatures.

\* \* \*

The foregoing constitutes a true copy of a Resolution duly adopted by the County Council of Pickens County, South Carolina on January 17, 1983, relating to the issuance of Pickens County, South Carolina, Hospital Revenue Bonds, Series 1983 (Countryside Manor Project).



Clerk of County Council  
Pickens County, South Carolina

January 17, 1983

STATE OF SOUTH CAROLINA   )  
                                  )  
COUNTY OF PICKENS         )

PETITION

---

TO: THE STATE BUDGET AND CONTROL  
BOARD OF SOUTH CAROLINA

---

The County Council (the "County Council") of Pickens County (the "Issuer") would respectfully report unto the State Budget and Control Board of South Carolina the following findings:

1. The County Council is the governing body of the Issuer as established by law, and as such, is the "County Board" described in Chapter 7 of Title 44, Section 44-7-1410 et. seq. of the 1976 Code of Laws of South Carolina, as amended (the "Act").
2. The Act authorizes and empowers the Issuer, acting through the County Council, if it shall comply with the provisions set forth in the Act, to assist "hospital agencies," as defined in the Act, in financing the acquisition of land and the acquisition, construction or equipping of buildings, equipment, additions and other improvements deemed necessary, suitable or useful for the enlarging, improving, constructing, equipping and providing of "hospital facilities," as defined in the Act, and for that purpose to issue hospital revenue bonds.
3. Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), has informed the County Council that the Corporation is planning the acquisition of land in Pickens County, South Carolina and the construction, equipping and installation thereon of buildings and related machinery, equipment and personal property for the purpose of establishing a retirement home facility containing approximately 110 assisted living units and a rest home with approximately 60 beds (the "Project"). The Project is more fully described in Exhibit 1 attached hereto.
4. The Project will constitute a "retirement home facility" and a "hospital facility" within the meaning of S.C. Code §44-7-1430 and for the purposes and within the intendment of the Hospital Revenue Bond Act, S.C. Code §§44-7-1410 to 44-7-1640 (the "Act").

5. Construction of the Project will promote the public health and welfare by providing "hospital facilities," as defined by the Act, to serve the people of the State of South Carolina and of Pickens County, South Carolina, and to make accessible to them modern and efficient "hospital facilities," as defined by the Act.

6. There is a need for the proposed Project in Pickens County.

7. Issuance of Pickens County Hospital Revenue Bonds for the purpose of financing the Project will promote and subserve the objectives of the Act by making accessible to the people of the State of South Carolina and of Pickens County modern and efficient "hospital facilities," as defined by the Act, at the lowest possible expense to those utilizing them.

8. The Corporation is financially responsible and is capable of fulfilling whatever obligations may be imposed upon it by the financing arrangements that should be worked out in connection herewith, including obligations to operate, repair and maintain at its own expense the Project, and to discharge such other responsibilities as may be imposed on it by the financing arrangement to be worked out.

9. Utilities and public services necessary for the Project are or will be made available.

10. Adequate provision will be made in the bond financing documents for the payment by the Corporation of amounts sufficient to pay the principal of, premium on, if any, and the interest on the Hospital Revenue Bonds to be issued and any reserves therefor and for the operation, repair and maintenance of the Project at the expense of the Corporation.

11. Financing of the Project will be materially assisted if Hospital Revenue Bonds are issued by the Issuer to finance the costs of the Project.

12. The willingness of the Issuer, acting through the County Council, to issue its Hospital Revenue Bonds to assist in financing the Project will promote and subserve the purposes of the Act.

13. At this time, it is reasonably estimated that the amount which will be needed to finance the costs of or related to the Project will be approximately \$7,025,000. It is estimated that construction of the Project will be completed approximately 8 months after issuance of the Hospital Revenue Bonds.

14. For the purposes of financing the costs associated with the Project, the Issuer, acting through the County Council, has agreed with the Corporation that the Issuer will issue and sell its Pickens County, South Carolina, Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") for a purchase price not to exceed \$7,500,000. At this time, it is expected that the aggregate principal amount of the Series 1983 Bonds will be approximately \$6,800,000.

15. Neither the Project nor the Series 1983 Bonds, nor any documents executed in connection therewith, will give rise to an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation or constitute or give rise to any pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

16. It is expected that the Series 1983 Bonds will be sold to or through Buchanan & Co.

17. No approval of the Project of the Series 1983 Bonds is required from the Department of Health and Environmental Control by Article 3, Chapter 7, Title 44 or by Section 44-7-1490 of the 1976 Code of Laws of South Carolina, as amended.

18. It is proposed that the Project be constructed, purchased and owned by the Corporation. The proceeds of the Series 1983 Bonds will be loaned by the Issuer to the Corporation to be used to finance the costs of or related to the Project. Simultaneously with the issuance, sale and delivery of the Series 1983 Bonds, the Corporation will enter into a Loan Agreement requiring it to make Basic Payments sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds as and when the same become due and payable; the Corporation shall execute a Mortgage and Security Agreement creating a mortgage lien and a security interest in various property of the Corporation, including the Project, to secure the Corporation's obligations under the Loan Agreement; and Bryson F. Hill, Jr. or Bryson F. Hill & Associates, Inc. (the "Guarantor") shall enter into a Guaranty Agreement guaranteeing payment by the Corporation of the principal of, premium, if any, and interest on the Series 1983 Bonds for a limited period of time.

19. The Loan Agreement to be executed by the Corporation and the Issuer and the Indenture of Trust (the "Indenture") to be executed by the Issuer and the SouthTrust Bank of Alabama, National Association, as trustee for the holders of the Series 1983 Bonds (the "Trustee"), shall provide, among other things:

(a) For the creation and maintenance of a Debt Service Reserve Fund (as defined in the Loan Agreement),

(b) That the Corporation shall pay all costs required to keep the Project in good repair and properly insured,

(c) That the Corporation must effect completion of the Project if the proceeds of the Series 1983 Bonds prove insufficient to do so,

(d) That the Corporation must satisfy a Rate Covenant (as defined in the Loan Agreement) set forth in the Loan Agreement,

(e) That, under certain circumstances, the Corporation will have the freedom to remodel, improve and add to its Facilities, to remove its Facilities Equipment, to transfer certain assets free of the lien of the Mortgage and Security Agreement, to incur additional indebtedness, and to incur Parity Indebtedness (all as defined in the Loan Agreement),

(f) That, under certain circumstances, the Corporation will be able to prepay the Basic Payments (as defined in the Loan Agreement),

(g) That, under certain circumstances, the Issuer may issue Additional Bonds (as defined in the Loan Agreement) secured on a parity with the Series 1983 Bonds,

(h) Pursuant to the Indenture, that the Issuer will assign to the Trustee substantially all of its rights under the Loan Agreement and all of its rights under the Mortgage and Security Agreement, and

(i) For such other matters as are customarily provided for in connection with the issuance of hospital revenue bonds.

20. The proposed financing will be materially assisted if the State Budget and Control Board deems advisable and permits proceeds of the Series 1983 Bonds to be used to pay interest on the Series 1983 Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project (estimated to occur 8 months following issuance of the Series 1983 Bonds) as is deemed advisable by the Corporation.

Upon the basis of the foregoing, the Issuer, acting through the County Council, respectfully prays that the State Budget and Control Board of South Carolina accept the filing of this Petition; that it make a prompt and independent investigation of the Project; that it find that the proposed Project will promote the purposes of the Act and that the proposed Project is reasonably anticipated to effect this result; that it further find that the proposed financing is economically feasible; that it approve



the Project and the issuance and sale of the Series 1983 Bonds, including changes in any details of the proposed financing as finally consummated which do not materially affect this undertaking; that it find advisable and permit a portion of the proceeds of the Series 1983 Bonds to be used to pay interest on the Series 1983 Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project as is deemed advisable by the Corporation; and that it give published notice of its approval in the manner set forth in the Act.

Respectfully submitted,

COUNTY COUNCIL OF PICKENS COUNTY

Attest:

By: \_\_\_\_\_  
Chairman of County Council

\_\_\_\_\_  
Clerk of County Council

January 17, 1983

\_\_\_\_\_  
County Administrator



# EXHIBIT

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF PICKENS )

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

PETITION

TO: THE STATE BUDGET AND CONTROL  
BOARD OF SOUTH CAROLINA

The County Council (the "County Council") of Pickens County (the "Issuer") would respectfully report unto the State Budget and Control Board of South Carolina the following findings:

1. The County Council is the governing body of the Issuer as established by law, and as such, is the "County Board" described in Chapter 7 of Title 44, Section 44-7-1410 et. seq. of the 1976 Code of Laws of South Carolina, as amended (the "Act").
2. The Act authorizes and empowers the Issuer, acting through the County Council, if it shall comply with the provisions set forth in the Act, to assist "hospital agencies," as defined in the Act, in financing the acquisition of land and the acquisition, construction or equipping of buildings, equipment, additions and other improvements deemed necessary, suitable or useful for the enlarging, improving, constructing, equipping and providing of "hospital facilities," as defined in the Act, and for that purpose to issue hospital revenue bonds.
3. Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), has informed the County Council that the Corporation is planning the acquisition of land in Pickens County, South Carolina and the construction, equipping and installation thereon of buildings and related machinery, equipment and personal property for the purpose of establishing a retirement home facility containing approximately 110 assisted living units and a rest home with approximately 60 beds (the "Project"). The Project is more fully described in Exhibit 1 attached hereto.
4. The Project will constitute a "retirement home facility" and a "hospital facility" within the meaning of S.C. Code §44-7-1430 and for the purposes and within the intentment of the Hospital Revenue Bond Act, S.C. Code §§44-7-1410 to 44-7-1640 (the "Act").

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5. Construction of the Project will promote the public health and welfare by providing "hospital facilities," as defined by the Act, to serve the people of the State of South Carolina and of Pickens County, South Carolina, and to make accessible to them modern and efficient "hospital facilities," as defined by the Act.

6. There is a need for the proposed Project in Pickens County.

7. Issuance of Pickens County Hospital Revenue Bonds for the purpose of financing the Project will promote and subserve the objectives of the Act by making accessible to the people of the State of South Carolina and of Pickens County modern and efficient "hospital facilities," as defined by the Act, at the lowest possible expense to those utilizing them.

8. The Corporation is financially responsible and is capable of fulfilling whatever obligations may be imposed upon it by the financing arrangements that should be worked out in connection herewith, including obligations to operate, repair and maintain at its own expense the Project, and to discharge such other responsibilities as may be imposed on it by the financing arrangement to be worked out.

9. Utilities and public services necessary for the Project are or will be made available.

10. Adequate provision will be made in the bond financing documents for the payment by the Corporation of amounts sufficient to pay the principal of, premium on, if any, and the interest on the Hospital Revenue Bonds to be issued and any reserves therefor and for the operation, repair and maintenance of the Project at the expense of the Corporation.

11. Financing of the Project will be materially assisted if Hospital Revenue Bonds are issued by the Issuer to finance the costs of the Project.

12. The willingness of the Issuer, acting through the County Council, to issue its Hospital Revenue Bonds to assist in financing the Project will promote and subserve the purposes of the Act.

13. At this time, it is reasonably estimated that the amount which will be needed to finance the costs of or related to the Project will be approximately \$7,025,000. It is estimated that construction of the Project will be completed approximately 8 months after issuance of the Hospital Revenue Bonds.

14. For the purposes of financing the costs associated with the Project, the Issuer, acting through the County Council, has agreed with the Corporation that the Issuer will issue and sell its Pickens County, South Carolina, Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") for a purchase price not to exceed \$7,500,000. At this time, it is expected that the aggregate principal amount of the Series 1983 Bonds will be approximately \$6,800,000.

15. Neither the Project nor the Series 1983 Bonds, nor any documents executed in connection therewith, will give rise to an indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation or constitute or give rise to any pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

16. It is expected that the Series 1983 Bonds will be sold to or through Buchanan & Co.

17. No approval of the Project of the Series 1983 Bonds is required from the Department of Health and Environmental Control by Article 3, Chapter 7, Title 44 or by Section 44-7-1490 of the 1976 Code of Laws of South Carolina, as amended.

18. It is proposed that the Project be constructed, purchased and owned by the Corporation. The proceeds of the Series 1983 Bonds will be loaned by the Issuer to the Corporation to be used to finance the costs of or related to the Project. Simultaneously with the issuance, sale and delivery of the Series 1983 Bonds, the Corporation will enter into a Loan Agreement requiring it to make Basic Payments sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds as and when the same become due and payable; the Corporation shall execute a Mortgage and Security Agreement creating a mortgage lien and a security interest in various property of the Corporation, including the Project, to secure the Corporation's obligations under the Loan Agreement; and Bryson F. Hill, Jr. or Bryson F. Hill & Associates, Inc. (the "Guarantor") shall enter into a Guaranty Agreement guaranteeing payment by the Corporation of the principal of, premium, if any, and interest on the Series 1983 Bonds for a limited period of time.

19. The Loan Agreement to be executed by the Corporation and the Issuer and the Indenture of Trust (the "Indenture") to be executed by the Issuer and the SouthTrust Bank of Alabama, National Association, as trustee for the holders of the Series 1983 Bonds (the "Trustee"), shall provide, among other things:

(a) For the creation and maintenance of a Debt Service Reserve Fund (as defined in the Loan Agreement),

(b) That the Corporation shall pay all costs required to keep the Project in good repair and properly insured,

(c) That the Corporation must effect completion of the Project if the proceeds of the Series 1983 Bonds prove insufficient to do so,

(d) That the Corporation must satisfy a Rate Covenant (as defined in the Loan Agreement) set forth in the Loan Agreement,

(e) That, under certain circumstances, the Corporation will have the freedom to remodel, improve and add to its Facilities, to remove its Facilities Equipment, to transfer certain assets free of the lien of the Mortgage and Security Agreement, to incur additional indebtedness, and to incur Parity Indebtedness (all as defined in the Loan Agreement),

(f) That, under certain circumstances, the Corporation will be able to prepay the Basic Payments (as defined in the Loan Agreement),

(g) That, under certain circumstances, the Issuer may issue Additional Bonds (as defined in the Loan Agreement) secured on a parity with the Series 1983 Bonds,

(h) Pursuant to the Indenture, that the Issuer will assign to the Trustee substantially all of its rights under the Loan Agreement and all of its rights under the Mortgage and Security Agreement, and

(i) For such other matters as are customarily provided for in connection with the issuance of hospital revenue bonds.

20. The proposed financing will be materially assisted if the State Budget and Control Board deems advisable and permits proceeds of the Series 1983 Bonds to be used to pay interest on the Series 1983 Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project (estimated to occur 8 months following issuance of the Series 1983 Bonds) as is deemed advisable by the Corporation.

Upon the basis of the foregoing, the Issuer, acting through the County Council, respectfully prays that the State Budget and Control Board of South Carolina accept the filing of this Petition; that it make a prompt and independent investigation of the Project; that it find that the proposed Project will promote the purposes of the Act and that the proposed Project is reasonably anticipated to effect this result; that it further find that the proposed financing is economically feasible; that it approve

the Project and the issuance and sale of the Series 1983 Bonds, including changes in any details of the proposed financing as finally consummated which do not materially affect this undertaking; that it find advisable and permit a portion of the proceeds of the Series 1983 Bonds to be used to pay interest on the Series 1983 Bonds for such period (up to 6 months) after the estimated date of completion of construction of the Project as is deemed advisable by the Corporation; and that it give published notice of its approval in the manner set forth in the Act.

Respectfully submitted,

COUNTY COUNCIL OF PICKENS COUNTY

Attest:

By:

M. Marion Chane  
Chairman of County Council

Doris L. Watson  
Clerk of County Council

R. Weldon Day  
County Administrator

January 17, 1983

## THE PROJECT

### The Project Site

The Project will be located on a 15.63 acre parcel of land in the City of Easley, South Carolina. The site is situated in the Southwest corner at the intersection of SC Highway No. 8 and SC Highway No. 179 (Zion School Road). The site currently consists of open farm land and second growth pines. The land has varying grade with steep slopes at the rear of the property abutting a creek.

### Architectural Description of the Project Building

The Project, comprising a total of 29 one-story buildings, will provide complete facilities for a 115 unit retirement home and a 60 bed adult residential facility. The assisted living units include 56 two bedroom suites and 59 one bedroom suites. The rest home portion of the Project includes 56 semi-private rooms and 4 private rooms and is housed in the Community Center Building.

The assisted living units are arranged in four clusters forming a courtyard with each unit having a separate yard area. There are five living units in each cluster, served by a corridor with a private entrance to each unit. All assisted units are individually heated and air conditioned, and include a living space, bedroom area, bath and toilet space and a service area with cabinets, a sink and a small table and chairs. Three out of the four clusters will have separate Community Buildings which include a large room that can be used either as a lounge or a back up dining room seating 50 people. This back up dining room would be used in cases of extreme inclement weather. Each such Community Building will also contain rest rooms, a laundry facility and a room in which an attendant will be on duty. This last room will contain medical charts of all the residents occupying the units in that particular cluster, emergency first aid kit and a blood pressure kit. The emergency call system will be in that room.

Entrance to the Project will be through the Community Center reception and social area. The Community Center contains the Project's central dining room, the library, a private dining room for the use of the residents and a post office. The Community Center will also contain the central nurses station which will be staffed by a LPN 24 hours a day. The Director of Nursing who will be a registered nurse, will be on the premises from 9:00 A.M. to 5:00 P.M. An old style gazebo is located in a landscaped courtyard which joins the entrance to the beauty and barber shop. The courtyard beyond includes bird feeding stations, a walking area and a piazza. The piazza leads into the main dining room and the recreation area, which includes game rooms, sewing and painting areas.



## Eligibility and Admission of Residents

In order for a couple or an individual to become a resident in an assisted living unit of the Project, he or she, or at least one partner of a married couple must have attained the age of 55. Prior to executing the Continuing Care Agreement, a prospective resident must furnish the Corporation with the results of a complete physical examination which has occurred within the past thirty days, and with a statement from a physician that residence in the Project will tend to maintain and/or improve the prospective resident's mental, physical and emotional condition. The Project is non-denominational, and admission is available to all eligible persons without regard to race, creed, color, sex or national origin. The eligibility requirements for residency in the Project must, in general, be maintained throughout a person's occupancy of an assisted living unit. See the caption "SUMMARY OF THE CONTINUING CARE AGREEMENT" herein.

## Fees and Services

At the present time, no federal, state or local law governs the amounts which the Corporation may charge a resident for occupancy of a unit in the Project. No assurance, however, can be given that no such law will not be enacted in the future.

A. *Deposits.* When a prospective resident makes application for an assisted living unit, and after the health of the person has been determined to be satisfactory for assisted living services, the Continuing Care Agreement is executed by the resident and the Corporation and the Continuing Care Deposit is made. In the event that a prospective resident is awaiting completion of construction of the assisted living unit or desires to be placed on a waiting list, a partial deposit of \$1,000 is made to be applied to the Continuing Care Deposit to be paid in full at the time of occupancy. The present schedule of Continuing Care Deposits is as follows:

Type of Unit	Deposit Per Unit
Two Bedroom .....	\$19,900
One Bedroom .....	\$13,900

These deposits are made in full in cash at the time of occupancy by a resident. Seventy five percent (75%) of the Continuing Care Deposit is returnable if:

- (1) A resident, for any personal reason, chooses to vacate an assisted living unit, or
- (2) When the health of any resident becomes such that, in the opinion of the Medical Director of the Project and the resident's personal physician, the resident can no longer be adequately maintained in the assisted living community and needs to be transferred to acute or long-term nursing care, or
- (3) A resident dies, and a new resident pays a Continuing Care Deposit for the residency in the vacated unit.

B. *Monthly Service Charge.* In addition to the Continuing Care Deposit discussed above, residents will be billed a Monthly Service Charge which covers certain services provided by the Project. The Monthly Service Charge schedule is as follows:

Type of Unit	Monthly Service Fee	
	Single occupancy	Double occupancy
Two Bedroom .....	\$850	\$1,275
One Bedroom .....	\$850	\$1,275

The Monthly Service Charge will entitle the resident to three meals a day, utilities, upkeep of the amenities, nursing supervision, housekeeping and linen services, therapeutic, social and recreational programs, transportation to shopping and churches, emergency call services, daily health check, security officers, social work services, special therapeutic diet service and fully



equipped and staffed medical clinic. The Monthly Service Charge does not include the cost of personal telephones, personal laundry, medications or drugs, physicians' charges, costs of the annual physical examination and costs of out of the ordinary routine personal care services.

C. *Health Care.* Each assisted living unit and rest home room will be equipped with an emergency call system which will be monitored at a nursing station in the Community Center and in each Community Building located in the clusters. Such monitoring will be by licensed medical personnel 24 hours a day. In addition to the emergency call system button located in each unit, each resident will possess a transportable emergency call unit which operates up to 250 feet away from the living unit.

A medical clinic will be located in the Community Center Building housing the adult residential care facility. It will contain one physician's office and two examination rooms. It will be staffed by the Medical Director of the Project and his two partners who will be on call 24 hours a day. The equipment contained in the medical clinic will include an EKG machine, blood pressure monitors and a fully equipped pharmacy.

The nurses will administer physical fitness and physical therapy programs to the residents in the Community Building. In addition, the nurses will perform a daily health check on all the residents of the Project.

Special dietary meals will be provided to the residents upon advice of the Medical Director.

#### Adult Residential Care Portion of the Project

The 60 bed rest home portion of the Project will service ambulatory individuals who need slightly more custodial supervision than those persons occupying the assisted living units. The 60 bed adult residential care facility will be situated in the Community Center Building with nurses and attendants on duty 24 hours a day. The patients in the rest home will be entitled to all the same services as the individuals occupying the assisted living units although their actual living space will be smaller.

The schedule of Continuing Care Deposits for the rest home rooms is as follows:

Type of Room	Deposit Per Bed
Private .....	\$8,000
Semi-Private .....	\$4,000

The schedule of Monthly Service Charges for the rest home rooms is as follows:

Type of Room	Monthly Service Fee	
	Single Occupancy	Double Occupancy
Private .....	\$850	\$1,700
Semi-Private .....	\$850	\$1,700

Exhibit A

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

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LOAN AGREEMENT

BETWEEN

COUNTRYSIDE MANOR, INC.

AND

PICKENS COUNTY, SOUTH CAROLINA

Dated as of March 1, 1983

Executed as Part of  
Proceedings for the Authorization and Issuance of  
\$6,800,000  
Pickens County, South Carolina  
Hospital Revenue Bonds,  
Series 1983  
(Countryside Manor Project)

---

The rights of Pickens County, South Carolina ("Issuer") hereunder, other than its rights specified in Sections 503(b), 807 and 1411 hereof, have been assigned to The Citizens and Southern National Bank of South Carolina, as Trustee under an Indenture of Trust dated as of March 1, 1983, from such Issuer.

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## LOAN AGREEMENT

This is a LOAN AGREEMENT dated as of March 1, 1983 (herein referred to sometimes as "this Agreement") between COUNTRYSIDE MANOR, INC., a South Carolina corporation (the "Corporation"), as borrower, and PICKENS COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer"), as lender.

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

WHEREAS, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, and known as the Hospital Revenue Bond Act (the "Act"), the Issuer is duly authorized to borrow money by issuing its revenues bonds for the purposes provided in the Act including, but not limited to, loaning the proceeds thereof to any hospital agency, as defined in the Act, for the purpose of acquiring, constructing, improving, expanding and equipping any project constituting a hospital facility, as defined in the Act; and

WHEREAS, the Corporation intends to acquire that certain land in Pickens County, South Carolina described in Exhibit A hereto and to construct, install and equip thereon a retirement home facility, as defined in the Act, containing 115 assisted living units and an adult residential care facility with 60 beds suitable for health or medical care (the "Project"), as described in Exhibit "B" hereto; and

WHEREAS, the Issuer and the Corporation have found and determined, and do hereby find and determine, that in order to promote the public health and welfare of the people of Pickens County and surrounding areas and to make accessible to them modern and efficient hospital facilities at the lowest possible expense, it has become necessary for the Issuer to issue its Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") pursuant to the Act and an Indenture of Trust dated as of March 1, 1983 (the "Indenture") between the Issuer and The Citizens and Southern National Bank of South Carolina, as trustee (the "Trustee") to provide funds for financing the cost of acquisition, construction and equipping of the Project; and

WHEREAS, the Issuer has agreed to loan the proceeds of the Series 1983 Bonds to the Corporation, and the Corporation has agreed to make payments under this Agreement in amounts sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds and to make the other payments required hereunder; and

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WHEREAS, the obligations of the Corporation to make payments under this Agreement will be secured by a Mortgage and Security Agreement dated as of March 1, 1983 (the "Mortgage"), conveying to the Issuer a first mortgage lien on and security interest in the Land, the Project, the Facilities Equipment and the Inventory (which, together with any Additional Facilities (as such terms are hereinafter defined) are collectively referred to herein as the "Facilities") and granting a security interest in the Gross Receipts (as hereinafter defined) with respect thereto; and

WHEREAS, the Issuer, pursuant to the Indenture, will pledge and assign certain of its rights under this Agreement to the Trustee and will transfer and assign its rights under the Mortgage to the Trustee, all as security for the Series 1983 Bonds; and

WHEREAS, the execution and delivery of this Agreement and the issuance and delivery of the Series 1983 Bonds under the Indenture, pursuant to the provisions of the Act, have been in all respects duly and validly authorized by the Issuer, and the Issuer upon the delivery hereof has issued and delivered the Series 1983 Bonds;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

#### ARTICLE I DEFINITIONS

Section 101. Definitions. Unless the context or use indicates plainly another meaning or intent, the following words and terms as used in this Agreement shall have the following meanings:

"Accountant" or "Accountants" shall mean an Independent certified public accountant or a firm of Independent certified public accountants selected by the Corporation.

"Act" shall mean Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, known as the Hospital Revenue Bond Act.

"Additional Bonds" shall mean Bonds authorized to be issued by the Issuer on a parity with the Series 1983 Bonds pursuant to the provisions of the Indenture.

"Additional Facilities" shall mean any additional real property which is hereafter included in the Land by amendment of Exhibit A hereto, any structure or improvement which may hereafter be located on the Land (except for the Project), any improvement, addition, enlargement, extension or alteration of or to the Facilities (except for the Project), and any additional equipment and personal property which may hereafter be located on the Land (except for any such property that constitutes a part of the Project). "Additional Facilities" may include satellite facilities or facilities independent of the Facilities as they then exist, acquired or constructed by or for the Corporation and located on the Land, as described in Exhibit A to this Agreement or in any amendment thereto.

"Additional Payments" shall mean the payments required to be made by the Corporation pursuant to Section 503 of this Agreement.

"Adjusted Annual Operating Revenues" shall mean operating revenues and Unrestricted Investment Income of the Corporation less adjustments for bad debts and uncompensated services for any Fiscal Year, all as determined in accordance with generally accepted accounting principles.

"Aggregate Debt Service" shall mean as of any date of calculation and with respect to any period the sum of (1) the interest falling due on Funded Debt during such period (except to the extent that such interest is payable from the proceeds of Funded Debt set aside for such purpose) and (2) the principal, whether by payment at maturity or by deposit into a sinking fund (or other similar fund) by reason of mandatory call for redemption, required with respect to Funded Debt during such period; which sum shall be computed on the assumption that no portion of such Funded Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments, and, in the case of Interim Indebtedness, calculating the payments of principal and interest in accordance with the maturity and interest rate set forth in the Commitment required by Section 1201(i) hereof.

"Agreement" shall mean this Loan Agreement dated as of March 1, 1983, between the Issuer and the Corporation, as from time to time supplemented and amended.

"Architect" shall mean such Independent architect or architects duly registered in the State and employed by the Corporation.

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

"Basic Payments" shall mean the payments required to be made by the Corporation pursuant to Section 502 of this Agreement.

"Board of Directors" shall mean either the Board of Directors of the Corporation or any duly authorized committee of that Board.

"Bond Counsel" shall mean any firm of bond counsel experienced in matters relating to tax exempt financing of hospital or health care facilities, selected by the Corporation.

"Bond Fund" means the Bond Fund created pursuant to Section 6.01 of the Indenture.

"Bond Redemption Fund" shall mean the Bond Redemption Fund created pursuant to Section 6.01 of the Indenture.

"Bonds" shall mean the Series 1983 Bonds and any Additional Bonds.

"Certified Resolution", with respect to the Issuer, shall mean a copy of a resolution certified by the Clerk or Deputy Clerk of the Issuer to have been duly adopted by the County Council of the Issuer at a meeting duly called and convened; and, with respect to the Corporation, shall mean a copy of a resolution of the Board of Directors of the Corporation certified by the Secretary or Assistant Secretary of the Corporation to have been duly adopted at a meeting duly called and convened.

"Closing Date" shall mean the date on which any series of Bonds is delivered to the Original Purchasers thereof and payment is received by the Issuer.

"Code" shall mean the Internal Revenue Code of 1954, as amended, and the regulations promulgated or proposed pursuant thereto.

"Completion Date" shall mean the date of completion of the Project established in accordance with Article IV of this Agreement.

"Construction Contract" shall mean, (i) with respect to the Project, the contract between the Corporation and Construction Enterprises, Inc. dated \_\_\_\_\_, 1983, including any amendment thereof, or any other contract entered into by the Corporation for the construction or acquisition of any portion of the Project, and (ii) with respect to any Additional Facilities or Other Facilities, any contract of the Corporation providing for the acquisition, construction, equipping, furnishing or installation of any part of the Additional Facilities or Other Facilities, including any amendment thereof made in accordance with the provisions thereof and hereof.

"Construction Fund" shall mean the fund created in Section 6.01 of the Indenture.

"Contractor" shall mean (i) with respect to the Project, Construction Enterprises, Inc. or any other Person with whom the Corporation enters into a Construction Contract for the construction or acquisition of any portion of the Project, and, (ii) with respect to any Additional Facilities or Other Facilities, a Person with whom the Corporation enters into a Construction Contract.

"Continuing", as applied to an event of default, shall mean any event of default not cured or expressly waived in writing by the Trustee.

"Corporation" shall mean Countryside Manor, Inc., a corporation organized and existing under the laws of the State, and any successor to such corporation permitted pursuant to Article XI of this Agreement.

"Corporation Representative" shall mean any person or persons designated to act on behalf of the Corporation by an Officers' Certificate.

"Cost", as applied to the Project or to any Additional Facilities shall mean, without intending thereby to limit or restrict any proper definition of such term under the provisions of law, all costs of acquisition, equipping and construction and all obligations and expenses and all items of cost which are permitted by the Act including, without intending to limit the generality of the foregoing: (a) the cost of the acquisition of property, including rights in land and other property, both real and personal and improved and unimproved; (b) the cost of demolishing, removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any land to which such buildings or structures may be moved or relocated; (c) the cost of all machinery, fixed and movable equipment and furnishings; (d) financing charges, interest prior to and during



construction and, if permitted by law, for a period of not exceeding two years after the estimated date of completion of construction; (e) the cost of engineering and architectural surveys, plans and specifications; (f) the cost of consulting and legal services and other expenses necessary or incidental to determining the feasibility or practicability of constructing or acquiring the Project, or any such Additional Facilities; (g) the cost of administrative and other expenses necessary or incidental to the construction or acquisition of the Project or such Additional Facilities, and the financing of the construction or acquisition thereof; and (h) the cost of issuing any Bonds or Parity Indebtedness, including legal fees, underwriting discount, trustee's fees and printing costs, and the cost of reimbursing the Corporation for any of the foregoing.

"Counsel" shall mean an attorney duly admitted to practice law before the highest court of any State.

"Debt Service Coverage Ratio" shall mean for any period the percentage derived by dividing Net Revenues Available for Debt Service for such period by Maximum Aggregate Annual Debt Service for such period.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund created pursuant to Section 6.01 of the Indenture.

"Debt Service Reserve Requirement" shall mean \$500,000 until there shall be \$\_\_\_\_\_ in the Debt Service Reserve Fund, at and subsequent to which time the Debt Service Reserve Requirement shall be \$\_\_\_\_\_.

"Event of Default" shall mean any event defined as such in Section 1401 of this Agreement.

"Facilities" shall mean the Land, the Project, the Facilities Equipment, the Inventory, and any Additional Facilities.

"Facilities Equipment" shall mean any and all items of furniture, machinery, equipment, or other tangible personal property now owned or hereafter acquired by the Corporation, which are now or hereafter located on the Land or in any building or other improvements on the Land, and any and all additions, substitutions and replacements thereof, less such furniture, machinery, equipment or other personal property as may be released from the lien of the Mortgage pursuant to the terms thereof.

"Fiscal Year" shall mean any period of 12 consecutive months adopted by the Corporation as its fiscal year for financial reporting purposes and initially means the period beginning October 1 of each calendar year and ending on September 30 of the succeeding calendar year.



"Funded Debt" shall mean all indebtedness of the Corporation (including the obligation of the Corporation to make the Basic Payments and other payments required by this Agreement and any installment purchase and capitalized lease rental obligations) which in accordance with generally accepted accounting principles is classified as a liability on the Corporation's balance sheet, and which has a final maturity (or which, pursuant to the terms of a revolving credit or similar agreement or otherwise, is renewable or extendable at the option of the Corporation, subject only to credit review by the lender, to a date or for a period or periods ending) more than one year after the date of creation thereof, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund payments or otherwise) are required to be made less than one year after the date of the creation thereof; but excluding any Short-term Indebtedness.

"Government Obligations" shall mean direct general obligations of, or obligations the full and prompt payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America or any agency thereof.

"Governmental Restrictions" means Federal, State or other applicable governmental laws or regulations or judicial or administrative decisions or rulings affecting the Corporation which place restrictions and limitations on (i) the rates, fees and charges to be fixed, charged and collected by the Corporation, or (ii) the level of revenues derived from expense reimbursement and rate payment programs and agreements or (iii) restricting the purposes for which the Facilities may be used.

"Gross Receipts" shall mean all accounts, contract rights, general intangibles, instruments, chattel paper and documents as defined under the South Carolina UCC which now or hereafter arise or are created in connection with or with respect to the Facilities, and all other revenues, income, receipts and money received by or on behalf of the Corporation from or with respect to the Facilities (other than revenues, income, receipts and money received by the Corporation as agent for and on behalf of some person other than the Corporation), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, the proceeds of such rights and the proceeds of accounts receivable, whether now owned or held or hereafter coming into existence including, but without limiting the generality of the foregoing, (a) revenues derived from its operations at or with respect to the Facilities, (b) gifts, grants, bequests, donations and contributions to the Corporation with respect to the Facilities, and (c) proceeds derived in connection with or with respect to the Facilities from (i) insurance, except to the extent the use thereof is otherwise required by this Agreement, (ii)

condemnation awards or sales under a reasonably apprehended threat of condemnation, except to the extent the use thereof is otherwise required by this Agreement, (iii) accounts receivable, (iv) securities and other investments, (v) Inventory and other tangible and intangible property, (vi) medical or expense reimbursement or insurance programs or agreements, and (vii) contract rights, general intangibles and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation (including any assets that may be listed on the "asset" side of the balance sheet of the Corporation). "Gross Receipts" shall not, however, include (A) proceeds of Permitted Indebtedness, or (B) gifts, grants, bequests, donations and contributions to the Corporation heretofore or hereafter made, which are required to be excluded by the terms of the incurrence or which are designated at the time of the making thereof by the donor or maker as being specifically restricted to a particular purpose and the income derived therefrom, all to the extent required by the terms of the incurrence or such designation.

"Holder" or "holder" shall mean, (i) with respect to the Bonds, the bearer of a Bond not registered as to principal, the bearer of a coupon, and the registered owner of a Bond registered as to principal, and (ii) with respect to Parity Indebtedness, the lawful owner thereof, as established to the satisfaction of the Trustee.

"Indenture" shall mean the Indenture of Trust of even date herewith between the Issuer and the Trustee, as from time to time supplemented and amended.

"Independent", when used with respect to any specified Person, means such a person who (i) is in fact not looking to others for his opinions or for the guidance of his conduct; (ii) does not have any direct financial interest or any material indirect financial interest in the Corporation, other than the payment to be received under a contract for services to be performed as an independent contractor by such Person; and (iii) is not connected with the Issuer, the Corporation or any Contractor as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or person performing a similar function. Whenever it is provided in this Agreement that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by the Issuer, the Corporation or the Trustee, as the case may be, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Initial Entrance Fees" shall mean the amounts paid to the Corporation by the "initial residents" of the Project in the way of deposits for residence in the Project, but shall exclude all payments made by such residents on a monthly basis. For purposes of this definition, the "initial residents" of the Project shall mean each and every first occupant of a unit or bed of the Project who pays a deposit in connection with such occupancy.

"Insurance Consultant" shall mean an Independent Person qualified to survey risks and to recommend insurance coverage for facilities similar to the Facilities and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker, agent, insurer or other recognized expert in the field of insurance with whom the Corporation transacts business.

"Interest Account" shall mean the Interest Account in the Bond Fund created pursuant to Section 6.01 of the Indenture.

"Interim Indebtedness" means indebtedness of the Corporation which has a final maturity not more than 60 months after the date of creation thereof and which is designated as Interim Indebtedness by the Corporation in a statement filed with the Trustee and accompanied by the irrevocable agreement of the banking, investment banking or other appropriate financial institution described in Section 1201(i) hereof.

"Inventory" shall mean all presently existing and after acquired inventory (as such term is defined in the South Carolina UCC) of the Corporation used, usable or to be used in connection with the Project or any Additional Facilities and now or hereafter located on the Land or in any building or other improvements on the Land.

"Issuer" shall mean Pickens County, South Carolina, a body politic and corporate and a political subdivision of the State and any successor in function.

"Issuer Representative" shall mean any person or persons designated to act by or on behalf of the Issuer by an Officers' Certificate.

"Land" shall mean the real property described in Exhibit A hereto, as from time to time amended and supplemented.

"Management Consultant" shall mean an Independent corporation, partnership, joint venture, association or unincorporated organization, qualified to study and make recommendations concerning operations and financial affairs of facilities similar to the Facilities and qualified to make financial forecasts with respect thereto, having a favorable national reputation for skill and experience in such work and, unless otherwise specified in the Agreement, selected and employed by the Corporation.

"Maximum Aggregate Annual Debt Service" shall mean, as of any date of calculation, the Aggregate Debt Service as computed for the then current or any future Fiscal Year in which such sum shall be largest, and when making such calculation, the Aggregate Debt Service with respect to variable interest rate debt then outstanding, if any, shall be computed based upon the rate of interest thereon in effect at the time of such calculation.

"Mortgage" shall mean the Mortgage and Security Agreement of even date herewith from the Corporation, as mortgagor, to the Issuer, as mortgagee, and assigned by the Issuer to the Trustee as security for the Bonds, Parity Indebtedness and other obligations of the Corporation under this Agreement, as from time to time amended and supplemented.

"Net Proceeds", when used with respect to any insurance claims, condemnation award or proceeds from a sale under a reasonably apprehended threat of condemnation, shall mean the gross proceeds from the insurance claims, condemnation award or sale price remaining after payment of all expenses (including attorneys' fees and any expenses of the Issuer, the Corporation and the Trustee) incurred in the collection of such gross proceeds.

"Net Revenues Available for Debt Service" shall mean with respect to any period, the excess of revenues over expenses of the Corporation for such period, determined in accordance with generally accepted accounting principles, to which shall be added interest, depreciation and amortization expense, determined in accordance with generally accepted accounting principles, and from which shall be excluded (a) any profits or losses on the sale or other disposition (including any profits or losses due to casualty losses or condemnation), not in the ordinary course of business, of investments or fixed or capital assets or resulting from the early extinguishment of debt, and (b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards.

"Officers' Certificate" (i) with reference to the Corporation shall mean a certificate signed by the President or any Vice-President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation, and (ii) with reference to the Issuer shall mean a certificate in writing signed by the Chairman or Vice-Chairman of the County Council or the County Administrator and in either case attested by the Clerk or the Deputy Clerk of the County Council of the Issuer.

"Opinion of Counsel" shall mean a written opinion of Counsel who may (except as otherwise specifically provided in this

Agreement or the Indenture) be Counsel for the Issuer or the Corporation or both.

"Original Purchaser" shall mean with respect to any series of Bonds, the original purchaser or underwriter of such series of Bonds, and with respect to the Series 1983 Bonds shall mean Buchanan & Co., Inc.

"Other Facilities" shall mean real property and other fixed or capital assets owned by the Corporation not included within, located on or constituting a part of the Land.

"Outstanding", when used with reference to Bonds, Parity Indebtedness, or other Funded Debt, shall mean, as of the date of determination or computation, all Bonds theretofore issued and delivered under the Indenture and all Parity Indebtedness and other Funded Debt which has been incurred by the Corporation or with respect to which the Corporation is obligated except:

(a) Bonds and Parity Indebtedness theretofore canceled by the Trustee or delivered to the Trustee canceled or for cancellation;

(b) Bonds and portions of Bonds and Parity Indebtedness or portion thereof for whose payment or redemption moneys or Government Obligations shall have been theretofore deposited in trust with the Trustee in trust for the holders of such Bonds or Parity Indebtedness; provided that if such Bonds or Parity Indebtedness are to be redeemed, notice of such redemption shall have been duly given pursuant to the Indenture or any instrument securing Parity Indebtedness, or irrevocable instructions to call the same for redemption at a stated redemption date shall have been given to the Trustee;

(c) Bonds or Parity Indebtedness in exchange for or in lieu of which other Bonds or Parity Indebtedness shall have been issued and delivered pursuant to the Indenture or any instrument securing Parity Indebtedness; and

(d) Other Funded Debt which has been paid or for which payment has been provided pursuant to the terms of the instruments under which such other Funded Debt was incurred;

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Bonds or Parity Indebtedness have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Issuer or the Corporation or Parity Indebtedness owned by the Corporation shall be disregarded and deemed not to be



outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds or Parity Indebtedness which the Trustee knows to be so owned shall be disregarded.

"Parity Indebtedness" shall mean any indebtedness incurred, assumed or guaranteed by the Corporation, permitted by Section 1202 of this Agreement, and secured on a parity with the Bonds.

"Paying Agent" shall mean any Person in addition to the Trustee designated by or pursuant to the Indenture to receive and disburse principal of, premium, if any, and interest on the Bonds on behalf of the Issuer.

"Permitted Encumbrances" shall have the same meaning as ascribed to such term in the Indenture.

"Permitted Indebtedness" shall mean the indebtedness described in Article XII of this Agreement.

"Permitted Investments" shall mean any of the following which at the time are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein:

(1) Government Obligations;

(2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Federal Farm Credit Banks, Federal National Mortgage Association or Government National Mortgage Association or similar agencies of the federal government now existing or hereafter created;

(3) all other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by Congress;

(4) interest-bearing demand or time deposits (including certificates of deposit) in banks (including the Trustee) and savings and loan associations, which banks or savings and loan associations or holding companies by which such banks or savings and loan associations are owned, either have a

consolidated capital, surplus and undivided profits of at least \$10,000,000 at the time of the investment or any renewal thereof or such deposits are secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (1), (2) or (3) of this definition and of a market value of no less than the amount of moneys so invested; provided, however, the requirements for consolidated capital, surplus and undivided profits and collateralization above shall not apply to investments in interest-bearing demand or time deposits to the extent such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation; and

(5) repurchase agreements with banks (including the Trustee) and savings and loan associations, the underlying securities of which are investments of the type described in clauses (1), (2) and (3) of this definition, continuously having a market value at least equal to the amount so invested, and which underlying securities are held by such bank or savings and loan association.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" shall mean the plans and specifications for the Project approved by the Corporation.

"Prime Rate" shall mean the rate of interest in effect from time to time as announced by the Trustee at its principal office in Columbia, South Carolina as its prime rate.

"Principal Account" means the Principal Account in the Bond Fund created pursuant to Section 6.01 of the Indenture.

"Project" shall mean the acquisition of land and the construction, installation and equipping thereon of a retirement home facility containing 115 assisted living units and an adult residential care facility with 60 beds suitable for health or medical care, as more particularly described in Exhibit B attached hereto and in the Plans and Specifications.

"Project Documents" means the documents, including any amendments thereto, described in Section 401 of this Agreement.

"Repair and Replacement Fund" shall mean the Repair and Replacement Fund created pursuant to Section 6.01 of the Indenture.



"Series 1983 Bonds" shall mean the \$6,800,000 principal amount of the Issuer's Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) dated as of March 1, 1983, authorized by Section 3.01 of the Indenture.

"Series 1983 Long-Term Bonds" shall mean the Series 1983 Bonds that mature on March 1, 2013.

"Series 1983 Short-Term Bonds" shall mean the Series 1983 Bonds that mature on March 1, 1989.

"Short-term Indebtedness" shall mean indebtedness of the Corporation (other than (i) indebtedness not for borrowed money, incurred in the ordinary course of business and (ii) the current portion of the interest and principal on Funded Debt) which (1) is due on demand or has a final maturity not more than one year after the date of creation thereof, and (2) is not renewable or extendable at the option of the Corporation, subject only to credit review by the lender, to a date or for a period or periods ending more than one year after the date of creation thereof.

"South Carolina UCC" shall mean the South Carolina Uniform Commercial Code, as codified in Title 36, Code of Laws of South Carolina 1976, as from time to time amended and supplemented.

"State" shall mean the State of South Carolina.

"Trust Estate" shall have the meaning specified in the granting clauses of the Indenture.

"Trustee" shall mean The Citizens and Southern National Bank of South Carolina, as trustee under the Indenture, or its successor trustee or successors from time to time under the Indenture.

"Underwriter" shall mean, with respect to any series of Bonds, the underwriter of such series of Bonds and, with respect to the Series 1983 Bonds, shall mean Buchanan & Co., Inc.

"Unrestricted Investment Income" shall mean investment income received by the Corporation in respect of any funds of the Corporation not restricted to a particular use or purpose by the Board of Directors or by the terms of any instrument or document pursuant to which any such funds were created or delivered to the Corporation; provided, however, that investment income in respect of any of the funds or accounts established and maintained in accordance with the terms of the Indenture shall not be deemed to be Unrestricted Investment Income until after the Completion Date.

"Written Request" (i) with reference to the Issuer shall mean a request in writing signed by the Chairman of the County Council or the County Administrator and, in either case, attested by the Clerk or the Deputy Clerk of the County Council of the Issuer, (ii) with reference to the Corporation, shall mean a request in writing signed by the President or any Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation, and (iii) with reference to any other Person, shall mean a request in writing signed by a natural person authorized to sign on behalf of such Person.

Section 102. Rules of Interpretation. For all purposes of this Agreement, except as otherwise expressly provided or unless the context requires:

(1) "This Agreement" means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

(2) All references in this Agreement to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Agreement as originally executed or as such originally executed Articles, Sections or subdivisions are amended or supplemented. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(4) All accounting terms not otherwise defined herein have the meaning assigned to them in accordance with generally accepted accounting principles.

(5) Any terms not defined herein but defined in the Indenture shall have the meaning herein which they have in the Indenture.

(6) The terms defined elsewhere in this Agreement shall have the meanings therein ascribed to them.

(7) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(8) The headings used in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

Section 103. Exhibits. The following Exhibits are attached to and by reference made a part of this Agreement:

Exhibit A: Legal Description of the Land.

Exhibit B: Description of the Project.

[End of Article I]

ARTICLE II  
REPRESENTATIONS AND WARRANTIES

Section 201. Representations and Warranties of the Corporation. The Corporation represents and warrants as follows:

(a) The Corporation is a corporation duly incorporated and in good standing under the laws of the State, is not in violation of any laws material to the transactions contemplated by this Agreement, the Mortgage or the Indenture or any provisions of its Articles of Incorporation and Bylaws material to the transactions contemplated by this Agreement, the Mortgage or the Indenture, has the power to enter into and to perform its obligations under this Agreement and the Mortgage and has duly authorized the execution and delivery of this Agreement and the Mortgage and has duly approved the terms of the Indenture.

(b) The Corporation will not take any action which would in any way adversely affect the right of the Issuer to issue tax-exempt bonds under the provisions of Section 103 of the Code.

(c) Neither the execution and delivery of this Agreement or the Mortgage, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement or the Mortgage conflicts with or results in a breach of any of the terms, conditions or provisions of the Articles of Incorporation or the Bylaws of the Corporation, or any corporate restriction or any agreement, instrument or governmental order to which the Corporation is now a party or by which it is bound or constitutes a default under any of the foregoing.

(d) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, public board or body, pending or threatened, against or affecting the Corporation wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Agreement or the Mortgage or any of the transactions described in or contemplated by this Agreement; nor are there any judgments outstanding and unsatisfied against the Corporation.

(e) Prior to the commencement of the acquisition, construction and equipping of the Project or any Additional Facilities, as the case may be, the Corporation will have obtained all requisite approvals of the State and other Federal, regional and local governmental bodies for the acquisition, construction and equipping of the Project or any Additional Facilities, as the case may be; and prior to the commencement of operation of the Project or any Additional Facilities, as the case may be, (i) the Project or any Additional Facilities, as the case may be, will be in compliance with applicable Federal, State and local zoning, subdivision, environmental, pollution control and building laws, regulations, codes and ordinances, and (ii) the Corporation will be duly authorized to operate the Project or any Additional Facilities, as the case may be, under any applicable laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof.

(f) At the time of the execution and delivery of the Mortgage, the Corporation will be the lawful owner and will be lawfully seized and possessed of the Land, the Facilities Equipment, the Inventory and the Gross Receipts free and clear of all liens, security interests, charges or encumbrances whatever except Permitted Encumbrances, and will have the full power and lawful authority to convey a first mortgage lien on and a security interest in the Facilities and the Gross Receipts to the Issuer, subject only to Permitted Encumbrances. The Corporation will preserve, warrant and defend title to the Facilities and the Gross Receipts unto the Issuer against the claims of all persons and parties.

(g) There is not now outstanding one or more issues of obligations (whether or not the issuer of each such issue is the same), other than the Series 1983 Bonds, the proceeds of which are or will be used primarily with respect to facilities located or to be located in the City of Easley, Pickens County, South Carolina, where the principal user of such facilities is or is expected to be the Corporation, First American Management Co., Inc., or any related person thereto (as "related person" is defined in Section 103(b)(6)(C) of the Code and the applicable regulations thereunder) and where the interest on the issue or issues is excludable from the holder's Federal income tax by reason of Section 103(b)(6) of the Code. For purposes of this subsection (g), a facility is "located" in the City of Easley if it is contiguous to or integrated with a facility physically located in the City of Easley.

(h) There are no bonds, notes or other obligations which have been issued, or which are contemplated to be issued, which (i) have been, or will be sold at substantially the same time as the Series 1983 Bonds, (ii) have been or will be sold pursuant to a common plan of marketing with the Series 1983 Bonds, (iii) have been or will be sold at substantially the same interest rate as the interest rate on the Series 1983 Bonds, and (iv) use or have available, or will use or will have available, a common or pooled security to pay debt service which will also be used or made available to pay debt service on the Series 1983 Bonds, as the conditions described in (i), (ii), (iii) and (iv) above are defined in the regulations, proposed regulations and revenue rulings promulgated or issued under Section 103 of the Code.

(i) The information furnished by the Corporation in connection with the preparation by the Issuer of the election filed pursuant to Section 103(b)(6)(D) of the Code was true, accurate and complete as of the date of filing said election.

(j) As of December 20, 1982, no contracts had been awarded or entered into, and no purchase orders had been entered into with respect to any components of the Project, none of said components had been acquired, and no on-site or offsite construction, installation or fabrication had commenced with respect to any of said components or with respect to or on the Land.

(k) The Land is located entirely within the incorporated limits of the City of Easley in the County of Pickens, State of South Carolina.

(l) On the Completion Date, the reasonably expected economic life of the Project (excluding land) will be at least thirty years.

(m) The recitals of fact and statements contained in this Agreement with respect to the Corporation are true.

Section 202. Representations and Warranties of the Issuer.  
The Issuer represents and warrants as follows:

(a) The Issuer is a body politic and corporate and a political subdivision of the State duly organized and existing under the laws of the State. The Issuer is authorized in accordance with the Act to enter into the transactions contemplated by this Agreement, the Mortgage and the Indenture, and has authorized the execution and delivery of this Agreement, the Mortgage and the Indenture, and the

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transfer and assignment of the Agreement and the Mortgage to the Trustee, and agrees that it will do or cause to be done all things required hereby and thereby; and agrees to the extent permitted by law that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

(b) The Issuer is authorized, and has taken all necessary action pursuant to the Act, to issue the Series 1983 Bonds in the aggregate principal amount of \$6,800,000 to provide funds for the acquisition, construction and equipping of the Project and to loan such funds to the Corporation as hereinafter provided.

(c) The issuance of the Series 1983 Bonds is in accordance with the public purposes set forth in the Act and will promote the public health and welfare of the people of Pickens County and surrounding areas and will make accessible to them modern and efficient hospital facilities, within the meaning of the Act, at the lowest possible expense.

(d) The Issuer has found that the Project is a valid "hospital facility" within the meaning of Section 44-7-1430 of the Act and will subserve the purposes of the Act. The South Carolina State Budget and Control Board has given its approval of the Project and the Series 1983 Bonds as required by Section 44-7-1590 of the Act.

(e) The Issuer validly entered into the Assistance Agreement dated as of December 6, 1982 and the Supplemental Assistance Agreement dated as of December 20, 1982.

[End of Article II]



ARTICLE III  
LOAN OF SERIES 1983 BOND PROCEEDS BY ISSUER

The Issuer hereby agrees to loan the proceeds of the Series 1983 Bonds (exclusive of accrued interest) to the Corporation by making the deposits and payments specified in Section 411 hereof. For this purpose the proceeds of the Series 1983 Bonds shall be deemed to include the underwriting discount or other amount, if any, by which the amount received by or on behalf of the Issuer on the original sale of the Series 1983 Bonds to the Original Purchaser is less than the principal amount of the Series 1983 Bonds. The obligation of the Issuer to lend such proceeds shall be discharged, and the obligation of the Corporation to repay the principal of, premium, if any, and all interest in respect of the Series 1983 Bonds as herein provided shall become effective, when such proceeds are received by the Trustee from the Issuer or the Original Purchaser.

[End of Article III]

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ARTICLE IV  
CONSTRUCTION AND COMPLETION OF THE PROJECT;  
ISSUANCE OF THE SERIES 1983 BONDS

Section 401. Project Documents. Until the Completion Date the Corporation shall have and keep on file and available for inspection by the Trustee copies of the following: (i) the Plans and Specifications, when and as they are approved by the Corporation, (ii) appropriate permits for construction, if required, including any building permits and such other evidence as shall be required in order to establish the approval by the applicable local government of the construction of the Project, and (iii) a copy of the Construction Contract (such documents are herein collectively called the "Project Documents").

No change or amendment in the Project Documents shall be made which would result in the Facilities being used for any purpose prohibited by Article VI or VII hereof or which would adversely affect the ability of the Corporation to meet its obligations under this Agreement. Subject to the provisions of Sections 402, 403 and 404 hereof, the Corporation may make, authorize or permit such other changes or amendments in the Project Documents as the Corporation may reasonably determine are necessary or desirable, provided that no such change or amendment calling for additional or more expensive work, materials, supplies or equipment shall be made unless the Trustee receives from an Architect his recommendation for approval of the Contractor's cost proposal for the changes (which recommendation shall include a determination by such Architect that the change or amendment will not materially delay the completion date of the Project), and the Trustee determines that the proposed change or amendment will not cause the total estimated Cost of the Project not theretofore paid out of the Construction Fund, to exceed the amount on hand in the Construction Fund plus (a) reasonably expected investment income to be credited to the Construction Fund, and (b) amounts of cash or Permitted Investments deposited by the Corporation in the Construction Fund for payment of such excess amount. A copy of each such change in or amendment to the Project Documents shall be on file with the Corporation and available for inspection by the Trustee.

Section 402. Agreement to Acquire and Construct the Project. The Corporation hereby agrees to make all contracts and do all things necessary for the acquisition, construction, installation and equipping of the Project, with or without advertising for bids, and the Corporation agrees that it shall cause the Project to be acquired, constructed, installed and equipped wholly within the boundary lines of the Land in substantial accordance with the Project Documents, as the same may be modified from time to time in accordance with the provisions hereof, and shall provide all

other improvements, access roads, utilities, equipment, furnishings and other items required for the Project so as to make the Facilities fully operable for the purpose for which they will be used. All of such acquisition, construction and installation shall be made in accordance with the specifications and directions of the Corporation.

The Corporation hereby agrees that in order to effectuate the purposes of this Agreement it will make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other persons, firms or corporations and in general do all things which may be requisite or proper, all for acquiring, constructing and completing the Project. So long as the Corporation is not in default under any of the provisions of this Agreement, the Corporation shall have full power to carry out the acts and agreements provided in this Section 402.

The Corporation agrees to acquire, construct, install and equip the Project with all reasonable dispatch; and to use its best efforts to cause acquisition, construction, installation and equipping of the Project to be completed within twelve months following the Closing Date, or as soon thereafter as may be practicable, unless the Corporation exercises its option to prepay the Basic Payments and terminate this Agreement pursuant to Section 1501 hereof; but if for any reason such acquisition, construction, installation and equipping is not completed by said date the Corporation shall nevertheless be required to make the Basic Payments required in Section 502 or the Additional Payments required in Section 503 hereof but shall not be liable for any other obligations other than those set forth in this Agreement.

The Corporation may appoint an agent to act in its capacity under this Section, and the Issuer hereby consents to such appointment.

Section 403. Enforcement of Contract and Surety Bond. In the event of a material default of any Contractor or subcontractor under any Construction Contract or any other contract made in connection with the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the Corporation will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the Corporation against the Contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the Corporation of any amounts theretofore paid by the Corporation and not previously reimbursed to the Corporation for correction or remedying of the default which gave

rise to the proceedings against the Contractor, subcontractor or surety, shall be paid into the Construction Fund in cash or Permitted Investments, if received before the Completion Date of the Project, and otherwise shall be paid to the Corporation and used to correct the default or breach of warranty, to the extent the default or breach is correctible, and any remainder for any lawful corporate purpose.

Subject to the provisions of Article XIV hereof, the Corporation agrees that upon its default hereunder prior to the Completion Date and upon receipt of a written request from the Trustee, it shall assign all of its right, title and interest to all Project Documents, and to all related performance, labor and material bonds (which contracts and bonds shall be specifically enumerated by the Corporation at such time) to the Trustee.

Section 404. Plans and Specifications. Subject to the provisions of Section 401 hereof, the Corporation may make any changes in or modifications of the Plans and Specifications, and may make any deletions from or substitutions or additions to the Project, without the prior consent of the Issuer or the Trustee, so long as such changes or modifications in the Plans and Specifications, or deletions from, or substitutions or additions to the Project do not, in the opinion of an Architect as noted on each change order, materially and adversely alter the size, Cost or scope of the Project or the Completion Date of the Project, materially impair the structural integrity and utility of the structures or materially impair the usefulness or character of the Facilities. No changes or modifications in the Plans and Specifications and no deletions from or substitutions or additions to the Project may be made without prior approval of the Contractor's sureties if required by the terms of any indemnity bond. No change or modification, or substitution, deletion or addition shall be made if it would disqualify the Project as one which may be financed under the Act.

Section 405. Abandonment of Construction. If the Corporation at any time prior to the Completion Date of the Project abandons the same or ceases work thereon and fails to resume work thereon within five (5) days after written notice from the Issuer or the Trustee to the Corporation stating that such abandonment or cessation has begun (except where such cessation in work is caused by labor disputes, fire, unusual delay in transportation, unavoidable casualties or any other causes beyond the Corporation's or Contractor's control) and requesting that work on the Project be resumed, or fails to complete the Project in accordance with the Plans and Specifications, or makes changes in the Plans and Specifications in violation of the requirements of Section 401 or Section 404 hereof, the Trustee may declare such failure to be an Event of Default, and, subject to Article XIV hereof, in addition

to the other remedies provided in this Agreement, it may enter into and take possession of the Facilities and perform any and all work and labor necessary to complete the Project substantially according to the Plans and Specifications. The Corporation hereby grants the Issuer and Trustee a right of entry for the foregoing purpose. For this purpose, the Corporation hereby constitutes and appoints the Trustee its true and lawful attorney-in-fact, with full power of substitution in the premises, to complete the Project in the name of the Corporation. The Corporation hereby empowers said attorney as follows:

(a) to use any funds of the Corporation, including any balance which may be held in escrow, and any funds in the Construction Fund which may have been deposited by the Corporation for the purpose of completing the Project in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for such purposes;

(d) to pay, settle or compromise all existing bills and claims which may be liens against the Project, or as may be necessary or desirable for the completion of the Project, or for clearance of title;

(e) to execute all applications and certificates in the name of the Corporation;

(f) to prosecute and defend in the name of the Corporation all actions or proceedings in connection with the Facilities or the construction of the Project; and

(g) to do any and every act which the Corporation might do in its own behalf in connection with the Facilities and completion of the Project.

This power of attorney, which constitutes a power coupled with an interest, cannot be revoked.

Section 406. Disbursements from the Construction Fund. The Issuer has, in the Indenture, authorized and directed the Trustee to make payments from the Construction Fund to pay the Cost of the Project or to reimburse the Corporation for any cost of the

Project paid by the Corporation. Such payments shall be made upon receipt by the Trustee of a Written Request as required by Section 6.03 of the Indenture signed by the Corporation Representative (and the Architect, if so required by Section 6.03 of the Indenture). The Corporation agrees to cause such Written Requests to be directed to the Trustee as may be necessary to effect payments out of the Construction Fund in accordance with the provisions of this Section 406.

Section 407. Corporation Required to Pay In Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the Cost of the Project should not be sufficient to pay the Cost of the Project in full, the Corporation agrees to complete the Project and to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Construction Fund directly to the contractors or suppliers or into the Construction Fund as the same shall become due. The Issuer does not make any warranty, either express or implied, that the moneys paid into the Construction Fund and available for payment of the Cost of the Project will be sufficient to pay all of the Cost of the Project. The Corporation agrees that if after exhaustion of the moneys in the Construction Fund the Corporation should pay any portion of the Cost of the Project pursuant to the provisions of this Section, the Corporation shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee or from the holders of any of the Bonds, nor shall the Corporation be entitled to any diminution or postponement of the Basic Payments payable under Section 502 hereof or of the Additional Payments payable under Section 503 hereof.

Section 408. Establishment of Completion Date. The Completion Date shall be the date on which the Trustee shall acknowledge, in writing to the Issuer and the Corporation, receipt of all of the following items in form satisfactory to the Trustee, which items the Corporation shall furnish to the Trustee within ninety days after the substantial completion of the Project and which may be furnished without prejudice to any rights the Corporation may have against third parties which exist at the date thereof or which may subsequently come into being:

(a) An Officers' Certificate of the Corporation, stating that (i) the acquisition, construction, installation and equipping of the Project have been completed substantially in accordance with the Plans and Specifications then in effect and that the entire Cost of the Project has been paid or is then due and payable in accordance with the Written Requests submitted pursuant to Section 406 hereof; provided, that money may be specified by the Corporation to be held in the Construction Fund to be used to correct minor defects in the Project which the Corporation has ordered to



be remedied and minor items of work and materials awaiting seasonal completion may be specified, which specifications shall include the amount required to remedy such defects or to be seasonally completed; (ii) the Project conforms to all applicable zoning, planning and building regulations and is suitable and sufficient for efficient operation for the purpose for which the Facilities will be used; and (iii) no claim or claims exist arising out of the Construction Contract out of which a lien based on furnishing labor or materials exists or might ripen; provided, however, there may be excepted from the foregoing statement any construction claim or claims out of which a lien exists or might ripen in the event that the Corporation intends to contest such construction claim or claims, in which event such claim or claims shall be described; provided, further, that in that event the Corporation shall state that moneys are on deposit in the Construction Fund or are available to the Corporation sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims;

(b) A certificate of an Architect:

(i) stating that the construction of the Project has been substantially completed in accordance with the Project Documents then in effect; and

(ii) stating that he has made such investigation of such sources of information as are deemed by him to be necessary, and that it is his opinion that the Contractor has been paid by the Corporation in the amounts recommended by the Architect pursuant to the Construction Contract (excepting any work or materials specified pursuant to paragraph (a) awaiting repair or seasonal completion) and no claim or claims exist arising out of the Construction Contract out of which a lien based on furnishing labor or materials exists or might ripen; provided, however, there may be excepted from the foregoing statement any construction claim or claims out of which a lien exists or might ripen as described in the Officer's Certificate of the Corporation provided for in subparagraph (a) of this Section 408;

(c) An Officers' Certificate of the Corporation stating that all permits necessary for the occupancy and use of the Project have been obtained and are in full force and effect; and



(d) A consent by the surety on each payment and performance bond described in Section 410 hereof to final payment if such payment and performance bond secures the work to be done under the Construction Contract.

Section 409. Distribution of Construction Fund on Completion Date. On the Completion Date any balance then remaining in the Construction Fund shall be disbursed by the Trustee in payment or reimbursement of any part of the Cost of the Project due but not theretofore paid or reimbursed to the Corporation pursuant to Section 406 hereof. Any portion of the balance then remaining in the Construction Fund, in excess of amounts, if any, specified pursuant to paragraph (a) of Section 408 hereof, or then due for compensation and expenses of the Issuer, the Trustee or any Paying Agent, shall be deposited by the Trustee in the Debt Service Reserve Fund if and to the extent that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement and otherwise shall be deposited in the Interest Account. Any amount retained for the purpose of remedying defects or for seasonal completion shall be used for that purpose subject to Section 406 hereof relating to disbursements from the Construction Fund; when all such defects have been repaired or seasonal completions have been made as specified in an Officers' Certificate of the Corporation, any then remaining balance in the Construction Fund shall be disbursed or transferred as aforesaid.

Section 410. Surety Bonds. Prior to commencement of construction and acquisition of the Project a payment and performance bond shall be secured by the Corporation from the Contractor, executed by a responsible surety company, in a penal sum equal to the entire amount to become payable under the Construction Contract, and conditioned on the completion of the Project in accordance with the Plans and Specifications and on the payment of all claims of suppliers and, if the bond secures the Contractor, for the payment of all claims of subcontractors. The bonds required by this Section 410 shall contain a provision that they shall be assigned to the Trustee or be made payable to the Trustee upon request by the Trustee as set forth in this Article IV.

Section 411. Agreement to Issue Series 1983 Bonds; Application of Bond Proceeds. In order to provide funds for payment of the Cost of the Project, the Issuer, concurrently with the execution of this Agreement, will issue, sell and deliver to the Original Purchaser thereof the Series 1983 Bonds and deliver or deposit the proceeds thereof as follows:

(a) a sum equal to \$\_\_\_\_\_, being the accrued interest payable on the Series 1983 Bonds from their date to the date of their delivery, plus an amount equal to \$\_\_\_\_\_, will be deposited into the Interest Account to be used to pay interest on the Series 1983 Bonds for a period of approximately 12 months after the Closing Date;

(b) the sum of \$500,000 will be deposited into the Debt Service Reserve Fund;

(c) the sum of \$\_\_\_\_\_ will be paid to the Corporation as reimbursement for certain costs paid or incurred by the Corporation in connection with the Project prior to the Closing Date with respect to the Series 1983 Bonds; and

(d) the balance of the proceeds to be received from such sale will be deposited into the Construction Fund. Disbursements from the Construction Fund shall be made by the Trustee in accordance with the provisions of Section 406 of this Agreement and Section 6.03 of the Indenture.

Section 412. Additional Bonds. Upon the written Request of the Corporation, the Issuer shall use its best efforts to issue and sell one or more series of Additional Bonds in accordance with Article IV of the Indenture.

[End of Article IV]

ARTICLE V  
PAYMENT PROVISIONS

Section 501. Quiet Enjoyment. The Issuer hereby covenants and agrees that it will not take any action, other than pursuant to Article IV or Article XIV of this Agreement, to prevent the Corporation from having quiet and peaceable possession and enjoyment of the Facilities during the term of this Agreement and will, at the request of the Corporation, and at the Corporation's cost, to the extent that it may lawfully do so, join in any legal action in which the Corporation asserts its right to such possession and enjoyment.

Section 502. Basic Payments. The Corporation agrees to pay to the Trustee, in such manner as shall be acceptable to the Trustee, for the account of the Issuer without notice or demand, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, Basic Payments in an amount sufficient to pay in full the principal of, premium, if any, and interest on the Bonds from time to time outstanding under the Indenture. Without limiting the foregoing, Basic Payments shall be due and payable in the following amounts, and at the following times:

(a) Commencing on the 25th day of March, 1984, and on the 25th day of each month thereafter, into the Interest Account an amount equal to one-sixth (1/6) of the interest which is due and payable on the Bonds on the next succeeding interest payment date; provided, however, that the Corporation shall receive a credit for the amount already on deposit in the Interest Account and available for payment of interest on the Bonds, exclusive of any amounts paid with respect to or credited against a previous monthly payment.

(b)(1) On March 1, 1984, into the Principal Account an amount equal to 80% of the total amount of Initial Entrance Fees then held by the Corporation; and on each six-month anniversary of March 1, 1984, into the Principal Account an amount equal to 80% of the total amount of Initial Entrance Fees not previously taken into account in making deposits into the Principal Account pursuant to this paragraph (b)(1).

(2) Commencing on the 25th day of March, 1984, and on the 25th day of each month thereafter, an amount equal to the quotient of (a) the difference between (i) \$1,800,000 and (ii) the sum of the amounts previously deposited into the Principal Account pursuant to paragraph (b)(1) above, divided by (b) the number of months remaining after March 1, 1984, or, if later, the last six-month anniversary of March 1, 1984, until March 1, 1989; provided, however, that the Corporation shall receive a credit for the amount already on

deposit in the Principal Account (other than any amount deposited pursuant to paragraph (b)(1) above) and available for payment on March 1, 1989, of principal of the Series 1983 Short-Term Bonds, exclusive of any amounts paid with respect to or credited against a previous monthly payment.

(c) Commencing on the 25th day of March 1, 1989, and on the 25th day of each month thereafter, an amount equal to one-twelfth (1/12) of the principal to retire the Term Bonds required to be called by the mandatory sinking fund redemption or to be paid at maturity on the next ensuing March 1; provided, however, that the Corporation shall receive a credit for the amount already on deposit in the Principal Account and available for payment of the principal of the Series 1983 Long-Term Bonds, whether upon mandatory sinking fund redemption or at maturity, exclusive of any amounts paid with respect to or credited against a previous monthly payment.

(d) Commencing on the 25th day of the month following any month in which the balance in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement (by reason of a loss actually realized in the assets thereof or a valuation as required by Section 6.09 of the Indenture or a withdrawal of funds from the Debt Service Reserve Fund), the amount necessary to restore, in twelve (12) equal monthly deposits, the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

The Corporation may at any time pay moneys (in addition to any other moneys required or permitted to be paid pursuant to this Agreement) to the Trustee for deposit into (i) the Principal Account or the Interest Account as the prepayment of Basic Payments to become due pursuant to Section 502(a), (b) or (c) hereof, or (ii) to the Debt Service Reserve Fund to be used in accordance with the provisions of Section 6.06 of the Indenture.

Section 503. Additional Payments. The Corporation further agrees to pay all other amounts, liabilities and obligations which the Corporation herein or as provided in the Indenture assumes or agrees to pay, including without limitation: (a) to the Trustee, its reasonable fees for services rendered and for expenses reasonably incurred by it as Trustee under the Indenture; and (b) to the Issuer, its reasonable costs and expenses directly related to the Project or the Bonds. In the event of any failure on the part of the Corporation to pay any such amounts, liabilities or obligations, the Issuer shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of the Basic Payments. The Corporation also agrees to pay to the Trustee, for the credit of the Interest Account, on demand, interest (to the extent permitted by law) at the rate borne by the respective Bonds on all overdue Basic Payments from the due date thereof until payment.

Section 504. No Defense or Set-Off. The obligations of the Corporation to make the payments required hereunder shall be absolute and unconditional without defense or set-off by reason of any default by the Issuer under this Agreement or under any other agreement between the Corporation and the Issuer or for any other reason, including, without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Facilities, commercial frustration of purpose or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required hereunder will be paid in full when due without any diminution or postponement whatsoever.

Section 505. Assignment of the Issuer's Rights. Concurrently with the execution of this Agreement, the Issuer will enter into the Indenture with the Trustee and assign to the Trustee the Issuer's rights under this Agreement (except its rights under Sections 503(b), 807 and 1411 hereof) and the Mortgage as security for the payment of the Bonds. The Corporation will make payments required hereunder directly to the Trustee without defense or set-off by reason of any dispute between the Corporation and the Trustee. The Corporation further agrees that in the event of a default under the Indenture the Trustee shall be entitled to enforce the provisions of this Agreement and the Mortgage.

Section 506. Credit for Bonds Surrendered. The Corporation shall have the right to surrender Bonds acquired by it to the Trustee with (in the case of coupon Bonds) all unmatured coupons attached. Bonds so redeemed, purchased or surrendered shall be forthwith canceled and the principal amounts thereof shall be applied as credits upon the Basic Payments due and payable with respect to the respective maturity dates or mandatory redemption dates of the Bonds so surrendered.

Section 507. Surplus Funds. Subject to the provisions of Section 13.03 of the Indenture, when all the Bonds shall have been redeemed or retired, and all other obligations incurred or to be incurred by the Issuer in connection with the Facilities or under the Indenture or this Agreement shall have been paid, or the Indenture shall have been defeased pursuant to Article XV thereof, any surplus funds remaining to the credit of the accounts established under the Indenture shall be paid to the Corporation.

[End of Article V]

ARTICLE VI  
TAX EXEMPT STATUS OF SERIES 1983 BONDS

Section 601. Protection of Tax Exempt Status of the Series 1983 Bonds. The Issuer is issuing the Series 1983 Bonds pursuant to an election made by it under Section 103 (b)(6)(D) of the Code. In order to insure that interest on the Series 1983 Bonds is not and will not become subject to Federal income taxes as a result of a failure of the Series 1983 Bonds to qualify as an exempt small issue under Section 103 of the Code or as a result of a violation of the capital expenditure limitation prescribed by Section 103 of the Code or as a result of violating the arbitrage requirements of Section 103(c) of the Code and the applicable regulations or as a result of violating any other applicable provision of Section 103 of the Code (other than Section 103(b)(13)), the Corporation and the Issuer covenant that, while any of the Series 1983 Bonds remains outstanding:

(1) all rights and privileges granted to the Corporation or the Issuer under this Agreement, the Mortgage or the Indenture shall be exercised so that, if any conflict between this Section and any other provisions in any such document shall arise, then in that case, this Section shall control;

(2) neither the Corporation nor the Issuer has committed or permitted or will commit or permit (as to any act or event over which it has or reasonably could have control) the commission of any act or the occurrence of any event which would cause interest on the Series 1983 Bonds to be subject to Federal income taxation;

(3) neither the Corporation nor the Issuer will fail to take any action necessary to be taken in order for interest on the Series 1983 Bonds to be exempt and continue to be exempt from Federal income taxation;

(4) the Corporation covenants that 90% or more of the "net bond proceeds" of the Series 1983 Bonds shall be used exclusively to acquire, construct, reconstruct or improve land or property of a character subject to the allowance for depreciation. For this purpose, "net bond proceeds" shall equal the aggregate face amount of the Series 1983 Bonds less (a) amounts paid for the cost of issuing the Series 1983 Bonds (including costs of publishing notices, attorneys' fees, printing costs, trustees' fees and similar expenses) and (b) the Debt Service Reserve Requirement. No more than 10% of the "net bond proceeds" shall be used to finance inventory or for working capital;



(5) the sum of (i) the aggregate principal face amount of the Series 1983 Bonds, (ii) the outstanding face amount of any prior issue (interest on which is excludable from the holder's Federal income tax by reason of Section 103(b)(6) of the Code) the proceeds of which were used primarily with respect to facilities located in (or contiguous to or integrated with facilities located in) the City of Easley, South Carolina, the principal user of which facilities is the Corporation, First American Management Co., Inc. (or any subsequent manager of the Facilities), or a "related person" thereto (within the meaning of Section 103(b)(6)(C) of the Code), and (iii) "Section 103(b)(6)(D) capital expenditures" (as defined in Section 1.103-10(b)(2) (ii) of the Income Tax Regulations) heretofore and to be made (other than those mentioned in Section 103(b)(6)(F) of the Code) with respect to "facilities" described in Section 103(b)(6)(E) of the Code which are located in (or contiguous to or integrated with facilities located in) the City of Easley, South Carolina, has not and will not exceed \$10,000,000 (or any such larger amount as may be hereafter permitted by law with respect to the Series 1983 Bonds) during the six-year period beginning three years before the Closing Date with respect to the Series 1983 Bonds;

(6) during the three-year period following the Closing Date with respect to the Series 1983 Bonds, neither the Corporation nor the Issuer shall make or cause or permit to be made any "Section 103(b)(6)(D) capital expenditure" (other than those mentioned in Section 103(b)(6)(F) of the Code) with respect to "facilities" described in Section 103(b)(6)(E) of the Code which are located in (or contiguous to or integrated with facilities located in) the City of Easley, South Carolina, which would cause the interest on the Series 1983 Bonds to be subject to Federal income taxation;

(7) attached to the Corporation's Federal income tax return for the fiscal year of the Corporation that includes the Closing Date shall be a copy of the statement filed with respect to the Series 1983 Bonds pursuant to Section 1.103-10(b)(2)(vi) of the Income Tax Regulations;

(8) annually on the due date for filing its Federal income tax return (without regard to any extension to the time said return must be filed) the Corporation will furnish to the Trustee a true and correct copy of any statement filed by the Corporation pursuant to Section 1.103-10(b)(2)(vi)(c) of the regulations applicable to Section 103 of the Code, together with a certificate of its chief financial officer or treasurer to the effect that cumulative Section 103(b)(6)(D)



capital expenditures together with the outstanding principal amount of the Series 1983 Bonds and the principal amount outstanding of any other obligations which are includable in the limitation prescribed by said Section 103(b)(6)(D) have not exceeded the prescribed limitation:

(9) the primary purpose of the Project is not and will not be to provide retail food and beverage services or to provide recreation or entertainment;

(10) no portion of the proceeds of the Series 1983 Bonds will be used to provide any of the following: any golf course, tennis club, racquet sports facility, hot tub facility or suntan facility;

(11) no portion of the proceeds of the Series 1983 Bonds will be used directly or indirectly to provide "residential rental projects" within the meaning of Section 1.103-8(b) of the Income Tax Regulations. In this respect, none of the living units contained in the Project will be equipped with any refrigerator or cooking facilities, the rules and regulations governing the Project will prohibit the resident or residents of every living unit from installing or placing in such living unit any form of refrigerator or cooking range or facility whatsoever, and the residents of the Project will be afforded three meals daily prepared outside the living units;

(12) the Corporation will not take any action or fail to take any action which would cause the Facilities not to constitute a "hospital facility" within the meaning of the Act; and

(13) the Issuer will not issue Additional Bonds if to do so would cause interest on the Series 1983 Bonds no longer to be exempt from Federal income taxation.

Section 602. Determination of Taxability. Should there occur a "Determination of Taxability," as hereinafter defined, the Corporation shall be obligated as hereinafter described in this Section 602; provided, however, if the Determination of Taxability shall include the determination that the interest on an amount less than all of the Series 1983 Bonds is includable in the gross income of the holders thereof and the loss of exemption can be cured by a partial redemption of the Series 1983 Bonds, then the Corporation shall be obligated only to pay that part of the amount hereinafter specified in this Section 602 as is required to cure the loss of tax exemption specified in the Determination of Taxability.

A "Determination of Taxability" shall mean the occurrence of the first to occur of the following: (a) the date on which the Corporation determines that the interest on any of the Series 1983 Bonds is subject to Federal income taxation by filing with the Trustee a statement to that effect, supported by any tax schedule, return or document which discloses that an Event of Taxability has occurred; or (b) the date on which the Corporation, the Issuer, the Trustee, or any holder of a Series 1983 Bond shall be advised in writing by a private ruling, technical advice or any other written communication from an authorized official of the Internal Revenue Service that, based upon any filings of the Corporation, or upon review or audit of the Corporation, or upon any other grounds whatsoever, an Event of Taxability has occurred; or (c) the date on which the Corporation shall receive notice from the Issuer or the Trustee in writing that the Issuer or the Trustee has been advised (i) by any holder of a Series 1983 Bond that the Internal Revenue Service has assessed as includable in the gross income of such holder the interest on such Series 1983 Bond due to the occurrence of an Event of Taxability, or (ii) by any authorized official of the Internal Revenue Service that the interest on the Series 1983 Bonds is includable in the gross income of any holder thereof due to the occurrence of an Event of Taxability; provided, however, that no Determination of Taxability shall be deemed to have occurred pursuant to clause (a) above unless supported by a written opinion of Bond Counsel to the effect that the interest on the Series 1983 Bonds is subject to Federal income taxation as the result of the occurrence of an Event of Taxability; provided further that, if the Corporation directly or through a holder of the Series 1983 Bonds contests the ruling, advice, communication or assessment described in clause (b) or (c) above by an appropriate proceeding, the Determination of Taxability under such clause (b) or (c) shall not occur until such ruling, advice, communication or assessment is finally upheld in a proceeding from which no further appeal can be or is taken by the Corporation, provided, however, that no decree or judgment by any court or action by the Internal Revenue Service shall be considered final for purposes of clause (b) or (c) unless the bondholder involved in such proceeding or action (i) has given the Corporation and the Trustee reasonably prompt notice of the commencement thereof and (ii) has offered the Corporation the opportunity to control the defense thereof so long as the Corporation agrees to pay all expenses in connection therewith and to indemnify such bondholder against all liabilities in connection therewith.

An "Event of Taxability" shall mean any of the following conditions or circumstances: (a) as a result of capital expenditures being paid or incurred with respect to "facilities" described in Section 103(b)(6)(E) of the Code and applicable

regulations thereunder, the aggregate face amount of the Series 1983 Bonds, determined in accordance with the provisions of Section 103(b)(6)(D) of the Code, exceeds the limit permitted by said Section 103(b)(6)(D); (b) the Series 1983 Bonds constitute "arbitrage bonds" within the meaning of Section 103(c) of the Code; (c) the failure of the Corporation to observe any covenant, agreement or representation contained in the Agreement which failure results in interest on any of the Series 1983 Bonds being or becoming includable in the gross income of any holder thereof for Federal income tax purposes; (d) any change in Federal tax law or applicable regulations thereunder occurring after the issuance of the Series 1983 Bonds which results in interest on any of the Series 1983 Bonds being or becoming includable in the gross income of any holder thereof for Federal income tax purposes; or (e) the existence or absence of any other circumstance which shall cause the interest on any of the Series 1983 Bonds to be or to become includable in the gross income of any holder thereof for Federal income tax purposes; provided, however, that no Event of Taxability shall be deemed to have occurred with respect to any Series 1983 Bond if the interest thereon shall be subject to Federal income taxation for any period solely because during that period such Series 1983 Bond was held by a person who is a "substantial user" of the Project or a "related person" as such terms are used or defined in Section 103(b) of the Code.

The Corporation shall give prompt written notice to the Trustee and the Issuer of its receipt of any information to the effect that an Event of Taxability may have or has occurred and shall describe the nature of the circumstances or occurrence which led to such Event of Taxability.

The Trustee shall, promptly upon learning that an Event of Taxability may occur or has occurred (whether or not the same is being contested), cause notice thereof to be given to the holders of the Series 1983 Bonds in the same manner as is provided in Section 5.04 of the Indenture for Notices of Redemption. The Trustee may, in such notice to bondholders, make provision for obtaining advice from bondholders, in such form as it shall deem appropriate, respecting relevant assessments made on such bondholders by the Internal Revenue Service, so as to be able, if appropriate, to verify the existence, present or future, of an Event or Determination of Taxability.

Not later than 90 days from the date of a Determination of Taxability the Corporation shall give written notice to the Issuer and to the Trustee, and, if any of the Series 1983 Bonds shall then be unpaid or provision for payment shall not have been made in accordance with the provisions of the Indenture, shall give irrevocable instructions to the Trustee to redeem on a date not

less than 90 days from the date such notice is mailed all or on the next interest payment date (if partial redemption is permitted as provided above) a part (and if a part, then the Series 1983 Bonds to be redeemed shall be selected by lot, pro rata, in such manner as may be determined by the Trustee, or otherwise as may be necessary to cure the loss of tax exemption as specified in the Determination of Taxability), of the Series 1983 Bonds pursuant to the provisions of the Indenture, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. A copy of such instruction shall be forwarded by the Corporation to the Issuer. At least 20 days prior to the date of the redemption, the Corporation shall pay to the Trustee for application by the Trustee to the redemption of the Series 1983 Bonds on such redemption date the sum of the following:

(1) An amount of money which, when added to the amounts then on deposit in the Bond Fund, the Bond Redemption Fund, the Debt Service Reserve Fund and the Repair and Replacement Fund, will be sufficient to retire and redeem all of the Series 1983 Bonds to be redeemed on the applicable redemption date, including, without limitation, principal at par without premium, plus accrued interest thereon to said redemption date and any redemption expense, plus

(2) An amount of money equal to the Issuer's, Trustee's and any paying agents' fees and expenses under this Agreement and the Indenture accrued and to accrue until such final payment and redemption of the Series 1983 Bonds to be redeemed.

Upon the redemption date provided for in this Section 602, and providing there has been deposited with the Trustee the total amount of money required above, such amount shall constitute the total compensation due the Issuer and the holders of the Series 1983 Bonds by reason of the occurrence of such Determination of Taxability.

Upon the occurrence of a Determination of Taxability, any option of the Corporation to prepay the Basic Payments and cause the Series 1983 Bonds to be redeemed under any other redemption provision of the Indenture shall be superceded by its obligations under this Section 602.

[End of Article VI]

ARTICLE VII  
ADDITIONAL COVENANTS OF CORPORATION

Section 701. Maintenance of the Facilities. Until all the Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Corporation under this Agreement shall have been paid, or sufficient funds as provided in the Indenture are held in trust for the payment of all such obligations, the Corporation shall, at its sole cost and expense, keep and maintain the Facilities, both inside and outside, in a good state of repair and preservation, ordinary wear and tear and obsolescence in spite of repair excepted, and will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times and so that the security for the Bonds shall not be impaired. The Corporation will not use or permit the use of the Facilities, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. The Corporation shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Facilities in an economical and efficient manner, consistent with facilities comparable to the Facilities.

Section 702. Operation of the Facilities. Until all the Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Corporation under this Agreement shall have been paid, or sufficient funds as provided in the Indenture are held in trust for the payment of all such obligations, the Corporation will faithfully and efficiently administer, maintain and operate the Facilities as a retirement home facility (as such term is defined in the Act) and further covenants and agrees that:

(a) it shall use, maintain and operate the Facilities upon a revenue-producing basis, consistent with the Corporation's obligations imposed under this Agreement, for the care of its residents and other related purposes, and for the welfare and benefit of the general public;

(b) it will use the Facilities only in furtherance of the lawful corporate purposes of the Corporation;

(c) it will continue to be duly qualified to do business in the State, and subject to the provisions of this Agreement, it will maintain its corporate existence.

Section 703. Rate Covenant. The Corporation shall calculate the Debt Service Coverage Ratio for each Fiscal Year, beginning with the Fiscal Year ending September 30, 1987, as soon as practicable but in no event later than one hundred twenty (120) days following the end of such Fiscal Year. If the Debt Service Coverage Ratio at the end of any Fiscal Year is less than 1.20, the Corporation covenants to employ a Management Consultant to examine the rates, rentals, fees and charges of the Corporation and the methods of operation and management of the Corporation and make such recommendations to the Corporation as the Management Consultant believes are appropriate to enable the Corporation to increase the Debt Service Coverage Ratio to at least 1.20 in the Fiscal Year following the Fiscal Year in which the Debt Service Coverage Ratio shall have fallen below 1.20, and for the next succeeding year. If in the judgment of the Management Consultant it is not possible for the Corporation to meet the requirements of this Section 703, the report of the Management Consultant shall so indicate and shall further indicate the projected Debt Service Coverage Ratio if the recommendations of the Management Consultant are followed. The recommendations of the Management Consultant will be filed with the Trustee.

The Corporation covenants and agrees that promptly upon the receipt of such recommendations, subject to Governmental Restrictions, it shall revise its rates, rentals, fees and charges or its methods of operation and management and shall take such other action as shall be in conformity with such recommendations. If the Corporation complies with the recommendations of the Management Consultant (except to the extent partially or completely restricted by Governmental Restrictions), it shall for the Fiscal Year in which such Management Consultant is employed and for the subsequent Fiscal Year, be excused from compliance with the provisions of the first paragraph of this Section 703; provided, however, that the Corporation fixes, charges and collects or causes to be fixed, charged and collected rates, rentals, fees and charges for the use of and for the services furnished or to be furnished by the Corporation which shall be sufficient in each such Fiscal Year to produce a Debt Service Coverage Ratio equal to at least 1.00. This Section 703 shall not be construed as in any way excusing the Corporation from taking any action or performing any duty required under any other Section of this Agreement or be construed as constituting a waiver of any other event of default hereunder.



Section 704. Compliance with Laws. The Corporation shall, throughout the term of this Agreement, promptly comply or cause compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Facilities, or to the repair and alteration thereof, or to the use or manner of use of the Facilities, whether or not such laws, ordinances, orders, rules, regulations and requirements are foreseen or unforeseen, ordinary or extraordinary, and whether or not they shall involve any change of governmental policy or shall require structural or extraordinary repairs, alterations or additions, irrespective of the cost thereof. Notwithstanding the foregoing, the Corporation shall not be deprived of the right to contest the application of any such law, ordinance, order, rule, regulation or requirement as applied to the Corporation, provided that such contest shall not materially impair the obligations of the Corporation under this Agreement or materially adversely affect or impair the Gross Receipts of the Corporation, and the Issuer shall cooperate to the extent necessary with the Corporation in any such contest.

Section 705. Taxes, Permits and Other Charges. The Corporation agrees to pay, in addition to payment of the Basic Payments and Additional Payments, promptly as and when the same shall become due and payable, each and every lawful cost, expense and obligation of every kind and nature, foreseen or unforeseen, for the payment of which the Issuer, the Trustee or the Corporation is or shall become liable by reason of its estate or interest in the Facilities, or any portion thereof, by reason of any right or interest of the Issuer, the Trustee or the Corporation in or under this Agreement, the Indenture or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Facilities or any part thereof.

The Corporation shall pay and discharge, promptly as and when the same shall become due and payable, all lawful income taxes, real estate taxes, personal property taxes, business and occupation taxes, occupational license taxes, water charges, garbage disposal charges, license fees, assessments, including, but not limited to, assessments for public improvements or benefits imposed on the Facilities, or for which the Corporation or the Issuer (with respect to the Facilities) is liable and all other governmental taxes, impositions and charges of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties, if any, which at any time during the term of this Agreement shall be or become due and payable by the Issuer or the Corporation because of their respective rights or obligations under this Agreement, the Indenture or

the Mortgage and which shall be lawfully levied, assessed or imposed under or by virtue of any present or future law, statute, ordinance, regulation or other requirement of any governmental authority, whether federal, state, county, city, municipal, school or otherwise; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Corporation shall be obligated to pay only such installments as are required to be paid during the term hereof; and provided further that the Corporation shall not be required to pay any income taxes of the Trustee arising with respect to the Indenture or the Mortgage. The Corporation or the Issuer, upon written notice thereof to the Trustee, may contest in good faith any such tax, imposition, charge or assessment levied by any governmental authority, and in such event may permit such tax, imposition, charge or assessment to remain unsatisfied during the period of such contest and any appeal therefrom unless or until by such action the Facilities shall be endangered, or any material part thereof shall become subject to imminent loss or forfeiture, in which event such tax, imposition, charge or assessment shall be paid by the Corporation.

The Corporation shall, at its sole cost and expense, procure or cause to be procured any and all necessary building permits, other permits, licenses and other authorizations required for the lawful and proper construction, use, occupation, operation and management of the Facilities. The Corporation also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light, heat, power, telephone, oxygen, and other utility and service used, rendered or supplied to, upon or in connection with the Facilities. The Corporation shall furnish to the Trustee promptly upon request proof of the payment of any such tax, assessment or other governmental or similar charge, or any utility charges which is payable by the Corporation or the Issuer as set forth above.

Section 706. Liens and Encumbrances. The Corporation covenants and agrees that, except for Permitted Encumbrances, it will not create or suffer to be created any lien, encumbrance or security interest upon the Facilities or the Gross Receipts of the Corporation, or any part thereof. The Corporation further covenants and agrees that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall occur, all claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon the Facilities or the Gross Receipts, or any part thereof; provided, however, that nothing in this Section shall require the Corporation to satisfy or discharge any such claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal

proceedings without cost or expense to the Issuer or the Trustee, the Corporation has established and maintained reserves sufficient to pay the same, and the Corporation's failure to satisfy or discharge such claim or demand will not adversely affect the Facilities or Gross Receipts of the Corporation. If any such lien shall be filed or asserted against the Corporation, the Facilities, the Gross Receipts, or any Basic Payment payable hereunder, by reason of work, labor, services or materials supplied or claimed to have been supplied on or to the Corporation or the Facilities, at the request or with the permission of the Corporation or of anyone claiming under it, the Corporation shall, within thirty (30) days after it receives notice of the filing thereof or the assertion thereof against the Facilities, the Gross Receipts or any Basic Payment, cause the same to be discharged of record, or effectively prevent the enforcement or foreclosure thereof, by contest, payment, deposit, bond, order of court or otherwise.

Section 707. Inspection; Reports. Upon due notice given to the Corporation in advance, the Trustee, each holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding and consultants to any thereof each shall have free and unobstructed access at all reasonable times to the Facilities and records of the Corporation (other than confidential records of residents of the Facilities, personnel records of employees of the Corporation, confidential records in respect of any donor to the Corporation, or other records protected or privileged by law) for purposes of inspection. If requested by the Trustee or any holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding, the Corporation will supply to the Trustee or any such holder, as the case may be, within sixty (60) days after receiving same all reports of inspections and accompanying recommendations of all regulatory and licensing agencies which inspect the Corporation.

Section 708. Corporation Duties Under the Indenture. The Corporation agrees to perform all matters provided by the Indenture to be performed by the Corporation and to comply with all provisions of the Indenture applicable to the Corporation.

Section 709. Financial Statements, Etc. The Corporation covenants that it will keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Corporation, in accordance with generally accepted accounting principles consistently applied, and will furnish to the Trustee, the Underwriter and each holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding (or to their accountants or agents) who shall request the same in writing:

(a) within 120 days after the last day of each Fiscal Year of the Corporation, the financial report of the Corporation certified by an Accountant, including a balance sheet and statement of revenues and expenses and changes in financial position as of the end of such Fiscal Year, together with a separate written statement of the Accountant certifying such report, that such Accountant has obtained no knowledge of any default by the Corporation in the fulfillment of any of the terms, covenants, provisions or conditions of this Agreement, or, if such Accountant shall have obtained knowledge of any such default or defaults and the nature thereof, they shall disclose the same; but such Accountant shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default; and

(b) within 120 days after the last day of each Fiscal Year of the Corporation, an Officers' Certificate of the Corporation, stating that the signer of the certificate has made a review of the activities of the Corporation during the preceding Fiscal Year for the purpose of determining whether or not the Corporation has complied with all of the terms, provisions and conditions of this Agreement and that to the best knowledge of such signer the Corporation has kept, observed, performed and fulfilled each and every covenant, provision and condition of this Agreement on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if the Corporation shall be in default such certificate shall specify all such defaults and the nature thereof of which the signer of the certificate shall have knowledge;

In addition, the Corporation shall furnish such additional information as the Trustee, the Underwriter or any holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding may reasonably request concerning the Corporation in order to enable the Trustee, the Underwriter or any such holder to determine whether the covenants, terms and provisions of this Agreement have been complied with by the Corporation, and for that purpose all pertinent financial books, documents and vouchers (other than medical, donor and personnel records) relating to its business affairs and properties shall at all times upon reasonable prior written notice during regular business hours be open to the inspection of such persons or their accountants or other agents (who may make copies of all or any part thereof) as shall from time to time be designated and compensated by the Trustee, the Underwriter or any such holder of the Bonds.

Section 710. Security Interest in Gross Receipts.

(a) To secure the prompt payment of the amounts due under Sections 502 and 503 hereof and the performance by the Corporation of its other obligations hereunder, the Corporation has granted to the Issuer pursuant to the Mortgage a security interest in the Corporation's rights to and interests in all Gross Receipts. The security interest created thereby shall not diminish the obligation of the Corporation to make all payments required under this Agreement from its general assets.

(b) So long as no Event of Default under this Agreement has occurred and is continuing, the Corporation shall have the exclusive right to possession and use of the Gross Receipts. Upon the occurrence of an Event of Default hereunder, the Trustee shall have the rights and remedies described in Article XIV hereof.

(c) The Corporation agrees to keep accurate books and records concerning its Gross Receipts and to deliver to the Trustee such financial reports or information as the Trustee may from time to time reasonably request. The Trustee or its agents, at reasonable times, may inspect, audit, make test verifications and otherwise check and make extracts from the books, records, journals, orders, receipts, correspondence and other data relating to such Gross Receipts. The Corporation shall furnish the Trustee with such schedules of Gross Receipts as the Trustee may reasonably request from time to time.

(d) Upon request of the Trustee the Corporation shall mark, in form satisfactory to the Trustee, all books and records pertaining to Gross Receipts to evidence the Issuer's security interest therein. The Corporation agrees and consents to the exercise by the Trustee of any right of the Issuer respecting the Gross Receipts, as the Trustee may deem necessary from time to time to protect the interests of the holders of the Bonds from time to time outstanding.

Section 711. Investment of Trust Moneys; Covenant with Respect to Section 103(c) of the Code. Any moneys held in the Bond Fund, Construction Fund, Bond Redemption Fund, Debt Service Reserve Fund, and Repair and Replacement Fund, or any other fund or account, shall be invested or reinvested at the direction of the Corporation by Trustee, to the extent permitted by law, in Permitted Investments as specified in a Written Request of the Corporation; provided, however, that all such investments shall be made in accordance with and subject to the provisions of Section 6.09 of the Indenture.

The Corporation certifies and further covenants with the holders of the Bonds from time to time outstanding that, so long as any of the Bonds remain outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used or invested in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Code. The Corporation further certifies that it will furnish to the Issuer accurate information necessary to enable the appropriate officers of the Issuer and Bond Counsel to make all certifications required by Section 103(c) of the Code and the applicable regulations.

The Corporation further covenants to comply with the provisions of Section 1610 hereof with respect to any loss sustained on the investment of any funds and accounts authorized pursuant to Section 6.09 of the Indenture.

[End of Article VII]



ARTICLE VIII  
INSURANCE AND INDEMNIFICATION

Section 801. Insurance Required. The Corporation shall maintain insurance of such type and in such amounts as is customarily carried, and against such risks as are customarily insured against, by retirement home facilities of like size and character, paying as the same become due all premiums in respect thereto (except to the extent that it can cause others by contract to pay such premiums), including without limitation:

(a) During the construction of the Project or Additional Facilities, as the case may be, builder's risk insurance insuring direct physical loss of or damage to the Facilities in the amount of its full insurable value on a replacement cost basis (including value to be added by the Project or the Additional Facilities, as the case may be). The Corporation may cause the Contractor under the Construction Contract to maintain such insurance.

(b) Insurance against direct physical loss or damage caused by any of the perils customarily insured under the standard fire insurance policy with extended coverage, sprinkler leakage and vandalism and malicious mischief endorsements added thereto covering the Facilities in the amount of their full insurable value on a replacement cost basis (but, in all events, at least equal to the principal amount of Bonds and Parity Indebtedness then outstanding) with loss deductible clauses as determined by an Insurance Consultant and approved by the Trustee. Any determination of replacement cost required by this section shall be made every two years from and after the Completion Date by a recognized appraiser or insurer selected by the Corporation and reasonably acceptable to the Trustee.

(c) Insurance coverage of boilers, pressure vessels, auxiliary piping and selected machinery objects (including pumps and compressors), with a minimum limit of \$ \_\_\_\_\_.

(d) After the Completion Date, business interruption insurance providing coverage to the Corporation covering loss of net revenues and continuing fixed expenses in the event of direct physical loss of or damage to the Facilities or any part thereof, in the amount of projected future net revenues and continuing fixed expenses for a period of at least one year next succeeding such damage or destruction. In any event the amount of the business interruption insurance required shall not be less than the amount necessary to make payment of (1) the Maximum Aggregate Annual Debt Service and

(2) an amount which the Corporation has reasonably determined to be adequate to pay for the salaries of the officers and employees whose continued employment is necessary to insure the prompt and efficient renewal of the operations of the Facilities after the completion of the repairs or replacement.

(e) General public liability insurance and landlord's liability insurance protecting the Corporation against liability for injuries to persons or property occurring on, in, or about the Facilities, in the amount of \$ \_\_\_\_\_ per person for bodily injury liability, and \$ \_\_\_\_\_ per occurrence for damage to property, including loss of use thereof arising out of the ownership, maintenance or use of the Facilities, but with \$ \_\_\_\_\_ as the minimum limit in annual aggregate claims.

(f) Automobile liability insurance for vehicles owned or operated by the Corporation with the minimum limits of \$ \_\_\_\_\_ per person or claim, and \$ \_\_\_\_\_ per occurrence against liability for bodily injury but with \$ \_\_\_\_\_ as the minimum limit in annual aggregate claims and to the extent of \$ \_\_\_\_\_ per occurrence and \$ \_\_\_\_\_ in annual aggregate claims against liability for damage to property for vehicles owned by the Corporation.

(g) Professional liability insurance for death, injury, loss or damage occurring during examination, diagnosis, treatment or care of any resident of the Facilities in such amounts as are customarily carried by similar retirement home facilities in the State, but in no event less than \$ \_\_\_\_\_ per occurrence and \$ \_\_\_\_\_ in annual aggregate claims.

(h) Workmen's compensation insurance with respect to the Facilities as required by the laws of the State.

(i) A commercial blanket bond covering all employees of the Corporation in the amount of \$ \_\_\_\_\_.

(j) A performance bond and labor and material payment bond covering the faithful performance by the Contractor of the Construction Contract for the Project and the payment of all obligations arising under such Contract.

The Corporation covenants to review each year the insurance carried by the Corporation with respect to the Corporation and the Facilities and, to the extent feasible, will carry insurance insuring against the risks and hazards specified in this Section

801 to the same extent that other retirement home facilities comparable to the Corporation and owning or operating facilities of the size and type comparable to the Facilities carry such insurance.

Section 802. Insurors and Policies. All such insurance shall be taken out and maintained with generally recognized responsible insurers (including insurance funds established by the United States of America, the State or any agency or instrumentality thereof) selected by the Corporation and approved by the Trustee, and may be written with deductible amounts comparable to those on similar policies carried by other retirement home facilities of like size and character to the Facilities. If any such insurance is not maintained with an insurer licensed to do business in the State, the Corporation shall provide evidence reasonably satisfactory to the Trustee that such insurance is enforceable under the laws of the State. In each policy, other than policies of workmen's compensation insurance, the Issuer and the Trustee shall be named as additional insureds as their respective interests may appear (or, if required by the insurer, as mortgagees). The policies required by Sections 801(a), (b) and (c) shall contain standard clauses requiring that all Net Proceeds resulting from any claim be paid to the Trustee, provided that, if the proceeds payable under any one claim shall not exceed \$150,000 and the Corporation is not in default under this Agreement, the Trustee shall direct that such proceeds be paid directly to the Corporation. Unless a policy with such an undertaking is unavailable or is available only at a cost which the Corporation, with the approval of the Trustee, determines to be unreasonable, each policy shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of the Trustee or cancelled without at least 30 days' prior notice to the Trustee.

All such policies shall be deposited with the Trustee, provided that in lieu of such policies there may be deposited with the Trustee a certificate or certificates of the respective insurers attesting the fact that the insurance required by Section 801 is in force and effect. Prior to the expiration of any such policy, the Corporation shall furnish the Trustee evidence satisfactory to the latter that the policy has been renewed or replaced or is no longer required by this Agreement.

In lieu of separate policies the Corporation may maintain blanket or umbrella policies if such policies provide the same coverage required by Section 801 with protection against each risk not reducible by claims for other risks to amounts less than that specified in Section 801 and the Corporation deposits with the Trustee a certificate or certificates of the respective insurers evidencing such coverage and stating, as required, the amount of coverage with respect to the Facilities or any part thereof.

During the course of construction of the Project or Additional Facilities, as the case may be, the Corporation shall maintain or cause the Contractor to maintain insurance with respect to the Facilities as prescribed in Section 801, paragraphs (a), (b), (e), (f), (h), (i) and (j). All of these policies except workmen's compensation shall name the Corporation, the Issuer and the Trustee and such other parties, including the Contractor, as shall have an insurable interest as insureds.

Section 803. Insurance Consultant. In the event that the insurance required by Section 801 hereof is not available to the Corporation at reasonable cost, and, in any case, every year from and after March 1, 1984, the Corporation shall employ or cause to be employed an Insurance Consultant for the purpose of reviewing the insurance coverage of, and the insurance required for, the Corporation and the Facilities and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Corporation and the Facilities and their operations, maintenance and administration. A signed copy of the report of the Insurance Consultant shall be filed with the Trustee and copies thereof shall be sent to the Corporation, and the insurance requirements specified hereunder shall be deemed modified or superceded as necessary to conform with the recommendations contained in said report.

The Corporation shall on or before January 1 of each year, commencing January 1, 1984, submit to the Trustee an Officer's Certificate verifying that all minimum insurance coverage required by this Agreement is in full force and effect as of the date of such Officer's Certificate.

Section 804. Uninsured Property; Obligation of Contractors. In the event the Facilities, or any part thereof, shall be damaged, lost or destroyed as a result of a casualty as to which insurance is not required under the terms of this Agreement, the Corporation shall, at its option, promptly after such damage, loss or destruction, either expend for repairs, restoration or replacement of the property damaged, lost or destroyed such sum as may be required therefor or pay such sum, as determined by the Corporation, to the Trustee for deposit to the credit of the Repair and Replacement Fund established by the Indenture. Nothing in this Agreement shall be construed as relieving any contractor or other third party from any obligation or duty which he may have respecting the repair, restoration or replacement of any part of the Facilities.

Section 805. Failure to Carry Insurance. In the event the Corporation shall, at any time, neglect or refuse to procure or maintain insurance as herein required, the Trustee may, at its option, procure and maintain such insurance, and the Corporation shall be obligated forthwith to reimburse the Trustee for all amounts expended in connection therewith.

Section 806. Corporation's Liability. No acceptance or approval of any insurance policy by the Trustee shall relieve or release the Corporation from any liability, duty or obligation under the provisions of this Agreement.

Section 807. Indemnification and Nonliability of the Issuer and the Trustee. The Corporation covenants and agrees, at its expense, to pay, and to indemnify and save the Issuer and the Trustee and their members, directors, officers, employees and agents harmless from and against any and all claims, damages, demands, expenses, liabilities and taxes (except for federal or state income taxes imposed on the Trustee in respect of any fees paid to the Trustee in accordance with this Agreement or the Indenture) of any character or nature whatsoever regardless of by whom imposed, and losses of every conceivable kind, character and nature whatsoever including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any person, firm, corporation or governmental authority, arising out of, resulting from, or in any way connected with the Facilities, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Facilities. The Corporation also covenants and agrees at its expense, to pay, and to indemnify and save the Issuer and the Trustee and their members, directors, officers, employees and agents harmless of, from and against, all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. In the event that any action or proceeding is brought against the Issuer or the Trustee or their members, directors, officers, employees or agents by reason of any such claim or demand, the Corporation upon notice from the Issuer or the Trustee, covenants to resist and defend such action or proceeding on demand of the Issuer or the Trustee or their respective directors, officers, employees or agents. Notwithstanding the foregoing, neither the Issuer, the Trustee nor their respective members, directors, officers, employees and agents shall be indemnified against liability for damage arising out of bodily injury to persons or damage to property caused by its or their own willful and malicious acts or omissions or willful and malicious acts or omissions of its or their own members, directors, officers, agents or employees. The Corporation also covenants and agrees, at its expense, to pay, and

to indemnify the Issuer and the Trustee from and against all costs, expenses and charges, including reasonable counsel fees, incurred in obtaining possession of the Facilities after default of the Corporation if the Trustee is so entitled to possession under the terms of the Indenture, or in enforcing any covenant or agreement of the Corporation contained in this Agreement or the Indenture.

[End of Article VIII]



ARTICLE IX  
DAMAGE, DESTRUCTION,  
CONDEMNATION AND OTHER LOSS OF TITLE

Section 901. Corporation to Give Notice. In case of any material damage to or destruction of any part of the Facilities, the Corporation shall give prompt notice thereof to the Trustee. In case of a taking of all or any part of the Facilities or any right therein under the exercise of the power of eminent domain or any loss thereof because of failure of title thereto or the commencement of any proceedings or negotiations which might result in such a taking or loss, the Corporation shall give prompt notice to the Trustee. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 902. Corporation to Repair, Replace, Rebuild or Restore. If there are any outstanding Bonds when all or any part of the Facilities are destroyed or damaged or title to the Facilities or any part thereof fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, unless the Corporation exercises its option or its obligation to direct the Issuer to call outstanding Bonds for redemption pursuant to Section 905 hereof:

(a) The Corporation shall proceed promptly, subject to the provisions of subsection (b), to replace, repair, rebuild and restore the Facilities to substantially the same condition as existed before the taking or acquisition or event causing the damage or destruction, with such changes, alterations and modifications (including substitution or addition of other property) as may be desired by the Corporation and will be suitable for continued operation of the Facilities as a "retirement home facility" within the meaning of the Act and for the business purposes of the Corporation, and the Corporation will pay all costs thereof and be entitled to retain all Net Proceeds of the condemnation award or insurance claim.

(b) If the Net Proceeds of the condemnation award or insurance claim exceed \$150,000, all Net Proceeds of the condemnation award or insurance claim shall be paid directly to the Trustee and deposited in the Repair and Replacement Fund. The Trustee shall apply the Net Proceeds to payment of the costs of repair, replacement, rebuilding or restoration of the Facilities. If the Net Proceeds are not sufficient to pay such costs in full, the Corporation will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of the Net Proceeds.

(c) The Corporation shall not, by reason of the payment of any costs of repair, rebuilding, replacement or restoration, be entitled to any reimbursement from the Issuer or any diminution or postponement of the Basic Payments, Additional Payments or the other sums payable by the Corporation hereunder. Any balance of Net Proceeds remaining after payment of all costs of any repair, rebuilding, replacement or restoration shall be used to redeem Bonds at par in accordance with Section 905(b) hereof, or, if there are no outstanding Bonds, shall be paid to the Corporation.

(d) All buildings, improvements and equipment acquired in the repair, rebuilding, replacement or restoration of the Facilities, together with any interests in real property acquired by the Corporation as necessary for such restoration, shall be deemed a part of the Facilities and the Land, respectively, available for use and occupancy by the Corporation to the same extent as if they had been specifically described in this Agreement; provided that no land, interest in land, buildings, improvements or equipment shall be acquired subject to any lien or encumbrance, other than Permitted Encumbrances.

Section 903. Cooperation of the Issuer and the Trustee. The Issuer and the Trustee will cooperate fully with the Corporation in filing any proof of loss with respect to any insurance policy covering casualties referred to in Section 902 hereof, in the handling and conduct of any litigation arising with respect thereto, and in the handling and conduct of any prospective or pending condemnation proceedings affecting the Facilities or any part thereof, and will, to the extent they may lawfully do so, permit the Corporation to litigate in any such litigation or proceeding in the name and on behalf of the Issuer and the Trustee. In no event will the Issuer or the Trustee voluntarily settle or consent to the settlement of any proceeding arising out of any insurance claim, or any prospective or pending condemnation proceeding, with respect to the Facilities or any part thereof without the written consent of the Corporation.

Section 904. Business Interruption Insurance Proceeds. All proceeds of business interruption insurance required to be maintained pursuant to subsection (d) of Section 801 hereof shall be deposited first in the Interest Account or the Principal Account, but only to the extent necessary to satisfy the obligations of the Corporation under Section 502 hereof, and after satisfaction of such obligations will be paid to the Corporation.

Section 905. Corporation's Obligation and Option to Direct Redemption of Bonds.

(a) The Corporation shall have the option to prepay Basic Payments in full and terminate this Agreement in the manner and for the amounts set forth in Section 1502 of this Agreement if substantially all of the Facilities have been damaged or destroyed or title to the Facilities fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, to such extent that (i) in the opinion of a Management Consultant, the Net Revenues Available for Debt Service will be materially adversely affected and (ii) in the opinion of an Architect, the completion time for repair, rebuilding, replacement or restoration of the Facilities is estimated to extend beyond the term of the business interruption insurance carried by the Corporation. In the event that the Facilities have been damaged or destroyed or title to the Facilities fails or has been taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain to the extent described in clauses (i) and (ii) of this subsection, the Corporation shall be required to prepay the Basic Payments in full and terminate this Agreement in the manner and for the amounts set forth in Section 1502 of this Agreement unless in the opinion of a Management Consultant the forecasted Debt Service Coverage Ratio for the 12-month period immediately following the expiration of the term of the business interruption insurance carried by the Corporation will equal at least 1.00.

(b) The Corporation shall have the option to prepay Basic Payments in part on any interest payment date (March 1 or September 1) on the Bonds (i) in an amount equal to the Net Proceeds remaining after repair, replacement, rebuilding or restoration required by Section 902 of this Agreement, or (ii) in an amount not in excess of the Net Proceeds of the insurance claim or condemnation award, if part, but not substantially all, of the Facilities are destroyed, damaged or title to part, but not substantially all, of the Facilities fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, and the Corporation presents to the Trustee a certificate of a Management Consultant indicating that (A) the property forming a part of the Facilities which was taken, destroyed or damaged or with respect to which title has failed was not essential to the use of the Facilities as a complete and operational retirement home facility, and (B) in his opinion the Debt Service Coverage Ratio for the Fiscal Year following such damage, destruction, condemnation or failure of title will be at least 1.00, after taking into account any partial redemption of Bonds resulting from such prepayment.

(c) To perform its obligations or exercise its options under this Section 905, the Corporation must: (i) give the Issuer and Trustee written notice of its obligation to perform or exercise its option within 90 days following the event which is the basis thereof (the event causing the damage or destruction or the completion of the proceedings by which title fails or is taken by the exercise or threat of the exercise of the power of eminent domain), describing the event, and (ii) deposit with the Trustee the sum necessary in order to redeem the outstanding Bonds to be redeemed at their principal amount plus accrued interest in accordance with the Indenture. Notwithstanding the foregoing, if Bonds are to be redeemed pursuant to subsection (b)(i) of this Section 905, notice of the exercise of the option may be given within 90 days following completion of the repair, replacement, rebuilding or restoration required by Section 902 hereof.

[End of Article IX]

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ARTICLE X  
ALTERATIONS; IMPROVEMENTS; REMOVALS;  
RELEASES; SUBORDINATIONS

Section 1001. Remodeling, Improvements and Additions. In addition to construction of the Project, the Corporation shall have the privilege of remodeling the Facilities or making substitutions, additions, modifications or improvements thereon or thereto from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, provided that such action will not damage (except for any temporary and immaterial damage associated with any such remodeling or other such activities) the Facilities or significantly alter the character or purpose or detract from the value or operating efficiency thereof and will not significantly impair the revenue producing capability of the Facilities or adversely affect the ability of the Corporation to comply with the provisions of this Agreement, the Mortgage and the Indenture. The cost of remodeling the Facilities and additions, modifications or improvements thereto shall be paid by the Corporation, and the same shall become a part of the Facilities and be included under the terms of this Agreement, the Mortgage and the Indenture. Any property for which a substitution or replacement is made pursuant to this Section may be disposed of by the Corporation in any manner and in the sole discretion of the Corporation; provided, however, if the consideration received is not cash, the Corporation shall have delivered to the Trustee an opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Bonds will not be impaired as a result of such receipt.

Section 1002. Removals and Installation of Facilities Equipment. If no Event of Default under this Agreement shall have occurred and be continuing, the Corporation may remove any items of Facilities Equipment from the Facilities and sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer or Trustee therefor, provided that the Corporation shall comply with its obligations under Section 4.2 of the Mortgage with respect to any such items of Facilities Equipment.

Section 1003. Execution of Other Documents; Release of Property. The Trustee, the Issuer and the Corporation shall execute any documents or instruments reasonably requested by another party in connection with any action taken by any of them in accordance with Sections 1001 or 1002 of this Agreement, including but not limited to documents or instruments required to subject added equipment or other depreciable assets to, or release removed equipment, other depreciable assets or other assets from, this Agreement or the Mortgage.

Section 1004. Subordination of Security Interest in Gross Receipts. The Trustee and the Issuer each agrees to cooperate with the Corporation in the execution and delivery of such documents as may be reasonably necessary to evidence the subordination of the security interest in the Gross Receipts granted pursuant to the Mortgage to any security interest granted by the Corporation in accordance with the provisions of Section 1201(d) hereof; provided, that the Corporation shall first cause an Officers' Certificate to be delivered to the Trustee stating that the Corporation is not in default hereunder.

Section 1005. Release of Certain Land. If no event of default under this Agreement shall have occurred or be continuing, the Corporation may effect the release of or remove from the mortgage lien of the Mortgage any unimproved part of the Land or any part of the Land with respect to which the Corporation proposes to convey fee title to a public utility or public body in order that utility services or roads may be provided for the Facilities; provided that the Corporation shall comply with its obligations under Section 4.3 of the Mortgage with respect to such part of the Land.

Section 1006. Prohibition Against Dispositions of Facilities. The Corporation covenants that it will not sell, lease, demolish, remove or otherwise dispose of any of the Facilities (other than in the ordinary course of business) except as permitted by Sections 1001, 1002, 1005, 1101 or 1102 of this Agreement or Sections 4.1, 4.2, 4.3 or 4.4 of the Mortgage and except for sales of Inventory in the ordinary course of business.

[End of Article X]



ARTICLE XI  
LEASING, ASSIGNMENTS AND MORTGAGING,  
MERGERS, CONSOLIDATIONS AND SALE OR  
TRANSFER OF ASSETS

Section 1101. Leases and Operating Contracts. Subject to the provisions of Section 1102 hereof and provided that such lease or contract is subordinate to the requirements of this Agreement, the Indenture and the Mortgage, the Corporation may lease any part (but not all or substantially all to one Person) of the Facilities, including any or all of the living units contained therein, or contract for the performance by others of operations or services on or in connection with the Facilities, or any part thereof, for any lawful purpose, provided that (a) no such lease or contract shall be inconsistent with the provisions of this Agreement, the Mortgage or the Indenture, (b) the Corporation shall remain fully obligated and responsible under this Agreement to the same extent as if such lease or contract had not been executed, (c) no assignee or lessee shall be allowed to utilize a portion of the Facilities primarily for an activity not normally associated with the operation of a retirement home facility (as defined in the Act), (d) except as otherwise permitted by this Agreement, no assignment shall be for security purposes, and (e) (except with respect to any lease of living space to a resident) there shall have been delivered to the Trustee a report of a Management Consultant to the effect that after taking into account rentals or other sums payable to or by the Corporation in respect of such lease or contract, the Net Revenues Available for Debt Service will not be materially adversely affected by virtue of such lease or contract. In addition, each such lease (other than any lease of living space to a resident) or contract shall be expressly conditioned upon, and shall by its terms not be effective until a signed Opinion of Bond Counsel shall be rendered that the exemption from Federal income tax of the interest on the Series 1983 Bonds shall not be adversely affected by any such lease or contract.

Whenever any Event of Default shall have happened and for so long as it shall be subsisting, the Trustee may, by writing addressed to the Corporation and to any assignee or lessee known to the Trustee, direct that future rents or other moneys due the Corporation pursuant to any such lease or assignment be paid directly to the Trustee for deposit in the Bond Fund, and any lease or assignment shall contain a provision recognizing the rights of the Trustee in this regard. Any sums received by the Trustee pursuant hereto shall be credited against the Basic Payments otherwise due from the Corporation.

The Corporation shall not lease the Facilities substantially as an entirety to one Person except in accordance with Section 1102 of this Agreement.

The Corporation shall furnish to the Trustee within twenty (20) days prior to the effective date thereof a true and correct copy of any lease or contract mentioned in this Section and any change thereof or supplement thereto and a signed counterpart of the opinions mentioned in this Section.

Section 1102. Merger, Consolidation or Transfer of Assets by the Corporation. During the term of this Agreement, the Corporation will maintain its corporate existence and will not dissolve or otherwise dispose of all or the major portion of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; except, that if no Event of Default under this Agreement has occurred and is continuing, the Corporation may, without violating the foregoing, consolidate with or merge into another corporation qualified to do business in the State, or permit one or more other such corporations to consolidate with or merge into it, or transfer (by sale, lease or otherwise) all or the major portion of its assets to another such corporation or corporations if the following requirements are complied with and there has been delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee stating that there has been such compliance:

(a) The surviving, resulting or transferee corporation, as the case may be:

(i) is a corporation qualified to do business in the State;

(ii) qualifies under the Act as a "hospital agency";

(iii) assumes in writing, if such corporation is not the Corporation, all of the obligations of the Corporation under this Agreement, the Indenture, and the Mortgage;

(iv) will not, after such transaction, otherwise be in default under any provisions of this Agreement, the Indenture or the Mortgage;

(v) is licensed and accredited to the extent required of the Corporation by this Agreement;

(vi) will have a net worth equal to not less than 100% of the Corporation immediately prior to such merger, consolidation, sale or other transfer; and

(b) Either (A) the Trustee shall have received the report of a Management Consultant to the effect that:

(i) the Debt Service Coverage Ratio, without giving effect to the merger, consolidation, sale or other transfer, was at least 1.20 on account of Funded Debt outstanding at the end of such Fiscal Year, for the last Fiscal Year for which audited financial statements are available, and

(ii) in each case with respect to the surviving, resulting or transferee corporation (after giving effect to the merger, consolidation sale or other transfer) either (1) the Debt Service Coverage Ratio for each of the two full Fiscal Years following the Fiscal Year in which such merger, consolidation, sale or other transfer is to be effective is forecasted to be (x) equal to or greater than 1.20 and not reduced to less than 75% of the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available, or (y) higher than it would have been had such merger, consolidation, sale or other transfer not been effected, or (2) the Debt Service Coverage Ratio for each of the two full Fiscal Years immediately following the Fiscal Year in which such merger, consolidation, sale or other transfer is effective is forecasted by such Management Consultant to be not less than 1.30; or

(B) the Trustee shall have received the report of a Management Consultant to the effect that the Debt Service Coverage Ratio applicable to the surviving, resulting or transferee corporation (after giving effect to the merger, consolidation, sale or other transfer) during each of the two full Fiscal Years immediately following the Fiscal Year in which such merger, consolidation, sale or other transfer is effected is forecasted by the Management Consultant to be (i) greater than the Debt Service Coverage Ratio for the last complete Fiscal Year preceding the Fiscal Year in which such merger consolidation, sale or other transfer is effective, and (ii) in compliance with the rate covenant provisions of Section 703 hereof;

(c) Any indebtedness to be incurred or assumed in connection with any merger, consolidation, sale or other transfer satisfies the tests and requirements set forth in Article XII hereof in respect of Permitted Indebtedness; and

(d) The Trustee shall have received an Opinion of Counsel to the effect that the lien created by the Indenture, the mortgage on and the security interest in the Facilities granted in the Mortgage and the security interest in the Gross Receipts of the Corporation granted in the Mortgage, will not in any manner be adversely affected thereby.

In addition, if the Corporation shall transfer substantially all of its assets to or consolidate with or merge into another corporation, then prior to any such transfer, consolidation or merger, an Opinion of Bond Counsel shall be furnished to the Issuer and the Trustee to the effect that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired as a result of any such transfer, consolidation or merger.

[End of Article XI]

ARTICLE XII  
PERMITTED INDEBTEDNESS

Section 1201. Permitted Indebtedness Generally. The Corporation covenants and agrees that during the term of this Agreement, it will not hereafter incur any indebtedness (which term shall include, without limitation, notes, bonds, certificates, obligations for borrowed money, guaranties, leases of real or personal property, installment purchase agreements for real or personal property, obligations under any agreement or agreements substantially similar in effect to a lease of real or personal property, and all liabilities which would appear on a balance sheet, including any of the foregoing entered into by any joint venture in which the Corporation may participate or by any partnership of which it may be a general partner), secured or unsecured, except the following:

(a) this Agreement, the Indenture and similar documents relating to Additional Bonds;

(b) operating liabilities incurred in the ordinary course of business (including operating leases) other than for borrowed money;

(c) contractual liabilities for which moneys are available in the Construction Fund;

(d) Short-term Indebtedness in an aggregate amount not to exceed at any time \$300,000, which Short-term Indebtedness may be secured by a security interest in the Gross Receipts if no Event of Default has occurred and is then continuing;

(e) purchase money obligations and capitalized leases consisting of indebtedness secured by liens on or conditional sales agreements or deferred payment plans of personal property the maximum aggregate payments in any Fiscal Year on which (including the contract, lease or loan then to be incurred) do not exceed ten percent (10%) of Adjusted Annual Operating Revenues as shown on the latest available audited financial statements of the Corporation;

(f) Funded Debt for the purpose of refinancing or refunding outstanding indebtedness, if, (1) the Maximum Aggregate Annual Debt Service for the Funded Debt then to be issued for refinancing or refunding purposes is not greater than 1.05 times the Maximum Aggregate Annual Debt Service on the indebtedness then to be refinanced or refunded, as shown by a written report of a Management Consultant filed with the Trustee, and (2) the Debt Service Coverage Ratio for each of

the two Fiscal Years immediately following the Fiscal Year in which the refinancing or refunding is to take place, as forecasted by a Management Consultant in a report filed with the Trustee, is not less than 1.20 for all Funded Debt, including the Funded Debt then to be issued for refinancing or re-funding purposes;

(g) Funded Debt for the purpose of acquiring or constructing Additional Facilities or Other Facilities if (1) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available was at least 1.20 for all Funded Debt outstanding at the end of such Fiscal Year, including the Funded Debt then to be issued, as shown by a written report of a Management Consultant filed with the Trustee; or (2)(A) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available was at least 1.20 for all Funded Debt outstanding at the end of such Fiscal Year, but not including the Funded Debt then to be issued, and (B) the Debt Service Coverage Ratio (including the forecasted revenues from the Additional Facilities or the Other Facilities then being financed) for each of the two Fiscal Years immediately following the Fiscal Year in which such Additional Facilities or Other Facilities are to be acquired or completed, as forecasted by a Management Consultant in a report filed with the Trustee, is at least 1.20 for all Funded Debt, including the Funded Debt then to be issued;

(h) Funded Debt to complete the Project, without limitation.

(i) Interim Indebtedness for the purpose of acquiring or constructing Additional Facilities or Other Facilities, provided that (1) the aggregate unpaid principal amount of such Interim Indebtedness does not at any time exceed the "shareholder's equity" as shown on the latest audited financial statements of the Corporation, or the aggregate unpaid principal amount of such Interim Indebtedness in excess of the Corporation's "shareholder's equity" (as shown on the latest available audited financial statements of the Corporation) is at all times secured by an irrevocable letter of credit issued by a United States national banking association or any bank organized and existing under the laws of any state of the United States having undivided capital and surplus of at least \$50,000,000, (2) the Corporation intends to incur Funded Debt to repay such Interim Indebtedness and evidences such intention by the delivery to the Trustee of the original or certified copy of an irrevocable agreement



(the "Commitment"), subject to standard closing conditions, by a banking, investment banking or other appropriate financial institution which commits such banking, investment banking or other appropriate financial institution to provide funds to the Corporation for the payment of such Interim Indebtedness at or before the maturity of such Interim Indebtedness and which sets forth, among other things, the principal amount and repayment terms of, and the interest rate with respect to, such Funded Debt to be incurred by the Corporation, and (3) the tests with respect to Funded Debt mentioned in subparagraph (g) above are met, provided, however, that the terms of and interest rate on the Funded Debt described in the Commitment shall be used for the purpose of calculating the tests described in subparagraph (g); and

(j) Any indebtedness arising under or in respect of any agreement by the Corporation to reimburse or indemnify any bank issuing a letter of credit in accordance with the provisions of Section 1201(i) hereof; and

The provisions of this Section 1201 are subject to the condition that, in the event that a Management Consultant shall deliver a report to the Trustee to the effect that Governmental Restrictions then in existence or by their application make it impractical for the Corporation to produce the ratios set forth in this Section, then such ratios shall be reduced to the maximum ratios then permitted by such Governmental Restrictions, but in no event less than 1.00.

Section 1202. Parity Indebtedness. Upon compliance with the applicable provisions of Section 1201 and this Section 1202, the Corporation may incur, assume or guarantee Parity Indebtedness for the purposes of (i) refinancing or refunding any or all of the Bonds or any Parity Indebtedness previously incurred, or (ii) acquiring or constructing Additional Facilities, or (iii) completing the Project, which Parity Indebtedness may include the costs of issuance and sale of any such Parity Indebtedness, capitalized interest for such period as shall be reasonably determined by the Corporation and any reserve funds required to be established as a consequence of the issuance of such Parity Indebtedness.

(a) Whenever the Corporation desires to incur, assume or guarantee Parity Indebtedness for the purpose of completing the Project, it shall file with the Trustee copies of (i) all required health planning approvals, waivers of such approvals or an Officers' Certificate to the effect that such approvals are not required under then applicable law,

and (ii) an Officers' Certificate stating that the Parity Indebtedness proposed to be incurred, assumed or guaranteed, together with other funds available to and committed or reserved by the Corporation for use in connection with paying the Cost of completing the Project, is not less than the amount required to complete the acquisition and completion of the Project.

(b) Whenever the Corporation desires to incur, assume or guarantee Parity Indebtedness for the purpose of acquiring or constructing Additional Facilities, it shall cause to be prepared and filed with the Trustee the items specified in clauses (i) through (v) below:

(i) a written report of an Architect selected by the Corporation to supervise the acquisition and construction of the Additional Facilities to be constructed, setting forth the estimated date on which such Additional Facilities will be placed in service;

(ii) an Officers' Certificate of the Corporation setting forth the amount, if any, to be provided or already provided by the Corporation, from sources other than Parity Indebtedness, for payment of the acquisition and construction of the Additional Facilities, and stating the manner in which such funds will be provided and are committed;

(iii) a written report of a Management Consultant, who may rely on the reports set forth in clauses (i) and (ii) above, setting forth (A) the estimated cost of such Additional Facilities, including an allowance for contingencies and all fees, expenses and financing costs, and (B) the amount, if any, which will be required to be credited to any reserve account or any account established by any instrument pursuant to which such Parity Indebtedness is incurred, assumed or guaranteed to pay interest during the acquisition and construction of the Additional Facilities to be acquired and constructed with the proceeds of such Parity Indebtedness;

(iv) a written report of a Management Consultant, who may rely on the reports set forth in clauses (i) through (iii) above, stating that the Parity Indebtedness proposed to be incurred, assumed or guaranteed, together with other funds available to and committed or reserved by the Corporation for use in connection with financing the acquisition or

construction of Additional Facilities, as set forth in the Officers' Certificate referred to in the above clause (ii), is not less than the amount required to acquire and construct the Additional Facilities and place the same in service and to pay all Costs of the Additional Facilities, as set forth in the report of the Management Consultant; and

(v) all required health planning approvals, waivers of such approvals or an Officers' Certificate of the Corporation to the effect that such approvals are not required under then applicable law.

If the Corporation does not incur, assume or guarantee the Parity Indebtedness described in this subparagraph (b) within six months following the filing of the documents described in this subparagraph (b) with the Trustee, the authority to incur, assume or guarantee such Parity Indebtedness on the basis of the documents previously furnished the Trustee shall lapse.

(c) Prior to the Corporation incurring, assuming or guaranteeing Parity Indebtedness for the purpose of refinancing or refunding any or all of the Bonds or any Parity Indebtedness previously incurred, the Corporation shall cause to be prepared and filed with the Trustee such documents as shall be required by the Trustee to show that provision has been duly made for the payment or redemption of all indebtedness to be refunded or refinanced in accordance with the instrument securing such indebtedness.

(d) In the event that any Parity Indebtedness is by its terms payable in one or more principal installments which in any Fiscal Year are greater than in any prior Fiscal Year, the Corporation and the Trustee may enter into a written agreement providing for the deposit in each Fiscal Year by the Corporation into a special redemption fund, on or before the first day of the first month in which any such installment shall be due and payable in such Fiscal Year, an amount equal to the total principal amount of the Parity Indebtedness divided by the total number of years in which any installment of such debt is due and payable, and providing for the payment of the Parity Indebtedness or the installments thereof (but not any of the Bonds) from such special redemption fund and for the procedures to be followed with respect thereto, and in such event and upon the making of such agreement the amounts so required to be deposited may, at the option of the Corporation, be treated as the annual principal payments for such debt for the purpose of computing the Aggregate Debt Service on such Parity Indebtedness.

(e) If the Corporation delivers to the Trustee an Officers' Certificate requesting the same, all such Parity Indebtedness and the Bonds, except as otherwise provided in this subparagraph (e), shall be secured equally, without preference or priority, by the security provided for either or both; provided, however, that the holders of Parity Indebtedness shall not be entitled to share on a parity with the holders of the Bonds in any of the funds or accounts created pursuant to the Indenture. In the event that the Corporation shall propose so to secure any such Parity Indebtedness, the Issuer, the Trustee and the Corporation shall take, or shall cause to be taken, actions (including an amendment of or supplement to this Agreement, the Mortgage or the Indenture) and execute, deliver, file and record such instruments of security as their respective counsel agree to be necessary or appropriate to grant to or otherwise secure for the holder or holders of the Parity Indebtedness an interest in the Facilities and Gross Receipts pledged under this Agreement, the Mortgage and the Indenture equivalent to that of the Trustee, and the Corporation shall as a condition of securing such Parity Indebtedness execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by such holder or holders, such documents as counsel for the Trustee and the Corporation agree to be necessary or appropriate to grant to or otherwise secure for the Trustee an interest in any security granted to the holder or holders of the Parity Indebtedness and not theretofore granted to the Trustee equivalent to the interest granted to such holder or holders of such Parity Indebtedness, to the end that all such outstanding secured Parity Indebtedness and all outstanding indebtedness under the Indenture shall be of equal rank and be entitled to share pari passu in such security.

Any default under any instrument or agreement providing for repayment of Parity Indebtedness secured on a parity with the Bonds as provided in this Section 1202 shall be a default under this Agreement and there shall be included in any instrument or agreement providing for repayment of such Parity Indebtedness a provision that any default under this Agreement shall be a default under such instrument or agreement. In addition, unless otherwise agreed to by the Trustee, the Trustee shall act as trustee under any instrument securing Parity Indebtedness, and any instrument or agreement providing for repayment of such Parity Indebtedness shall include a provision that, prior to exercising any remedies upon a default by the Corporation under such instrument or agreement, the Trustee (or the holders thereof, if the Trustee otherwise consents) shall consider the interests of the holders of the Parity Indebtedness and the Bonds and shall proceed such that the interests of such holder or holders and the Bondholders shall be equally protected.

[End of Article XII]

ARTICLE XIII  
PERFORMANCE OF CORPORATION'S OBLIGATIONS BY THE TRUSTEE

If the Corporation at any time shall fail to make any payment or perform any act on its part to be performed under this Agreement, then, subject to the provisions of Section 1402, the Trustee may (but shall not be obligated to), upon ten (10) days' prior written notice to the Corporation without waiving or releasing the Corporation from any obligations or default, make any such payment or perform any such act for the account and on behalf of the Corporation, and may enter upon the Facilities for said purpose and may remain thereon as may be reasonably necessary therefor. All sums so paid by the Trustee and all necessary and reasonable expenses (including, without limitation, reasonable attorneys' fees) in connection with the performance of any such act by the Trustee, together with interest thereon at a rate of one percent (1%) per annum above the Prime Rate from the date of the making of such advance or the assuming of such costs and expenses by the Trustee, shall be payable by the Corporation to the Trustee on demand. The Corporation covenants to pay any such sum or sums as aforesaid.

[End of Article XIII]

ARTICLE XIV  
EVENTS OF DEFAULT; TERMINATION

Section 1401. Events of Default. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events, whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) if there should not be sufficient funds on deposit with the Trustee in the Bond Fund (prior to the transfer of any moneys from any other funds or accounts under the Indenture) to make any interest or principal (whether at maturity or pursuant to any mandatory sinking fund redemption) payment on the Bonds when due, or if default shall be made in the due and punctual payment of any Basic Payment payable under subsections (a), (b) or (c) of Section 502 hereunder for a period of five (5) days after the due date of any such payment;

(b) if default shall be made in the due and punctual payment of any Basic Payment or other amount payable hereunder other than under subsections (a), (b) or (c) of Section 502 hereof for a period of ten (10) days after receipt of written notice from the Trustee of the nonpayment of such amount;

(c) if default shall be made by the Corporation in the due performance of or compliance with any of the terms hereof, other than those referred to in the foregoing subdivisions (a) and (b) or elsewhere in this Article XIV, and such default shall continue for thirty (30) days after the Issuer or the Trustee or the Holders of 25% in aggregate principal amount of Bonds Outstanding shall have given the Corporation written notice of such default and requiring it to be remedied; provided, however, that if the Corporation shall fail to make any repair, restoration or replacement which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Corporation to begin and complete such repair, restoration or replacement through the exercise of due diligence;



(d) if any event of default occurs under an instrument creating or incurring Parity Indebtedness;

(e) except as otherwise expressly provided in this Agreement, the abandonment by the Corporation of the Facilities or any substantial part thereof, or the operations thereof herein contemplated, continued for a period of five days after there has been given, by registered or certified mail, written notice to the Corporation by the Issuer, the Trustee or the Holders of 25% in aggregate principal amount of Bonds then outstanding;

(f) if the Corporation shall file a voluntary petition in bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, imposition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Corporation or of all or any substantial part of its properties or of the Facilities, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(g) if a petition shall be filed against the Corporation seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation and shall remain undismissed or unstayed for an aggregate of ninety (90) days (whether or not consecutive), or if any trustee, receiver or liquidator of the Corporation or of all or any substantial part of its properties or of the Facilities shall be appointed without the consent or acquiescence of the Corporation and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) days (whether or not consecutive);

(h) if a court of competent jurisdiction shall have finally determined that the Corporation or another obligor shall have defaulted under any other agreement, lease, mortgage or instrument of any kind, if such default shall permit the acceleration of any debt, obligation, rental or other sum of money payable by the Corporation (whether directly, as guarantor, as partner or joint venturer, or otherwise) and the Trustee shall have determined that such default will materially adversely affect the rights of the holders of the Bonds;

(i) if any judgments, or writs or warrants of attachment or of any similar processes in an aggregate amount in excess of \$50,000 are entered or filed against the Corporation or against the Facilities or any of its other tangible or intangible property and remain unvacated, unpaid, unbonded or unstayed for a period of 30 days;

(j) if any representation or warranty made by the Corporation herein, or made by the Corporation in any statement or certificate furnished by the Corporation either required hereby or in connection with the execution and delivery of this Agreement, proves untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after notice thereof to the Corporation by the Trustee or the Holders of 25% or more in aggregate principal amount of Bonds then Outstanding; or

(k) if there shall be an event of default under the Indenture or the Mortgage.

Provided, however, that if after any Event of Default shall have occurred and prior to the Trustee exercising any of the remedies provided in Section 1402 hereof, the Corporation shall have completely cured such default by depositing with the Trustee sufficient moneys or by performing such other acts or things in respect of which it may have been in default under this Agreement, then in every such case such default shall be waived, rescinded and annulled by the Trustee by written notice given to the Corporation; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

In addition, if the acceleration of the maturity of the Bonds and its consequences shall have been annulled and rescinded pursuant to, and in accordance with the provisions of the Indenture, the acceleration of all Basic Payments and any other payments hereunder shall likewise be automatically annulled and rescinded, but no such annulment or rescission shall affect any subsequent default or impair any right or remedy consequent thereon.

Section 1402. Remedies. If any Event of Default shall occur and be continuing, the Trustee may, or if requested in writing by the Holders of 25% or more of the principal amount of Bonds then Outstanding, shall, exercise any one or more of the following remedies:

(a) Declare all Basic Payments, and any other payments required hereunder to be immediately due and payable (being an amount equal to that necessary to pay in full the principal of and interest accrued on all Bonds then Outstanding, assuming acceleration of the Bonds under the Indenture, and to pay all other payments required hereunder and thereunder), whereupon the same shall become immediately due and payable by the Corporation;

(b) Exercise its rights to the Trust Estate and the Gross Receipts of the Corporation and collect, use and dispose of the same and instruct the Corporation to carry out its obligations under Section 1403(a);

(c) Direct the Corporation to employ a Management Consultant and other experts and personnel and give to the Corporation any and all directions which the Corporation has covenanted to follow under Section 1403(b);

(d) Through its duly authorized agents have access to and inspect, examine and make copies of, the books, records and accounts of the Corporation (other than individual medical records);

(e) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Facilities and to administer the Trust Estate for the benefit of the Issuer and the Holders of the Bonds then Outstanding;

(f) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Corporation under this Agreement;

(g) Exercise any remedy afforded a "secured party" under the South Carolina UCC; or

(h) Exercise any remedy under Article IX of the Mortgage.

Except in the case of an Event of Default described in Section 1401(a) of this Agreement, if the Trustee as the assignee of the Issuer exercises any of its rights or remedies under this Section, it shall give notice of such exercise to the Corporation (1) in writing in the manner provided in Section 1605 and (2) by telephone or telegram, provided that failure to give such notice by telephone or telegram shall not affect the validity of the exercise of any right or remedy under this Section.

In taking all or any of the above actions the Trustee shall continue to hold the Corporation liable for the difference in the surplus of receipts over expenditures and any other amounts received by the Trustee from or related to the Corporation and the amounts payable by the Corporation hereunder and, in addition, all expenses reasonably incurred by the Trustee in exercising any of its rights and options under this Section and the Indenture.

Section 1403. Cooperation Upon Event of Default. The Corporation covenants that if an event of default occurs and is continuing it will take the following actions if and as directed to do so by the Trustee:

(a) Upon notice from the Trustee as assignee of the Issuer that it is exercising its rights under the Indenture, this Agreement or the Mortgage, the Corporation shall assist the Trustee in taking possession of the Trust Estate, pay over to the Trustee the Gross Receipts and, to the extent permitted under the same, assign all leases to the Trustee as requested by the Trustee. The Corporation shall assist the Trustee in the collection of checks, drafts, cash and other remittances to the Corporation with respect to the Trust Estate and the Gross Receipts and shall deposit daily with the Trustee, either at an office of the Trustee or at another bank designated by the Trustee, all checks, drafts, cash and other remittances with respect to the Trust Estate and the Gross Receipts. All such remittances shall be deposited in precisely the form received, except for endorsement of the Corporation where necessary for collection, which endorsement the Corporation agrees to make and which the Corporation hereby authorizes the Trustee to make on its behalf. Pending such deposit, the Corporation shall not commingle any such checks, drafts, cash or other remittances with any of its other funds or property but shall hold them upon an express trust for the Trustee. If any portion of the Trust Estate or Gross Receipts arise out of contracts with the United States of America or any department, agency or instrumentality thereof, the Corporation shall notify the Trustee thereof in writing and execute any and all instruments and take any steps that may be required by the Trustee in order that money due and to become due under such contracts shall be assigned to the Trustee and notice thereof given under the Federal Assignment of Claims Act or subsequent similar law. The Trustee may notify the person obligated on any portion of the Trust Estate or the Gross Receipts to make payments thereof directly to the Trustee and may take control of all proceeds therefrom.

(b) The Corporation shall follow any direction of the Trustee to employ a Management Consultant or other experts and personnel and to take any other action with respect to the Facilities and their management so long as such directions are consistent with the continued operation of the Facilities as a retirement home facility under applicable Federal, State and local laws and regulations. If so directed by the Trustee, the Corporation shall discontinue its occupancy, management and operation of all or any part of the Facilities. The obligation of the Corporation to continue occupancy, management and operation of each part of the Facilities shall continue until the Trustee directs the Corporation to discontinue its occupancy, management and operation thereof.

Section 1404. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or hereafter existing at law, in equity or by statute, including, among other remedies, injunctions to restrain violations or attempted violations of any provision of this Agreement by the Corporation. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time as often as may be deemed expedient.

Section 1405. Right of Entry. If the Trustee exercises one of the remedies provided for in Section 1402 hereof or pursuant to the Mortgage, pursuant to a foreclosure or public sale of the Facilities, the Trustee may then or at any time thereafter take complete and peaceful possession of the Facilities or any portion thereof, under process of law, and may remove all persons therefrom, and the Corporation covenants in any such event peacefully and quietly to yield up and surrender the Facilities or such portion thereof to the Trustee.

Section 1406. Right to Lease. If the Trustee elects to lease the Facilities or any part thereof pursuant to the terms hereof or pursuant to the Mortgage, it may collect the rents from such lease and apply the same, first, to the payment of the expense of entry and leasing, and second, to the Basic Payments payable hereunder. In the event that the proceeds from such lease are not sufficient to pay in full the foregoing, the Corporation shall remain and be liable therefor, and the Corporation promises and agrees to pay the amount of any such deficiency from time to time, and the Trustee may at any time and from time to time sue and recover judgment for any such deficiency or deficiencies.



Section 1407. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Corporation, the Facilities or any property of the Corporation, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

Section 1408. Restoration of Positions. If the Trustee has instituted any proceeding to enforce any right or remedy under this Agreement, the Mortgage or the Indenture, by foreclosure, entry or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then and in every such case the Corporation, the Issuer and the Trustee shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Issuer or the Trustee shall continue as though no such proceeding had been instituted.

Section 1409. Waiver of Appraisement, Etc., Laws. To the full extent that it may lawfully so agree, the Corporation will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Agreement or the Mortgage, or the leasing or sale of the Facilities or any part thereof, or the possession of the Facilities or any part thereof by any purchaser at any sale; but the Corporation, for itself and all who may claim under it, so far as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws. The Corporation, for itself and all who may claim under it, waives, to the extent that it lawfully may, all rights to have the property comprising the Facilities, including any personal property secured under any amendment to this Agreement, the Mortgage or the Indenture, marshalled upon any foreclosure thereof, and agrees that any court having jurisdiction to foreclose the Facilities may order the sale as an entirety of the Facilities or any portion thereof, including any personal property secured under any amendment to this Agreement, the Mortgage or the Indenture.



If any law in this Section 1409 referred to and now in force, of which the Corporation or its successor or successors might take advantage despite this Section 1409, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 1409.

Section 1410. Suits to Protect the Security. The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate or any portion thereof by any acts which may be unlawful or in violation of this Agreement, and such suits and proceedings as the Trustee may deem expedient to protect its interest in the Trust Estate or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the security or be prejudicial to the interests of the Bondholders or the Trustee.

Section 1411. Attorneys' Fees and Other Expenses. The Corporation shall on demand pay to the Issuer and the Trustee the reasonable fees and expenses of attorneys and other reasonable expenses incurred by either of them in the collection of Basic Payments due or the enforcement of performance of any other obligations of the Corporation upon an Event of Default.

Section 1412. No Additional Waiver Implied by One Waiver. If either party or its assignee waives a default by the other party under any covenant, condition or agreement herein, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other default hereunder.

Section 1413. Effect of Force Majeure. The provisions of Section 1401(c) above are subject to the limitation that if by reason of force majeure the Corporation is unable in whole or in part to observe and perform any of its covenants, conditions or agreements hereunder, other than its obligations contained in Sections 201, 502, 503, 601, 702, 703, 704, 706, 711, 801, 802, 806, 1006, 1101 and 1102 hereof, the Corporation shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall include, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any political subdivision thereof or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning;

earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation. The Corporation shall, however, remedy with all reasonable dispatch the cause or causes preventing the Corporation from carrying out its covenants, conditions and agreements, provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of the Corporation, and the Corporation shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of any opposing party when such course is in the judgment of the Corporation unfavorable to the Corporation.

Section 1414. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid or unenforceable under the provisions of any applicable law.

[End of Article XIV]

ARTICLE XV  
OPTIONS IN FAVOR OF CORPORATION

Section 1501. General Options to Terminate Agreement and Prepay Basic Payments. The Corporation shall have, and is hereby granted, the following options to terminate this Agreement:

(a) At any time prior to full payment of the Bonds, the Corporation may terminate this Agreement by making provision satisfactory to the Trustee for payment of the outstanding Bonds in accordance with the provisions of the Indenture, including the payment to the Trustee of an amount which, when added to the amount on deposit in the Bond Fund, the Bond Redemption Fund, the Debt Service Reserve Fund and the Repair and Replacement Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or the applicable redemption date, as the case may be, premium, if any, expenses of redemption and Trustee's and paying agents fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and by paying to the Issuer any and all sums then due to the Issuer under this Agreement.

(b) At any time after full payment of the Bonds and of any and all sums then due to the Issuer or the Trustee under this Agreement, the Corporation may terminate this Agreement by giving the Issuer and the Trustee notice in writing of such termination, and such termination shall forthwith become effective.

Section 1502. Option to Prepay Basic Payments in Certain Events. The Corporation shall also have, and is hereby granted, the option to prepay the Basic Payments in connection with redemption of the Bonds in full prior to the full payment of all of the Bonds (or provision for payment thereof having been made in accordance with provisions of the Indenture), if any of the following shall have occurred:

(a) The Facilities shall have been damaged or destroyed or title to the Facilities fails or shall have been taken under the exercise of or acquired under the threat of the exercise of the power of eminent domain to the extent and under the circumstances described in Section 905(a) of this Agreement.

(b) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Agreement, or any burden on the Issuer or unreasonable burdens or excessive liabilities, whether direct or indirect, shall have been imposed on the Corporation including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement.

In case of any of the above events stated in subsection (b) of this Section, the Corporation, if it exercises its option to prepay the Basic Payments, must do so within 180 days after such event.

To exercise the option specified in this Section 1502, the Corporation shall make provision satisfactory to the Trustee for payment of the outstanding Bonds in accordance with the provisions of the Indenture and shall, within 90 days following the event authorizing the exercise of such option, give written notice to the Issuer and to the Trustee, as appropriate, if any of the Bonds shall then be unpaid or provision for payment shall not have been made in accordance with the provisions of the Indenture, and shall specify therein the date of closing such prepayment, which date shall be not less than 90 days from the date such notice is mailed, and in case of a redemption or prepayment of the Bonds in accordance with the provisions of the Indenture, shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption or prepayment. The prepayment amount payable by the Corporation in the event of its exercise of or in the event it is required to exercise the option granted in the circumstances described in paragraphs (a) or (b) of this Section shall be the sum of the following:

(1) An amount of money which, when added to the amounts then on deposit in the Bond Fund, the Bond Redemption Fund, the Debt Service Reserve Fund and the Repair and Replacement Fund, will be sufficient to retire and redeem or prepay all the then-outstanding Bonds on the applicable redemption or prepayment date or at maturity as provided by the Indenture, including, without limitation, principal, all interest to accrue to said redemption or prepayment or maturity date, premium, if any, and redemption or prepayment expense, plus

(2) An amount of money equal to the Issuer's, the Trustee's and any paying agents' fees and expenses under this Agreement and the Indenture accrued and to accrue until such final payment and redemption of the Bonds.

Section 1503. No Obligation to Prepay Basic Payments. The Corporation shall be under no obligation to prepay the Basic Payments except as herein expressly required or provided.

Section 504. Release on Exercise of Option to Prepay. At the closing of any prepayment pursuant to any option to prepay granted herein, the Issuer and Trustee shall, upon receipt of the prepayment amount, deliver to the Corporation a release from the lien of the Mortgage and Indenture of the property with respect to which the option was exercised.

Section 1505. Option to Prepay Basic Payments in Part. The Corporation shall have the option to prepay the Basic Payments in part at any time. The amount so prepaid shall, so long as all Basic Payments have been made (a) if the Bonds are then redeemable as provided in Section 5.11 of the Indenture, be used to redeem Bonds to the extent possible under Section 5.11, and (b) if the Bonds are not then redeemable, be transferred to the Bond Fund and used in accordance therewith.

[End of Article XV]

ARTICLE XVI  
MISCELLANEOUS

Section 1601. Waiver of Statutory Rights. The rights and remedies of the Issuer and the Corporation under this Agreement, the Mortgage and the Indenture shall not be adversely affected by any laws, ordinances or regulations, whether Federal, state, county, city, municipal or otherwise, which may be enacted or become effective from and after the date of this Agreement affecting or regulating or attempting to affect or regulate the Basic Payments and other amounts due hereunder.

Section 1602. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or in the Indenture, subsequent to the issuance of Bonds and prior to the payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee given in accordance with the provisions of the Indenture.

Section 1603. Applicable Law. This Agreement and the Indenture shall be governed exclusively by the provisions hereof and by the applicable laws of the State.

Section 1604. Severability. In the event that any clause or provision of this Agreement or the Indenture shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions of such instrument.

Section 1605. Notices and Demands. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Agreement shall be in writing, and shall be deemed to have been properly given and received if sent by United States certified or registered mail, postage prepaid (a) if to the Corporation addressed to P.O. Box 143, Easley, South Carolina 29640, or at such other address as the Corporation from time to time may have designated by written notice to the Issuer and the Trustee, (b) if to the Issuer, addressed to Chairman, Pickens County Council, Post Office Box 275, Pickens, South Carolina 29671, or at such address as the Issuer or the Trustee may have designated, from time to time, by written notice to the Corporation, and (c) if to the Trustee, to Corporate Trust Department, The Citizens and Southern National Bank of South Carolina, P.O. Box 22201, Columbia, South Carolina, 29222. The Issuer shall promptly forward to the Corporation copies of any notice received by it from the Trustee under the Indenture.



Section 1606. Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 1607. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

Section 1608. Amendments, Changes and Modifications of Indenture. The Issuer covenants and agrees that, during the term of this Agreement, it will not, without the prior written consent of the Corporation, enter into or consent to any amendment, change or modification of the Indenture which would adversely affect the Corporation's rights under this Agreement, the Mortgage or the Indenture.

Section 1609. No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any director, officer or agent, as such, past, present or future, of the Issuer, either directly or through the Issuer, or against any officer, agent or member of the Board of Directors of the Corporation, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such director, officer or agent of the Issuer or of any such officer, agent or member of the Board of Directors of the Corporation is hereby expressly waived and released by the Corporation and by the Issuer (and by the Trustee in consideration of the assignment of rights hereunder by the Issuer) as a condition of and consideration for the execution of this Agreement.

Section 1610. Loss on Investments under Indenture. Subject to the provisions contained in the Indenture, the Corporation agrees to pay to the Trustee upon receipt of written notice any loss actually realized in the investment of any funds authorized under Section 6.09 of the Indenture and any depreciation in the aggregate value of the assets contained in any fund authorized under Section 6.01 of the Indenture as and when such depreciation is determined pursuant to Section 6.09 of the Indenture. Any such loss on or depreciation of investments in the Bond Fund shall be paid by the Corporation prior to the next succeeding interest or principal payment date on the Bonds. Any such loss on or depreciation of investments in the Debt Service Reserve Fund shall be paid by the Corporation on the dates and in the manner described in Section 502(d) of this Agreement. Losses on or depreciation of any other investments shall be paid by the Corporation to the Trustee within 30 days of the receipt of such notice.

Section 1611. Limitation of Warranties. The Corporation and the Issuer make no representations or warranties except those representations and warranties expressly made by the Corporation or the Issuer in this Agreement or other documents related to the issuance of the Bonds.

Section 1612. Captions. Any captions preceding the texts of the several sections and articles hereof and the table of contents shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction and effect.

Section 1613. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements both written and oral with respect to the subject matter hereof.

Section 1614. Non-Indebtedness of Issuer. Neither the Bonds nor other obligations of or indebtedness incurred by the Issuer in connection with this Agreement, the Bonds, the Mortgage or the Indenture shall constitute an indebtedness or obligation of the State of South Carolina, the Issuer or any other county, municipal corporation or political subdivision of the State of South Carolina nor shall any act of the Issuer in connection with this Agreement, the Bonds, the Mortgage or the Indenture in any manner constitute or result in the creation of an indebtedness of the State of South Carolina, the Issuer or any other such county, municipal corporation or political subdivision. Neither the Bonds nor other obligations or indebtedness incurred by the Issuer in connection with this Agreement, the Bonds, the Mortgage or the Indenture shall give rise to a pecuniary liability or a charge against the general credit or taxing powers of the State of South Carolina, the Issuer, or any other county, municipal corporation or political subdivision of the State of South Carolina. The Bonds and all other obligations of the Issuer in connection with this Agreement, the Bonds, the Mortgage or the Indenture shall be payable solely from the revenues pledged therefor pursuant to this Agreement and the Mortgage, and no holder of the Bonds or any such other obligations shall ever have the right to compel any exercise of the taxing power of the State of South Carolina, the Issuer, or any other county, municipal corporation or political subdivision of the State of South Carolina nor to enforce the payment thereof against the State of South Carolina, the Issuer, or any such other County, municipal corporation or political subdivision.

[End of Article XVI]

IN WITNESS WHEREOF, PICKENS COUNTY, SOUTH CAROLINA has executed this Agreement by causing its name to be hereunto subscribed by the Chairman of its Council and the County Administrator and its official seal to be impressed hereon and attested by the Clerk of the County Council; and COUNTRYSIDE MANOR, INC. has executed this Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done of the day and year first above written.

PICKENS COUNTY, SOUTH CAROLINA

By: \_\_\_\_\_  
Chairman, County Council

By: \_\_\_\_\_  
County Administrator

(SEAL)

ATTEST:

\_\_\_\_\_  
Clerk, County Council

COUNTRYSIDE MANOR, INC.

By: \_\_\_\_\_  
President

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

016235

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF PICKENS )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_  
who being duly sworn, says that (s)he saw the corporate seal of  
Pickens County, South Carolina affixed to the foregoing Loan  
Agreement, " that (s)he also saw \_\_\_\_\_, as  
Chairman of County Council and \_\_\_\_\_, as County  
Administrator, sign and \_\_\_\_\_, as Clerk of County  
Council, attest the same, and that (s)he with \_\_\_\_\_  
witnessed the execution and delivery thereof as the free act and  
deed of the County.

SWORN TO before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1983

Notary Public of South Carolina

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

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF PICKENS )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_  
who being duly sworn, says that (s)he saw \_\_\_\_\_ as  
President of Countryside Manor, Inc. sign and seal and \_\_\_\_\_  
\_\_\_\_\_ as Secretary of Countryside Manor, Inc. attest the  
foregoing Loan Agreement, and that (s)he with \_\_\_\_\_  
witnessed the execution and delivery thereof as the free act and  
deed of said corporation.

SWORN TO before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1983

Notary Public for South Carolina

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

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EXHIBIT A

ALL that certain piece, parcel or tract of land situate, lying and being in the City of Easley, County of Pickens, State of South Carolina, on the southerly side of Zion School Road near its intersection with South Carolina Highway No. 8, containing 15.63 acres as shown on plat of survey for Countryside Manor, Inc., prepared by Freeland & Associates, January 14, 1983, and having, according to said plat, the following metes and bounds:

BEGINNING at a railroad spike in the centerline of Zion School Road, joint front corner of property of grantor and property now or formerly of William V. McCall, and running thence with the centerline of Zion School Road, N. 62-35 E. 307.66 feet to a railroad spike; thence S. 16-42 E. 1319.46 feet to an iron pin; thence S. 10-24 W. 316.80 feet to an iron pin; thence N. 76-36 W. 462.00 feet to an iron pin; thence S. 83-24 W. 247.86 feet to an iron pin; thence N. 13-43 E. 966.54 feet to an iron pin; thence N. 17-12 W. 435.60 feet to a railroad spike in the centerline of Zion School Road, the point of beginning.

Together with a 50 foot nonexclusive easement for ingress and egress to and from the foregoing property to South Carolina Highway No. 8, as shown on the foregoing plat, and having, according to said plat, the following metes and bounds:

BEGINNING at an iron pin in the centerline of South Carolina Highway No. 8, joint corner of property of grantor and property now or formerly of Jameson, and running thence with the centerline of South Carolina Highway No. 8 S. 44-23 E. 50.43 feet to an iron pin; thence S. 53-07 W. 543.04 feet to an iron pin on the easterly line of the foregoing 15.63 acre tract; thence with the easterly line of said 15.63 acre tract, N. 16-42 W. 53.27 feet to an iron pin; thence N. 53-07 E. 518.09 feet to an iron pin at the centerline of South Carolina Highway No. 8, the point of beginning.

The foregoing property and the foregoing easement are subject to, respectively, the rights of way of Zion School Road and South Carolina Highway No. 8 and to all easements, rights of way and restrictions of public record.

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EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

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INDENTURE OF TRUST

Between

PICKENS COUNTY, SOUTH CAROLINA

and

THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA

as Trustee

Dated as of March 1, 1983

---

Securing  
\$6,800,000  
Pickens County, South Carolina  
Hospital Revenue Bonds,  
Series 1983  
(Countryside Manor Project)

This instrument constitutes a Financing Statement and a  
Security Agreement under the South Carolina Uniform Commercial  
Code.

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into as of the first day of March, 1983, by and between PICKENS COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer"), and THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, a national banking association duly qualified to accept and administer the trust hereby created and having its principal place of business in Columbia, South Carolina, as trustee (the "Trustee");

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

WHEREAS, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, and known as the Hospital Revenue Bond Act (the "Act"), the Issuer is duly authorized to borrow money by issuing its revenues bonds for the purposes provided in the Act including, but not limited to, loaning the proceeds thereof to any hospital agency, as defined in the Act, for the purpose of acquiring, constructing, improving, expanding and equipping any project constituting a hospital facility, as defined in the Act; and

WHEREAS, Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), intends to acquire land in Pickens County, South Carolina and to construct, install and equip thereon a retirement home facility, as defined in the Act, containing 115 assisted living units and an adult residential care facility with 60 beds suitable for health or medical care (the "Project"); and

WHEREAS, the Issuer and the Corporation have found and determined that in order to promote the public health and welfare of the people of Pickens County and surrounding areas and to make accessible to them modern and efficient hospital facilities, as defined in the Act, at the lowest possible expense, it has become necessary for the Issuer to issue its Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) (the "Series 1983 Bonds") pursuant to the Act and this Indenture of Trust (the "Indenture") to provide funds for financing the cost of acquisition, construction and equipping of the Project; and

WHEREAS, the Issuer has agreed to loan the proceeds of the Series 1983 Bonds to the Corporation, and the Corporation has agreed to make payments under a Loan Agreement dated as of March 1, 1983 (the "Agreement") between the Corporation and the Issuer in amounts sufficient to pay the principal of, premium, if any, and interest on the Series 1983 Bonds and to make the other payments required thereunder; and

WHEREAS, the obligations of the Corporation to make payments under the Agreement has been secured by a Mortgage and Security Agreement dated as of March 1, 1983 (the "Mortgage"), conveying to the Issuer a first mortgage lien on and security interest in the Land, the Project, the Facilities Equipment and the Inventory (which, together with any Additional Facilities (as such terms are defined in the Agreement) are collectively referred to herein as the "Facilities") and granting a security interest in the Gross Receipts (as defined in the Agreement) with respect thereto; and

WHEREAS, the Issuer, pursuant to this Indenture, does pledge and assign certain of its rights under the Agreement to the Trustee and does transfer and assign its rights under the Mortgage to the Trustee, all as security for the Series 1983 Bonds; and

WHEREAS, the execution and delivery of this Indenture pursuant to the provisions of the Act have been in all respects duly and validly authorized by the Issuer; and

WHEREAS, the Issuer has duly authorized and directed that its revenue bonds, to be known as "Pickens County, South Carolina Hospital Revenue Bonds (Countryside Manor Project)," be issued as fully registered bonds or as coupon bonds registrable as to principal (all bonds from time to time outstanding under the terms of this Indenture being hereinafter referred to as the "Bonds"); and to secure the payment of the principal thereof, premium, if any, and interest thereon and the performance and observance of the covenants and conditions herein contained, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Issuer has determined to issue the initial series of Bonds hereunder, designated "Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project)" (the "Series 1983 Bonds") in the aggregate principal amount of \$6,800,000; and

WHEREAS, the Series 1983 Bonds issued as fully registered bonds and the Series 1983 Bonds issued as coupon bonds and the interest coupons to be attached to the coupon bonds shall be substantially in the following forms, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture:

(Form of Series 1983 Fully Registered Bond)

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
PICKENS COUNTY, SOUTH CAROLINA  
HOSPITAL REVENUE BOND  
SERIES 1983  
(Countryside Manor Project)

No. R-

\$ \_\_\_\_\_

[1] Pickens County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the "Issuer"), for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to \_\_\_\_\_, or registered assigns, upon the presentation and surrender hereof at the principal corporate trust office of the The Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, or its successor or successors, as Trustee (herein referred to as the "Trustee"), on the 1st day of March [1989 or 2013], the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay by check or draft to the registered owner hereof interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency from the date hereof at the rate of \_\_\_\_\_ percent per annum, payable semiannually on the 1st days of March and September of each year, until payment of such principal sum or, if this Bond or a portion thereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this Bond.

[2] This Bond is one of a duly authorized issue of Bonds of the Issuer known as "Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project)" (the "Series 1983 Bonds"). Such Series 1983 Bonds are being issued under and pursuant to the hereinafter described Indenture in an aggregate principal amount of \$6,800,000, for the purpose of providing funds to finance the acquisition of land in Pickens County, South Carolina, and the construction, installation and equipping thereon of a retirement home facility (the "Project") by Countryside Manor, Inc., a South Carolina corporation (the "Corporation"), by loaning such funds to the Corporation pursuant to the terms of a Loan Agreement (the "Agreement") dated as of March 1, 1983, between the Issuer and the Corporation. The Land, the Project, the Facilities Equipment, the Inventory and any Additional Facilities, as such terms are defined in the Agreement,



are collectively referred to herein as the "Facilities." All of the Series 1983 Bonds are issued under and equally and ratably secured as to principal, premium, if any, and interest by an Indenture of Trust (the "Indenture") dated as of March 1, 1983, executed by the Issuer and the Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the trust estate, the nature and extent of the security, and a statement of the terms and conditions upon which the Series 1983 Bonds are issued and secured, and the rights of the holders thereof and of the Trustee thereunder. As provided in the Indenture, bonds of other series ranking equally with Series 1983 Bonds may be issued, and such bonds may vary in such manner as is provided and permitted in the Indenture. All bonds from time to time outstanding under the terms of the Indenture are hereinafter referred to as the "Bonds." In addition, it is provided in the Indenture and the Agreement that the Corporation may hereafter incur Parity Indebtedness, as defined in the Agreement, and if incurred, such Parity Indebtedness will rank on a parity with the Bonds as provided in the Indenture and the Agreement.

[3] This Bond is issued in full compliance with the Constitution and laws of the State of South Carolina, including particularly Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, and known as the Hospital Revenue Bond Act (the "Act"). Under the terms of the Agreement, the Corporation is required to make Basic Payments, as defined therein, sufficient to pay principal of, premium, if any, and interest on the Bonds as and when the same become due and payable. To secure its obligations under the Agreement, the Corporation has executed and delivered to the Issuer a Mortgage and Security Agreement (the "Mortgage") dated as of March 1, 1983, pursuant to which the Corporation has conveyed a first mortgage lien on and has granted a security interest in the Facilities and the Gross Receipts (as defined in the Agreement) to the Issuer. Pursuant to the Indenture the Issuer has assigned its rights (other than certain rights to indemnification and to payment of attorneys' fees and expenses) under the Agreement and the Mortgage to the Trustee as security for the Bonds and any Parity Indebtedness. To secure the payment by the Corporation of all Basic Payments due and payable prior to April 1, 1989, Bryson F. Hill, Jr. (the "Guarantor") has executed a Guaranty (the "Guaranty") dated as of March 1, 1983, pursuant to which the Guarantor guarantees the due payment to the Trustee of all Basic Payments due and payable prior to April 1, 1989.

[4] NEITHER THE BONDS NOR OTHER OBLIGATIONS OF OR INDEBTEDNESS INCURRED BY THE ISSUER IN CONNECTION WITH THE BONDS SHALL CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OF SOUTH CAROLINA, THE ISSUER OR ANY OTHER COUNTY, MUNICIPAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF SOUTH CAROLINA NOR SHALL ANY

ACT OF THE ISSUER IN ANY MANNER CONSTITUTE OR RESULT IN THE CREATION OF AN INDEBTEDNESS OF THE STATE OF SOUTH CAROLINA, THE ISSUER OR ANY OTHER SUCH COUNTY, MUNICIPAL CORPORATION OR POLITICAL SUBDIVISION. NEITHER THE BONDS NOR OTHER OBLIGATIONS OR INDEBTEDNESS INCURRED BY THE ISSUER SHALL GIVE RISE TO A PECUNIARY LIABILITY OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF SOUTH CAROLINA, THE ISSUER, OR ANY OTHER COUNTY, MUNICIPAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF SOUTH CAROLINA. THE BONDS AND ALL OTHER OBLIGATIONS OF THE ISSUER SHALL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED THEREFOR PURSUANT TO THE AGREEMENT AND THE MORTGAGE OR FROM PAYMENTS MADE PURSUANT TO THE GUARANTY, AND NO HOLDER OF THE BONDS OR ANY SUCH OTHER OBLIGATIONS SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE STATE OF SOUTH CAROLINA, THE ISSUER, OR ANY OTHER COUNTY, MUNICIPAL CORPORATION OR POLITICAL SUBDIVISION OF THE STATE OF SOUTH CAROLINA NOR TO ENFORCE THE PAYMENT THEREOF AGAINST THE STATE OF SOUTH CAROLINA, THE ISSUER, OR ANY SUCH OTHER COUNTY, MUNICIPAL CORPORATION OR POLITICAL SUBDIVISION.

[5] Principal of, premium, if any, and interest on the Bonds shall be payable solely from the rents, revenues and other payments pledged to the Trustee as part of the trust estate, including Basic Payments received or receivable by the Issuer under the Agreement, certain proceeds of the Bonds and the income derived from the temporary investment thereof, payments made pursuant to the Guaranty, and under certain circumstances, the net proceeds of insurance, sale or condemnation awards. The Bonds shall be secured solely by the trust estate, including a pledge of the rents, revenues and other payments received or receivable by the Issuer under the Agreement, by first mortgage lien on and security interest in the Facilities pursuant to the Mortgage, subject to certain Permitted Encumbrances (as defined in the Agreement), by the Guaranty, and by the assignment under the Indenture of certain rights and security interests of the Issuer under the Mortgage and the Agreement. As provided in the Mortgage, under certain circumstances portions of the Facilities may be released from the lien of the Indenture and the Mortgage. The security interest in the Gross Receipts granted by the Corporation pursuant to the Mortgage may under certain circumstances provided in the Mortgage and Agreement be subordinated to a security interest granted by the Corporation to secure Short-term Indebtedness (as defined in the Agreement).

[6] As provided in, and to the extent permitted by, the Indenture or any indenture supplemental thereto, the rights and obligations of the Issuer and of the holders of the Bonds and coupons may be modified by the Issuer with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that no such modification shall effect the reduction of or the extension of the stated

time of payment of the principal hereof, premium, if any, hereon, or of the interest hereon, or permit the creation of any lien on the trust estate prior to or on a parity with the lien of the Indenture, or deprive the holder hereof of the lien created by the Indenture on the trust estate without the consent of the holder hereof, except as otherwise provided in the Indenture or the Agreement.

[7] The Series 1983 Bonds maturing on March 1, 1989, are subject to redemption at the option of the Issuer (which option the Issuer may exercise only upon the direction of the Corporation) as a whole on March 1, 1987, or any date thereafter, or in part on March 1, 1987, or on any interest payment date thereafter (less than all of such Bonds to be selected by lot in such manner as may be designated by the Trustee), at redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the date fixed for redemption.

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
March 1, 1987 to February 29, 1988	103
March 1, 1988 to February 28, 1989	102

The Series 1983 Bonds maturing on March 1, 2013, are subject to redemption at the option of the Issuer (which option the Issuer may exercise only upon the direction of the Corporation) as a whole on March 1, 1987, or any date thereafter, or in part on March 1, 1987, or on any interest payment date thereafter (less than all of such Bonds to be selected by lot in such manner as may be designated by the Trustee), at redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the date fixed for redemption.

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
March 1, 1987 to February 29, 1988	103
March 1, 1988 to February 28, 1989	102
March 1, 1989 to February 28, 1990	101
March 1, 1990 and thereafter	100

[8] In addition, the Series 1983 Bonds maturing on March 1, 2013, are subject to mandatory redemption prior to maturity in part, by lot in such manner as may be designated by the Trustee, at a redemption price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in amounts and on the dates as follows:

<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>
1990	\$	2002	\$
1991		2003	
1992		2004	
1993		2005	
1994		2006	
1995		2007	
1996		2008	
1997		2009	
1998		2010	
1999		2011	
2000		2012	
2001		2013	

[9] The Bonds are also redeemable upon certain events of damage, destruction or condemnation of the Facilities or if a Determination of Taxability has occurred, as provided in the Indenture, either as a whole at any time or in part on any interest payment date in inverse order of their maturities (less than all of the Bonds of a single maturity to be selected by lot in such manner as may be designated by the Trustee), or as a whole in certain events if the Agreement has become void or unenforceable or if certain excessive liabilities have been imposed upon the Corporation, as provided in the Indenture, at a redemption price of 100 percent of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for redemption.

[10] Notice of redemption identifying the Bonds to be redeemed shall be given (a) by publication one time not less than 30 days prior to the date fixed for redemption in a newspaper or financial journal of general circulation in New York, New York, and (b) by first class mail, postage prepaid, to all registered owners of Bonds to be redeemed (provided, however, that failure to mail an appropriate notice or any such notice shall not affect the validity of the proceedings for such redemption if notice by publication is duly made in proper and timely fashion). If at the time of giving notice of redemption, all Bonds to be redeemed are registered as to principal (other than to bearer) or fully registered, publication of notice as herein provided shall be deemed to have been waived if notice of redemption shall have been mailed by first class mail, postage prepaid, to the registered holder or holders of the Bonds to be redeemed. All such Bonds thus called for redemption and for the retirement of which funds are duly provided in accordance with the Indenture prior to the date fixed for redemption will cease to bear interest on such redemption date. If, because of the temporary or permanent suspension of the publication or general circulation of any such

newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

[11] The principal hereof may be declared or may become due on the conditions and in the manner and at the time set forth in the Indenture upon the occurrence of an event of default as in the Indenture provided.

[12] No Bondholder shall have any right to bring any action or otherwise to enforce any provision of the Indenture unless the holders of 25 percent in aggregate principal amount of the Bonds then outstanding shall have in writing requested the Trustee to take such action and have offered the Trustee such reasonable indemnity as it may require against expenses and liabilities to be incurred, and the Trustee shall have neglected for 60 days to take such action; provided, however, that the right of any holder of any Bond to receive payment of the principal thereof and/or interest thereon when due or to institute suit for the enforcement of any such payment shall not be impaired without the consent of such holder.

[13] This Bond is transferable by the registered holder hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds of the same series and the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

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

[15] The Series 1983 Bonds are issuable as coupon Bonds registrable as to principal only, in the denominations of \$1,000 and \$5,000 each, and as fully registered Bonds in denominations of \$5,000 and any authorized multiple thereof. Subject to the limitations and upon payment of the charges provided in the Indenture, fully registered Bonds may be exchanged for a like aggregate principal amount of coupon Bonds of the same maturity, bearing all unmatured coupons (and any matured coupons in default) or for a like aggregate principal amount of fully registered Bonds



of the same maturity of other authorized denominations, and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of fully registered Bonds of the same maturity of authorized denominations.

[16] No recourse under or upon any obligation, covenant or agreement contained in the Indenture, or in any Bond or coupon thereby secured, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution, or statute or otherwise or under any circumstances, under or independent of the Indenture, shall be had against any member, officer or agent, as such, past, present or future, of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or for or to the holder of any Bond or coupon issued thereunder or otherwise, of any sum that may be due and unpaid by the Issuer upon any such Bond or coupon.

[17] Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member, officer or agent, as such, to respond by reason of any act or omission on his part or otherwise for the payment for or to the Issuer or for or to the holder of any Bond or coupon issued thereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and coupons or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture and the issue of the Bonds and coupons.

[18] This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until this Bond shall have been authenticated by the Trustee by the execution of the certificate of authentication endorsed hereon.

The date of this Bond in conformity with the Indenture is  
\_\_\_\_\_, 1, 19\_\_\_\_.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner, and by the appropriate parties as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by the manual or facsimile signatures of the Chairman of the County Council and the County Administrator of the Issuer and attested by the manual or facsimile signature of the Clerk of the County Council of the Issuer and the corporate seal of the Issuer or facsimile thereof to be duly impressed or imprinted or lithographed on this Bond.



[SEAL]

PICKENS COUNTY, SOUTH CAROLINA

By: (facsimile)  
Chairman, County Council of  
Pickens County, South Carolina

Attest:

By: (facsimile)  
Clerk, County Council  
of Pickens County,  
South Carolina

By: (facsimile)  
County Administrator,  
Pickens County, South Carolina

#### LEGAL OPINION CERTIFICATE

I, the undersigned Clerk of the County Council of Pickens County, South Carolina, do hereby certify that the following is a true copy of the complete legal opinion of Wyche, Burgess, Freeman & Parham, P.A., the original of which was manually executed, dated and issued as of the date of payment for and delivery of this Bond and was delivered to Buchanan & Co., Inc., representing the purchasers of the Bonds:

#### [FORM OF LEGAL OPINION]

I further certify that an executed copy of the above legal opinion is on file in my office and that an executed copy thereof has been furnished to the Trustee for this Bond.

(facsimile)  
Clerk, County Council  
Pickens County, South Carolina

#### (FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

#### TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Hospital Revenue Bonds referred to in the within Bond and in the Indenture of Trust securing the same.

THE CITIZENS AND SOUTHERN NATIONAL  
BANK OF SOUTH CAROLINA, as Trustee

By: \_\_\_\_\_  
Authorized Officer

(Form of Series 1983 Coupon Bond)

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
PICKENS COUNTY, SOUTH CAROLINA  
HOSPITAL REVENUE BOND,  
SERIES 1983  
(Countryside Manor Project)

No. \_\_\_\_\_

[\$1,000 or \$5,000]

Pickens County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the "Issuer"), for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to the bearer, or if this Bond is registered as to principal, to the registered owner hereof, on the 1st day of March [1989 or 2013], the principal sum of

[ONE THOUSAND DOLLARS or FIVE THOUSAND DOLLARS]

in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency, from the date hereof at the rate of \_\_\_\_\_ percent per annum, payable semiannually on the 1st days of March and September of each year, beginning September 1, 1983, until payment of such principal sum or, if this Bond shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this Bond. The principal of, premium, if any, and interest on this Bond are payable at the principal corporate trust office of The Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, or its successor or successors, as Trustee (herein referred to as the "Trustee").

[Insert paragraph 2 through 12 from the  
form of the fully registered Bond]

This Bond may be registered as to principal only on the books of the Issuer kept by the Trustee under the Indenture, upon presentation hereof to said Trustee, such registration to be made on such books and endorsed hereon by the Trustee, and after such registration no transfer hereof shall be valid unless made on said books of registration at the request of the registered owner or his duly authorized attorney and similarly noted hereon. This Bond may be discharged from registration by like transfer to bearer and thereby transferability by delivery shall be restored, but this Bond shall again be subject to successive registrations

and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative. Interest accruing on this Bond will be paid only on presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of such coupons.

Subject to the provisions for registration of principal included herein and contained in the Indenture, this Bond and the coupons appurtenant hereto shall be negotiable and pass by delivery.

[Insert paragraphs 15, 16 and 17 from the form of fully registered Bond]

Neither this Bond nor the coupons attached hereto shall be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until this Bond shall have been authenticated by the Trustee by execution of the certificate of authentication endorsed hereon.

The date of this Bond in conformity with the Indenture is March 1, 1983.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner, and by the appropriate parties as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by the manual or facsimile signatures of the Chairman of the County Council and the County Administrator of the Issuer, and attested by the manual or facsimile signature of the Clerk of the County Council of the Issuer and the corporate seal of the Issuer or facsimile to be duly impressed or imprinted or lithographed on this Bond and has caused the coupons appertaining hereto to be executed with the facsimile signatures of said officials.

[SEAL]

PICKENS COUNTY, SOUTH CAROLINA

Attest:

By: (facsimile)  
\_\_\_\_\_  
Clerk, County Council  
of Pickens County,  
South Carolina

By: (facsimile)  
\_\_\_\_\_  
Chairman, County Council of  
Pickens County, South Carolina

By: (facsimile)  
County Administrator,  
Pickens County, South Carolina

(FORM OF COUPON)

No. \_\_\_\_\_ \$ \_\_\_\_\_

On [March 1/September 1], \_\_\_\_\_, Pickens County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, hereby promises to pay to bearer (unless the Bond mentioned below shall previously have become payable as provided in the Indenture referred to in said Bond and provision for payment thereof shall have been duly made) at the principal corporate trust office of The Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, upon the presentation and surrender hereof, the amount shown hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, solely from the sources referred to in, and for the interest then due upon, its Hospital Revenue Bond, Series 1983 (Countryside Manor Project) dated March 1, 1983, No. \_\_\_\_\_.

PICKENS COUNTY, SOUTH CAROLINA

By: (facsimile)  
Clerk, County Council  
of Pickens County,  
South Carolina

By: (facsimile)  
Chairman, County Council of  
Pickens County, South Carolina

By: (facsimile)  
County Administrator,  
Pickens County, South Carolina

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is to certify that this Bond is one of the Hospital Revenue Bonds referred to in the within Bond and in the Indenture of Trust securing the same.

THE CITIZENS AND SOUTHERN NATIONAL  
BANK OF SOUTH CAROLINA, as Trustee

By: \_\_\_\_\_  
Authorized Officer

LEGAL OPINION CERTIFICATE

I, the undersigned Clerk of the County Council of Pickens County, South Carolina, do hereby certify that the following is a true copy of the complete legal opinion of Wyche, Burgess, Freeman & Parham, P.A., the original of which was manually executed, dated and issued as of the date of payment for and delivery of this Bond and was delivered to Buchanan & Co., Inc. representing the purchasers of the Bonds:

[FORM OF LEGAL OPINION]

I further certify that an executed copy of the above legal opinion is on file in my office and that an executed copy thereof has been furnished to the Trustee for this Bond.

(facsimile)  
\_\_\_\_\_  
Clerk, County Council  
Pickens County, South Carolina

PROVISION FOR REGISTRATION

The within Bond may be registered in the name of the holder on books kept by the Trustee as Bond Registrar, as to principal only, such registration being noted hereon by the Trustee in the registration blank below, and no transfer shall be valid unless made on said books at the request of the registered holder or attorney duly authorized and such transfer is similarly noted in the registration blank below.

<u>Date of</u> <u>Registration</u>	<u>In Whose Name</u> <u>Registered</u>	<u>Signature</u> <u>of Officer</u> <u>of Trustee as</u> <u>Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(End of Bond Forms)

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued, as in this Indenture provided, valid, binding and legal special obligations of the Issuer, and to constitute this Indenture a valid and binding agreement securing the payment of the principal of, premium, if any, and interest on all Bonds issued and to be issued hereunder, have been done and performed and the creation, execution and delivery of this Indenture and the creation, execution and issuance of said Bonds, subject to the terms hereof, have in all respects been authorized;

#### GRANTING CLAUSES

NOW, THEREFORE,  
THIS INDENTURE OF TRUST FURTHER WITNESSETH:

That the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, of the purchase and acceptance of such Bonds by the holders thereof and of other good and valuable consideration, the receipt of which is hereby acknowledged for the purpose of securing the payment of the principal of, premium, if any, and interest on all Bonds at any time outstanding under this Indenture according to their tenor and effect, and to declare the terms and conditions upon and subject to which such Bonds are issued, authenticated, delivered, secured and held, and in order to secure the faithful performance and observance by the Issuer of all the covenants and conditions set forth herein and in the said Bonds, does execute and deliver this Indenture and does hereby grant, bargain, transfer, sell, mortgage, convey, assign, pledge unto, set over and confirm and grant a security interest in the following to the Trustee, and to its successors and their assigns forever, with the power of sale to the extent permitted by law and by this Indenture, the Mortgage and the Agreement, all and singular the following described properties (which are sometimes herein referred to as the "Trust Estate"), to-wit:

#### CLAUSE A

All right, title and interest of the Issuer in, to and under the Agreement, including, without limitation, all Basic Payments, income, revenues and receipts, fees, proceeds and payments received or receivable by the Issuer under and pursuant to the Agreement (but excluding the Issuer's rights to indemnification and to payment of attorneys' fees and other expenses as specified in Sections 503(b), 807 and 1411 of the Agreement) and the present and continuing right to make claim for, collect, receive and receipt for any of the Basic Payments, Additional Payments, income, rents, revenues and receipts and other sums of money payable or



receivable thereunder, whether payable as Basic Payments or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Issuer is or may become entitled to do under the Agreement, and the rights of the Issuer in the Gross Receipts of the Corporation, provided that the assignment made by this clause shall not impair or diminish any obligation of the Issuer under the provisions of the Agreement or the Mortgage.

#### CLAUSE B

All right, title and interest of the Issuer in, to and under the Mortgage and the mortgage lien conveyed and the security interests granted with respect to all property described therein, including the Project, the Land, the Facilities Equipment, the Inventory and the Gross Receipts of the Corporation, all as defined in the Agreement.

#### CLAUSE C

All moneys and securities from time to time held by the Trustee under the terms of this Indenture and any and all other property of every type and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Issuer or by anyone in its behalf, or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD, all and singular, the Trust Estate and the rights and privileges hereby pledged, conveyed and assigned by the Issuer, or intended so to be, unto the Trustee and its successors and assigns forever, in trust, nevertheless, with power of sale to the extent permitted by law and by this Indenture, the Mortgage and the Agreement for the equal and pro rata benefit and security of each and every holder of the Bonds and coupons issued and to be issued hereunder, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of one Bond or coupon over or from the others, by reason of priority in the issue or negotiation or maturity thereof, or for any other reason whatsoever, except as herein otherwise expressly provided, so that each and all of such Bonds and coupons shall have the same right, lien and privilege under this Indenture and shall be equally secured hereby with the same effect as if the same had all been made, issued and negotiated simultaneously with the delivery hereof and were expressed to mature on one and the same date;

SUBJECT, NEVERTHELESS, as to the properties assigned, conveyed and mortgaged hereby to such reservations and exceptions, if any, as more specifically set forth in Exhibit A attached hereto, and to Permitted Encumbrances, as defined herein; and

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly cause the Bonds and the interest due or to become due thereon, and premium, if any, to be paid solely and only from the source mentioned in the Bonds, according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall comply with all conditions precedent to the satisfaction and discharge of the Indenture, and shall cause to be paid to the Trustee and all paying agents all sums of money due or to become due to them in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease, determine and be void, and the Trustee in such case, on demand of the Issuer, upon payment by the Issuer to the Trustee of its reasonable fees, costs and expenses, shall execute and deliver to the Issuer in accordance with the terms hereof such deeds, discharges or satisfactions as shall be requisite to discharge the lien hereof and convey to the Issuer all interests held by the Trustee pursuant to the terms hereof; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all the property hereby assigned and pledged and the rents, revenues and receipts derived from the Agreement, hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Trustee and the respective holders from time to time of the Bonds, as follows:

#### ARTICLE I DEFINITIONS AND RULES OF INTERPRETATION

Section 1.01. Definitions. All words and terms defined in Article I of the Agreement shall have the same meaning in this Indenture and the Bonds. In addition to words and terms elsewhere defined in this Indenture or in the Agreement, the following words and terms as used in this Indenture and in the Bonds shall have the following meanings, unless some other meaning is plainly intended:

"Issuance Expenses" shall mean legal, accounting and underwriting discount, fees and expenses, economic feasibility consultant fees, recording expenses, printing costs, state license fees, Trustee's and depositary's fees, title insurance costs, builder's risk and other insurance costs and other reasonable fees and expenses incurred or to be incurred by or on behalf of the Corporation as may be necessary or incident to financing the preparation of documents, and the issuance and sale of the Series 1983 Bonds.

"Permitted Encumbrances" shall mean:

(a) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Agreement;

(b) utility, access and other easements and rights of way, restrictions, restrictive covenants and exceptions that the Corporation certifies to the Trustee will not interfere with or impair the operation of the Facilities;

(c) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Agreement;

(d) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facilities and do not materially impair the property affected thereby for the purposes for which it was intended;

(e) zoning laws;

(f) liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, undetermined liens and charges incidental to construction or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in a permitted contest and such other liens and charges at the time required by law as a condition precedent to the exercise of any privileges or licenses necessary to the Corporation;

(g) the Indenture, the Agreement and the Mortgage and any supplements thereto;

(h) liens securing Parity Indebtedness;

(i) rights of lessees, sublessees or franchise holders under agreements with the Corporation as permitted by the Agreement;

(j) pledges of or security interests in the Gross Receipts to secure Short-Term Indebtedness granted in accordance with the provisions of the Agreement, which pledges or security interests may have priority over the security interest in the Gross Receipts granted pursuant to the Mortgage;

(k) purchase money mortgages or purchase money security interests or any title retention interest retained by vendors or lessors in connection with the sale or leasing of equipment or fixtures to the Corporation to the extent permitted under the Agreement; and

(l) liens, charges and encumbrances of whatever kind in existence on the date of delivery of the Series 1983 Bonds as more fully described in Exhibit B to the Mortgage.

"Trust Moneys" shall mean all moneys received by the Trustee:

A. As compensation for, or proceeds of sale of, any part of the Facilities taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;

B. As proceeds of insurance with respect to any part of the Facilities;

C. As elsewhere herein provided to be held and applied under this Indenture, or required to be paid to the Trustee and whose disposition is not elsewhere herein otherwise specifically provided for, including, but not limited to, the investment income of all Funds and Accounts held by the Trustee under this Indenture;

D. As proceeds from the sale of the Series 1983 Bonds and any Additional Bonds;

E. As Basic Payments, or as otherwise payable under the Agreement; and

F. As proceeds of the operation, lease or sale of the Facilities in an event of default.

Section 1.02. Rules of Interpretation. For all purposes of this Indenture, except as otherwise expressly provided or unless the context requires:

(1) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

(2) All references in this Indenture to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture as originally executed or as amended or supplemented. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(4) All accounting terms not otherwise defined herein have the same meanings assigned to them in accordance with generally accepted accounting principles.

(5) Any terms not defined herein but defined in the Agreement shall have the meaning herein which they have in the Agreement.

(6) The terms defined elsewhere in this Indenture shall have the meanings therein ascribed to them.

(7) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(8) The headings used in this Indenture are for convenience of reference only and shall not define or limit the provisions hereof.

Section 1.03. Exhibits. The following Exhibits are attached to and by reference made a part of this Indenture:

Exhibit A: Legal Description of Land.

Exhibit B: Description of the Project.

[End of Article I]

ARTICLE II  
THE BONDS

Section 2.01. General Designation. The general designation of the Bonds of all series shall be "Pickens County, South Carolina Hospital Revenue Bonds, Series \_\_\_\_\_ (Countryside Manor Project)," except as such designation may be supplemented or amended in the supplemental resolution creating each series of Bonds.

Section 2.02. Issuable in Series; General Limitations. The aggregate principal amount of Bonds that may be authenticated and delivered and Outstanding under this Indenture is not limited, except as provided in Articles IV and V hereof and except as may be limited by law.

The Bonds may be issued in series as from time to time authorized by the Issuer. With respect to the Bonds of any particular series, the Issuer may delete from, incorporate in or add to the general title of such Bonds any words, letters or figures designated to distinguish that series.

The Bonds are special, limited obligations of the Issuer. Neither the Bonds nor any other obligations of or indebtedness incurred by the Issuer in connection with the Bonds shall constitute an indebtedness or obligation of the State of South Carolina, the Issuer, or any other county, municipal corporation or political subdivision of the State, nor shall any act of the Issuer in any manner constitute or result in the creation of an indebtedness or liability of the State of South Carolina, the Issuer or any other such county, municipal corporation or political subdivision. The Bonds and all other such obligations of the Issuer shall be payable solely from the revenues pledged therefor pursuant to or in connection with the Agreement and the Mortgage, and no holder of the Bonds or any such other obligations shall ever have the right to compel any exercise of the taxing power of the State of South Carolina, the Issuer or any county, municipal corporation or political subdivision of the State nor to enforce the payment thereof against the State of South Carolina, the Issuer or any other such county, municipal corporation or political subdivision. Neither the Bonds nor any other such obligations of or indebtedness incurred by the Issuer shall give rise to a pecuniary liability of the State of South Carolina, the Issuer, or any other county, municipal corporation or political subdivision of the State of South Carolina.

Principal of, premium, if any, and interest on the Bonds shall be payable solely from the rents, revenues and other payments pledged to the Trustee as part of the Trust Estate, including Basic Payments received or receivable by the Issuer



under the Agreement, certain proceeds of the Bonds and the income derived from the temporary investment thereof, and under certain circumstances, the Net Proceeds of insurance, sale or condemnation awards, and from amounts received by the Trustee pursuant to the Guaranty. The Bonds shall be secured solely by the Trust Estate, including a pledge of the Basic Payments, Additional Payments, income, rents, revenues and other payments received or receivable by the Issuer under the Agreement, a first mortgage lien on and security interest in the Facilities and a security interest in the Gross Receipts conveyed and granted pursuant to the Mortgage, subject to Permitted Encumbrances, the assignment pursuant to this Indenture of the Issuer's rights under the Agreement and the Mortgage, and the Guaranty.

Section 2.03. Terms of Particular Series. Each series of Bonds (except the Series 1983 Bonds, which are created by Article III hereof) shall be created by a supplemental indenture authorized by a resolution of the Issuer. The Bonds of each series (other than the Series 1983 Bonds, as to which specific provision is made in this Indenture) shall be payable March 1, and have interest payable thereon on March 1 and September 1, shall be payable at such place or places, shall mature and be redeemable on such dates (subject to the foregoing), shall bear interest at such rate or rates, from such date or dates, payable in such installments and on such dates and at such place or places, may have attached thereto such coupons for interest, may be redeemable at such price or prices and upon such terms (in addition to the prices and terms herein specified for redemption of all Bonds), and may be subject to such other terms and provisions, as such shall be provided for in the supplemental indenture creating that series.

Section 2.04. Form and Denominations. The form of the Bonds and coupons of each series (other than the Series 1983 Bonds, as to which specific provisions are made in this Indenture) shall be established by the provisions of the supplemental indenture creating such series. The Bonds of each series shall be distinguished from the Bonds of other series in such manner as the Issuer may determine.

The Bonds of any series may be issuable either as coupon Bonds or as fully registered Bonds or both.

The Bonds of each series shall be issuable in such denominations as shall be provided in the provisions of the supplemental indenture creating such series (other than the Series 1983 Bonds, as to which specific provisions are made in this Indenture). In the absence of any such provision with respect to the Bonds of any particular series, the coupon Bonds of such series shall be in the denomination of \$5,000, and the fully registered Bonds of such

series shall be in the denomination of \$5,000 or any integral multiple thereof.

Section 2.05. Place of Payment. The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of, premium, if any, and interest on all coupon Bonds shall be payable at the principal corporate trust office of the Trustee or at the principal corporate trust office of any Paying Agent appointed in accordance with the provisions of Section 2.13 hereof. The principal of and premium, if any, on all fully registered Bonds shall be payable at the principal corporate trust office of the Trustee, and payment of the interest on each fully registered Bond without coupons shall be made by the Trustee on each interest payment date by check or draft mailed to the address of the person then appearing on the registration books maintained by the Trustee as the registered owner thereof. Payment of the principal of and premium, if any, on all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. Payment of the interest on the coupon Bonds shall be made upon the presentation and surrender of the coupons representing such interest as the same respectively become due and payable.

Section 2.06. Authentication of Bonds. Only Bonds authenticated by the endorsement thereon of a certificate substantially in the form hereinbefore recited, executed by the Trustee, by one of its authorized officers, shall be valid or become obligatory for any purpose or be secured by this Indenture or shall be entitled to any benefit hereunder; and such certificate of authentication of the Trustee upon any Bond purporting to be secured hereby shall be conclusive evidence that such Bond so authenticated has been duly authenticated and delivered hereunder, and that the holder is entitled to the benefit of the trusts hereby created. Before authenticating and delivering any coupon Bond hereunder, the Trustee shall remove and cancel any coupons thereon then matured except coupons in default.

Section 2.07. Execution of Bonds. All Bonds issued under this Indenture shall be executed in the name of the Issuer by the manual or facsimile signature of the Chairman or Vice Chairman of the County Council of the Issuer and by the County Administrator of the Issuer under its seal or a facsimile thereof and attested by the manual or facsimile signature of the Clerk or Deputy Clerk of the County Council of the Issuer. In case any officer of the Issuer who shall have signed any Bond shall cease to be such officer before the Bond so signed shall have been actually authenticated by the Trustee or delivered or issued, such Bond may

be authenticated and delivered and issued with the same effect as though the person who had signed such Bond had not ceased to be an officer of the Issuer. The coupons to be attached to all coupon Bonds shall be executed by the manual or facsimile signatures of the Chairman or Vice Chairman and the Clerk of the County Council of the Issuer, and by the County Administrator of the Issuer notwithstanding the fact that they may have ceased to be such officers at the time when such Bonds shall be actually authenticated and delivered or issued. The facsimile signatures of such officers shall have the same force and effect as if such officer had manually signed each of said Bonds and coupons.

Section 2.08. Registration, Transfer and Exchange of Bonds. Each of the coupon Bonds shall be fully negotiable and pass by delivery, but the coupon Bonds shall be subject to registration (as hereinafter provided) as to principal only in the name of the owner in registration books to be provided for that purpose by the Issuer in the office of the Trustee, as bond registrar. Upon presentation at such office any of the coupon Bonds may be registered as to principal only, and such registration shall be evidenced by notation to that effect by such bond registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered owner or his legal representative, on such registration books and similarly endorsed thereon. Any such coupon Bond thereafter may be discharged from registration by being in like manner registered to bearer, after which it shall again become transferable by delivery. Thereafter any such coupon Bond may again, from time to time, be registered or discharged from registration in the same manner. Such registration of any of the coupon Bonds shall not affect the transferability by delivery only of the interest coupons thereunto appertaining.

Each fully registered Bond is transferable by the registered holder thereof or by his attorney duly authorized in writing at the principal office of the Trustee, but only upon surrender and cancellation of the Bond. Upon such transfer a new fully registered Bond or Bonds of the same series and maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

Fully registered Bonds may be exchanged for a like aggregate principal amount of coupon Bonds of the same series and maturity, bearing all unmatured coupons (and any matured coupons in default) and coupon Bonds bearing all unmatured coupons (and any matured coupons in default) may be exchanged for a like aggregate principal amount of fully registered Bonds of the same series and maturity of authorized denominations.

No charge shall be made to any Bondholder for the privilege of registration, but any Bondholder requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new coupon Bond or fully registered Bond upon each exchange or transfer and any other expenses of the Issuer or the Trustee incurred in connection therewith shall be paid by the Corporation. The Issuer shall not be required (i) to issue, transfer or exchange any fully registered Bond for a period of 15 days next preceding any interest payment date relating to that Bond, or (ii) to issue, transfer or exchange any Bond of any series during a period beginning at the opening of business 15 days before any selection of Bonds of that series and maturity for redemption and ending at the close of business on the day of the first publication, or the mailing (if there is no publication), of the relevant notice of redemption, or (iii) to transfer or exchange any Bonds selected for redemption in whole or in part.

Section 2.09. Mutilated, Destroyed, Lost and Stolen Bonds. If (i) any mutilated Bond or a Bond with a mutilated coupon appertaining thereto is surrendered to the Trustee, or the Issuer and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Bond or coupon, and (ii) there is delivered to the Issuer and the Trustee such security or indemnity as may be required by them to save each of them and the Corporation harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond or coupon has been acquired by a bona fide purchaser, the Issuer shall execute and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of such mutilated, destroyed, lost or stolen Bond, or in exchange for the Bond to which such coupon appertains (upon surrender of such Bond with all appurtenant coupons not destroyed, lost or stolen), a new Bond of the same series and of like tenor, principal amount, maturity and interest rate, with coupons corresponding to the coupons appertaining to such mutilated, destroyed, lost or stolen Bond or to the Bond to which such mutilated, destroyed, lost or stolen coupon appertains.

In case any such mutilated, destroyed, lost or stolen Bond or coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Bond, pay such Bond or coupon.

Upon the issuance of any new Bond under this Section 2.09, the Issuer may require the payment by any Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Bond with its coupons issued pursuant to this Section 2.09 in lieu of any mutilated, destroyed, lost or stolen Bond and every new coupon issued pursuant to this Section 2.09 in lieu of any destroyed, lost or stolen coupons shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Bond and its coupons, if any, or the destroyed, lost or stolen coupon, shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture, the Agreement and the Mortgage equally and proportionately with any and all other Bonds and coupons hereby secured.

The provisions of this Section 2.09 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds or coupons.

Section 2.10. Interest Rights Preserved; Dating of Fully Registered Bonds. Each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond, and each such Bond shall be so dated, or have attached thereto such coupons, that neither gain nor loss in interest shall result from such transfer, exchange or substitution. Each fully registered Bond shall be dated by the Trustee as of the last interest payment date with respect to such Bond preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond shall be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date for Bonds of that series, in which case such fully registered Bond shall be dated as of the date of issue of such series of Bonds.

Section 2.11. Cancellation. Except as otherwise provided in Section 2.08 hereof, all Bonds and coupons surrendered for payment, redemption, transfer or exchange, if surrendered to the Trustee, shall be promptly canceled by it, and, if surrendered to any Person other than the Trustee, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by it. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, together with all unpaid coupons appertaining thereto, which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. All canceled Bonds held by the Trustee shall be disposed of as directed by the Issuer. Whenever in this Indenture provision is



made for the cancellation by the Trustee and the delivery to the Issuer of any Bonds or any coupons, the Trustee may, upon the Written Request of the Issuer, in lieu of such cancellation and delivery, destroy such Bonds and coupons, in the presence of an officer of the Issuer (if the Issuer shall so require), and deliver a certificate of such destruction to the Issuer.

Section 2.12. Persons Treated as Owners. As to any coupon Bond registered as to principal or any fully registered Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, of any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Issuer and the Trustee may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any coupon Bond, whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon as the case may be, whether such Bond or coupon shall be overdue or not for the purpose of receiving payment therefor and for all other purposes whatsoever, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

Section 2.13. Designation of Paying Agents. The Issuer may from time to time appoint, with the approval of the Corporation, a paying agent or paying agents for any series of Bonds. Such paying agent shall be appointed pursuant to a supplemental indenture or by an instrument filed with the Trustee, signed by the Issuer and the Corporation and evidencing the acceptance of the duties of such paying agent by such paying agent. Any paying agent shall be a bank or trust company duly organized under the laws of any State of the United States or a national banking association, having a capital stock and surplus aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. The Trustee will cause the necessary arrangements to be made for the making available of funds for the payment of such of the Bonds and coupons as shall be presented when due at the principal corporate trust office of such paying agent and any additional paying agents.

Section 2.14. Resignation or Removal of Paying Agent; Successors. Any paying agent may at any time resign and be discharged of the duties and obligations created by this instrument



and any supplemental indenture or instrument filed with the Trustee by giving at least sixty days' written notice to the Issuer, the Corporation and the Trustee. Any paying agent may be removed at any time by an instrument filed with such paying agent and the Trustee and signed by the Issuer and the Corporation. Any successor paying agent shall be appointed by the Issuer, with the approval of the Corporation, and shall be a bank or trust company duly organized under the laws of any State of the United States or a national banking association, having a capital stock and surplus aggregating at least \$50,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

In the event of the resignation or removal of any paying agent, such paying agent shall pay over, assign and deliver any moneys or securities held by it as paying agent to its successor, or if there be no successor, to the Trustee.

Section 2.15. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be a legal holiday or a day on which banking institutions are authorized by law to close, then paying of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 2.16. Security for Bonds. All Bonds of all series from time to time authenticated and delivered under this Indenture shall be equally and ratably secured both as to principal, premium, if any, and interest by this Indenture.

[End of Article II]

ARTICLE III  
THE SERIES 1983 BONDS

Section 3.01. Issuance of Series 1983 Bonds. There is hereby created and there shall be an initial series of Bonds entitled "Pickens County, South Carolina Hospital Revenue Bonds, Series 1983 (Countryside Manor Project)."

The aggregate principal amount of the Series 1983 Bonds that may be authenticated and delivered and outstanding under this Indenture is limited to and shall not exceed \$7,500,000.

Section 3.02. Description of Series 1983 Bonds. The Series 1983 Bonds shall bear interest from their respective dates and shall be issuable as coupon Bonds, registrable as to principal only, in the denominations of \$1,000 and \$5,000 each and as fully registered Bonds in the denominations of \$5,000 and any integral multiple thereof. Unless the Issuer shall otherwise direct, the Series 1983 Bonds shall be lettered and numbered as follows: the coupon Bonds shall be numbered from 1 upward and the fully registered Bonds shall be lettered and numbered R-1 and upward.

The Series 1983 coupon Bonds shall be dated March 1, 1983. Each Series 1983 fully registered Bond shall be dated as of the interest payment date to which interest has been paid as of the date on which it is authenticated or if it is authenticated prior to a date on which interest is paid, it shall be dated March 1, 1983. Interest on the Series 1983 Bonds shall be payable on March 1 and September 1 of each year, commencing September 1, 1983.

The Series 1983 Bonds, the interest coupons to be affixed to the Series 1983 coupon Bonds and the Trustee's certificate of authentication shall be substantially in the forms, and be of the tenor and purport, respectively, hereinabove set forth.

The Series 1983 Bonds shall mature and bear interest as follows:

<u>Year</u> <u>(March 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
1989	\$1,800,000	—%
2013	5,000,000	—%

Section 3.03. Authentication and Delivery of Series 1983 Bonds. The Series 1983 Bonds may forthwith upon the execution and delivery of this Indenture, or from time to time thereafter, be executed by the proper officials of the Issuer and delivered to the Trustee for authentication, and shall thereupon be authenticated and delivered by the Trustee, but only upon receipt by the Trustee, among other things, of the following:

(a) a copy of the resolution or resolutions adopted and approved by the Issuer authorizing the execution and delivery and assignment of the Agreement, the receipt and assignment of the Mortgage, the execution and delivery of this Indenture and the issuance and sale of the Series 1983 Bonds;

(b) a copy of the resolution of the Corporation authorizing the execution and delivery of the Agreement and the Mortgage and approving this Indenture and the issuance and sale of the Series 1983 Bonds;

(c) an original executed counterpart of this Indenture, the Agreement and the Mortgage;

(d) a request and authorization to the Trustee on behalf of the Issuer and signed by the Chairman of the County Council of the Issuer or other official specified in a resolution of the Issuer, to authenticate and deliver the Series 1983 Bonds in the aggregate principal amount not exceeding \$7,500,000 to the Original Purchaser upon payment to the Trustee but for the account of the Issuer of a sum specified in such request and authorization plus accrued interest on the Series 1983 Bonds to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited as provided in Section 3.04 hereof; and

(e) an ALTA Mortgagee title insurance policy or policies (or appropriate binder), in the amount of the aggregate principal amount of the Series 1983 Bonds less an amount equal to the Debt Service Reserve Requirement, issued by an insurance company duly authorized to issue same and approved by the Issuer and the Trustee, insuring that the Corporation has good and marketable fee simple title to the Land and that the Mortgage represents a valid first mortgage lien on the Land, subject only to Permitted Encumbrances.

Section 3.04. Deposit of Series 1983 Bond Proceeds. The Trustee, forthwith upon the execution and delivery of this Indenture or from time to time thereafter upon the execution and delivery to it by the Issuer of the Series 1983 Bonds and without any further action on the part of the Issuer shall authenticate the Series 1983 Bonds and shall deliver them to or upon the Written Request of the Issuer.

The Issuer shall simultaneously deposit with the Trustee all of the proceeds from the sale of the Series 1983 Bonds (including accrued interest on the Series 1983 Bonds from their date to the date of their delivery to the Original Purchaser) as set forth in the Written Request of the Issuer, and the Trustee shall, out of such proceeds:

(a) deposit to the credit of the Interest Account in the Bond Fund \$\_\_\_\_\_ being the accrued interest on the Series 1983 Bonds from their date to the date of their delivery, together with the sum of \$\_\_\_\_\_ to pay interest on the Series 1983 Bonds for a period of approximately 12 months after the Closing Date;

(b) deposit to the credit of the Debt Service Reserve Fund the sum of \$500,000, representing the Debt Service Reserve Requirement;

(c) disburse to the Corporation the sum of \$\_\_\_\_\_ as reimbursement for certain Costs paid or incurred by the Corporation in connection with the Project prior to the Closing Date with respect to the Series 1983 Bonds; and

(d) deposit to the credit of the Construction Fund the balance of the proceeds of the Series 1983 Bonds.

[End of Article III]

ARTICLE IV  
ADDITIONAL BONDS; PARITY INDEBTEDNESS

4.01. General Provisions. In addition to the principal amount of Series 1983 Bonds, whose authentication and delivery is provided for in Article III hereof, so long as no event of default shall be continuing hereunder, the Issuer may issue Additional Bonds under this Indenture to be secured on a parity with all other Bonds issued pursuant to this Indenture, pursuant to the provisions and limitations set forth in this Article IV; provided, however, that in no event shall the Issuer issue any Additional Bonds hereunder if as a result of the issuance thereof the interest on any previously issued Bonds will not be fully excludable from the gross income of the recipients thereof under Section 103 of the Code. Additional Bonds may be issued for any one or more of the purposes for which Parity Indebtedness may be incurred, assumed or guaranteed by the Corporation pursuant to Article XII of the Agreement and may include the costs of issuance and sale of any such Additional Bonds, funded interest for such period as shall be determined by the Corporation, and an amount to be deposited in the Debt Service Reserve Fund or any other reserve fund required to be established as a consequence of the issuance of such Additional Bonds; provided, however, that the issuance of any Additional Bonds must be in compliance with the applicable provisions of Section 1201 of the Agreement regarding Funded Debt of the Corporation.

Any Additional Bonds shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate, if any, permitted by law, shall mature on March 1, with interest payable March 1 and September 1 and may be subject to redemption prior to their maturities at such times and prices and on such terms and conditions, all as may be provided by the supplemental indenture authorizing their issuance and in accordance with Article II hereof.

Section 4.02. Resolution of Issuer Required. Prior to the authentication and delivery of any series of Additional Bonds, the Issuer shall adopt a resolution or resolutions which shall specify:

(a) The authorized principal amount of such series of Bonds, the designation and denomination or denominations thereof and the directions for the authentication and delivery of the Bonds upon payment of the purchase price therein set forth.

(b) The purpose or purposes for which such series is being issued.

(c) The date of such series and maturity dates and amounts of the Bonds thereof.

(d) The interest rate or rates of such series, provided that the interest rate or rates shall be identical for all Bonds of a series of like maturity.

(e) That upon delivery of such Additional Bonds there shall be deposited in the debt service reserve fund for such Additional Bonds such amount, if any, necessary to cause the amount on deposit in such account to equal the debt service reserve requirement for such Additional Bonds.

(f) The redemption premiums and redemption terms, if any, for such Bonds.

(g) The form or forms of such Additional Bonds.

(h) Any other matters deemed appropriate or necessary by the Issuer and not inconsistent with the provisions of this Indenture.

Section 4.03. Authentication and Delivery of Additional Bonds. Additional Bonds shall be executed by the Issuer and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to or upon the Written Request of the Issuer for any purpose or purposes provided in Section 4.01 hereof, but only upon receipt by the Trustee of:

(a) A copy of the resolution or resolutions referred to in Section 4.02 hereof and of a resolution or resolutions of the Issuer authorizing or ratifying the supplemental instruments referred to in subparagraph (b) of this Section 4.03, certified by the Clerk of County Council of the Issuer, and a Certified Resolution of the Issuer authorizing or ratifying a supplemental indenture authorizing the new series of Additional Bonds and pledging and assigning all rights of the Issuer under such supplemental instruments and the additional Basic Payments for such series to the Trustee.

(b) An executed counterpart of a supplement to the Mortgage or a separate mortgage subjecting to the lien thereof any and all real property paid for with the proceeds of such new series of Bonds and an executed counterpart of a supplement to the Agreement providing for Basic Payments which are not less than the payment of principal of, premium, if any, and interest, when due, for such series and payments, if any, into the Debt Service Reserve Fund or into other reserve funds required to be made as a consequence of the issuance of such series, and executed counterparts of supplemental instruments or separate instruments executed by the Issuer, the Corporation and/or the Trustee, as the case may be, providing that any Additional Facilities being financed by such Additional Bonds shall be subject to the lien of the Mortgage or any separate mortgage and this Indenture.



(c) An executed counterpart of a supplemental indenture setting forth the provisions of the new series of Bonds and pledging and assigning all the right, title and interest of the Issuer in and to the supplemental instruments to the Agreement and the Mortgage or such separate instruments or mortgage referred to in subparagraph (b) of this Section 4.03 and pledging and assigning to the Trustee the additional Basic Payments and all rights of the Issuer under said supplemental or separate instruments.

(d) An Opinion of Bond Counsel to the effect that (i) such Additional Bonds are valid and binding obligations of the Issuer and enforceable in accordance with their terms and the terms of this Indenture, subject to bankruptcy and insolvency laws; (ii) such Additional Bonds have been duly and validly authorized and issued in accordance with law, this Indenture and the Agreement; (iii) the Agreement and the Mortgage have been effectively supplemented by the supplemental instruments referred to in subparagraph (b) of this Section 4.03 and the Agreement and the Mortgage as supplemented are valid and binding on the Issuer and the Corporation; (iv) all rights of the Issuer under said supplemental instruments and all Basic Payments payable under the Agreement as so supplemented are effectively assigned to the Trustee for the security of the Additional Bonds issued hereunder; (v) any separate mortgage or other instruments referred to in subparagraph (b) of this Section 4.03 are valid and binding obligations of the Issuer and the Corporation, as the case may be, subject to bankruptcy and insolvency laws, and that such separate mortgage or instruments are effectively assigned to the Trustee for the security of the Additional Bonds issued hereunder; (vi) the issuance of such Additional Bonds will not affect the tax-exempt status for Federal income tax purposes of interest on Bonds then outstanding; and (vii) interest payable on such Additional Bonds will be tax-exempt for Federal income tax purposes.

(e) An Officers' Certificate of the Issuer stating that no Bonds have been theretofore issued on the basis of the supplemental instruments or separate instruments referred to in subparagraph (b) of this Section 4.03 and that on the date of the authentication and delivery of such Additional Bonds neither the Issuer nor the Corporation, as the case may be, is in default in the performance or observation of any of the covenants, conditions, agreements or provisions of this Indenture, the Agreement or the Mortgage.

(f) A copy of the resolution or resolutions of the Board of Directors of the Corporation authorizing or ratifying the supplemental instruments, the separate mortgage and the separate instruments, as the case may be, referred to in subparagraph (b) of this Section 4.03 and approving the supplement to the Indenture referred to in subparagraph (c) of this Section 4.03 and the issuance and sale of such series of Additional Bonds, certified by the Secretary or an Assistant Secretary of the Corporation.

(g) A certificate of the Corporation that the Corporation is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of the Agreement or the Mortgage.

(h) Proof that the purchase price of the Bonds being delivered is as stated in the resolution referred to in Section 4.02 hereof.

(i) A Written Request of the Issuer for the authentication and delivery of such Bonds.

Section 4.04. Additional Bonds for Completion of the Project. If and to the extent necessary, as shown by a Written Request of the Corporation, to provide additional funds for the purpose of completing the acquisition or construction of the Project, Additional Bonds may be issued under this Article IV, at one time, or from time to time; provided that there is filed with the Trustee by the Corporation copies of (i) all required health planning approvals, waivers of such approvals or an Officers' Certificate to the effect that such approvals are not required under then applicable law, and (ii) an Officers' Certificate stating that the Additional Bonds proposed to be issued, together with other funds available to and committed or reserved by the Corporation for use in connection with paying the Cost of completing the Project, is not less than the amount required to complete the acquisition and completion of the Project.

Section 4.05. Additional Bonds to Pay the Cost of Additional Facilities. Additional Bonds may be issued under this Article IV, at one time or from time to time, subject always to compliance with the provisions of Section 1201(g) of the Agreement and the conditions hereinafter provided in this Section 4.05, for the purpose of financing the acquisition and/or construction of Additional Facilities, if prior to authentication and delivery of any Additional Bonds under this Section 4.05, there shall be filed with the Trustee the following:

(i) a written report of an Architect selected by the Corporation to supervise the acquisition and construction of the Additional Facilities to be constructed, setting forth the estimated date on which such Additional Facilities will be placed in service;

(ii) an Officers' Certificate of the Corporation setting forth the amount, if any, to be provided or already provided by the Corporation, from sources other than Additional Bonds, for payment of the acquisition and construction of the Additional Facilities, and stating the manner in which such funds will be provided and are committed;

(iii) a written report of a Management Consultant, who may rely on the reports set forth in clauses (i) and (ii) above, setting forth (A) the estimated cost of such Additional Facilities, including an allowance for contingencies and all fees, expenses and financing costs, and (B) the amount, if any, which will be required to be deposited in the Debt Service Reserve Fund and in the Interest Account to pay interest during the acquisition and construction of the Additional Facilities to be acquired and constructed with the proceeds of such Additional Bonds;

(iv) a written report of a Management Consultant, who may rely on the reports set forth in clauses (i) through (iii) above, stating that the Additional Bonds proposed to be issued, together with other funds available to and committed or reserved by the Corporation for use in connection with financing the acquisition and construction of Additional Facilities as set forth in the Officers' Certificate referred to in the above clause (ii), is not less than the amount required to acquire and construct the Additional Facilities and place the same in service and to pay all Costs of the Additional Facilities as set forth in the report of the Management Consultant; and

(v) all required health planning approvals, waivers of such approvals or an Officer's Certificate of the Corporation to the effect that such approvals are not required under the applicable law.

Section 4.06. Additional Bonds for Refunding or Refinancing Purposes. Subject always to compliance with the provisions of Section 1201(f) of the Agreement, Additional Bonds may be issued under this Article IV at any time or from time to time, for the purpose of refinancing or refunding any Bonds or any Parity Indebtedness of the Corporation. Prior to authentication and delivery of any Additional Bonds under this Section 4.06 there shall be filed with the Trustee such documents as shall be

required by the Trustee to show that provision has been duly made in accordance with the provisions of this Indenture or any instrument securing Parity Indebtedness of the Corporation for the payment or redemption of all of the outstanding Bonds or other Parity Indebtedness of the Corporation being refunded or refinanced, respectively.

Section 4.07. Parity Indebtedness. It is hereby recognized by the Trustee and the Issuer that the Corporation is permitted to incur Parity Indebtedness pursuant to Section 1202 of the Agreement, and the Trustee agrees to take the action required to be taken by the Trustee pursuant to Section 1202 of the Agreement. Such Parity Indebtedness may be secured on a parity with the Bonds to the extent described in Section 1202 of the Agreement. To the extent such Parity Indebtedness is on a parity with the Bonds, the holders thereof shall be entitled to the rights of the holders of the Bonds hereunder.

[End of Article IV]

ARTICLE V  
REDEMPTION

Section 5.01. Privilege of Redemption and Redemption Prices. The Bonds shall be subject to redemption prior to maturity in the manner provided in this Article. The Bonds shall be subject to special redemption at the times and in the manner provided in Section 5.10 of this Indenture. In addition, the Series 1983 Bonds shall also be subject to redemption on the dates and at the redemption prices specified in Sections 5.11 and 5.12 hereof, and any series of Additional Bonds shall also be subject to redemption on the dates and at the redemption prices specified in the supplemental indenture creating such series.

Section 5.02. Issuer's Election to Redeem; Notice to Trustee. The election of the Issuer, which election shall be exercised only at the direction of the Corporation, to redeem any Bonds for the account of the Issuer shall be evidenced by a Written Request to the Trustee. In case of any redemption at the election of the Issuer of less than all of the outstanding Bonds of any series, the Issuer, or through it the Corporation, shall, at least 45 days prior to the redemption date fixed by the Corporation (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such redemption date and of the principal amount of Bonds of such series to be redeemed. Any redemption of Series 1983 Long-Term Bonds made in accordance with Section 5.12 of this Indenture shall not require any notice to the Trustee by the Issuer or the Corporation.

Section 5.03. Selection by Trustee of Bonds to be Redeemed. If less than all of the outstanding Bonds of any series are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee from the outstanding Bonds of that series not previously called for redemption, by lot (or, in the case of a redemption pursuant to Section 5.10 or 5.11 hereof or the applicable provision or provisions of any supplemental indentures, in inverse order of maturity and by lot within a maturity) in such manner as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Bonds in a denomination larger than \$5,000 or the smallest authorized denomination of the Bonds of that series or a multiple thereof.

The Trustee shall promptly notify the Issuer and the Corporation in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

Section 5.04. Notice of Redemption. Notice of redemption identifying the Bonds to be redeemed shall be given by the Trustee (a) by publication one time not less than 30 days prior to the date fixed for redemption in an Authorized Newspaper, and (b) by first class mail, postage prepaid, to all registered owners of Bonds to be redeemed (provided, however, that failure to mail an appropriate notice or any such notice shall not affect the validity of the proceedings of such redemption if notice by publication is duly made in proper and timely fashion). If at the time of giving notice of redemption, all Bonds to be redeemed are registered as to principal (other than to bearer) or fully registered, publication of notice as herein provided shall be deemed to have been waived if notice of redemption shall have been mailed by first class mail, postage prepaid, to the registered holder or holders of all the Bonds to be redeemed. If, because of the temporary or permanent suspension of the publication or general circulation of an Authorized Newspaper or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such a publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Each notice of redemption shall state the redemption date, the place at which payment will be made, the principal amount to be redeemed and, if less than all of the Bonds of any one maturity are to be redeemed, the distinctive numbers and letters of the Bonds to be redeemed and, in the case of fully registered Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any fully registered Bond is to be redeemed in part only, the notice of redemption which relates to that Bond shall also state that on or after the date fixed for redemption, upon surrender of the Bond, a new fully registered Bond in principal amount equal to the unredeemed portion of the Bond will be issued. The notice of redemption shall also state that the interest on the Bonds, or portions of Bonds, in such notice designated for redemption shall cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Bonds, or portions of Bonds, the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption.

Section 5.05. Deposit of Moneys for Redemption. In the case of the redemption of Bonds other than redemption pursuant to



Section 5.12 of this Indenture (or any similar provision of any supplemental indenture concerning mandatory redemption), and unless and to the extent sufficient Trust Moneys have not otherwise been deposited in the Bond Redemption Fund five days prior to any redemption date, the Corporation shall deposit with the Trustee, which the Trustee shall deposit, together with other available Trust Moneys, in the Bond Redemption Fund, an amount of money sufficient, together with other available Trust Moneys, to pay the redemption price of all Bonds to be redeemed on that date. Moneys for the redemption of Bonds pursuant to Section 5.12 of this Indenture (or any similar provisions of any supplemental indenture concerning mandatory redemptions) shall be deposited in the Principal Account as provided in Section 502(c) of the Agreement.

Section 5.06. Effect of Notice of Redemption and Unpaid Coupons. Notice having been given in the manner and under the conditions hereinabove provided, and moneys for payment of the redemption price being held by the Trustee as provided in Section 5.05 of this Indenture (i) the Bonds, or portions of Bonds, so called for redemption shall, on the date fixed for redemption designated in such notice, become due and payable at the redemption price provided for redemption of such Bonds, or portions of Bonds, on such date and interest on the Bonds, or portions of Bonds, so called for redemption shall cease to accrue, (ii) upon surrender of the Bonds, or portions of Bonds, so called for redemption in accordance with such notice, together with all coupons, if any, appertaining thereto maturing after such date fixed for redemption, such Bonds, or portions of Bonds, shall be paid at the applicable redemption price, (iii) the coupons for interest on coupon Bonds so called for redemption maturing subsequent to the redemption date shall be void, (iv) such Bonds, or portions of Bonds, shall cease to be entitled to any lien, benefit or security under this Indenture, and (v) the holders of said Bonds, or portions of Bonds, shall have no rights in respect thereof except to receive payment of the redemption price thereof.

If any coupon Bond surrendered for redemption shall not be accompanied by all coupons appertaining thereto maturing after the date fixed for redemption, the surrender of such coupon or coupons may be waived by the Corporation and the Trustee if there shall be furnished to them such security or indemnity as they may require to save each of them harmless.

All unpaid interest installments represented by coupons which shall have matured on or prior to the date of redemption designated in such notice shall continue to be payable to the bearers severally and respectively upon the presentation and surrender of such coupons.

Section 5.07. Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered to the Trustee (with, if the Corporation or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Corporation and the Trustee duly executed by, the holder thereof or his attorney duly authorized in writing) and the Corporation shall cause the appropriate officials of the Issuer to execute and the Trustee shall authenticate and deliver to the holder of such Bond, without service charge, a new Bond or Bonds of the same series, of any authorized denomination or denominations as requested by such holder, having the same maturity and interest rate, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Section 5.08. Cancellation. All Bonds which have been redeemed shall be canceled and cremated or otherwise destroyed by the Trustee together with any unmatured coupons appertaining thereto and shall not be reissued and a counter part of the certificate of cremation or other destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Issuer and the Corporation, provided, however, that one or more new fully registered Bonds shall be issued for the unredeemed portion of any fully registered Bond without charge to the holder thereof.

Section 5.09. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds for cancellation upon request of the Corporation at such time, in such manner and at such price as may be specified by the Corporation. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds in excess of any amount set aside for payment of Bonds called for redemption, provided, that any limitations or restrictions on such redemption or purchase contained in the Agreement or this Indenture shall be complied with.

Section 5.10. Special Redemption. The Bonds are callable for redemption in whole or in part in the events described in Section 602 and Section 905 of the Agreement or in whole in the event the Corporation exercises its option to prepay the Basic Payments in full pursuant to Section 1502 of the Agreement, and the Trustee shall use moneys received by it pursuant to the provisions of Sections 602, 905 and 1502 of the Agreement to so redeem Bonds. The Bonds shall be subject to redemption through the application of such moneys, at any time (or if redeemed in part, on any interest payment date) at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Section 5.11. Optional Redemption of Series 1983 Bonds. The Series 1983 Bonds maturing on March 1, 1989, are subject to redemption at the option of the Issuer (which option the Issuer may exercise only upon the direction of the Corporation) as a whole on March 1, 1987, or any date thereafter, or in part on March 1, 1987, or on any interest payment date thereafter (less than all of such Bonds to be selected by lot in such manner as may be designated by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the date fixed for redemption.

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
March 1, 1987 to February 29, 1988	103
March 1, 1988 to February 26, 1989	102

The Series 1983 Bonds maturing on March 1, 2013 are subject to redemption at the option of the Issuer (which option the Issuer may exercise only upon the direction of the Corporation) as a whole on March 1, 1987, or any date thereafter, or in part on March 1, 1987, or on any interest payment date thereafter (less than all of such Bonds to be selected by lot in such manner as may be designated by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the date fixed for redemption.

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
March 1, 1987 to February 29, 1988	103
March 1, 1988 to February 28, 1989	102
March 1, 1989 to February 28, 1990	101
March 1, 1990 and thereafter	100

In the event the Issuer, at the direction of the Corporation, shall elect to redeem the Series 1983 Bonds pursuant to this Section, the Corporation shall, at least 15 days prior to the date upon which the notice of redemption provided for in Section 5.04 hereof is to be given, notify the Trustee in writing of such election, stating the aggregate principal amount of the Series 1983 Bonds to be redeemed, and certifying that the Corporation has committed to prepay Basic Payments sufficient to redeem the specified amount of Series 1983 Bonds.

Section 5.12. Mandatory Redemption. The Series 1983 Bonds maturing on March 1, 2013, are subject to mandatory redemption prior to maturity in part, by lot in such manner as may be designated by the Trustee, at the redemption price of 100% of the

principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in amounts and on the dates as follows:

<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>
1990	\$	2002	\$
1991		2003	
1992		2004	
1993		2005	
1994		2006	
1995		2007	
1996		2008	
1997		2009	
1998		2010	
1999		2011	
2000		2012	
2001		2013	

At its option, to be exercised on or before the 45th day next preceding any mandatory redemption date, the Corporation, on behalf of the Issuer, may (i) deliver to the Trustee for cancellation, Series 1983 Bonds maturing on March 1, 2013, or portions thereof (\$5,000 or any integral multiple thereof) in any aggregate principal amount desired with all unmatured coupons attached to any such coupon Series 1983 Bond so delivered, or (ii) receive a credit in respect of its mandatory redemption obligation for any Series 1983 Bonds maturing on March 1, 2013, or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been purchased or redeemed (otherwise than through mandatory redemption pursuant to this Section) and canceled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each such Series 1983 Bond or portion thereof so delivered or previously purchased or redeemed and canceled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory redemption date and any excess over such amount shall be credited on future mandatory redemption obligations in chronological order, and the principal amount of such Series 1983 Bonds so to be redeemed shall be accordingly reduced.

The Corporation will, on or before the 45th day next preceding each such mandatory redemption date, furnish the Trustee with its certificate indicating whether or not and to what extent the provisions of (i) and (ii) of this paragraph are to be availed of with respect to such mandatory redemption payment.

[End of Article V]

ARTICLE VI  
CREATION OF TRUST FUNDS;  
APPLICATION OF TRUST MONEYS; INVESTMENTS

Section 6.01. Creation of Funds. The following accounts and funds are hereby created, and the Trust Moneys deposited therein shall be held by the Trustee in trust for the purposes set forth in this Indenture:

- (a) Construction Fund;
- (b) Bond Fund, including therein a Principal Account and an Interest Account;
- (c) Debt Service Reserve Fund;
- (d) Bond Redemption Fund; and
- (e) Repair and Replacement Fund.

Section 6.02. Trust Moneys. All Trust Moneys shall be held by the Trustee as a part of the Trust Estate, and, upon the exercise by the Trustee of any remedy specified in this Indenture upon an event of default, such Trust Moneys shall be applied in accordance with Section 8.12 hereof, except to the extent that the Trustee is holding in trust moneys and/or Government Obligations for the payment of any specified series of Bonds which are no longer deemed to be outstanding under the provisions of this Indenture, which moneys and/or Government Obligations shall be applied only as provided in this Indenture. Prior to the exercise of any such remedy, all or any part of the Trust Moneys shall be held, invested, withdrawn, paid or applied by the Trustee, from time to time, as provided in Article VI and in Article XIII of this Indenture.

Section 6.03. Construction Fund.

(a) The Trustee shall credit to the Construction Fund the initial deposit as required by the provisions of Section 304(d) of this Indenture. All income, profits or revenues derived from the investment of amounts on deposit in the Construction Fund shall be credited to the Construction Fund. All moneys in the Construction Fund shall be held by the Trustee in trust and, subject to the provisions of this Section 6.03, shall be applied to the payment of the Cost of the Project, and, pending such application, shall be subject to a lien and charge in favor of the holders of the outstanding Bonds for the further security of the holders until paid out or transferred as herein provided, except that if there shall occur an event of default hereunder moneys in the Construction Fund shall be used to complete the Project unless the



Bonds shall have been accelerated pursuant to Article VIII hereof.

(b) Payment of the Cost of the Project shall be made from the Construction Fund. All disbursements from the Construction Fund for payment of the Cost of the Project constituting Issuance Expenses shall be made in accordance with, and subject to, the provisions set forth in Section 6.03(c) of this Indenture and all disbursements from the Construction Fund for payments of all other Cost of the Project shall be made in accordance with, and subject to the provisions and restrictions set forth in, Section 6.03(d) of this Indenture, and the Issuer and the Trustee covenant that they will not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

(c) The Trustee shall use moneys in the Construction Fund to pay Issuance Expenses. Before any payment shall be made from the Construction Fund for Issuance Expenses, there shall be filed with the Trustee a requisition signed by a Corporation Representative, stating:

(1) the name of the person, firm or corporation to whom the payment is due;

(2) the amount to be paid;

(3) the purpose for which the Issuance Expense was incurred; and

(4) that such person, firm or corporation has not previously been paid for such Issuance Expense.

(d) Except as otherwise provided in Section 6.03(e) of this Indenture, the Trustee shall use moneys in the Construction Fund solely to pay the Cost of the Project. Except as provided in Section 6.03(c) or Section 6.03(e) of this Indenture, before any payment shall be made from the Construction Fund, there shall be filed with the Trustee:

(1) A requisition in the form of a Written Request, signed by a Corporation Representative and by the Architect, stating:

(A) the name of the person, firm or corporation to whom the payment is due or if such payment is made as reimbursement to the Corporation the name of the person, firm or corporation who received the amount from the Corporation;

(B) the amount to be paid; and

(C) the purpose in reasonable detail for which the obligation to be paid was incurred.



(2) An Officers' Certificate of the Corporation attached to the requisition, signed by a Corporation Representative, stating that:

(A) the obligation stated on the requisition has been incurred in or about the acquiring, constructing, equipping or furnishing of the Project, each item is a proper charge against the Construction Fund and the obligation has not been the basis for a prior requisition which has been paid;

(B) no written notice of any lien or right to lien on the Project or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein has been received which would result in a breach of Section 706 of the Agreement, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition;

(C) such requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(D) that no default by the Corporation under the Agreement has occurred which has not been cured;

(E) that the amount remaining in the Construction Fund, plus reasonably expected investment income to be credited to the Construction Fund, plus other sums of cash which the Corporation reasonably expects to have available prior to the Completion Date, will, after payment of the amount requested in the requisition, be sufficient to pay the Cost of the Project to become due and payable thereafter;

(F) the obligation stated on the requisition was not incurred or paid prior to December 20, 1982; and

(G) the requisition contains no request for payment which will result in less than 90% of the "proceeds" of the Series 1983 Bonds (within the meaning of Section 103(b)(6) of the Code) spent as of the date of the certificate being used to provide for land or property subject to the allowance for depreciation under the Code.

(3) A written certificate of the Architect attached to the requisition, signed by a Person authorized by the Architect to sign on its behalf, making each of the statements specified in subdivision (A), (B) and (C) of subparagraph (2) above.

Prior to the disbursement of any moneys in the Construction Fund, the Trustee shall have received mechanics' and materialmen's

lien waivers for all work done or all material supplied through the last previous requisition of the Corporation delivered under this Section 6.03(d).

Upon receipt of each such requisition and accompanying Officer's Certificate and certificate of the Architect, the Trustee shall make payment from the Construction Fund in accordance with such requisition.

(e) When the Project shall have been completed and the Completion Date established as provided in Section 408 of the Agreement, the Trustee shall disburse any Trust Moneys then remaining in the Construction Fund in the manner and to the extent provided in Section 409 of the Agreement.

Section 6.04. Interest Account. The Trustee shall credit to the Interest Account the initial deposits to be made under the provisions of Section 3.04(a) hereof. There shall be deposited in the Interest Account as received the total amount of Basic Payments required to be made by the Corporation pursuant to Section 502(a) of the Agreement. The Trustee shall also deposit into the Interest Account any other amounts deposited with the Trustee for deposit in the Interest Account or specified pursuant to the terms hereof or of the Agreement to be deposited into the Interest Account.

On or before each interest payment date, the Trustee shall withdraw from the Interest Account an amount sufficient to pay the interest coming due on the Bonds on such interest payment date, and shall use such amounts to pay interest on the Bonds on such interest payment date; provided, however, that the accrued interest received upon the sale of the Series 1983 Bonds and deposited in the Interest Account in accordance with the provisions of Section 3.04(a) hereof will be used, along with such additional sums as will be necessary, to make the interest payment due and payable on September 1, 1983.

If on any interest payment date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on such interest payment date, the Trustee shall transfer any moneys then on deposit to the credit of the Principal Account to the Interest Account sufficient to pay the interest coming due on the Bonds on such interest payment date.

Prior to the Completion Date, all income, profits or revenues derived from the investment of amounts on deposit in the Interest Account shall be credited to the Construction Fund. After the Completion Date, all income, profits or revenues derived from the

investment of amounts on deposit in the Interest Account shall be credited to the Interest Account.

Immediately with respect to the Interest Account and after March 1, 1989 with respect to the Principal Account, (a) each Account in the Bond Fund must be depleted at least once a year except for a "reasonable carryover amount" (within the meaning of Reg. § 1.103-13(b)(12)(ii), (b) amounts contributed to each Account in the Bond Fund must be spent within a thirteen month period beginning on the date of deposit, and (c) any amount received from the investment of moneys held in each Account in the Bond Fund must be spent within a one-year period beginning on the date of receipt. The Trustee shall transfer amounts in the Interest Account to the Principal Account or transfer amounts in the Principal Account to the Interest Account or (if the actions just described are not sufficient) pay any such amounts to the Corporation in order to satisfy the requirements of the preceding sentence.

Section 6.05. Principal Account. There shall be deposited in the Principal Account as received, the total amount of Basic Payments required to be made by the Corporation pursuant to Sections 502(b) and 502(c) of the Agreement. The Trustee shall also deposit into the Principal Account any other amounts deposited with the Trustee for deposit in the Principal Account or specified pursuant to the terms hereof or of the Agreement to be deposited into the Principal Account.

Amounts on deposit from time to time to the credit of the Principal Account shall be used on any interest payment date to make up any deficiency in the Interest Account.

On or before each principal payment date, whether by reason of the stated maturity of Bonds or through the operation of Section 5.12 of this Indenture or a similar provision of a supplemental indenture, the Trustee shall withdraw from the Principal Account an amount sufficient to pay the principal coming due on the Bonds on such principal payment date, and shall use such amounts to pay principal on the Bonds on such date, whether by reason of the stated maturity of the Bonds or through the operation of Section 5.12 of this Indenture or a similar provision of a supplemental indenture.

If on any date for the payment of principal of the Bonds as described in the preceding paragraph there are not sufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on such date, the Trustee shall transfer any moneys then on deposit in the Bond Redemption Fund

and the Debt Service Reserve Fund, in such order of priority, in an amount equal to such deficiency to the Principal Account.

Prior to March 1, 1989, all income, profits or revenues derived from the investment of amounts on deposit in the Principal Account and any amount in the Principal Account in excess of \$1,800,000 shall be paid to the Corporation. Subsequent to March 1, 1989, all income, profits or revenues derived from the investment of amounts on deposit in the Principal Account shall be credited to the Principal Account.

Section 6.06. Debt Service Reserve Fund. The Trustee shall deposit in the the Debt Service Reserve Fund the initial deposit to be made under the provisions of Section 3.04(b) hereof. There shall also be deposited in the Debt Service Reserve Fund as received the total amount of Basic Payments required to be made by the Corporation pursuant to Section 502(d) of the Agreement. The Trustee shall also deposit into the Debt Service Reserve Fund any other amounts deposited with the Trustee for deposit in the Debt Service Reserve Fund or specified pursuant to the terms hereof or of the Agreement to be deposited into the Debt Service Reserve Fund.

Trust Moneys deposited in the Debt Service Reserve Fund shall be used and withdrawn by the Trustee for the purpose of paying as much of the last maturing principal of the Bonds as there is then on deposit in the Debt Service Reserve Fund, whether at the stated payment date or by redemption of Bonds; provided, however, that whenever and to the extent that moneys in the Interest Account, the Principal Account, or the Bond Redemption Fund, as the case may be, are insufficient for the purpose of paying principal of and interest on the Bonds, whether or not at the redemption date therefor, moneys on deposit in the Debt Service Reserve Fund shall be withdrawn by the Trustee and used for such purpose.

Subject to the next two succeeding sentences, if at any time the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, as evidenced by a certificate of an Accountant delivered to the Trustee, such excess shall (1) prior to the Completion Date, be transferred to the Construction Fund, and (2) subsequent to the Completion Date, be transferred to the Interest Account, such amount to constitute a credit against the amount the Corporation is required to deposit in such account for such Fiscal Year pursuant to the Agreement. When the amount on deposit in the Debt Service Reserve Fund is sufficient to pay principal of and interest on the Bonds through maturity thereof as evidenced by a certificate of an Accountant delivered to the Trustee, the balance, if any, shall constitute a credit against the next succeeding Basic Payments due under the

Agreement. Unless Trust Moneys on deposit in the Debt Service Reserve Fund are less than the Debt Service Reserve Requirement, all income, profits and revenues derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall (1) prior to the Completion Date, be deposited in the Construction Fund, (2) subsequent to the Completion Date and until March 1, 1989, be paid to the Corporation, (3) subsequent to March 1, 1989, be deposited in the Debt Service Reserve Fund until the amount on deposit in the Debt Service Reserve Fund equals \$\_\_\_\_\_, and (4) subsequent to the date specified in clause (3) of this paragraph, be deposited in the Interest Account as a credit against Basic Payments required to be made by the Corporation pursuant to Section 502(a) of the Agreement.

Notwithstanding any other provision of this Section 6.06 to the contrary, if at any time the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, all income, profits or revenues derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall be deposited in the Debt Service Reserve Fund until such time as there is on deposit in the Debt Service Reserve Fund an amount of Trust Moneys equal to the Debt Service Reserve Requirement.

Pursuant to the provisions of Article V of the Agreement, the Corporation may make payments to the Trustee for deposit into the Debt Service Reserve Fund.

At such times as the Trustee is required to determine whether the amount on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Requirement, the Trustee shall value any Permitted Investments in such accounts at the market value thereof plus accrued interest thereon as of the close of business on any business day within three business days of the date of such valuation.

Section 6.07. Bond Redemption Fund. There shall be deposited in the Bond Redemption Fund as received the Trust Moneys required to be deposited in the Bond Redemption Fund pursuant to Article IX and Article XV of the Agreement and Section 5.05 of this Indenture. Moneys on deposit in the Bond Redemption Fund shall be used by the Trustee to redeem Bonds in the manner provided in Article V of this Indenture.

All income, profits and revenues derived from the investment of amounts on deposit in the Bond Redemption Fund shall be credited to the Bond Redemption Fund.



Section 6.08. Repair and Replacement Fund. There shall be deposited in the Repair and Replacement Fund the Net Proceeds and other amounts required to be deposited in the Repair and Replacement Fund pursuant to Article IX of the Agreement. Such moneys on deposit in the Repair and Replacement Fund shall be disbursed by the Trustee to pay the cost of replacement, repair, reconstruction or restoration of the Facilities as provided in Article IX of the Agreement or transferred to the Bond Redemption Fund in accordance with Article IX of the Agreement and used to redeem Bonds pursuant to Article V of this Indenture. Any amounts remaining in the Repair and Replacement Fund after payment of all costs of replacement, repair, reconstruction or restoration relating to the condemnation, damage or destruction to which such amounts relate, and/or after the transfer of all amounts required to be transferred to the Bond Redemption Fund in accordance with Article IX of the Agreement, shall be transferred to the Interest Account. Moneys on deposit in the Repair and Replacement Fund to be disbursed by the Trustee to pay the cost of replacement, repair, reconstruction or restoration of the Facilities as provided in Article IX of the Agreement shall be disbursed by the Trustee in the manner and subject to the conditions set forth in Sections 6.03(d) of this Indenture as if such manner and conditions also applied to disbursements from the Repair and Replacement Fund pursuant to this Section 6.08.

All income, profits and revenues derived from the investment of amounts on deposit in the Repair and Replacement Fund shall be deposited in the Repair and Replacement Fund.

Section 6.09. Investments. Subject to the provisions of any law then in effect to the contrary and subject to the provisions of the next succeeding sentence, the Trustee shall invest to the extent reasonably possible all Trust Moneys on hand from time to time as directed by the Corporation in Permitted Investments. In the absence of such direction, the Trustee shall invest Trust Moneys in such Permitted Investments as it chooses in its discretion. Not less than twenty-five per centum (25%) of the Trust Moneys held for the credit of the Debt Service Reserve Fund shall be invested in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than two (2) years after the date of such investment, and the remaining seventy-five per centum (75%) of such Trust Moneys shall be invested in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the last maturity date of any outstanding Bonds. Notwithstanding any other provisions hereof, all Permitted Investments shall be made so as to mature or be subject to redemption at the option of the holder thereof on or prior to the



date or dates that the Corporation or the Trustee anticipates that moneys therefrom will be required. The Trustee may trade with itself or its affiliates in the purchase and sale of such Permitted Investments and the Trustee shall not be liable or responsible for any loss resulting from any such investment. Such Permitted Investments shall be registered in the name of the Trustee. The Trustee may invest in Permitted Investments through its own trust department and Trust Moneys may be deposited in time deposits or certificates of deposit issued by the Trustee or its affiliates.

The Trustee shall without further direction from the Issuer or the Corporation sell or present for redemption such Permitted Investments as and when required to make any payment for the purpose of which such investments are held. Each investment shall be credited to the fund for which it is held, subject to any other provision of this Indenture directing some other credit, but income, profits and revenues on such Permitted Investments shall be held or transferred, as received, in accordance with this Article VI. The Trustee shall sell or present for redemption any investment whenever it shall be necessary in order to provide money to meet any payment hereunder and the Trustee shall not be liable or responsible for any loss resulting from such sale.

Any loss actually realized on investments in any fund or account created hereunder shall be charged to the fund or account in which such investment was held. To the extent any loss actually realized on investments in any fund or account reduces the amount of Trust Moneys or the value of Permitted Investments in such fund or account below the amount of Trust Moneys or the value of Permitted Investments then required to be on hand in such fund or account pursuant to the Agreement or this Indenture, such loss is to be made up by the Corporation in the manner set forth in Section 1610 of the Agreement and any moneys paid to the Trustee by the Corporation for such purpose shall be deposited in the fund or account with respect to which, and to the extent that, such loss was incurred.

For the purpose of determining the amount on deposit to the credit of any fund or account established pursuant to this Indenture, other than the Debt Service Reserve Fund, obligations in which moneys in such fund or account shall have been invested shall be computed at the purchase price of such obligations, including any amount paid as accrued interest at the time of such purchase until the payment of such interest on the next interest payment date. Obligations in which moneys on deposit in the Debt Service Reserve Fund shall have been invested shall be valued by an Accountant at the market value thereof plus accrued interest thereon as of December 31 of each year (other than December 31,

2012). To the extent that such valuation reveals that the amount of Trust Moneys or the value of Permitted Investments in the Debt Service Reserve Fund does not equal the Debt Service Reserve Requirement, such deficit is to be made up by the Corporation in the manner set forth in Sections 502(d) and 1610 of the Agreement and any moneys paid to the Trustee by the Corporation for such purpose shall be deposited in the Debt Service Reserve Fund.

Section 6.10. Trust Moneys not Subject to Lien; Reports. All Trust Moneys shall be trust funds under the terms hereof and shall not be subject to lien or attachment of any creditor of the Issuer, the Trustee or the Corporation. Such Trust Moneys shall be held in trust and applied in accordance with the provisions of this Indenture.

The Trustee shall furnish to the Corporation on each monthly payment date a statement of the moneys in each fund or account, which the Corporation may consider in making any subsequent installment of Basic Payments under the Agreement. The Trustee shall furnish the Corporation monthly an accounting of all investments.

Section 6.11. Repayment to Corporation. Any amounts remaining in any fund or account established under this Indenture after payment in full of the principal of, premium, if any, and interest on the Bonds (or provision for payment thereof has been made as provided in this Indenture), the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder shall be promptly paid to the Corporation as a refund of excess Basic Payments upon the Written Request of the Corporation.

[End of Article VI]

ARTICLE VII  
COVENANTS OF THE ISSUER AND THE TRUSTEE

Section 7.01. Maintenance of Insurance and Use of Insurance Proceeds. The Issuer agrees to cause the Corporation to procure and maintain insurance of the type required to be procured and maintained by the Corporation under the Agreement. The proceeds of all insurance or condemnation awards shall be distributed or utilized in the manner and subject to the conditions set forth in the Agreement.

Section 7.02. Release of Property from Lien of Indenture and Mortgage. Reference is made to the provisions of the Mortgage, including without limitation Sections 4.2 and 4.3 thereof, whereby the Corporation may withdraw certain equipment from the Facilities and obtain a release of unimproved real property from the Land upon compliance with the terms and conditions of the Agreement and the Mortgage. Reference is also made to Sections 1001, 1004 and 1201(d) of the Agreement whereby the Corporation may transfer certain assets or grant a security interest in the Gross Receipts upon compliance with the terms of the Agreement. At the request of the Corporation, the Trustee shall release and confirm that any such equipment or real property is no longer subject to the Indenture or the Mortgage, upon compliance by the Corporation with the applicable provisions of the Mortgage, the Agreement and this Indenture, or will subordinate its security interest in the Gross Receipts to the security interest to be granted therein in accordance with Sections 1004 and 1201(d) of the Agreement upon compliance by the Corporation with the provisions of the Agreement and this Indenture.

Section 7.03. Appointment of Trustee as Paying Agent. The Issuer covenants that so long as any Bonds shall be outstanding it will cause an office or agency to be maintained in the United States where the Bonds and coupons, if any, may be presented for payment. The Issuer hereby designates the principal corporate trust office of the Trustee as the office and agency where the Bonds and coupons may be presented for payment in accordance with the terms of this Indenture.

Section 7.04. Payment of Bonds. The Issuer covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the provisions of this Indenture at the place, on the dates and in the manner provided herein and in said Bonds and in any coupons appertaining to said Bonds, according to the true intent and meaning thereof; and at least one business day before each date on which any principal of, premium, if any, or interest on any of the Bonds becomes payable, whether at stated maturity thereof, by call for redemption, by

declaration or otherwise, the Issuer will irrevocably deposit with the Trustee under the trusts hereof the entire amount necessary to pay all the principal, premium, if any, and interest payable on such date on all Bonds then outstanding; and that it will pay interest (to the extent enforceable under applicable law) on any overdue installments of principal, premium or interest at the respective rates borne by the Bonds; provided, however, that the performance of the obligations and any liability imposed by this Section shall be limited solely to the Trust Estate, including revenues and receipts derived from the Agreement, and the Issuer shall not be required to satisfy any obligation or liability under this Section except to the extent of the Trust Estate and such revenues and receipts.

Section 7.05. Effect of Extension of Time for Payment of Bonds or Coupons. Subject to Article VIII of this Indenture, so long as any of the Bonds shall remain outstanding and unpaid, the Issuer will not directly or indirectly extend or consent to the extending of the time for the payment of any interest coupon or claim for interest of or upon any Bond, and will not directly or indirectly be a party to any arrangement therefor, either by purchasing or refunding or in any manner keeping alive such interest coupon or claim for interest or otherwise; provided that in case the payment of any such interest coupon or claim for interest shall be so extended by or with or without the consent of the Issuer, then anything in this Indenture contained to the contrary notwithstanding, such interest coupon or claim for interest so extended shall not be entitled, in case of default hereunder, to any benefit of or from this Indenture, except after the prior payment in full of the principal of all Bonds issued hereunder and of such interest coupons and claims for interest as shall not have been so extended.

Section 7.06. Sufficiency of Basic Payments. The Issuer covenants that while any Bonds are outstanding hereunder, the Agreement will provide for Basic Payments by the Corporation which, if made, and, together with that portion of the proceeds from the sale of any series of Bonds that may be used for the payment of interest on such series of Bonds or to fund the Debt Service Reserve Fund, will be sufficient to make all payments which the Trustee is obligated to set aside in the various funds and the accounts established under Article VI of this Indenture.

Section 7.07. Records of Receipts and Disbursements. The Issuer hereby appoints the Trustee to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts and disbursements received or disbursed according to this Indenture, and such books shall be available for inspection by the

holder of any of the Bonds or by the Corporation at reasonable hours and under reasonable conditions.

Section 7.08. Monthly and Annual Statements of Transactions. Each month the Trustee shall prepare a statement for such month of all transactions relating to the operation of the Trust Estate and the application and allocation of the revenues thereof, and the Trustee shall furnish to each holder of any of the Bonds who may so request and to the Issuer and the Corporation a copy of such statement and, if requested in writing by the holders of not less than 40% of the outstanding Bonds, the Trustee shall also furnish to such holders, the Issuer and the Corporation a complete financial statement covering such transactions, certified as of the end of the last Fiscal Year by reputable certified public accountants. The Trustee shall at all times have access to the books and records of the Issuer and the Corporation insofar as such books and records relate to the Facilities. Also, the records of the Trustee pertaining to this Indenture shall be available to and open for inspection by any Bondholder at all times.

Section 7.09. Payment of Trustee's Fees and Charges. Subject to Section 9.06 hereof, all charges made by the Trustee for services rendered and for payment of principal of, premium, if any, and interest on the Bonds (not paid by the Corporation), will be paid from revenues of the Trust Estate and will not be required to be paid by the holders of the Bonds or coupons.

Section 7.10. Assignment of Basic Payments and Creation of Other Liens. The Issuer covenants and agrees that it will not assign, transfer or hypothecate (other than to the Trustee hereunder) any Basic Payments then due or to accrue in the future under the Agreement. The Issuer further covenants and agrees that it will not create or consent to the creation or existence of any lien upon the Trust Estate other than as permitted by this Indenture.

Section 7.11. Validity of Agreement. The Issuer covenants that the Agreement is at the date of the execution and delivery of this Indenture a valid and subsisting contract for the terms therein set forth; that the Agreement was lawfully made by the Issuer; that the covenants contained in the Agreement are valid and binding and that this Indenture is executed in conformity therewith; and that the Issuer has good right, full power and lawful authority to grant, bargain and assign, and to transfer in trust, convey and pledge the Trust Estate in the manner and form herein provided.

Section 7.12. Covenants of Issuer Concerning Enforcement of Agreement. The Issuer covenants that it will in all respects



promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Agreement to be kept, performed and complied with by it. The Issuer further covenants that it will not do or permit anything to be done, or omit or refrain from doing anything in any case where any such act done or permitted to be done, or any such omission of or refraining from action constitutes a ground for declaring a default under the Agreement.

Section 7.13. Curing of Defects in Title to Trust Estate. The Issuer further covenants and agrees to cooperate with the Trustee in such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Trust Estate or any part thereof, whether now existing or hereafter developing, and in all such suits, actions and other proceedings as may be appropriate for such purposes.

Section 7.14. Maintenance of Existence; Merger or Consolidation of Issuer. The Issuer covenants, insofar as it may legally do so, that it will maintain its existence and will not be or become a party to any merger or consolidation, unless it shall be the surviving entity or unless the surviving entity shall assume the obligations in writing of the Issuer hereunder and under the Mortgage and the Agreement.

Section 7.15. Execution of Additional Documents. The Issuer will, but only at the expense and upon the Written Request of the Corporation, and without expense to the Trustee or the holders of the Bonds, do, execute, acknowledge and deliver, or cause to be done, acknowledged and delivered all and every such further acts, conveyances, mortgages, assignments, transfers and assurances as the Trustee shall reasonably require, for the better assuring, conveying, assigning and confirming unto the Trustee all and singular the Trust Estate hereby conveyed or assigned or intended so to be, or which the Issuer may be or may hereafter become bound to convey or assign to the Trustee, or for carrying out the intention or facilitating the performance of the terms of this Indenture, the Agreement or the Mortgage.

Section 7.16. Filing and Recordation. To the extent the Corporation shall fail to do so pursuant to Section 8.3 of the Mortgage, the Trustee, forthwith upon the execution and delivery of this Indenture and thereafter from time to time, will cause this Indenture, and each supplement hereto, and all financing statements, continuation statements and other instruments required by applicable law necessary in connection therewith to be filed, registered and recorded and re-filed, re-registered and re-recorded as a lien upon the Trust Estate, in such manner and in such places as may be required by any present or future law in



order to publish notice of and fully protect the lien hereof, and the interest of the Trustee in, the Trust Estate and in order to entitle the Bonds then outstanding to the intended benefits and security of this Indenture, and will cause the Mortgage and any supplement thereto to be filed, registered or recorded and re-filed, re-registered or re-recorded in such manner and in such places as may be required by law in order to publish notice and fully protect the validity thereof, and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all further instruments which may be necessary for such publication, protection and entitlement. The Trustee will cause the Corporation to pay all filing, registration and recording taxes and fees incident to such filing, re-filing, registration, re-registration, recording and re-recording and all expenses incidental to the preparation, execution and acknowledgment of this Indenture, the Agreement, the Mortgage, any instrument of further assurance and any supplements to any of said instruments and all federal or stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Indenture, the Agreement, the Mortgage, the Bonds, any instrument of further assurance and any supplements to any of said instruments.

Section 7.17. Opinions as to Filings and Recordations.

Promptly after any filing, registration or recording or any re-filing, re-registration or re-recording of this Indenture or the Mortgage or any filing, registration, recording, re-refiling, re-registration or re-recording of any supplement to any of said instruments, any financing statement or instruments of similar character relating to any of said instruments or any instrument of further assurance which is required pursuant to Section 7.15, the Trustee will obtain an Opinion of Counsel to the effect that such filing, registration, recording, re-refiling, re-registration or re-recording has been duly accomplished and setting forth the particulars thereof.

Section 7.18. Limitation of Obligations of Issuer.

Anything in this Indenture to the contrary notwithstanding, the performance by the Issuer of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder shall be solely at the Corporation's expense, and the liability of the Issuer for all warranties and other covenants hereunder, shall be limited solely to the Trust Estate, including revenues and receipts derived from the Agreement, and the Issuer shall not be required to effectuate any of its duties, obligations, powers or covenants hereunder except to the extent of the Trust Estate.

Section 7.19. Tax-Exempt Nature of Interest on Bonds. The Issuer and the Trustee each covenant and agree for the benefit of the holders of the Bonds that neither will take any affirmative action or consent to the taking of any action by any person in such manner as would result in loss of tax exemption of interest on the Bonds under Section 103(a) of the Code, nor will either use any of the proceeds received from the sale of the Bonds or any moneys deemed to be proceeds of the Bonds, directly or indirectly, in any manner which would result in such Bonds being classified as "arbitrage bonds" within the meaning of Section 103(c)(2) of the Code.

Section 7.20. Payment and Performance Bond. Prior to commencement of construction of the Project, the Issuer will cause the Corporation to obtain performance and payment bonds in the full amount of the Construction Contract for the Project entered into by the Corporation.

[End of Article VII]

ARTICLE VIII  
EVENTS OF DEFAULT; REMEDIES

Section 8.01. Events of Default. The term "event of default," wherever used herein, means any one of the following events (whatever the reason for such event of default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Default in the payment of any interest upon any Bond when it becomes due and payable; or

(b) Default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at the stated maturity thereof or upon proceedings for redemption or otherwise); or

(c) Default in the performance, or breach, of any covenant or warranty or representation of the Issuer contained in this Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere in this Section 8.01 specifically dealt with), and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Issuer and the Corporation by the Trustee or to the Issuer, the Corporation and the Trustee by the holder or holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, however, that if such default be such that it cannot be remedied within a period of 30 days, and the Issuer or the Corporation is diligently attempting to remedy the same, then such period shall be increased to such extent as shall be necessary to enable the Issuer to remedy the same, but, in no event shall the period for remedying such default exceed 90 days after the giving of the notice required by this section; provided further that if, with respect to such default the Corporation shall not be deemed in default under Section 1413 of the Agreement or Section 9.1 of the Mortgage, no event of default shall be deemed to exist under this paragraph (c); or

(d) The occurrence of an "event of default" as defined in Section 1401 of the Agreement; or

(e) The occurrence of an "event of default" as defined in Section 9.1 of the Mortgage; or

(f) The occurrence of a default or an event of default under any document or instrument securing Parity Indebtedness.

Section 8.02. Acceleration of Maturity. If an event of default occurs and is continuing, then and in every such case the Trustee may, and upon the written request by registered or certified mail to the Trustee by the holder or holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by a notice in writing to the Issuer and the Corporation and upon such declaration such principal shall become immediately due and payable; provided, however, that no Bonds shall be accelerated under this Section 8.02 unless and until the Trustee shall have exercised the remedy specified in subsection (a) of Section 1402 of the Agreement.

At any time after such a declaration of acceleration has been made, but before the Trustee has exercised any other remedy specified in the Agreement or the Mortgage, the Trustee, by written notice to the Issuer and the Corporation, shall rescind and annul such declaration and its consequences if:

(a) there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

(1) all overdue installments of interest on all Bonds,

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds,

(3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate borne by the Bonds, and

(4) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and the Issuer, their agents and counsel up to the date of the written notice; and

(b) all events of default, other than the nonpayment of the principal of Bonds which have become due solely by such acceleration, have been cured, or, as to an event of default described in Section 8.01(d) or (e) hereof, waived as provided in this Article VIII. No such rescission and amendment shall affect any subsequent default or impair any right consequent thereon.

Section 8.03. Additional Remedies. The Trustee, in case of the occurrence of an event of default specified in Section 8.01 hereof, may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction, shall (a) exercise any or all rights of the Issuer under the Agreement or the Mortgage; (b) proceed to protect and enforce its rights and the rights of the holders of the Bonds under this Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained herein or therein or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee may deem most effectual to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or this Indenture; (c) to the extent permitted by law, sell the Facilities, or any part or parts thereof, to pay the indebtedness secured hereby and by the Mortgage; and (d) exercise any remedies available to a secured party under the Uniform Commercial Code as in effect at such time in the State.

Upon the occurrence of an event of default the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Facilities, together with the books, papers and accounts of the Corporation pertaining thereto, excepting those required to be retained by the Corporation under applicable law, of which true copies will be furnished upon payment of duplicating expenses, and including the rights and the position of the Corporation under the Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Facilities or any part thereof in the name and for account of the Corporation and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 8.12 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to



the Corporation; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the Issuer, the Corporation, and to the holders of all coupon Bonds then registered as to principal (except to bearer) and to the owners of all fully registered Bonds at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

Section 8.04. Sale of Facilities. If the Trustee shall elect to sell the Facilities or proceeds to sell the Facilities pursuant to the request of the Bondholders, the Trustee, by such officer, attorney or agent as it may appoint, shall sell the Facilities upon the terms and conditions set forth in Article IX of the Mortgage.

Section 8.05. Sale Matures All Bonds. Upon any sale of the Facilities under any of the provisions of this Article or the Mortgage, all Bonds then outstanding, if not previously due, shall forthwith be and become due and payable.

Section 8.06. Bondholders or Trustee May Purchase; Purchaser May Apply Bonds Toward Purchase Price. At any sale or lease of the property secured by the Mortgage or this Indenture, or any part thereof, any Bondholder or Bondholders or the Trustee may bid for and lease or purchase, as the case may be, the property offered for such lease or sale, may make payment on account thereof as herein provided, and, upon compliance with the terms of such lease or sale, may hold, retain and dispose of such property without further accountability therefor. In case of any lease or sale of the property secured by the Mortgage or this Indenture, or any part thereof, any lessee or purchaser shall be entitled, for the purpose of making payment for the property leased or purchased, to use any Bonds then outstanding and any matured and unpaid coupons and claims for interest, in order that there may be credited thereon the sums payable out of the net proceeds of such lease or sale to the holder of such Bonds and coupons and claims for interest as his ratable share of such net proceeds; and thereupon such lessee or purchaser shall be credited on account of such lease or purchase price with the portion of such net proceeds that shall be applicable to the payment of, and shall have been credited upon, the Bonds and coupons and claims for interest so used.

Section 8.07. Appointment of Receiver. Upon the occurrence of an event of default and commencement of judicial proceedings by the Trustee to enforce any right under this Indenture, the Agreement or the Mortgage, without notice or demand and without



regard to the adequacy of the security for the Bonds or the solvency of the Corporation, the Trustee shall have the right to the appointment of a receiver of the Facilities, the Gross Receipts or of any other property securing the Mortgage, the Agreement or this Indenture and of the profits, revenues and other income of the Facilities, the Gross Receipts or any such other property, but, notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of, and to collect and receive the income from the Trust Estate held by, or required to be deposited or pledged with, the Trustee hereunder and to retain control of, and to collect and receive the income from, all property securing the Mortgage or this Indenture.

Section 8.08. Trustee May File Proofs of Claims. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer or the Corporation or any other obligor upon the Bonds or the property of the Issuer or the Corporation or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Issuer and/or the Corporation for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Bonds then outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

The Trustee is hereby appointed, and the successive respective holders of the Bonds, by taking and holding the same shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective holders of the Bonds, with authority to make or file, in the respective names of the holders of the Bonds or in behalf of all holders of the Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents and to execute any other papers and documents and to do and perform any and all acts and things for and in behalf of all holders of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the holders of the Bonds against the Issuer or the Corporation allowed in a receivership, insolvency, liquidation, bankruptcy or other proceedings, to which the Issuer or the Corporation, as the case may be, shall be a party as mortgagor and mortgagee of the Facilities or otherwise. The Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 8.09. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under this Indenture, the Bonds, the coupons or the Agreement or the Mortgage may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as trustee of an express trust, and any recovery of judgment shall, after provision for payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of holders of the Bonds and coupons in respect of which such judgment has been recovered.

Section 8.10. Waiver of Rights Upon Foreclosure of Indenture. Upon the occurrence of an event of default, to the extent that such right may then lawfully be waived, neither the Corporation, nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of the Agreement, the Mortgage and the Indenture or the foreclosure of the Agreement, the Mortgage and the Indenture, and the Corporation, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all rights of appraisalment and redemption to which it may be entitled under the laws of the State.

Section 8.11. Notice of Defaults; Opportunity of the Issuer and the Corporation to Cure Defaults. Anything herein to the contrary notwithstanding, no default (other than a default under

Section 8.01(a) or Section 8.01(b) hereof, to which this Section 8.11 shall not be applicable) shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five (25%) percent of the aggregate principal amount of Bonds then outstanding to the Corporation and the Issuer, and the Corporation and the Issuer shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted by the Corporation or demanded by the Issuer, as the case may be, within the applicable period and diligently pursued until the default is corrected (provided, however, that such default is corrected within 90 days of the giving of the notice required by this Section 8.11) or Section 1413 of the Agreement or Section 9.1 of the Mortgage provides that no event of default shall be deemed to exist.

With regard to any alleged default concerning which notice is given to the Corporation under the provisions of this Section 8.11, the Issuer hereby grants the Corporation full authority for account of the Issuer to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Section 8.12. Application of Trust Moneys. Trust Moneys, including proceeds or avails of any sale or other disposition of the Trust Estate or the Facilities or any part thereof pursuant to this Article VIII shall be paid to and applied by the Trustee as follows:

(a) To the payment of costs and expenses of suit, if any, and the reasonable compensation of the Trustee, its agents, attorneys and counsel, and of all proper expense, liabilities and advances incurred or made hereunder by the Trustee or by any holder or holders of the Bonds, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior liens subject to which said sale may have been made.

(b)(1) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all remaining moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due and payable in the order in which such installments become due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due and payable (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on the principal amount of the Bonds at the respective rates specified therein from the respective dates upon which the Bond became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds due and payable on any particular date, together with interest, then to the payment first of the interest, ratably, accordingly to the amount of the interest due on that date, and then to the payment of the principal, ratably, according to the amount of the principal due on that date, to the persons entitled thereto without any discrimination.

THIRD: to the payment of the remaining interest on and principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provision of Article V of this Indenture.

(2) If the principal of all the Bonds shall have become or shall have been declared due and payable, all the moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preferences except as to any difference in the respective rates of interest specified in the Bonds.

(3) To the payment of the surplus, if any, to the Corporation, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

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

Section 8.13. Limitation on Suits. No holder of any Bond or coupon shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, the Agreement or the Mortgage, or for the appointment of a receiver or trustee, or for any remedy hereunder or thereunder, unless:

(a) such holder shall previously have given written notice to the Trustee of a continuing event of default;

(b) the holder or holders of not less than 25% in principal amount of Bonds then outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder;

(c) such holder or holders shall have offered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such written request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holder or holders of a majority in principal amount of Bonds then outstanding,

it being understood and intended that no one or more holders of Bonds and coupons shall have any right, in any manner whatever, by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other holders of Bonds or coupons or to obtain or seek to obtain priority or



preferences over any other holders of Bonds or coupons or to enforce any right under this Indenture, the Agreement or the Mortgage, except in the manner herein provided and for the equal and ratable benefit of all the holders of Bonds then outstanding and coupons appurtenant thereto.

Section 8.14. Control by Bondholders. The holders of a majority in principal amount of the Bonds at the time outstanding shall have the right, during the continuance of an event of default,

(a) to require the Trustee to proceed to enforce this Indenture, the Agreement or the Mortgage, either by judicial proceedings for the enforcement of the payment of the Bonds or the enforcement of any other remedy; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, or under the Agreement or the Mortgage; provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the holders not taking part in such direction, and

(3) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 8.15. Restoration of Positions. If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under this Indenture, the Agreement or the Mortgage, by foreclosure sale, entry or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Bondholder, then and in every such case the Issuer, the Corporation, the Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

Section 8.16. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other right or remedy, but every such right or remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or under the Agreement, or now or



hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or under the Agreement or the Mortgage or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 8.17. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any holder of any Bond or coupon to exercise any right or remedy accruing upon any event of default shall impair any such right or remedy or constitute a waiver of any such default or any acquiescence therein. Every right and remedy given by this Article VIII, or under the Agreement or the Mortgage or by law to the Trustee or to the Bondholders, may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

Section 8.18. Waiver of Defaults Under Agreement and Mortgage. An event of default under Sections 8.01(d) and (e) hereof shall be automatically waived, rescinded and annulled if the corresponding "event of default" under the Agreement or the Mortgage, as the case may be, shall be waived, rescinded and annulled pursuant to, and in accordance with the provisions of, Article XIV of the Agreement or Article IX of the Mortgage, as the case may be.

Section 8.19. Suits to Protect the Trust Estate and Other Property. The Trustee shall have power to institute and to maintain (i) such proceedings as it may deem expedient to prevent any impairment of the Trust Estate or the property conveyed by the Mortgage by any acts which may be unlawful or in violation of this Indenture, the Agreement or the Mortgage, and (ii) such suits and proceedings as the Trustee may deem expedient to protect its interest and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the security hereunder or thereunder or be prejudicial to the interest of the Bondholders or the Trustee.

Section 8.20. Rights Under the Agreement and the Mortgage. The Issuer, in the Granting Clauses, has assigned and pledged its rights in the Agreement and the Mortgage (except for certain rights of the Issuer to indemnification and to payment of expenses and attorney's fees) to the Trustee, and the Trustee in its name or in the name of the Issuer may enforce all rights and remedies

of the Issuer under and pursuant to the Agreement and the Mortgage.

Section 8.21. Notice to Bondholders of Events of Default. The Trustee shall give to the Bondholders notice of each event of default hereunder known to the Trustee within 90 days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, premium, if any, or interest on any of the Bonds, or in the payment of Basic Payments by the Corporation, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose.

Section 8.22. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article VIII may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law in the premises, and all the provisions of this Article VIII are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid or unenforceable under the provisions of any applicable law.

[End of Article VIII]

ARTICLE IX  
CONCERNING THE TRUSTEE

Section 9.01. Acceptance of Trusts and Obligations. The Trustee hereby accepts the trusts and obligations imposed upon it by this Indenture, the Agreement and the Mortgage and agrees to perform such trusts and obligations, but only upon and subject to the express terms and conditions of this Indenture and no implied covenants or obligations shall be read into this Indenture, the Agreement or the Mortgage against the Trustee.

The Trustee shall, prior to an event of default as defined in Section 8.01, and after the curing of all such events of default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall, during the existence of any such event of default known to the Trustee (which has not been cured), exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that,

(a) prior to such an event of default hereunder and after the curing all such events of default which may have occurred:

(1) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance or non-performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee and believed by it to be genuine and executed by the person or persons authorized to furnish the same; and

(b) at all times, regardless of whether or not any such event of default shall exist:

(1) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers

of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(2) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority (or such lesser or greater percentage as is specifically required or permitted by this Indenture) in aggregate principal amount of all Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

Section 9.02. Limitations on Obligations and Responsibilities of Trustee. Except as otherwise provided in Section 9.01,

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

(b) any notice, request, direction, election, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Issuer by any officer of the Issuer whose signature appears on a signature certificate to be furnished the Trustee upon the issuance of the Series 1983 Bonds, as the same may be amended from time to time in a manner reasonably satisfactory to the Trustee, and any resolution of the membership of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) in the administration of the trusts of this Indenture, the Trustee may execute any of the trusts or powers hereof directly or through its agents or attorneys and the Trustee may consult with counsel (who may but need not necessarily be counsel for the Issuer or the Corporation) and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) whenever in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect

thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate of the Issuer or the Corporation; and such Officers' Certificate of the Issuer or the Corporation shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such further or additional evidence as it may deem reasonable;

(e) the recitals herein (except those specifically relating to the Trustee's performance of its duties hereunder) and in the Bonds (except the Trustee's certificate or authentication thereon) shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Trustee. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the security afforded thereby or hereby, or as to the validity of this Indenture or of the Bonds or coupons issued hereunder, and the Trustee shall incur no liability or responsibility in respect of any of such matters;

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

(g) the Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements contained herein or contained in the Agreement or the Mortgage, or in any contracts or securities assigned or conveyed to or mortgaged with the Trustee and hereunder covenanted to be performed or observed by the Issuer or any party to the Agreement or the Mortgage, or to such contracts or securities; nor shall the Trustee have any obligation, duty or liability under any of such agreements except as specifically provided in this Indenture. The Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any default or event of default thereunder or specified in Sections 8.01(c) through (f) hereunder unless the Trustee shall receive from the Issuer or the



holder of any Bond written notice stating that a default or event of default hereunder or thereunder has occurred and specifying the same, and in the absence of such notice the Trustee may conclusively assume that there is no such default or event of default. Every provision contained in this Indenture or in the Agreement or the Mortgage, or any such contract or security agreement wherein it is provided that the duty of the Trustee to take action or omit to take action or to permit the Issuer or any party to any such agreement to do any act or thing depends on the occurrence or nonoccurrence of such default hereunder or thereunder shall be subject to the provisions of this subparagraph (g);

(h) no duty with respect to effecting or maintaining insurance shall rest upon the Trustee and the Trustee shall not be responsible for any loss by reason of want or insufficiency of insurance or by reason of the failure of any insurer in which the insurance is carried to pay the full amount of any loss against which it may have insured the Issuer or any other person;

(i) the Trustee shall be under no obligation to see to the payment or discharge of any liens upon the Trust Estate or the Facilities;

(j) the Trustee shall be under no duty to confirm or verify any financial or other statements or reports or certificates furnished pursuant to any provisions hereof, and shall be under no other duty in respect of the same except to retain the same in its files and permit the inspection of the same at reasonable times by the holder of any Bond;

(k) the Trustee shall not be under any obligation to give any consent, enter into any agreement, release any property or to take any other action which is discretionary with the Trustee under the provisions hereof except on Written Request of the holders of not less than any applicable specified percentage provided for in this Indenture or if no percentage is specified then 66-2/3 percent in principal amount of the Bonds outstanding hereunder;

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

(m) the Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed by it in accordance with the provisions of this Indenture.



Section 9.03. Representations by, and Accountability of, Trustee. The Trustee makes no representations as to the validity or sufficiency of this Indenture, the Agreement, the Mortgage, or of the Bonds or coupons. The Trustee shall not be accountable for the use or application by the Issuer of any of the proceeds of the Bonds except to the extent such proceeds are deposited with the Trustee.

Section 9.04. Trustee May Deal in Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and coupons and otherwise deal with the Issuer in the manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 9.05. Funds Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon and except as expressly provided in this Indenture.

Section 9.06. Compensation and Indemnification of Trustee. The Issuer covenants and agrees to cause the Corporation to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Issuer will cause the Corporation to pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ), except any such expense, disbursement or advance as may arise from its negligence or bad faith. If any property, other than cash, shall at any time be held by the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The obligations of the Issuer under this Section 9.06 to cause the Corporation to

compensate the Trustee for services and to pay or reimburse the Trustee for expenses, disbursements, liabilities and advances shall constitute additional special indebtedness hereunder. Such additional special indebtedness shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such; provided, however, that the performance of the obligations and any liability imposed by this Section 9.06 shall be limited solely to the Trust Estate, including revenues and receipts derived from the Agreement, and the Issuer shall not be required to effectuate any obligation or liability under this Section 9.06 except to the extent of the Trust Estate and such revenues and receipts.

Section 9.07. Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a corporation organized and doing business under the laws of the United States or any state authorized under such laws to exercise corporate trust powers, having its principal office and place of business in any state, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 9.07 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.07, the Trustee shall resign immediately in the manner and with the effect specified in Section 9.08. In the event a co-trustee is appointed pursuant to the provisions of Section 9.11 hereof it shall only be necessary for either the Trustee or the co-trustee but not both to meet the requirements of this Section 9.07.

Section 9.08. Resignation of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving written notice to the Issuer and by giving to the Bondholders notice by publication of such resignation. Such notice shall be published at least once in an Authorized Newspaper. Upon receiving such notice of resignation, the Issuer, with the prior written approval of the Corporation, shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the publication of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Bondholder who has been

a bona fide holder of a Bond or Bonds for at least six months may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee who shall also succeed the Trustee as assignee of the Issuer under this Indenture.

(b) In case at any time any of the following shall occur:

(1) The Trustee shall cease to be eligible in accordance with the provisions of Section 9.07 and shall fail to resign after written request therefor by the Issuer or by any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months; or

(2) The Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then in any such case, the Issuer with the prior written approval of the Corporation may remove the Trustee and appoint a successor trustee who shall also succeed the Trustee as assignee of the Issuer under this Indenture by an instrument in writing, or any such Bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribed, remove the Trustee and appoint a successor trustee who shall also succeed the Trustee as assignee of the Issuer under this Indenture.

(c) The holders of a majority in aggregate principal amount of all the Bonds at the time outstanding may at any time remove the Trustee and appoint a successor trustee who shall also succeed the Trustee as assignee of the Issuer under this Indenture by an instrument or concurrent instruments in writing signed by such Bondholders.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 9.08 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 9.09.

Section 9.09. Successor Trustee. Any successor trustee appointed as provided in Section 9.08 shall execute, acknowledge and deliver to the Issuer and to the predecessor trustee an

instrument accepting such appointment hereunder, including acceptance as assignee of the Issuer under this Indenture, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as trustee herein; but, nevertheless, on the Written Request of the Issuer or the request of the successor trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in such successor trustee all such rights, powers and duties. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by Section 9.06.

No successor trustee shall accept appointment as provided in this Section 9.09 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 9.07.

Upon acceptance of appointment by a successor trustee as provided in this Section 9.09, the Corporation shall cause to be published in the name of the Issuer notice of the succession of such trustee to the trust hereunder and to the position of mortgagee under this Indenture. Such notice shall be published at least once in an Authorized Newspaper. If the Corporation fails to publish such notice within 10 days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be published at the expense of the Corporation.

Section 9.10. Merger or Consolidation of Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to the business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor trustee shall be eligible under the provisions of Section 9.07.

Section 9.11. Appointment and Duties of Co-Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate or the Facilities may at the time be located, the Issuer and the Trustee shall have power to appoint, and, upon the request of the Trustee or of the holders of at least 25 percent in aggregate principal amount of the Bonds at the time outstanding, the Issuer shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint one or more persons approved by the Trustee either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the Trust Estate or the Facilities, or to act as separate trustee or separate trustees of all or any part of the Trust Estate or the Facilities, and to vest in such person or persons, in such capacity, such title to the Trust Estate or the Facilities or any part thereof, and such rights, powers, duties, trusts or obligations as the Issuer and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section 9.11.

If the Issuer shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an event of default shall have occurred and be continuing, the Trustee alone shall have the power to make such appointment.

The Issuer shall execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) The Bonds shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of moneys, papers, securities and other personal property shall be exercised, solely by the Trustee.

(b) All rights, power, trust, duties and obligations conferred or imposed upon the trustee shall be performed by the Trustee, or by the Trustee and such co-trustee or co-trustees, or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be



incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee to the extent permitted by law may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Trustee at any time, by an instrument in writing, with the concurrence of the Issuer evidenced by a Certified Resolution, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section 9.11, and in case an event of default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer. Upon the request of the Trustee, the Issuer shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 9.11.

(f) Subject to Section 9.01 hereof, no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Bondholders and delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

(i) The Issuer agrees to indemnify and hold harmless any co-trustee or separate trustee appointed hereunder against any loss, liability or expense incurred by it arising out of or in connection with its acting as co-trustee or as a separate trustee, which loss, liability or expense does not result from the



co-trustee's or separate trustee's own negligent action, negligent failure to act or willful misconduct.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such title to the Trust Estate or the Facilities or any part thereof and with such rights, powers, duties, trusts or obligations as shall be specified in the instrument of appointment, jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the Trust Estate and any interest in the Facilities, and all rights, powers, trust, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

[End of Article IX]

ARTICLE X  
EVIDENCE OF RIGHTS OF BONDHOLDERS

Section 10.01. Instruments Executed by Bondholders. Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of such execution, the authority of any such agent or of the holding by any person of Bonds transferable by delivery shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Article.

Section 10.02. Contents of Instruments Executed by Bondholders. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate stating the capacity in which the person signing is acting shall also constitute sufficient proof of his authority.

Section 10.03. Certificates with Respect to Ownership of Bonds. The amount of Bonds transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Bondholder, the serial numbers of the Bonds held by such person, and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker or member of a national securities exchange, showing that at the date therein mentioned such person had on deposit with such depository or exhibited to it the Bonds therein described; or such facts may be proved by the certificate or affidavit of the person executing such request, consent or other instrument or writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. Such proof of ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and serial numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

The ownership of Bonds registered as to principal shall be proved by the register of such Bonds.

Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, in respect to anything done or suffered to be done by the Trustee or the Issuer in pursuance of such request, consent or vote.

Section 10.04. Bonds Owned by Issuer or Corporation. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, the Agreement or the Guaranty, Bonds which are owned by the Issuer, by the Corporation or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by or under common control with the Issuer, the Corporation or any other obligor on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purpose of this Section 10.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the Issuer, the Corporation or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken in good faith upon the advice of counsel shall be full protection to the Trustee.

[End of Article X]

ARTICLE XI  
SUPPLEMENTAL INDENTURES

Section 11.01. Supplemental Indentures Not Requiring Consent of Bondholders. The Issuer and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Issuer, in this Indenture contained, such other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved or conferred upon the Issuer;

(b) to make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Issuer may deem necessary or desirable and not inconsistent with this Indenture and which shall not adversely affect the interests of the holders of the Bonds;

(c) to subject, describe or redescribe any property subject or to be subjected to the lien of this Indenture;

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

(e) to provide for Additional Bonds in accordance with Article IV of this Indenture;

(f) to provide for Parity Indebtedness in accordance with Section 1202 of the Agreement; and

(g) to provide for the exchange of Bonds of one series for Bonds of another series, or the exchange of Bonds of one denomination or kind for Bonds of another denomination or kind, of the same series; and

(h) to modify or eliminate any of the terms of this Indenture; provided, however, that

(1) any such modifications or eliminations shall be expressly provided in such supplemental indenture to become effective only when there are no Bonds outstanding of any series created prior to the execution of such supplemental indenture; and

(2) the Trustee may, in its discretion, decline to enter into any such supplemental indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective.

Any supplemental indenture authorized by the provisions of this Section 11.01 may be executed by the Issuer and the Trustee without the consent of the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of Section 11.02, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture.

Section 11.02. Supplemental Indentures Requiring Consent of Bondholders. With the consent (evidenced as provided in Article X) of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall, without the consent of the holders of each Bond affected thereby, (1) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or (2) reduce the aforesaid percentage of holders of Bonds required to approve any such supplemental indenture, or (3) modify any of the provisions of this Section 11.02 or Section 12.02 hereof, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the holder of each Bond affected thereby or (4) permit the creation of any lien on the properties assigned, mortgaged and conveyed hereunder prior to or on a parity with the lien of this Indenture, other than as permitted by this Indenture or the Agreement, or deprive the holders of the Bonds of the lien created by this Indenture upon said properties.

For all purposes of this Section 11.02, Bonds shall be deemed to be "affected" by a supplemental indenture, if such supplemental indenture adversely affects or diminishes the rights of holders

thereof against the Issuer or the Trust Estate. The Trustee may in its discretion determine whether any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

If at any time the Issuer or the Corporation shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published in the name of the Issuer twice in an Authorized Newspaper and to be sent to each registered owner of Bonds then outstanding by registered or certified mail to the address of such Bondholder as it appears on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings pursuant hereto. If all of the Bonds then outstanding be registered as to principal (except to bearer), notice of the proposed execution of such supplemental indenture shall be by mailing in the manner specified above and notice by publication need not be given. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or for any other reason, it is impossible or impractical to publish such notice in the manner herein provided, then such reasonable publication in lieu thereof as shall be made by the Trustee shall constitute a sufficient publication of notice. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by any Bondholder. If, within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the holders of a majority in aggregate principal amount of Bonds then outstanding shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

It shall not be necessary for the consent of the Bondholders under this Section 11.02 to approve the particular form of any



proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.03. Execution of Supplemental Indentures. Upon receipt by the Trustee of a Certified Resolution of the Corporation (subject to Section 11.08 hereof) and a Certified Resolution of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Issuer in the execution of such supplemental indenture. The Trustee may, but shall not be obligated to enter into, any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 11.04. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions of this Article XI, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all holder of Bonds outstanding thereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 11.05. Reliance Upon Opinion of Counsel. Subject to the provisions of Section 9.01 of this Indenture, the Trustee in executing or accepting the additional trusts permitted by this Article XI or the modifications thereby of the trusts created by this Indenture may rely on an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article XI complies with the requirements of this Article XI.

Section 11.06. Bonds Issued after Supplemental Indentures. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XI may bear a notation, in form approved by the Trustee, as to any matter provided for in such supplemental indenture and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds with all unmatured coupons, in equal aggregate principal amounts.

Section 11.07. Supplement by Unanimous Consent. Notwithstanding any other provision of this Indenture to the contrary, the Issuer and the Trustee may consent to any supplement to this Indenture upon receipt of the consent of the holders of all Bonds then outstanding.

Section 11.08. Consent of Corporation. So long as there is not a continuing event of default under the Agreement or the Mortgage, any supplemental indenture that adversely affects the rights of the Corporation under the Agreement or the Mortgage shall not become effective unless and until delivery to the Trustee of the consent of the Corporation to such supplemental indenture.

[End of Article XI]

ARTICLE XII  
AMENDMENTS TO AGREEMENT AND MORTGAGE

Section 12.01. Amendments to Agreement or Mortgage Not Requiring Consent of Bondholders. The Issuer and the Trustee, at any time and from time to time, shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Agreement or the Mortgage as may be required:

(a) by the provisions of the Agreement, the Mortgage or this Indenture; or

(b) to correct or amplify the description of any property at any time subject to the Agreement or the Mortgage or better to assure, convey and confirm unto the Trustee any property subject or required to be subject to the Agreement or the Mortgage, or to subject to the Agreement or the Mortgage additional revenues, property or other collateral; or

(c) to add to the conditions, limitations and restrictions of the Corporation in the Agreement or the Mortgage, other conditions, limitations and restrictions thereafter to be observed; or

(d) to consent to the creation of any series of Additional Bonds as provided in Article IV hereof, including therein any amendment of the Agreement to provide for increased Basic Payments and to provide terms and conditions relating to the acquisition, construction, installation and equipping of any Additional Facilities financed with the proceeds of such series of Additional Bonds; or

(e) to modify or eliminate any of the terms of the Agreement or the Mortgage; provided, however, that

(1) any such modification or elimination shall be expressly provided in such amendment to the Agreement or the Mortgage to become effective only when there are no Bonds outstanding of any series created prior to the execution of such amendment to the Agreement or the Mortgage; and

(2) the Trustee may, in its discretion, decline to enter into any such amendment which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective; or

(f) to evidence the succession of another corporation to the Corporation in accordance with the provisions of the Agreement, and the assumption by any such successor of the covenants of the

Corporation contained in the Agreement or to evidence the succession of any successor Trustee under the provisions of Article IX hereof; or

(g) to add to the covenants of the Corporation or to surrender any right or power conferred upon the Corporation; or

(h) to cure any ambiguity, to correct or supplement any provision of the Agreement or the Mortgage, as the case may be, that may be inconsistent with any other provision of the Agreement or the Mortgage, as the case may be, or to make any other provisions with respect to matters or questions arising under the Agreement or the Mortgage, provided such action shall not adversely affect the interests of the holders of the Bonds then outstanding.

Section 12.02. Amendments to Agreement or Mortgage Requiring Consent of Bondholders. Except for amendments, changes or modifications as provided in Section 12.01, with the consent of the holders of not less than a majority in principal amount of the Bonds of all series then outstanding which are affected by such amendment to the Agreement or the Mortgage, the Trustee, the Issuer, and the Corporation may enter into an amendment or amendments to the Agreement or the Mortgage for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Agreement or the Mortgage; provided, however, that no such amendment shall, without the consent of the holder of each outstanding Bond affected thereby,

(a) reduce the aggregate amount of Basic Payments payable under the Agreement, or allow any installment of Basic Payments to be paid subsequent to the time needed for the payment of principal, premium, if any, and interest on the Bonds; or

(b) modify any of the provisions of the Agreement to eliminate the requirement that the Trustee consent to every amendment thereto; or

(c) release from the lien of the Mortgage any of the property secured thereby except as expressly permitted by the Mortgage.

For all purposes of this Article XII, Bonds shall be deemed to be "affected" by an amendment, if such amendment adversely affects or diminishes the rights of holders thereof to be assured of the payment of principal, premium, if any, and interest on the Bonds. The Trustee may in its discretion determine whether or not

any Bonds would be affected by any amendment and any such determination shall be conclusive upon the holders of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

If at any time the Issuer and the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 11.02 with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by any Bondholder.

It shall not be necessary for any action of Bondholders under this Section 12.02 to approve the particular form of any proposed amendment or supplement to the Agreement or the Mortgage, but it shall be sufficient if such action shall approve the substance thereof. The Trustee may, but shall not be obligated to, enter into any such consent or amendment or supplement that adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 12.03. Amendment by Unanimous Consent. Notwithstanding any other provision of this Indenture, the Issuer and the Trustee may consent to any amendment, change or modification of the Agreement or the Mortgage upon receipt of the consent of the holders of all Bonds then outstanding.

Section 12.04. Reliance Upon Opinion of Counsel. In consenting to an amendment to the Agreement or the Mortgage permitted by this Article XII, the Trustee shall be entitled to receive, and (subject to Section 9.01 hereof) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such consent or amendment is authorized or permitted by this Indenture.

[End of Article XII]

ARTICLE XIII  
DEFEASANCE; UNCLAIMED MONEYS

Section 13.01. Discharge of Indenture. Whenever the conditions specified in either clause (1) or clause (2) of the following subsection (a), and the conditions specified in the following subsections (b) and (c) shall exist, namely:

(a) either

(1) all Bonds theretofore authenticated and delivered and all coupons appertaining thereto have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding, however,

(A) coupons appertaining to Bonds called for redemption and maturing after the relevant redemption date, whose surrender has been waived as provided in Section 5.06 of this Indenture,

(B) Bonds and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Trustee and thereafter repaid to the Corporation or discharged from such trust, as provided in this Indenture, and

(C) Bonds alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in this Indenture, and (i) which, prior to the satisfaction and discharge of this Indenture as hereinafter provided, have not been presented to the Trustee with a claim of ownership and enforceability by the holder thereof or (ii) whose enforceability by the holder thereof has been determined adversely to the holder by a court of competent jurisdiction or other competent tribunal;

or

(2) the Corporation has deposited or caused to be deposited with the Trustee as trust funds in cash and/or Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the holder), will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on Bonds and coupons not theretofore cancelled by the Trustee or delivered to the Trustee for cancellation, to the maturity or redemption date, as the case may be, and has made



arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee in the name, and at the expense, of the Corporation in the same manner as is provided by this Indenture;

(b) the Corporation has paid, caused to be paid or made arrangements satisfactory to the Trustee for the payment of all other sums payable hereunder and under the Agreement by the Corporation until the Bonds are so paid; and

(c) the Corporation has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions herein provided for relating to the satisfaction and discharge of this Indenture have been complied with;

then, upon the request of the Issuer or the Corporation authorized by a resolution of the Issuer or the Corporation, this Indenture and the liens, rights and interests hereby granted or granted by the Agreement or the Mortgage shall cease, determine and become null and void, and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Corporation, execute and deliver such instruments of satisfaction as may be necessary, and forthwith the estate, right, title and interest of the Trustee in and to all of the Trust Estate and in and to all rights under the Agreement and the Mortgage (except the moneys and/or Government Obligations deposited as required in Section 13.01(a)(2) above) shall thereupon be discharged and satisfied, and the Trustee shall in such case transfer, deliver and pay the same to the Corporation or upon the order of the Corporation.

The deposit required by Section 1301(a)(2) above may be made with respect to any particular series of Bonds, in which case such Bonds shall no longer be deemed to be outstanding under the terms of this Indenture, and the holders of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Trust Estate created by this Indenture, the Agreement or the Mortgage, and this Indenture, the Agreement and the Mortgage shall remain in full force and effect to protect the interests of the holders of Bonds remaining outstanding thereafter.

In the absence of a request of the Issuer or the Corporation authorized by a resolution of the Issuer or the Corporation as aforesaid, the payment of all Bonds outstanding shall not render this Indenture inoperative or prevent the Issuer from issuing Additional Bonds from time to time thereafter as herein provided.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Corporation to the Issuer and the Trustee under Section 807 of the Agreement shall survive.

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Section 13.02. Application of Deposited Money. All money, obligations and income thereon deposited with the Trustee pursuant to Section 13.01(a)(2) and (b) hereof shall be held in a special escrow account in trust and applied by the Trustee to the payment to the persons entitled thereto of the principal (and premium, if any) and interest on said Bonds.

Section 13.03. Unclaimed Moneys. Notwithstanding any provision of this Indenture, any moneys or Government Obligations deposited with the Trustee in trust for the payment of the principal, premium, if any, or interest on any Bonds and remaining unclaimed for seven years after the principal of all the Bonds outstanding hereunder has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be repaid to the Corporation, and the holders of such Bonds and coupons shall thereafter be entitled to look only to the Corporation for repayment thereof, and the Trustee shall have no liability with respect to such moneys or Government Obligations repaid to the Corporation. Notwithstanding the foregoing, the Trustee shall, upon written request of the Corporation, repay such moneys or Government Obligations to the Corporation at any time earlier than seven years if failure to repay such moneys or Government Obligations to the Corporation within such earlier period shall give rise to the operation of any escheat statute under applicable state law.

Before any repayment of moneys or Government Obligations pursuant to this Section 13.03, the Trustee may (at the cost of the Corporation) first publish a notice, in such form as may be deemed appropriate by the Trustee in respect of the Bonds or coupons so payable and not presented and in respect of the provisions relating to the repayment to the Corporation of the moneys or Government Obligations held for the payment thereof. Such notice shall be published at least once in an Authorized Newspaper. In the event of the repayment of any such moneys or Government Obligations to the Corporation, the holders of the Bonds and coupons in respect of which such moneys or Government Obligations were deposited shall thereafter be deemed to be unsecured creditors of the Corporation for amounts equivalent to the respective amounts deposited for the payment of such Bonds and coupons and paid to the Corporation (without interest thereon).

Section 13.04. Arbitrage Covenant. The Issuer and the Trustee hereby covenant that no deposit under this Article XIII will be made or accepted and no use made of any such deposit which would cause the Bonds so defeased as provided in this Article XIII to be treated as arbitrage bonds within the meaning of Section 103(c) of the Code.

[End of Article XIII]

ARTICLE XIV  
MISCELLANEOUS PROVISIONS

Section 14.01. Binding Effect on Successors and Assigns. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 14.02. Exclusive Rights of Issuer, Trustee and Bondholders. Nothing in this Indenture or in the Bonds or coupons expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee and the holders of the Bonds and coupons issued hereunder, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenants, conditions or provisions therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee and the holders of the Bonds and coupons issued hereunder.

Section 14.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.04. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of law or public policy, or for any other reason, such circumstance shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

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

Section 14.05. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Indenture, addressed as follows:

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If to the Issuer:                   Pickens County Council  
   P.O. Box 275  
   Pickens, South Carolina 29671  
   Attention: Chairman, County  
   Council

If to the Corporation:            Countryside Manor, Inc.  
   P.O. Box 143  
   Easley, South Carolina 29640

If to the Trustee:                The Citizens and Southern National  
   Bank of South Carolina  
   P.O. Box 22201  
   Columbia, South Carolina 29222  
   Attention: Corporate Trust  
   Department

The Issuer, the Corporation and the Trustee may, by notice given to all parties to this Indenture and the Agreement designate any further or different address to which subsequent notices, certificates or other communications to the party giving such notice shall be sent.

Section 14.06. Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 14.07. Limitation of Liability of Officers and Directors of Issuer. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in any Bond or coupon hereby secured, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of this Indenture, shall be had against any officer, director or agent, as such, present or future, of the Issuer, either directly or through the Issuer, or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond or coupon issued hereunder or otherwise of any sum that may be due and unpaid by the Issuer upon any such Bond or coupon. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any officer, director or agent, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond or coupon issued hereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and coupons hereby secured or any of them, is hereby

expressly waived and released as a condition of and consideration for the execution of this Indenture and the issue of such Bonds and coupons.

Section 14.08. Laws Governing Indenture and Situs and Administration of Trust. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State, but it is the intention of the Issuer that the situs of the trust created by this Indenture be in the state in which is located the principal corporate trust office of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to this Indenture. It is further the intention of the Issuer that the Trustee administer said trust in the state or states in which is located, from time to time, the situs of said trust.

Section 14.09. Compliance Certificates and Opinions. Subsequent to the issuance of the Series 1983 Bonds, upon any application or request by the Issuer or the Corporation to the Trustee to take any action under any provision of this Indenture, the Issuer or the Corporation shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture or the Agreement relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of an Officers' Certificate or an Opinion of Counsel is specifically required by any provision of this Indenture or the Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Subsequent to the issuance of the Series 1983 Bonds, every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and



(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 14.10. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an official of the Issuer or an officer of the Corporation may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, Counsel, unless such official or officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an official or officials of the Issuer or an officer or officers of the Corporation stating that the information with respect to such factual matters is in the possession of the Issuer or the Corporation, unless such Counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

An application or request for the authentication and delivery of Bonds, or the release of property, or the withdrawal of cash, under any provision of this Indenture, shall consist of, and shall not be deemed complete until the Trustee shall have been furnished with, all such documents, cash, Bonds, securities and other instruments as are required by such provision to establish the right of the Issuer or the Corporation to the transaction applied for, and the date of such application or request shall be deemed to be the date upon which such application or request shall be so completed.

Wherever in this Indenture, in connection with any application, request or certificate or report to the Trustee, it is provided that the Issuer or the Corporation shall deliver any document as a condition of the granting of such application or request, or as evidence of the Issuer's or the Corporation's compliance with any term hereof, it is intended that the truth and



accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer or the Corporation to have such application or request granted or to the sufficiency of such certificate or report.

Section 14.11. Entire Agreement. This Indenture constitutes the entire agreement and supersedes all prior agreements both written and oral with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Issuer has caused these presents to be signed in its name and on its behalf by the Chairman or Vice-Chairman of its County Council and by the County Administrator of the Issuer and its official seal to be hereunto affixed and attested by the Clerk or Deputy Clerk of the County Council and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be signed in its name and behalf by its \_\_\_\_\_ and official seal to be hereunto affixed, and the same to be attested by its \_\_\_\_\_, all as of the 1st day of March, 1983.

[SEAL]

PICKENS COUNTY, SOUTH CAROLINA

Attest:

By:

\_\_\_\_\_  
Clerk, County Council  
Pickens County,  
South Carolina

By:

\_\_\_\_\_  
Chairman, County Council  
Pickens County, South Carolina

Witness:

By:

\_\_\_\_\_  
County Administrator  
Pickens County, South Carolina

[SEAL]

THE CITIZENS AND SOUTHERN NATIONAL  
BANK OF SOUTH CAROLINA, as Trustee

Attest:

By:

By:

Witness:

EXHIBIT

FEB 22 1983

NO. 03

-100-

STATE BUDGET & CONTROL BOARD

016347

STATE OF SOUTH CAROLINA     )  
                                      )  
COUNTY OF PICKENS            )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw the corporate seal of  
Pickens County, South Carolina affixed to the foregoing Indenture  
of Trust, and that (s)he also saw \_\_\_\_\_, as  
Chairman of County Council and \_\_\_\_\_, as County  
Administrator, sign and \_\_\_\_\_, as Clerk of County  
Council, attest the same, and that (s)he with \_\_\_\_\_  
witnessed the execution and delivery thereof as the free act and  
deed of the County.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_\_ day of \_\_\_\_\_, 1983

\_\_\_\_\_  
Notary Public of South Carolina

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

EXHIBIT

FEB 22 1983     NO. 03

STATE BUDGET & CONTROL BOARD

016348

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF GREENVILLE )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw the corporate seal of  
The Citizens and Southern National Bank of South Carolina affixed  
to the foregoing Indenture of Trust, and that (s)he also saw  
\_\_\_\_\_, as \_\_\_\_\_, sign and  
\_\_\_\_\_, as \_\_\_\_\_, attest the same, and  
that (s)he with \_\_\_\_\_ witnessed the execution and  
delivery thereof as the free act and deed of said Bank.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_\_ day of \_\_\_\_\_, 1983

\_\_\_\_\_  
Notary Public of South Carolina

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

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

016349

EXHIBIT A

ALL that certain piece, parcel or tract of land situate, lying and being in the City of Easley, County of Pickens, State of South Carolina, on the southerly side of Zion School Road near its intersection with South Carolina Highway No. 8, containing 15.63 acres as shown on plat of survey for Countryside Manor, Inc., prepared by Freeland & Associates, January 14, 1983, and having, according to said plat, the following metes and bounds:

BEGINNING at a railroad spike in the centerline of Zion School Road, joint front corner of property of grantor and property now or formerly of William V. McCall, and running thence with the centerline of Zion School Road, N. 62-35 E. 307.66 feet to a railroad spike; thence S. 16-42 E. 1319.46 feet to an iron pin; thence S. 10-24 W. 316.80 feet to an iron pin; thence N. 76-36 W. 462.00 feet to an iron pin; thence S. 83-24 W. 247.86 feet to an iron pin; thence N. 13-43 E. 966.54 feet to an iron pin; thence N. 17-12 W. 435.60 feet to a railroad spike in the centerline of Zion School Road, the point of beginning.

Together with a 50 foot nonexclusive easement for ingress and egress to and from the foregoing property to South Carolina Highway No. 8, as shown on the foregoing plat, and having, according to said plat, the following metes and bounds:

BEGINNING at an iron pin in the centerline of South Carolina Highway No. 8, joint corner of property of grantor and property now or formerly of Jameson, and running thence with the centerline of South Carolina Highway No. 8 S. 44-23 E. 50.43 feet to an iron pin; thence S. 53-07 W. 543.04 feet to an iron pin on the easterly line of the foregoing 15.63 acre tract; thence with the easterly line of said 15.63 acre tract, N. 16-42 W. 53.27 feet to an iron pin; thence N. 53-07 E. 518.09 feet to an iron pin at the centerline of South Carolina Highway No. 8, the point of beginning.

The foregoing property and the foregoing easement are subject to, respectively, the rights of way of Zion School Road and South Carolina Highway No. 8 and to all easements, rights of way and restrictions of public record.

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

016350

EXHIBIT B

Description of the Project

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

016351

Exhibit C

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

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MORTGAGE AND SECURITY AGREEMENT

FROM

COUNTRYSIDE MANOR, INC.  
as Mortgagor

TO

PICKENS COUNTY, SOUTH CAROLINA  
as Mortgagee

Dated as of March 1, 1983

---

THIS MORTGAGE AND SECURITY AGREEMENT IS ALSO TO BE INDEXED IN THE PERSONAL PROPERTY RECORDS AS A FINANCING STATEMENT FILED AS A FIXTURE FILING IN ACCORDANCE WITH THE UNIFORM COMMERCIAL CODE, TITLE 36, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED. THE GOODS DESCRIBED HEREIN ARE OR ARE TO BECOME FIXTURES ON THE REAL ESTATE MORE PARTICULARLY DESCRIBED IN EXHIBIT A HERETO. THE NAMES OF THE DEBTOR AND THE SECURED PARTY, THE MAILING ADDRESS OF THE SECURED PARTY FROM WHICH INFORMATION CONCERNING THE SECURITY INTEREST MAY BE OBTAINED, THE MAILING ADDRESS OF THE DEBTOR, AND A STATEMENT INDICATING THE TYPES, OR DESCRIBING THE ITEMS, OF COLLATERAL, ARE AS DESCRIBED IN SECTION 8.2 HEREOF.

016352



MORTGAGE AND SECURITY AGREEMENT

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STATE OF SOUTH CAROLINA    )  
                                  )  
COUNTY OF PICKENS         )

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") dated as of March 1, 1983, between COUNTRYSIDE MANOR, INC., a South Carolina corporation (the "Corporation"), as mortgagor, and PICKENS COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer"), as mortgagee.

W I T N E S S E T H :

WHEREAS, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, and known as the Hospital Revenue Bond Act (the "Act"), the Issuer is duly authorized for the public purposes set forth in the Act, to borrow money by issuing its revenue bonds for the purposes provided in the Act including, but not limited to, loaning the proceeds thereof to any hospital agency (as defined in the Act) for the purpose of acquiring, constructing, improving, expanding and equipping of any project constituting a hospital facility (as defined in the Act); and

WHEREAS, in furtherance of the purposes of the Act, the Issuer proposes to issue its Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) in the aggregate principal amount of \$6,800,000 (the "Series 1983 Bonds"), and to loan the proceeds from the sale of the Series 1983 Bonds to the Corporation to enable it to acquire certain land and construct and equip certain improvements thereon (the "Project") as described in the Agreement (as hereinafter defined); and

WHEREAS, the Issuer and the Corporation have entered into a Loan Agreement (the "Agreement"), dated as of the date hereof, under which Agreement the Issuer has loaned proceeds of the Series 1983 Bonds to the Corporation to enable the Corporation to acquire, construct, equip and install the Project; and

WHEREAS, in order to induce the future purchasers and holders of the Series 1983 Bonds to purchase the same, the Corporation has agreed to convey to Issuer a first mortgage lien on the real property on which the Project is located (the "Land") and all improvements thereto or thereon and to grant a security interest in machinery, equipment, inventory and other tangible personal property now or hereafter located on the Land and in certain revenues, income, rents and receipts of the Corporation, as

security for the payment of the amounts payable under the Agreement and any amendments or substitutes thereto, with such lien and security interests being subject to Permitted Encumbrances (as defined in the Indenture and in Exhibit "B" attached hereto); and

WHEREAS, in order to provide further security for the holders of the Series 1983 Bonds, the Issuer has transferred, conveyed and assigned all its rights, title, interest and privilege in this Mortgage to The Citizens and Southern National Bank of South Carolina, as trustee (the "Trustee"), under an Indenture of Trust of even date herewith between the Issuer and said Trustee (the "Indenture");

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### ARTICLE I CONVEYANCE TO ISSUER

In order to secure the indebtedness and other obligations of the Corporation hereinafter set forth, the Corporation hereby grants, bargains, sells, conveys and assigns to the Issuer, its successors and assigns, forever, all the Corporation's right, title and interest in, to and under any and all of the following:

All of the real property and improvements and appurtenances thereto described in Exhibit "A" attached hereto and made a part hereof and any and all improvements and appurtenances hereafter located thereon or made thereto, subject only to Permitted Encumbrances as defined in Exhibit "B" attached hereto, such real property, improvements and appurtenances being hereinafter referred to as the "Land."

TOGETHER WITH all presently existing or hereafter acquired machinery, apparatus, fittings, equipment, chattels and articles of personal property, of the Corporation, which are now or hereafter located in or on the Land or in any buildings or other improvements on the Land (the "Facilities Equipment"), and all repairs, additions, accessions, alterations, renewals and replacements thereto or thereof, substitutions therefor and all cash and non-cash proceeds (including insurance proceeds) therefrom, subject only to Permitted Encumbrances, all of which to the maximum extent permitted by law are hereby declared and shall be deemed to be fixtures and accessions to the freehold and a part of the Land as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein described and to be secured by this Mortgage, subject only to Permitted Encumbrances.



TOGETHER WITH all Inventory (as defined in the Agreement and in Exhibit "C" attached hereto and made a part hereof) and all cash and non-cash proceeds thereof (including insurance proceeds), subject only to Permitted Encumbrances. The Land (including the Project constructed or to be constructed thereon and any and all other improvements hereafter located thereon), the Facilities Equipment, the Inventory, and any Additional Facilities (as defined in the Agreement), all as may now or hereafter exist, are hereinafter collectively referred to as the "Facilities."

TOGETHER WITH all other easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating or appertaining to the Facilities or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by the Corporation, and the reversion and reversions, remainder and remainders, and the rents, issues, profits and revenues of the Facilities, including the Gross Receipts of the Corporation, as defined in the Agreement and in Exhibit "C" attached hereto and made a part hereof, from time to time accruing (including, without limitation, all payments under leases or tenancies, proceeds of insurance, condemnation payments, and tenant deposits relating to the Facilities), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of the Corporation of, in, and to the same, subject only to Permitted Encumbrances; provided, however, that, so long as no event of default under the Agreement shall have occurred and be continuing and subject to the terms of the Agreement, the Corporation shall have the exclusive right to possession and use of (i) the rents, issues, profits and revenues of the Facilities, and (ii) the Gross Receipts of the Corporation from time to time accruing (including, without limitation, all payments under leases and tenancies, proceeds of insurance, condemnation payments, and tenant deposits relating to the Facilities).

TO HAVE AND TO HOLD the Facilities, the Gross Receipts and other property described herein, together with all and singular the rights, members and appurtenances thereof, to the use and benefit of Issuer, its successors and assigns, forever, to secure the payment of the amounts payable by the Corporation under the Agreement and any amendments or supplements thereto and all obligations of the Corporation under this Mortgage.

#### ARTICLE II DEFINITIONS

All words and phrases defined in Article I of the Agreement and Article I of the Indenture shall have the same meaning in this

Mortgage, and the Agreement and Indenture are, by this reference thereto, incorporated herein and made a part hereof.

ARTICLE III  
SECURITY FOR ADDITIONAL BONDS AND PARITY INDEBTEDNESS

Pursuant to the provisions of Article IV of the Indenture, the Issuer is authorized to issue Additional Bonds, and pursuant to Section 1202 of the Agreement, the Corporation is authorized to incur Parity Indebtedness. Such Additional Bonds or Parity Indebtedness, as the case may be, may be issued or incurred to finance the cost of completing as well as the cost of making any additions, improvements, extensions, alterations, modifications or changes to the Facilities (including, without limitation, the Project), provided that all of the conditions and requirements for the issuance or incurrence of such Additional Bonds or Parity Indebtedness, as the case may be, as provided for in the Indenture or the Agreement, as the case may be, are satisfied prior to or contemporaneously with the issuance of such Additional Bonds or the incurrence of such Parity Indebtedness. Upon the issuance of any Additional Bonds or the incurrence of any Parity Indebtedness, as the case may be, the Corporation shall execute an amendment to this Mortgage, or if directed by the Trustee, a separate mortgage, providing for the conveyance of any property being financed with such Additional Bonds or Parity Indebtedness, as the case may be, and providing that this Mortgage shall be security for such Additional Bonds or Parity Indebtedness, as the case may be, the same as if they had been issued or incurred at the time the Series 1983 Bonds were issued. The Series 1983 Bonds and any Additional Bonds are hereinafter referred to as the "Bonds".

ARTICLE IV  
MAINTENANCE AND MODIFICATION OF THE FACILITIES;  
RELEASE OF CERTAIN PROPERTY

Section 4.1. Maintenance and Modification of the Facilities by Corporation. The Corporation agrees that, until all the Bonds shall have been redeemed or retired and all other obligations incurred or to be incurred by the Corporation under the Agreement or hereunder shall have been paid, the Corporation will, at the Corporation's own expense, maintain, preserve and keep the Facilities or cause the Facilities to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition and that the Corporation will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals deemed proper and necessary by it. The Issuer shall have no responsibility in any

of these matters or for the making of improvements or additions to the Facilities.

In addition, the Corporation shall have the privilege of remodeling the Facilities or making substitutions, additions, modifications and improvements to the Facilities from time to time as the Corporation, in its discretion, may deem to be desirable for the Corporation's use and purposes, the cost of which remodeling, substitutions, additions, modifications and improvements shall be paid by the Corporation, and the same shall be the property of the Corporation and be included under the terms of this Mortgage as part of the Facilities; provided, however, that such remodeling, substitutions, additions, modifications and improvements shall not in any way damage the Facilities (except for any temporary and immaterial damage associated with any such remodeling or other such activities) or significantly alter the character or purpose or detract from the value or operating efficiency thereof, and will not significantly impair the revenue producing capability of the Facilities or adversely affect the ability of the Corporation to comply with the provisions of this Mortgage, the Agreement and the Indenture. Any property for which a substitution or replacement is made pursuant to this Section may be disposed of by the Corporation in any manner and in the sole discretion of the Corporation; provided, however, if the consideration received is not cash, the Corporation shall have delivered to the Trustee an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired as a result of such receipt.

The Corporation will not permit any mechanic's or other lien to be established or remain against the Facilities for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals or replacements so made by the Corporation; provided that if the Corporation shall first notify the Issuer of the Corporation's intention to do so, the Corporation may in good faith contest any mechanic's or other lien filed or established against the Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Trustee or the Issuer shall notify the Corporation that, in the opinion of its counsel, by nonpayment of any such items the lien of the Indenture or the mortgage lien and security interest of this Mortgage will be materially endangered or the Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Section 4.2. Release of Items of Facilities Equipment. If no event of default under the Agreement or hereunder shall have occurred and be continuing, the Corporation may remove any items of Facilities Equipment from the Facilities and sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer therefor, provided that:

(a)(i) the Corporation shall receive consideration in the form of cash (or, if not in cash, accompanied by an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired as a result of such receipt) at least equal to the fair market value, if any, of such Facilities Equipment as determined by the Corporation, (ii) such consideration is promptly applied toward the acquisition of additional Facilities Equipment to be used in the operations of the Facilities and to subject to the lien hereof, and (iii) such removal, sale, trade-in, exchange or other disposition will not significantly impair the revenue producing capacity of the Corporation; or

(b) the Corporation shall reasonably and in good faith determine that such items of Facilities Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the Corporation's purposes and that the removal, sale, trade-in, exchange or other disposition will not significantly alter the character or purpose or detract from the value or operating efficiency of the Facilities and will not significantly impair the revenue producing capacity of the Corporation; provided, however, that the consideration received by the Corporation pursuant to a transaction permitted by this subparagraph (b) is in the form of cash (or, if not in cash, accompanied by an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired as a result of such receipt) and, to the extent not used to replace the Facilities Equipment, is deposited into the Interest Account of the Bond Fund; and provided further that the Corporation shall not be required to make any such deposits to the Interest Account until such time as the proceeds or other consideration received by the Corporation exceeds \$50,000 in any Fiscal Year.

The removal from the Facilities of any portion of the Facilities Equipment pursuant to the provisions of this Section 4.2 shall not entitle the Corporation to any abatement or diminution of the amounts payable under the Agreement.

Upon the request of the Corporation, the Issuer and the Trustee shall deliver and cause to be delivered to the Corporation, such instruments as are reasonably necessary to confirm the release of removed items of the Facilities Equipment from the mortgage lien and security interest of this Mortgage and the Indenture and cancelling any lien or security interest with respect thereto, provided that such request is accompanied by a certificate of the Corporation Representative to the effect that such release complies in all respects with this Section.

Section 4.3. Release of Certain Land. Notwithstanding any other provisions of this Mortgage or the Agreement and if no event of default shall have occurred and be continuing, the Corporation hereto reserves the right, at any time and from time to time, to amend this Mortgage for the purpose of effecting the release of or removal from the mortgage lien of this Mortgage of (i) any unimproved part of the Land (on which no building or equipment owned by the Corporation and essential to the continued operation of the Facilities is situated) or (ii) any part of the Land with respect to which the Corporation proposes to convey fee title to a public utility or public body in order that utility services or roads may be provided for the Facilities; provided that if at the time any such amendment is made any of the Bonds are outstanding and unpaid such amendment shall not be effective until and unless there are deposited with the Trustee the following:

(a) Copies of the said amendment to this Mortgage;

(b) An Officer's Certificate of the Corporation (i) stating that the Corporation is not in default under any of the provisions of the Agreement or this Mortgage, (ii) giving an adequate legal description of that portion of the Land to be released, (iii) stating the purpose for which the release is desired, (iv) requesting such release, (v) stating that the proceeds, if any, received by the Corporation from the sale or other disposition will be in the form of cash or, if not in cash, having attached to such Officers' Certificate an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired by such receipt, (vi) stating that the consideration received has a present fair market value of at least \$4,383 per acre, and (vii) stating that the part of the Land released or removed from the lien of this Mortgage is expected to be used in a manner consistent with the character and purpose of the Project;

(c) A resolution of the Board of Directors of the Corporation approving the amendment to this Mortgage;



(d) Evidence of the authority of the officers of the Corporation who execute such amendment to this Mortgage;

(e) If applicable, a copy of the instrument granting the easement or conveying the portion of the Land to be released;

(f) Any instrument or instruments required from the Issuer by the terms of such release or removal from the Land;

(g) A certificate of an Independent engineer reasonably acceptable to the Trustee dated not more than sixty days prior to the date of the release and stating that, in the opinion of such engineer (i) the portion of the Land so proposed to be released should be released in order to obtain utility services or roads to benefit the Facilities, or is not otherwise needed for the operation of the Facilities for the purpose hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness of the Facilities for the purposes intended and will not destroy the means of ingress and egress therefrom; and

(h) A sum equal to the net proceeds, if any, from the sale or other disposition of the portion of the Land so released or removed, which sum shall be deposited, at the election of the Corporation, into either (i) the Bond Redemption Fund and used to redeem Bonds on the earliest redemption date permitted by the Indenture, or (ii) the Bond Fund and used in accordance therewith.

Provided further, however, that if the portion of the Land to be released has transportation or utility facilities located upon it, the Corporation shall retain an easement to use such facilities to the extent necessary for the efficient operation of the Facilities.

The Issuer agrees that upon receipt by the Trustee of the notice and certificates required in this Section to be furnished by the Corporation, it will (but only at the expense of the Corporation) promptly execute and deliver or cause to be executed and delivered to the Corporation such quitclaim deed, release or consent covering the portion of the Land to be released as the Corporation may reasonably request.

Section 4.4. Granting of Easements. If no event of default shall have occurred and be continuing, the Corporation may at any time or times grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property or rights included in the Facilities free from the lien and security



interest afforded by or under this Mortgage, or the Corporation may release existing easements, licenses, rights-of-way and other rights and privileges with or without consideration (but any such consideration only to be in the form of cash or, if not in cash, accompanied by an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired by such receipt), and the Issuer agrees that it shall (but only at the expense of the Corporation) execute and deliver or cause to be executed and delivered any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other grant or privilege upon receipt of: (1) a copy of the instrument of grant or release; (2) a written application signed by the Corporation Representative requesting such instrument and stating that such grant or release will not impair the effective use or interfere with the operation of the Facilities; and (3) an opinion of Independent Counsel that such grant or release will not materially weaken, diminish or impair the security afforded pursuant to the terms of this Mortgage, and will not violate the terms, covenants or conditions of any agreement to which the Corporation or the Issuer is a party with respect to the Facilities or the Indenture.

#### ARTICLE V TAXES AND INSURANCE; ADVANCES

Section 5.1. Taxes, Permits and Other Charges. The Corporation will pay during the term of this Mortgage, as the same respectively become due, the taxes, charges and assessments with respect to the Facilities and the operation thereof in accordance with the requirements of Section 705 of the Agreement.

Section 5.2. Provisions Respecting Insurance. The Corporation shall maintain insurance with respect to the Facilities and the operation thereof in the manner and amounts specified in Article VIII of the Agreement.

Section 5.3. Advances. In the event the Corporation shall fail to maintain the full insurance coverage required by the Agreement or shall fail to keep the Facilities in good repair and operating condition, the Issuer or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Corporation to the party making the advancement and shall be secured hereby, which amounts, together with interest thereon at the rate of one percent (1%) per annum above the Prime Rate, the Corporation agrees to pay on demand.

ARTICLE VI  
DAMAGE, DESTRUCTION AND CONDEMNATION;  
USE OF NET PROCEEDS

Section 6.1. Damage, Destruction and Condemnation. Unless the Corporation shall have exercised its option to prepay the amounts payable under the Agreement pursuant to the provisions of Articles IX and XV thereof, if prior to full payment of the Bonds (or provisions for payment thereof in accordance with the provisions of the Indenture) (i) the Facilities or any portion thereof are destroyed (in whole or in part) or are damaged by fire or other casualty or (ii) title to, or the temporary use of, the Facilities or any part thereof fails or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Corporation shall be obligated to continue to pay the amounts payable under the Agreement.

Section 6.2. Application of Net Proceeds. The Issuer, Trustee and the Corporation will cause the Net Proceeds of any insurance proceeds or condemnation award resulting from any event described in Section 6.1 hereof to be deposited and applied in the manner set forth in Article IX of the Agreement.

Section 6.3. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Article IX of the Agreement, the Corporation will complete the work and pay any cost in excess of the amount of the Net Proceeds. The Corporation agrees that if by reason of any such insufficiency of the Net Proceeds, the Corporation shall make any payments pursuant to the provisions of this Section, the Corporation shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee or from the holders of any of the Bonds, nor shall the Corporation be entitled to any diminution of the amounts payable under the Agreement.

Section 6.4. Condemnation of Property Owned by the Corporation. The Corporation shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the Facilities or that is not collateral for the Bonds or Parity Indebtedness.

ARTICLE VII  
REPRESENTATIONS, COVENANTS AND  
WARRANTIES OF THE CORPORATION

Section 7.1. Defense of the Title. The Corporation covenants that it is lawfully seized and possessed of title in fee

simple to the Land; that it has good right to sell, convey or otherwise transfer or encumber the same; and that the Corporation, for itself, and its successors and assigns, warrants and will forever defend the right and title to the foregoing described and conveyed property unto the Issuer, its successors and assigns, against the claims of all persons whomsoever, excepting only Permitted Encumbrances. The Corporation will cause to be furnished, concurrently with the execution and delivery of this Mortgage, an ALTA mortgagee title insurance policy (or appropriate binder) upon the Land issued by a title insurance company approved by the Issuer and the Trustee, insuring that the Corporation has good and marketable fee simple title to the Land and that this Mortgage represents a valid mortgage lien on the Land, subject to no encumbrances other than Permitted Encumbrances, in an amount equal to the face amount of the Series 1983 Bonds less an amount equal to the Debt Service Reserve Requirement.

Section 7.2. Inspection of the Facilities. The Corporation covenants and agrees that at any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Facilities, subject to the limitations imposed upon such rights of inspection pursuant to Section 707 of the Agreement.

ARTICLE VIII  
AGREEMENTS AFFECTING THE FACILITIES;  
SECURITY AGREEMENT; FURTHER ASSURANCES;  
SUBORDINATION OF SECURITY INTEREST IN GROSS RECEIPTS

Section 8.1. Leases and Other Agreements Affecting Facilities. The Corporation shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under any lease or any other agreement of any nature whatsoever now or hereafter involving or affecting the Facilities or any part thereof.

Section 8.2. Security Agreement.

(a) Insofar as the Facilities Equipment, the Inventory and the Gross Receipts (as Inventory and Gross Receipts are defined in the Agreement and in Exhibit "C" attached hereto and incorporated herein by reference) are concerned, this Mortgage is hereby made and declared to be a security agreement, and the Corporation hereby grants to the Issuer, its successors and assigns, a security interest in each and every item of the Facilities Equipment, the Inventory and,

subject to the terms of the Agreement, the Gross Receipts, and in all cash and non-cash proceeds (including insurance proceeds) of any of the foregoing in compliance with the provisions of the Uniform Commercial Code as enacted in the State of South Carolina. A financing statement or statements reciting this Mortgage to be a security agreement affecting all of said Facilities Equipment, the Inventory and Gross Receipts shall be executed by the Corporation, as debtor, and the Issuer, as secured party, and appropriately filed. The remedies for any violation of the covenants, terms and conditions of the security agreement herein contained shall be (i) as prescribed herein, or (ii) as prescribed by general law, or (iii) as prescribed by the specific statutory consequences now or hereafter enacted and specified in said Uniform Commercial Code, all at the Issuer's sole election.

The Corporation and the Issuer agree that the filing of such financing statement(s) in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing the declaration and hereby stated intention of the Corporation and the Issuer that the Facilities Equipment is and at all times and for all purposes and in all proceedings, both legal or equitable, shall be regarded to the maximum extent permitted by law as part of the real estate irrespective of whether (1) any such item is physically attached to the improvements, (2) serial numbers are used for the better identification of certain items capable of being thus identified, or (3) any such item is referred to or reflected in any such financing statement(s) so filed at any time. Similarly, the mention in any such financing statement(s) of the rights in and to (A) the proceeds of any fire and/or hazard insurance policy, or (B) any award in eminent domain proceedings for a taking or for loss of value, or (C) the Corporation's interest as lessor in any present or future lease or rights to income growing out of the use and/or occupancy of the Facilities, whether pursuant to a lease or otherwise, shall never be construed as in any way altering any of the rights of the Issuer as determined by this instrument or impugning the priority of the Issuer's security interest granted hereby or by any other recorded document, but such mention in such financing statement(s) is declared to be for the protection of the Issuer in the event any court shall at any time hold with respect to the foregoing (A), (B) or (C), that notice of the Issuer's priority of interest, to be effective against a particular class of persons, must be filed in the Uniform Commercial Code records.

Subject to Permitted Encumbrances and the provisions of Sections 4.1 and 4.2 hereof, the Corporation further covenants and agrees that all of the Facilities Equipment shall be owned by the Corporation and shall not be the subject matter of any lease or other instrument, agreement or transaction whereby the ownership or beneficial interest thereof or therein shall be held by any person or entity other than the Corporation; nor shall the Corporation create or cause to be created any security interest or lien covering any such property, other than the security interest created herein in favor of the Issuer and the rights of tenants lawfully occupying the Facilities.

(b) The Corporation warrants that (i) the Corporation's (that is, "Debtor's") name, identity or corporate structure, and its residence or principal place of business, are as set forth in subsection (c) hereof; (ii) the Corporation (that is, "Debtor") has been using or operating under said name, identity or corporate structure without change for the time period set forth in subsection (c) hereof; and (iii) the location of the collateral presently in existence is upon the Land. The Corporation covenants and agrees that the Corporation will furnish the Issuer and the Trustee with notice of any change in the matters addressed by clauses (i) and (iii) of this subsection within thirty (30) days of the effective date of any such change, and the Corporation will promptly execute any financing statements or other instruments deemed necessary by the Issuer or the Trustee to prevent any filed financing statement from becoming misleading or losing its perfected status.

(c) The information provided in this subsection is provided in order that this Mortgage shall comply with all the requirements of the Uniform Commercial Code, as enacted in the State, for instruments to be filed as financing statements. The names of the "Debtor" and the "Secured Party," the identity or corporate structure and residence or principal place of business of the "Debtor" and the time period for which the "Debtor" has been using or operating under said name and identity or corporate structure without change, are as set forth in Schedule 1 of Exhibit "D", attached hereto and made a part hereof; the mailing address of the "Secured Party" from which information concerning the security interest may be obtained, and the mailing address of the "Debtor," are set forth in Schedule 2 of said Exhibit "D".

Section 8.3. Further Assurances; After Acquired Property.  
At any time, and from time to time, upon request by the Issuer or



the Trustee, the Corporation shall make, execute and deliver or cause to be made, executed and delivered, to the Issuer and the Trustee and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices and places as shall be deemed desirable by the Issuer or the Trustee, any and all such other and further mortgages, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of the Issuer or the Trustee, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (i) the obligations of the Corporation under this Mortgage and (ii) the mortgage lien and security interest of this Mortgage as a first and prior lien upon the security and/or title in and to all of the Facilities and any additions to or substitutions thereof pursuant to the terms of this Mortgage and the Agreement. Upon any failure by the Corporation to do so, the Issuer or the Trustee may make, execute, record, file, re-record and/or refile any and all such mortgages, security agreements, financing statements, continuation statements, instruments, certificates and documents for and in the name of the Corporation and the Corporation hereby irrevocably appoints the Issuer and the Trustee the agent and attorney-in-fact of the Corporation to do so. The mortgage lien and security interest hereof shall automatically attach, without further act, to all after-acquired property which becomes a part of the Facilities, as defined herein, and to after-acquired or hereafter created property that constitutes Gross Receipts.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Corporation should default under any of the provisions of this Mortgage and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of any obligation or agreement on the part of the Corporation in this Mortgage or the Agreement, the Corporation agrees that it will on demand therefor pay to the Issuer or the Trustee, as the case may be, the fees of such attorneys and such other expenses so incurred by the Issuer or the Trustee; and any such amounts paid by the Issuer or the Trustee, as the case may be, shall be added to the indebtedness secured by the mortgage lien and security interest of this Mortgage.

Section 8.5. Estoppel Affidavits. The Corporation, upon ten (10) days' prior written notice, shall furnish the Issuer and the Trustee a written statement, duly acknowledged, setting forth the unpaid principal of, and interest on, the indebtedness secured hereby and whether or not any offsets or defenses exist against such principal and interest.



Section 8.6. Subrogation. The Issuer shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid with the proceeds of the indebtedness secured hereby or are otherwise discharged or paid by the Trustee or the Issuer.

Section 8.7. Transfer of the Facilities. Subject to Permitted Encumbrances and to the provisions of Article IV hereof and the provisions of Articles X and XI of the Agreement, the Corporation shall not sell, transfer, lease, pledge, encumber, create a security interest in, or otherwise hypothecate all or any part of the Facilities (except for sales of Inventory in the ordinary course of business).

Section 8.8. Subordination of Security Interest in Gross Receipts. The Corporation may grant a security interest in the Gross Receipts in accordance with Section 1201(d) of the Agreement. The Issuer and the Trustee agree to cooperate with the Corporation in the execution and delivery of such documents as may be reasonably necessary to evidence the subordination of the security interest in the Gross Receipts granted hereunder to any security interest granted by the Corporation in accordance with the provisions of Section 1201(d) of the Agreement, provided that the Corporation causes to be furnished to the Trustee an Officers' Certificate stating that the Corporation is not in default under the Agreement.

#### ARTICLE IX EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Mortgage and the terms "event of default" and "default" shall mean, whenever they are used in this Mortgage, any one or more of the following events:

(a) Failure by the Corporation to pay as and when due and payable any payment required by this Mortgage; or

(b) Failure by the Corporation to observe and perform any covenant, condition or agreement in this Mortgage on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Corporation by the Issuer, unless the Issuer shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Issuer will not unreasonably withhold its consent to an extension of such

time if corrective action is instituted by the Corporation within the applicable period and diligently pursued until the default is corrected, but in no event shall any default remain uncorrected, in whole or in part, for a period in excess of 90 days after notice of such default has been given in accordance with this Section 9.1(b).

(c) The occurrence of an event of default under the Agreement or the Indenture.

The foregoing provisions of subsection (b) of this Section are subject to the following limitations: if by reason of force majeure (as that term is defined in Section 1413 of the Agreement) the Corporation is unable in whole or in part to carry out any agreement on its part herein contained, the Corporation shall not be deemed in default during the continuance of such inability.

Section 9.2. Acceleration of Maturity. If an event of default shall have occurred and be continuing, then the entire indebtedness secured hereby shall, at the option of the Issuer, immediately become due and payable without notice or demand, which are hereby expressly waived, and no omission on the part of the Issuer to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 9.3. Issuer's Right to Enter and Take Possession, Operate and Apply Revenues.

(a) If an event of default shall have occurred and be continuing, the Corporation, upon demand of the Issuer, shall forthwith surrender to the Issuer the actual possession of the Facilities and, to the extent permitted by law, the Issuer itself, or by such officers or agents or designees as it may appoint, may enter and take possession of all or any part of the Facilities without the appointment of a receiver, or an application therefor, and may exclude the Corporation and its agents and employees wholly therefrom, and may have joint access with the Corporation to the books, papers and accounts of the Corporation.

(b) If the Corporation shall for any reason fail to surrender or deliver the Facilities or any part thereof after such demand by the Issuer, the Issuer may obtain a judgment or decree conferring upon the Issuer the right to immediate possession or requiring the Corporation to deliver immediate possession of the Facilities to the Issuer, to the entry of which judgment or decree the Corporation hereby specifically consents. The Corporation will pay to the Issuer, upon demand, all expenses of obtaining such judgment or decree,

including reasonable compensation to the Issuer's attorneys and agents; and all such expenses and compensation shall, until paid, be secured by this Mortgage.

(c) Upon every such entering upon or taking of possession, the Issuer may hold, store, use, operate, manage and control the Facilities and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Facilities insured; (iii) manage and operate the Facilities and exercise all the rights and powers of the Corporation to the same extent as the Corporation could in its own name or otherwise with respect to the same; and (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted to the Issuer, all as the Issuer from time to time may determine to be in its best interests; and perform all acts required of the Corporation as lessor under any lease of all or any part of the Facilities, all as the Issuer may from time to time determine to be to its best advantage. The Issuer may collect and receive all the rents, issues, profits and revenues (including, without limitation, the Gross Receipts of the Corporation) from the Facilities, including those past due as well as those accruing thereafter, and, after deducting (A) all those expenses of taking, holding, managing and operating the Facilities (including compensation for the services of all persons employed for such purposes); (B) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions; (C) the cost of such insurance; (D) such taxes, assessments and other similar charges as the Issuer may at its option pay; (E) other proper charges upon the Facilities or any part thereof; and (F) the reasonable compensation, expenses and disbursements of the attorneys and agents of the Issuer, the Issuer shall apply the remainder of the moneys and proceeds so received by the Issuer, to the payment of the amounts due under the Agreement.

(d) For the purpose of carrying out the provisions of this Section, the Corporation hereby irrevocably constitutes and appoints the Issuer the true and lawful attorney-in-fact of the Corporation to do and perform, from time to time, any and all actions necessary and incidental to such purpose and does, by these presents, ratify and confirm any and all actions of said attorney-in-fact with respect to the Facilities.

(e) Whenever all amounts due under the terms of this Mortgage and the Agreement shall have been paid and/or all events of default cured and satisfied, the Issuer may surrender possession of the Facilities to the Corporation, its successors and assigns; provided, that the same right of taking possession shall exist if any subsequent event of default shall occur and be continuing.

Section 9.4. Performance by Issuer on Default by the Corporation. If the Corporation shall default in the payment, performance or observance of any term, covenant or condition of this Mortgage, the Issuer may, at its option, pay, perform or observe the same, and all payments made or costs or expenses incurred by the Issuer in connection therewith, shall be secured hereby and shall be, without demand, immediately repaid by the Corporation to the Issuer with interest thereon at the rate of 1% per annum above the Prime Rate.

The Issuer shall be the sole judge of the necessity for any such actions and of the amounts to be paid. The Issuer is hereby empowered to enter and to authorize others to enter upon the Facilities or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to the Corporation or any person in possession holding under the Corporation. The Corporation expressly acknowledges and agrees, however, that notwithstanding anything contained in this Section to the contrary, the Issuer shall not be obligated under this Section to incur any expense or to perform any act whatsoever.

Section 9.5. Receiver. If an event of default shall have occurred and be continuing, the Issuer, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the adequacy or value of any security for the indebtedness secured hereby or the solvency of any part bound for its payment, to the appointment of a receiver to take possession of and to operate the Facilities and to collect and apply the rents, issues, profits and revenues thereof. The receiver shall have all the rights and powers permitted under the laws of the State. The Corporation shall pay to the Issuer, upon demand, all expenses, including receivers' fees, reasonable attorneys' fees, costs and agents' compensation, incurred pursuant to the provisions of this Section; and all such expenses shall, until paid, be secured by this Mortgage.

Section 9.6. Enforcement.

(a) If an event of default shall have occurred and be continuing, the Issuer, at its option, may foreclose this

Mortgage in order to pay the indebtedness secured hereby and accrued interest thereon and insurance premiums, liens, fines, assessments, taxes and charges, including utility charges, if any, with accrued interest thereon, all as provided hereinabove, and all expenses of the sale and of all proceedings in connection therewith, including reasonable attorney's fees as hereinabove provided. In case of foreclosure and sale, the Facilities may, at the option of Issuer, be sold in one parcel.

(b) If an event of default shall have occurred and be continuing, the Issuer may, in addition to and not in abrogation of the rights covered under subsection (a) hereof, either with or without entry or taking possession as herein provided or otherwise, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (i) to enforce payment of any amounts due under the terms of this Mortgage or the Agreement or to enforce the performance of any term, covenant, condition or agreement of this Mortgage or the Agreement or any other right, and (ii) to pursue any other remedy available to it, all as the Issuer shall determine most effectual for such purposes.

Section 9.7. Purchase by the Issuer. Upon any foreclosure sale, the Issuer may bid for and purchase the Facilities and shall be entitled to apply all or any part of the indebtedness secured hereby as a credit to the purchase price.

Section 9.8. Application of Proceeds of Sale. In the event of a foreclosure sale of the Facilities pursuant to subsection 9.6(a) hereof, the proceeds of said sale shall be applied, in the following order: (a) to the expenses of such sale and of all proceedings in connection therewith, including reasonable attorneys' fees as provided hereinabove; (b) to insurance premiums, liens, assessments, taxes and charges, including utility charges, advanced by the Issuer or the Trustee; (c) then to payment of any amounts due under the terms of this Mortgage and the Agreement; and (d) the remainder, if any, shall be paid to the Corporation. If the proceeds of any such sale should be insufficient to pay in full the obligations recited in clauses (a), (b) and (c) of this Section 9.8, the Issuer shall be entitled to a judgment for the deficiency.

Section 9.9. Corporation as Tenant Holding Over. In the event of any such foreclosure sale by the Issuer, the Corporation shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over.



Section 9.10. Waiver of Appraisalment, Valuation, Stay, Extension, Homestead Exemption and Redemption Laws. Upon the occurrence of an event of default, to the extent that such rights may then lawfully be waived, neither the Corporation or anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension, homestead exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, the absolute sale of the Facilities, the final and absolute putting into possession of the purchasers thereof immediately after such sale or the obtaining of any deficiency judgment. The Corporation, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

Section 9.11. Leases. The Issuer, at its option, is authorized to foreclose this Mortgage subject to the rights of any tenants of the Facilities, and the failure to make any such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by the Corporation, a defense to any proceedings instituted by the Issuer to collect the sums secured hereby.

Section 9.12. Discontinuance of Proceedings and Restoration of the Parties. In case the Issuer shall have proceeded to enforce any right under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Issuer, then and in every such case the Corporation and the Issuer shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Issuer shall continue as if no such proceeding had been taken.

Section 9.13. Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Issuer or the Trustee by this Mortgage is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 9.14. Waiver.

(a) No delay or omission of the Issuer to exercise any right, power or remedy accruing upon any default shall exhaust or impair any such right, power or remedy or shall be



construed to be a waiver of any such default or acquiescence therein; and every right, power and remedy given by this Mortgage to the Issuer may be exercised from time to time and as often as may be deemed expeditious by the Issuer. No consent or waiver, expressed or implied, by the Issuer to or of any breach by the Corporation in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach in the performance of the same or any other obligations of the Corporation hereunder. Failure on the part of the Issuer to complain of any act or failure to act or to declare an event of default, irrespective of how long such failure continues, shall not constitute a waiver by the Issuer of its rights hereunder or impair any rights, powers or remedies consequent on any breach or default by the Corporation.

(b) If the Issuer (i) grants forbearance or an extension of time for the payment of any sums secured hereby; (ii) takes other or additional security for the payment of any sums secured hereby; (iii) waives or does not exercise any right granted herein or in the Agreement; (iv) releases any part of the Facilities from the lien of this Mortgage or otherwise changes any of the terms, covenants, conditions or agreements of this Mortgage or the Agreement; (v) consents to the filing of any map, plat or replat affecting the Facilities; (vi) consents to the granting of any easement or other right affecting the Facilities; or (vii) makes or consents to any agreement subordinating the mortgage lien or security interest hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under this Mortgage or any other obligation of the Corporation or any subsequent purchaser of the Facilities or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor, except as otherwise expressly provided in an instrument or instruments executed by the Issuer, shall any such act or omission preclude the Issuer from exercising any right, power or privilege herein granted or intended to be granted in the event of any default then made or of any subsequent default, or the mortgage lien or security interest of this Mortgage be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Facilities, the Issuer, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Facilities or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Corporation and without in any way releasing or discharging any liabilities, obligations or undertakings of the Corporation.

Section 9.15. Suits to Protect the Facilities. The Issuer shall have power (i) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Facilities by any acts which may be unlawful or any violation of this Mortgage or the Agreement, (ii) to preserve or protect its interest in the Facilities and in the rents, issues, profits and revenues arising therefrom, and (iii) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Issuer, the Trustee, or the holders of the Bonds.

Section 9.16. Issuer May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Corporation, its creditors or its property, the Issuer, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Issuer allowed in such proceedings for the entire amount due and payable by the Corporation under this Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Corporation hereunder after such date.

#### ARTICLE X MISCELLANEOUS

Section 10.1. Construction of this Instrument. This Mortgage is intended to operate and is to be construed as (i) a security agreement pursuant to the provisions of the Uniform Commercial Code of South Carolina, Title 36, Code of Laws of South Carolina, 1976, and (ii) a mortgage conveying a lien on the Facilities to the Issuer.

Section 10.2. Limit of Validity. If from any circumstances whatsoever fulfillment of any provision of this Mortgage, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by any applicable usury statute or any other applicable law, with regard to obligations of like character and amount, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Mortgage that is in excess of the current limit of such validity, but such obligation shall be fulfilled to the limit of such validity.

Section 10.3. Reconveyance to Corporation. It is the true meaning of this instrument that if the Corporation shall fully perform all the terms, conditions and covenants of this Mortgage, and of the Agreement secured hereby, that then this Mortgage shall be null and void; otherwise to remain in full force and effect.

Section 10.4. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Mortgage and not solely to the particular portion in which any such word is used.

Section 10.5. Applicable Law. This instrument is made under and pursuant to the laws of the State of South Carolina and it is intended that the laws of said State shall govern its construction, validity and enforcement.

Section 10.6. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed as follows: if to the Trustee, The Citizens and Southern National Bank of South Carolina, P.O. Box 22201, Columbia, South Carolina, 29222, Attention: Corporate Trust Department; if to the Corporation, Countryside Manor, Inc., P.O. Box 143, Easley, South Carolina 29640, Attention: President; and if to the Issuer, Pickens County Council, P.O. Box 275, Pickens, South Carolina 29671, Attention: Chairman. A duplicate copy of each notice, certificate or other communication given hereunder by the Corporation shall also be given to the Trustee. The Issuer, the Corporation and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.7. Severability. If any provision of this Mortgage shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 10.8. Captions. The captions or headings in this Mortgage are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Mortgage.

Section 10.9. Binding Effect. This Mortgage shall inure to the benefit of and be binding upon the Corporation and the Issuer and their respective legal successors and assigns.

Section 10.10. Amendments, Changes and Modifications.  
Except as otherwise provided in this Mortgage or in the Indenture, subsequent to the issuance of Bonds and prior to the payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Mortgage may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee given in accordance with the provisions of the Indenture.

IN WITNESS WHEREOF, the Corporation has executed this Mortgage by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested to by its Secretary, and Pickens County, South Carolina has executed this Mortgage by causing its name to be hereunto subscribed by the Chairman of its Council and the County Administrator and its official seal to be impressed hereon by the Clerk of its Council, all as of the date first above written.

COUNTRYSIDE MANOR, INC.

(SEAL)

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

Signed, sealed and delivered  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

(SEAL)

PICKENS COUNTY, SOUTH CAROLINA

ATTEST:

By: \_\_\_\_\_  
Chairman, County Council

\_\_\_\_\_  
Clerk, County Council

By: \_\_\_\_\_  
County Administrator

Signed, sealed and delivered  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

STATE OF SOUTH CAROLINA   )  
                                  )  
COUNTY OF PICKENS         )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw the corporate seal of  
Pickens County, South Carolina affixed to the foregoing Mortgage  
and Security Agreement, and that (s)he also saw \_\_\_\_\_  
\_\_\_\_\_, as Chairman of County Council and \_\_\_\_\_, as  
County Administrator, sign and \_\_\_\_\_, as Clerk of  
County Council, attest the same, and that (s)he with \_\_\_\_\_  
\_\_\_\_\_ witnessed the execution and delivery thereof as the free  
act and deed of the County.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_\_ day of \_\_\_\_\_, 1983

\_\_\_\_\_  
Notary Public of South Carolina

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

STATE OF SOUTH CAROLINA   )  
                                  )  
COUNTY OF PICKENS         )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw \_\_\_\_\_ as  
President of Countryside Manor, Inc. sign and seal and \_\_\_\_\_  
\_\_\_\_\_ as Secretary of Countryside Manor, Inc., attest  
the foregoing Mortgage and Security Agreement, and that (s)he  
with \_\_\_\_\_ witnessed the execution and delivery  
thereof as the free act and deed of said corporation.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_\_ day of \_\_\_\_\_, 1983

\_\_\_\_\_  
Notary Public for South Carolina

My Comission Expires: \_\_\_\_\_

EXHIBIT A

ALL that certain piece, parcel or tract of land situate, lying and being in the City of Easley, County of Pickens, State of South Carolina, on the southerly side of Zion School Road near its intersection with South Carolina Highway No. 8, containing 15.63 acres as shown on plat of survey for Countryside Manor, Inc., prepared by Freeland & Associates, January 14, 1983, and having, according to said plat, the following metes and bounds:

BEGINNING at a railroad spike in the centerline of Zion School Road, joint front corner of property of grantor and property now or formerly of William V. McCall, and running thence with the centerline of Zion School Road, N. 62-35 E. 307.66 feet to a railroad spike; thence S. 16-42 E. 1319.46 feet to an iron pin; thence S. 10-24 W. 316.80 feet to an iron pin; thence N. 76-36 W. 462.00 feet to an iron pin; thence S. 83-24 W. 247.86 feet to an iron pin; thence N. 13-43 E. 966.54 feet to an iron pin; thence N. 17-12 W. 435.60 feet to a railroad spike in the centerline of Zion School Road, the point of beginning.

Together with a 50 foot nonexclusive easement for ingress and egress to and from the foregoing property to South Carolina Highway No. 8, as shown on the foregoing plat, and having, according to said plat, the following metes and bounds:

BEGINNING at an iron pin in the centerline of South Carolina Highway No. 8, joint corner of property of grantor and property now or formerly of Jameson, and running thence with the centerline of South Carolina Highway No. 8 S. 44-23 E. 50.43 feet to an iron pin; thence S. 53-07 W. 543.04 feet to an iron pin on the easterly line of the foregoing 15.63 acre tract; thence with the easterly line of said 15.63 acre tract, N. 16-42 W. 53.27 feet to an iron pin; thence N. 53-07 E. 518.09 feet to an iron pin at the centerline of South Carolina Highway No. 8, the point of beginning.

The foregoing property and the foregoing easement are subject to, respectively, the rights of way of Zion School Road and South Carolina Highway No. 8 and to all easements, rights of way and restrictions of public record.

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EXHIBIT B

PERMITTED ENCUMBRANCES

As used herein, the term "Permitted Encumbrances" shall mean: (a) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Agreement; (b) utility, access and other easement and rights of way, restrictions, restrictive covenants and exceptions that the Corporation certifies to the Trustee will not interfere with or impair the operation of the Facilities; (c) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Agreement; (d) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facilities and do not materially impair the property affected thereby for the purposes for which it was intended; (e) zoning laws; (f) liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, undetermined liens and charges incidental to construction or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in a permitted contest and such other liens and charges at the time required by law as a condition precedent to the exercise of any privileges or licenses necessary to the Corporation; (g) the Indenture, the Agreement and the Mortgage and any supplements thereto; (h) liens securing Parity Indebtedness; (i) rights of lessees, sublessees or franchise holders under agreements with the Corporation as permitted by the Agreement; (j) pledges of or security interests in the Gross Receipts to secure Short-Term Indebtedness granted in accordance with the provisions of the Agreement, which pledges or security interests may have priority over the security interest in the Gross Receipts granted pursuant to the Mortgage; (k) purchase money mortgages or purchase money security interests or any title retention interest retained by vendors or lessors in connection with the sale or leasing of equipment or fixtures to the Corporation to the extent permitted under the Agreement; and (l) liens, charges and encumbrances of whatever kind in existence on the date of delivery of the Series 1983 Bonds as more fully described below:

(i) Easements for utility installation and maintenance as follows:

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## EXHIBIT C

(1) As used herein, "Gross Receipts" shall mean all accounts, contract rights, general intangibles, instruments, chattel paper, and documents as defined under the South Carolina Uniform Commercial Code, as codified in Title 36, Code of Laws of South Carolina, 1976 (the "South Carolina UCC") which now or hereafter arise or are created in connection with or with respect to the Facilities, and all other revenues, income, receipts and money received by or on behalf of the Corporation from or with respect to the Facilities (other than revenues, income, receipts and money received by the Corporation as agent for and on behalf of some person other than the Corporation), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, the proceeds of such rights and the proceeds of accounts receivable, whether now owned or held or hereafter coming into existence, including, but without limiting the generality of the foregoing (a) revenues derived from its operations at or with respect to the Facilities, (b) gifts, grants, bequests, donations and contributions to the Corporation with respect to the Facilities, and (c) proceeds derived in connection with or with respect to the Facilities from (i) insurance, except to the extent the use thereof is otherwise required by the Agreement, (ii) condemnation awards or sales under a reasonably apprehended threat of condemnation, except to the extent the use thereof is otherwise required by the Agreement, (iii) accounts receivable, (iv) securities and other investments, (v) Inventory and other tangible and intangible property, (vi) medical or expense reimbursement or insurance programs or agreements, and (vii) contract rights, general intangibles and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation (including any assets that may be listed on the "asset" side of the balance sheet of the Corporation). "Gross Receipts" shall not, however, include (A) proceeds of Permitted Indebtedness, or (B) gifts, grants, bequests, donations and contributions to the Corporation heretofore or hereafter made, which are required to be excluded by the terms of the incurrence or which are designated at the time of the making thereof by the donor or maker as being specifically restricted to a particular purpose and the income derived therefrom, all to the extent required by the terms of the incurrence of such designation.

(2) As used herein, "Inventory" shall mean all presently existing and after acquired inventory (as such term is defined in the Uniform Commercial Code in effect in the State of South Carolina) of the Corporation and now or hereafter located on the Land or in any building or other improvements on the Land and used, usable or to be used in connection with the Project or any Additional Facilities.

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EXHIBIT D

Schedule 1

Debtor: Countryside Manor, Inc., a South  
Carolina corporation.

Countryside Manor, Inc. was incorporated on December 7, 1982.

Secured Party: Pickens County, South Carolina

Schedule 2

Debtor: Countryside Manor, Inc.  
Post Office Box 143  
Easley, South Carolina 29640  
Attn: President

Secured Party: Pickens County, South Carolina  
Post Office Box 275  
Pickens, South Carolina 29671  
Attn: Chairman, County Council

Assignee of Secured Party: The Citizens and Southern  
National Bank of South Carolina  
P.O. Box 22201  
Columbia, South Carolina 29222  
Attn: Corporate Trust Department

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

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Exhibit D

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

---

GUARANTY AGREEMENT

between

BRYSON F. HILL, JR.

and

THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA  
Columbia, South Carolina,  
as Trustee

Dated as of March 1, 1983

---

Relating to \$6,800,000 in aggregate principal  
amount of Pickens County, South Carolina  
Hospital Revenue Bonds, Series 1983  
(Countryside Manor Project)

---

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GUARANTY AGREEMENT

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(The Table of Contents for this Guaranty Agreement is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Guaranty Agreement).

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## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (the "Guaranty") made and entered into as of March 1, 1983, by and between Bryson F. Hill, Jr., a resident of Alabama (the "Guarantor"), and The Citizens and Southern National Bank of South Carolina, as trustee, a national banking association organized and existing under and by virtue of the laws of the United States of America and having a principal corporate trust office in the City of Columbia, South Carolina (herein together with any successor trustee or trustees at the time serving as such under the Indenture described below called the "Trustee");

### W I T N E S S E T H   T H A T :

WHEREAS, Pickens County, South Carolina, a public body corporate and politic created and existing under the laws of the State of South Carolina (the "Issuer"), intends to issue its Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) in the aggregate principal amount of \$6,800,000 (the "Series 1983 Bonds"); and

WHEREAS, the Series 1983 Bonds are to be issued under and pursuant to an Indenture of Trust, dated as of even date herewith, by and between the Issuer and the Trustee (the "Indenture"), a true and correct copy of which has been delivered to the Guarantor, and the Series 1983 Bonds are more particularly described in Articles II and III of the Indenture; and

WHEREAS, the proceeds derived from the issuance of the Series 1983 Bonds are to be loaned pursuant to a Loan Agreement, dated as of March 1, 1983 (the "Agreement") to Countryside Manor, Inc., a South Carolina corporation, (the "Corporation"), to finance the acquisition of land in Pickens County, South Carolina and the construction, installation and equipping thereon of a retirement home facility containing 115 assisted living units and an adult residential care facility with 60 beds (the "Project") for the benefit of the Corporation; and

WHEREAS, the Guarantor is an owner of approximately 31 2/3% of the outstanding common stock of the Corporation; and

WHEREAS, the Guarantor desires that the Issuer issue the Series 1983 Bonds and apply the proceeds derived therefrom as aforesaid and is willing to enter into this Guaranty in order (a) to enhance the marketability of the Series 1983 Bonds and thereby achieve interest cost and other savings which will inure directly to the benefit of the Guarantor, and (b) to induce the future purchasers and holders of any of the Series 1983 Bonds to buy or acquire the same;

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NOW, THEREFORE, in consideration of the premises and other good and valuable consideration and in order to enhance the marketability of the Series 1983 Bonds and thereby achieve interest costs and other savings which will inure directly to the benefit of the Guarantor and as an inducement to the future purchasers and holders of any of the Series 1983 Bonds to buy or acquire the same, the Guarantor DOES HEREBY AGREE with the Trustee, as follows:

## ARTICLE I

### REPRESENTATIONS OF GUARANTOR

The Guarantor makes the following representations as the basis for the undertaking on its part herein contained:

(a) Pending Litigation. There are no proceedings pending, or to the knowledge of the Guarantor threatened, against or affecting the Guarantor in any court or before any governmental authority or arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, profits or financial condition of the Guarantor, or the ability of the Guarantor to perform his obligations under this Guaranty. The Guarantor is not in default with respect to an order of any court, governmental authority or arbitration board or tribunal.

(b) Agreement Is Legal and Authorized. The execution and delivery by the Guarantor of this Guaranty and the compliance by the Guarantor with all of the provisions hereof will not conflict with or result in any breach of any of the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon any property of the Guarantor under the provisions of, any agreement or other instrument to which the Guarantor is a party or by which he may be bound, or any license, judgment, decree, law, statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Guarantor or any of his activities or properties.

(c) Governmental Consent. Neither the Guarantor nor any of his business or properties, nor any relationship between the Guarantor and any other person, nor any circumstances in connection with the execution, delivery and performance by the Guarantor of this Guaranty or the offer, issue, sale or delivery by the Issuer of the Series 1983 Bonds, is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Guarantor.

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(d) No Defaults. No event has occurred and no condition exists that would constitute an "event of default" under this Guaranty or the Indenture or which, with the lapse of time or with the giving of notice or both, would become an "event of default" under this Guaranty or the Indenture. The Guarantor is not in violation in any material respect of any agreement or other instrument to which he is a party or by which he may be bound.

(e) Compliance with Law. The Guarantor is not in violation of any laws, ordinances, governmental rules or regulations to which he is subject and has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of his properties or to the conduct of his business, which violation or failure to obtain might materially and adversely affect the properties, business, profits or financial condition of the Guarantor.

(f) Restrictions on the Guarantor. The Guarantor is not a party to any contract or agreement that materially and adversely affects the businesses in which the Guarantor is engaged. The Guarantor is not a party to any contract or agreement that restricts the right or ability of the Guarantor to incur or guarantee indebtedness for borrowed money.

(g) Disclosure. Neither the representations of the Guarantor contained in this Guaranty, nor any written statement furnished by or on behalf of the Guarantor to the Issuer or the original purchasers of the Series 1983 Bonds in connection with the transactions contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact that the Guarantor has not disclosed to the Issuer and to the original purchasers of the Series 1983 Bonds in writing that materially and adversely affects or in the future may (so far as the Guarantor can now reasonably foresee) materially and adversely affect the acquisition, improvement, ownership or operation of the Project, or the properties, business, profits or financial condition of the Guarantor, or the ability of the Guarantor to perform his obligations under this Guaranty or any documents or transactions contemplated hereby.

(h) Consideration. This Guaranty is necessary to promote and further the business of the Guarantor, and the assumption by the Guarantor of his obligations hereunder will result in direct financial benefits to the Guarantor.

## ARTICLE II

### GUARANTIES

Section 2.1. Guaranty. The Guarantor hereby guarantees to the Trustee for the benefit of the holders at any time and from time to time of the Series 1983 Bonds and any interest coupons appertaining thereto an amount equal to one hundred percent (100%) of the scheduled Basic Payments to be made by the Corporation under Section 502 of the Agreement during the period commencing on March 1, 1983 and ending on April 1, 1989 (the "Termination Date"), payable as and when said Basic Payments are scheduled to be paid.

If the Trustee shall fail to receive any such Basic Payment scheduled to be paid prior to the Termination Date, as and when said payment becomes due and payable, the Guarantor shall immediately pay to the Trustee at its principal corporate trust office in Birmingham, Alabama, in lawful money of the United States of America, an amount equal to the amount of the Basic Payment not paid. In the event of such a failure, this Guaranty is a primary and original obligation of the Guarantor and is an absolute, unconditional, continuing and irrevocable guaranty of payment and not of collectibility or performance and is in no way conditioned or contingent upon any attempt to collect from the Corporation or the Issuer or to realize upon any of the "Trust Estate" (as defined in the Indenture).

This Guaranty shall remain in full force and effect without respect to future changes in conditions, including change in law, until the later to occur (the "Guaranty Termination Date") of (i) the Termination Date or (ii) the date no Event of Default continues to exist hereunder which existed on the Termination Date. The Guaranty Termination Date shall in any event occur when the principal of, and the redemption premium (if any) and the interest on, the Series 1983 Bonds and all other amounts payable by the Issuer pursuant to the terms of the Series 1983 Bonds or the Indenture and by the Corporation pursuant to the terms of the Agreement or the Mortgage shall have been paid in full or shall be deemed to have been paid in full in accordance with the Indenture, the Agreement or the Mortgage.

Subject to the provisions of Section 5.2 hereof and unless all of the Series 1983 Bonds shall have become due at stated maturity or by acceleration or call for redemption prior to stated maturity, each and every default prior to the Termination Date in payment by the Corporation of the Basic Payments shall give rise

to a separate cause of action hereunder and separate suits may be brought hereunder as each cause of action arises.

The Guarantor hereby waives (i) notice of the acceptance hereof, of any action taken or omitted in reliance hereon and of any defaults by the Corporation in the payment of any such sums, (ii) any presentment, demand, notice or protest of any kind, (iii) any other act or thing or omission or delay to do any other act or thing which might in any manner or to any extent vary the risk of the Guarantor or which might otherwise operate as a discharge of the Guarantor, and (iv) any right to require that any action be brought against the Corporation or the Issuer or to require that resort be had to any security.

Section 2.2. Nature of Obligations. All obligations of the Guarantor under this Guaranty shall be absolute, unconditional, continuing and irrevocable and shall remain in full force and effect until the Guaranty Termination Date and, until such obligations are no longer in full force and effect, shall not be affected, modified, impaired or discharged upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to or the consent of the Guarantor:

(a) the compromise, settlement, release or termination of any or all of the obligations or agreements of the Issuer under or contemplated by the Indenture or the Series 1983 Bonds or any or all of the obligations or agreements of the Corporation under or contemplated by the Agreement or the Mortgage;

(b) the failure to give notice to the Guarantor of the occurrence of an "event of default" under the terms and provisions of this Guaranty or the Indenture or the Agreement or the Mortgage, except as may be otherwise specifically provided in this Guaranty;

(c) the assigning or mortgaging or the purported assigning or mortgaging of all or any part of the interest of the Issuer in the Trust Estate or of the Corporation in the Facilities;

(d) the waiver of the payment, performance or observance by the Issuer of any of its obligations or agreements contained in or contemplated by the Indenture or by the Corporation of any of its obligations or agreements contained in or contemplated by the Agreement or the Mortgage;

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(e) the extension of the time for payment of any Basic Payment or Additional Payment by the Corporation or of any principal of, or redemption premium (if any) or interest on, any Series 1983 Bond or any part thereof owing or payable on such Series 1983 Bond or of the time for performance of any other obligation or agreement under, arising out of or contemplated by the Indenture or the Agreement or the Mortgage or the further extension or the renewal thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation or agreement set forth in or contemplated by the Indenture or the Agreement or the Mortgage;

(g) the taking of or omitting to take any of the actions referred to in or contemplated by the Indenture or the Agreement or the Mortgage;

(h) any failure, omission, delay or lack on the part of the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Trustee by this Guaranty or by the Indenture, or any other act or acts on the part of the Issuer, the Trustee, the Corporation or any of the holders at any time or from time to time of the Series 1983 Bonds or any interest coupons appertaining thereto;

(i) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment, or other similar proceedings affecting the Guarantor or the Issuer or the Corporation or any of the assets of any of them, or any allegation or contest of the validity of this Guaranty in any proceeding;

(j) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge of the Guarantor by operation of law from the performance or observance of any obligation or agreement contained in this Guaranty;

(k) any right of set-off, counterclaim, reduction or diminution which the Guarantor might have against the Issuer, the Corporation or the Trustee;

(l) the failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty; or



(m) any other circumstance, occurrence or condition, whether similar or dissimilar to any of the foregoing, that might be raised in avoidance of, or in defense against an action to enforce, the obligations of the Guarantor under this Guaranty.

### ARTICLE III

#### NOTICE AND SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

Section 3.1. Agent for Service. The Guarantor designates and appoints, without power of revocation, (a) any officer of the Corporation and (b) the Secretary of State of the State of South Carolina, as the respective agents of the Guarantor upon whom may be served all process, pleadings, notices or other papers which may or must be served upon the Guarantor as a result of any of his obligations under this Guaranty.

Section 3.2. Consent to Jurisdiction. The Guarantor further agrees, without power of revocation:

(a) that any civil suit or action brought against him as a result of any of his obligations under this Guaranty may be commenced against him in any court of competent jurisdiction, Federal or State, by service of process upon any of the above designated agents with a copy thereof forwarded as provided in Section 3.3 hereof;

(b) that service of process, pleadings, notices and other papers upon any of said agents, as aforesaid, shall be taken and held in all courts to be as valid and binding upon the Guarantor as if due personal service thereof had been made upon him;

(c) that service upon any of said agents may be effected by delivering copies of said process, pleadings, notices or other papers to any of said agents, reciting that a copy of said process, pleadings, notices or other papers was forwarded to the Guarantor as provided in Section 3.3 hereof; and

(d) that in any civil suit or action brought (after notice as provided herein) against him as a result of any of his obligations under this Guaranty, he will not assert as a defense, counterclaim or set-off (i) any default by the Issuer, the Corporation or the Trustee, or (ii) any cause of

action, claim or counterclaim which he may have against the Issuer, the Corporation or the Trustee. Failure to assert such matter shall not be deemed to be a waiver by the Guarantor but the same may be asserted in a separate action.

Section 3.3. Service of Notices, etc. Any process, pleadings, notices or other papers served upon any of the foregoing agents shall, at the same time, be forwarded to the Guarantor as provided in Section 5.6 hereof.

#### ARTICLE IV

##### EVENTS OF DEFAULT AND REMEDIES

Section 4.1. Events of Default. If any of the following events occurs and is continuing, it is hereby defined and declared to be and constitute an "Event of Default":

(a) failure by the Guarantor to make any payment required to be made under Section 2.1 as and when the same shall become due and payable;

(b) failure by the Guarantor to observe and/or perform any condition or agreement of this Guaranty on his part to be observed and/or performed, other than as referred to in subsection (a) of this Section, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, be given to the Guarantor by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Guarantor within the applicable period and diligently pursued until the failure is corrected;

(c) any representation by or on behalf of the Guarantor contained in this Guaranty or in any instrument furnished in compliance with or in reference to this Guaranty proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(d) the Guarantor shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of all or a substantial part of the Guarantor's property, (ii) admit in writing his inability, or be generally unable, to pay his debts as such

debts become due, (iii) make a general assignment for the benefit of his creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against the Guarantor in an involuntary case under said Federal Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing;

(e) a proceeding or case shall be commenced, without the application or consent of the Guarantor, in any court of competent jurisdiction, seeking (i) the composition or readjustment of debts of the Guarantor, as the case may be, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of all or a substantial part of the assets of the Guarantor, or (iii) similar relief in respect of the Guarantor, as the case may be, under any law relating to bankruptcy, insolvency, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days from commencement of such proceeding or case or the date of such order, judgment or decree, or an order for relief against the Guarantor shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(f) an "event of default" occurs and is continuing under the Indenture, the Agreement or the Mortgage.

Section 4.2. Remedies. Whenever any event of default referred to in Section 4.1 shall have occurred and is continuing, the Trustee may and, if requested so to do in writing by the holders of twenty-five percent (25%) in aggregate principal amount of the Series 1983 Bonds then outstanding and furnished indemnification as hereinafter provided, the Trustee shall be obligated to proceed hereunder by suit or other appropriate proceeding or action; and the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Trustee. Before taking any action hereunder at the request of any bondholders, the Trustee may require that satisfactory indemnity be furnished by those bondholders requesting such action by the Trustee for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

The right to enforce this Guaranty is vested exclusively in the Trustee for the equal and pro rata benefit of all holders at any time of the Series 1983 Bonds and any interest coupons appertaining thereto, unless the Trustee refuses or neglects to act within a reasonable time after being requested in writing so to do by the holders of at least twenty-five percent (25%) in aggregate principal amount of the Series 1983 Bonds then outstanding and after being furnished satisfactory indemnity as aforesaid, in which event the holder of any of the Series 1983 Bonds or any interest coupons appertaining thereto may thereupon so act in the name and behalf of the Trustee or may so act in his own name in lieu of action by or in the name and behalf of the Trustee; provided, however, that no such holder shall be entitled to take any action to enforce this Guaranty if and to the extent that the taking of such action would under applicable law result in a surrender, impairment, waiver or loss of the rights under this Guaranty of any other holders of the Series 1983 Bonds or any interest coupons appertaining thereto. Except to the extent allowed above, no holder of any of the Series 1983 Bonds or any interest coupons appertaining thereto shall have the right to enforce this Guaranty, and then only for the equal and pro rata benefit of the holders of all the Series 1983 Bonds and the interest coupons (if any) appertaining thereto.

Section 4.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty, it shall not be necessary physically to produce the Series 1983 Bonds in any proceedings instituted by the Trustee or to give any notice, other than such notice as may be herein expressly required. Subject to the provisions of Section 4.2 hereof, nothing herein contained shall be deemed to preclude any action or proceeding taken by any holder of any Series 1983 Bonds or any interest coupons appertaining thereto against the Guarantor in the event of non-payment of any Basic Payment prior to the Termination Date, but any judgment or recovery so had by any holder of any Series 1983 Bonds shall be deemed to thereby reduce the amount of any recovery hereunder to which the Trustee may be entitled, and such holder shall thereupon, to the extent of such recovery, be excluded from participating in any amount so recovered by the Trustee.

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Section 4.4. Counsel Fees and Expenses. The Guarantor agrees to pay on demand therefor all costs, expenses and fees, including all reasonable counsel fees, which may be incurred by the Trustee or any holder or former holder of the Series 1983 Bonds and any interest coupons appertaining thereto in enforcing or attempting to enforce this Guaranty following any event of default hereunder whether the same shall be enforced by suit or otherwise.

Section 4.5. Guaranty for Benefit of Trustee and Bondholders. This Guaranty is entered into by the Guarantor for the benefit of the Trustee and the holders of the Series 1983 Bonds and any interest coupons appertaining thereto and any successor trustee or co-trustee and their respective successors and assigns under the Indenture, all of whom shall be entitled to enforce performance and observance of this Guaranty (subject to the provisions of Section 4.2) and of the guaranties and other provisions herein contained to the same extent as if they were parties signatory hereto.

Section 4.6. Remedies Cumulative. The terms of this Guaranty may be enforced as to any one or more breaches, either separately or cumulatively.

#### ARTICLE V

##### WAIVERS, AMENDMENTS AND MISCELLANEOUS

Section 5.1. Waivers, Amendments and Modifications. If any provision contained in this Guaranty should be breached by the Guarantor and thereafter waived by the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the Trustee.

The Trustee shall not consent to any amendment or modification of this Guaranty or waive any of the provisions hereof without the giving of notice and the written approval or consent of the holders of (a) not less than a two-thirds (2/3) in principal amount of the Series 1983 Bonds at the time outstanding with respect to an amendment, modification or waiver of any of the provisions of Article III hereof, or (b) all of the Series 1983 Bonds at the time outstanding with respect to any other amendment, modification or waiver hereof.

If at any time the Guarantor shall request the consent of the Trustee to any such proposed amendment or modification of this Guaranty or the waiver of any of the provisions hereof, the Trustee shall, upon being satisfactorily indemnified with respect



to expenses, cause notice of such proposed amendment, modification or waiver to be published in an Authorized Newspaper (as defined in the Agreement) and mailed, first class mail, postage prepaid, to all registered holders of outstanding Series 1983 Bonds. Such notice shall briefly set forth the nature of such proposed amendment, modification or waiver and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by any holder of the Series 1983 Bonds. If all of the Series 1983 Bonds are registered as to principal (other than to bearer) or both principal and interest, a copy of any proposed amendment, modification or waiver of this Guaranty shall be mailed, first class mail, postage prepaid, to all such registered holders and published notice of such amendment, modification or waiver need not be given. If, within sixty (60) days or such longer period as shall be prescribed by the Trustee following the giving of such notice, the holders of not less than the requisite percentage of outstanding Series 1983 Bonds as required in this Section shall have consented to or approved the execution of such amendment, modification or waiver of this Guaranty as herein provided, no holder of any Series 1983 Bond or any interest coupon appertaining thereto shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Guarantor from executing the same or from taking any action pursuant to the provisions thereof.

Section 5.2. Effective Date. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally when any Series 1983 Bonds shall have been initially issued, sold and delivered by the Issuer as contemplated in the Indenture.

Section 5.3. Governing Law. This Guaranty and the rights and obligations of the parties hereto (including third-party beneficiaries) shall be governed, construed and interpreted according to the laws of the State of South Carolina.

Section 5.4. Entire Agreement; Counterparts. This Guaranty constitutes the entire agreement, and supersedes all prior agreements, both written and oral, between the parties with respect to the subject matter hereof and may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 5.5. Severability. If any provision of this Guaranty shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions,



or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

Section 5.6. Notices. Any notice or notices which may be or are required to be given to the Guarantor or the Trustee respecting any matter pertaining to this Guaranty shall be in writing and shall be deemed to have been given when delivered or mailed by first class registered or certified mail, return receipt requested, postage prepaid, and, if given to the Guarantor, addressed to the Guarantor, at 413 McClung Avenue, Huntsville, Alabama 35801; or, if given to the Trustee, addressed to the Trustee at The Citizens and Southern National Bank of South Carolina, P.O. Box 22201, Columbia, South Carolina 29222, Attention: Corporate Trust Department. Either party may, by notice given hereunder, designate any further or different address to which subsequent notices or other communications shall be sent and to whose attention the same shall be directed.

Section 5.7. Captions. The captions and headings of the several Articles and Sections of this Guaranty are for convenience only and in no way define, limit or describe the scope or intent of any provisions hereof.

Section 5.8. Certain Rules of Interpretation. In addition to the words and terms defined herein, certain other words and terms used herein shall have the same meanings as assigned them in the Indenture or the Agreement unless the context or use clearly indicates another or different meaning or intent.

"Herein", "hereof" and other equivalent words refer to this Guaranty and not solely to the particular Article, Section or subdivision hereof in which such word is used.

Section 5.9. Successors. This Guaranty shall be binding upon the undersigned Guarantor and his heirs, personal representatives and assigns and shall inure to the benefit of, and shall be enforceable by, the Trustee and its successors and assigns and the holders of the Series 1983 Bonds and any interest coupons appertaining thereto until the Guaranty Termination Date.

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IN WITNESS WHEREOF, the Guarantor has executed this Guaranty, and to evidence its acceptance the Trustee has caused this Guaranty to be executed in its corporate name and its corporate seal to be affixed hereto and attested by its authorized officers, all as of the date first above written.

\_\_\_\_\_(SEAL)  
BRYSON F. HILL, JR.

ACCEPTED as of March 1, 1983  
The Citizens and Southern  
National Bank of South Carolina,  
Columbia, South Carolina

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

016402

*Redline copy*

Exhibit E *W*

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY, 1983

NEW ISSUE

In the opinion of Bond Counsel, under existing laws, regulations and court decisions, interest on the Series 1983 Bonds is exempt from all present Federal income taxation and from taxation under the laws of the State of South Carolina, except for inheritance, estate or transfer taxes.

**\$6,800,000**  
**PICKENS COUNTY, SOUTH CAROLINA**  
**Hospital Revenue Bonds**  
**Series 1983**  
**(Countryside Manor Project)**

Dated: March 1, 1983 Due: March 1, as shown below

The Series 1983 Bonds are limited obligations of Pickens County, South Carolina (the "County"). The proceeds of the Series 1983 Bonds will be loaned by the County to Countryside Manor, Inc., a South Carolina corporation (the "Corporation") for the purpose of acquiring, constructing and equipping a retirement home facility containing 119 assisted living units and a 69 bed adult residential care facility to be located in part of the lands of Easley, South Carolina (the "Project"). Principal of and interest on the Series 1983 Bonds are secured by the Indenture, the Loan Agreement, the Mortgage and the Guaranty, all as described herein, and are payable (except to the extent payable out of the proceeds of the Series 1983 Bonds or proceeds of insurance, sale and condemnation awards or amounts payable pursuant to the Guaranty) solely from the revenues derived by the County from the Loan Agreement.

The Series 1983 Bonds and the interest thereon are not a general obligation of the County and are not an indebtedness of the State of South Carolina, or any other county, municipal corporation or political subdivision of the State of South Carolina. Neither the faith and credit nor the taxing power of the County, the State of South Carolina, or any other county, municipal corporation or political subdivision of the State of South Carolina, is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 1983 Bonds.

The Series 1983 Bonds are issuable as coupon bonds negotiable as to principal only in the denominations of \$1,000 and \$5,000 each, or as fully registered bonds without coupons in the denomination of \$5,000 or any fractional multiple thereof. Principal of and interest on the Series 1983 Bonds (first interest payable September 1, 1983, and semi-annually thereafter on March 1 and September 1), are payable at the principal corporate trust office of Citizens and Southern National Bank of South Carolina, Columbia, South Carolina (the "Trustee"), except that interest on fully registered Series 1983 Bonds is payable by check or draft of the Trustee mailed to the registered owners thereof.

All of the Series 1983 Bonds are subject to optional, mandatory and extraordinary redemption as more fully described herein. Investment in the Series 1983 Bonds involves certain risks, and each prospective investor should consider his or her financial condition and the risks involved to determine the suitability of investing in the Series 1983 Bonds. (See RISK FACTORS AND INVESTMENT CONSIDERATIONS, page herein.)


MATURITY SCHEDULE

\$1,500,000 Term Bonds	% due March 1, 1984, Price 100%
\$5,000,000 Term Bonds	% due March 1, 2013, Price 100%
(Accrued interest from March 1, 1983, to be added)	

The Series 1983 Bonds are offered subject to prior sale, in whole or in part, subject to the approval of their legality by Wyche, Burges, Freeman & Parkman, P.A., Greenville, South Carolina, Bond Counsel. Certain other legal matters will be passed upon for the County by its Counsel, Felix Fidler, Esq., Pickens, South Carolina, for the Corporation and the Management Company by their Counsel, Palke, Davis Smith & McElwain, Augusta, Georgia, and for the Underwriter by its Counsel, George F. Mueller, Jr., P.A., Tampa, Florida. It is expected that the Series 1983 Bonds in definitive form will be available for delivery on or about March 1, 1983.

This Preliminary Official Statement and the information contained herein are subject to change without notice and to completion or amendment in a Final Official Statement. This Preliminary Official Statement is not yet finally adopted and the County has not approved it. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 1983 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of such jurisdiction. Indications of interest in the investment are tentative and not binding on the customer prior to his or her receipt and review of the Final Official Statement.

**EXHIBIT**  
FEB 22 1983 NO. 03  
STATE BUDGET & CONTROL BOARD

  
**BUCHANAN & CO.**  
INCORPORATED  
MEMBER SOUTHERN SECURITIES  
INVESTMENT BANKERS

The information contained in this Official Statement has been obtained from the Corporation or other sources believed to be reliable. However, no representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied on as, a promise or representation by the County, the Corporation, the Underwriter or any other party. This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

No dealer, salesman or any other person has been authorized by the Corporation, the County or the Underwriter to give any information or to make any representation, other than as contained in this Official Statement, in connection with the offering described herein, and if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities other than those described herein, or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The Bonds have not been registered under the Securities Act of 1933, nor has the Indenture of Trust been qualified under the Trust Indenture Act of 1939 in reliance upon exemptions contained in such Acts. These securities have not been approved or disapproved by the Securities and Exchange Commission, nor has the commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In accordance with due diligence requirements, this Official Statement may be amended or supplemented to indicate material changes.

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EXHIBIT  
 FEB 22 1983  
 NO. 03  
 STATE BUDGET & CONTROL BOARD

**016404**

**Appellate**  
Printing

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☐ Philadelphia (215) 561-3877

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☐ Harrisburg (717) 232-0543

6th PROOF  
 February 11, 1983

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Pickens, South Carolina

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FELIX FINLEY  
Pickens, South Carolina

CORPORATION

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Greenville, South Carolina

COUNSEL TO THE CORPORATION  
AND THE MANAGEMENT COMPANY

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Greenville, South Carolina

CONTRACTOR

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Cleveland, Tennessee

ARCHITECT

ARD-WOOD ARCHITECTS INC.  
Greenville, South Carolina

FEASIBILITY CONSULTANT

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MANAGEMENT COMPANY

FIRST AMERICAN  
MANAGEMENT CO., INC.  
Birmingham, Alabama

TRUSTEE

CITIZENS AND SOUTHERN NATIONAL  
BANK OF SOUTH CAROLINA  
Columbia, South Carolina

UNDERWRITER

BUCHANAN & CO., INC.  
Jackson, Mississippi

COUNSEL TO THE UNDERWRITER

GEORGE E. MUELLER, JR., P.A.  
Tampa, Florida

016405

## SUMMARY STATEMENT REGARDING THE FINANCING

This summary of certain aspects of the Official Statement is intended only for quick reference. This Official Statement, including the Appendices hereto, should be read in its entirety by prospective investors.

*The County.* Pickens County, South Carolina (the "County"), a body politic and corporate and a political subdivision of the State of South Carolina, will issue the Series 1983 Bonds to provide the financing for the Project. See the caption "THE COUNTY" page 2 herein.

*The Corporation.* Countryside Manor, Inc., a South Carolina corporation (the "Corporation") will own the Project and will borrow the Series 1983 Bond proceeds from the County pursuant to a Loan Agreement dated as of March 1, 1983 (the "Loan Agreement"). See the caption "THE CORPORATION" page 11 herein.

*The Project.* The Project will consist of the acquisition of a 15.6 acre parcel of land in the City of Easley, South Carolina and the construction and equipping thereon of a retirement home facility containing 115 assisted living units and a 60 bed adult residential care facility. The Project will also contain a central kitchen, a central laundry facility, recreation facilities, a central dining room and other amenities. See the caption "THE PROJECT" page 12 herein.

*Operations of the Project.* The Corporation will provide "continuing care" to the residents of the Project. The concept of continuing care involves a contractual arrangement, called a "Continuing Care Agreement," between the Corporation and the resident, whereby the resident shall have access to the assisted living unit of his or her choice and amenities and be afforded routine services of health and personal care for so long as the resident desires (subject to the conditions specified in the Continuing Care Agreement). See the captions "OPERATIONS OF THE PROJECT" page 14 herein and "SUMMARY OF THE CONTINUING CARE AGREEMENT" page 15 herein.

*The Management Company.* First American Management Co., Inc., an Alabama corporation (the "Management Company") will manage the Project pursuant to a thirty year management agreement. Bryson F. Hill, Jr., President and sole stockholder of the Management Company has had over 15 years of experience in the health care field. See the caption "OPERATIONS OF THE PROJECT—The Management Company" page 14 herein.

*The Trustee and the Indenture.* Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, shall be the Trustee. The County will enter into an Indenture of Trust dated as of March 1, 1983 (the "Indenture") with the Trustee pursuant to which the County will assign to the Trustee all of its right, title and interest in and to the Loan Agreement (including the payments required to be made thereunder but excluding certain rights to indemnification and payment of expenses) and the Mortgage (including the County's interest in the Facilities Equipment, Inventory and Gross Receipts).

*Security for the Bondholders.* The Loan Agreement between the County and the Corporation provides that the Corporation shall make payments to the County in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 1983 Bonds and any Additional Bonds. Pursuant to a Mortgage and Security Agreement dated as of March 1, 1983 (the "Mortgage") the Corporation will grant to the County a first mortgage lien on the Land and the Project and a security interest in the Facilities Equipment, Inventory and Gross Receipts. The County will pledge and assign to the Trustee all of its right, title and interest in the Loan Agreement (with certain exceptions) and the Mortgage pursuant to the Indenture. As further security for the payment of the Series 1983 Bonds, Bryson F. Hill, Jr. has entered into a Guaranty Agreement with the Trustee, dated as of March 1, 1983 (the "Guaranty") pursuant to which Mr. Hill has unconditionally guaranteed payment by the Corporation of the Basic Payments to be made by it until April 1, 1989.



A Debt Service Reserve Fund in the amount of \$500,000 is initially being funded from the Series 1983 Bond proceeds. Such amount is equal to approximately % of the maximum annual debt service on the Series 1983 Bonds. See the caption "THE SERIES 1983 BONDS—Security."

*Financial Feasibility Study.* The Financial Feasibility Study for the Project, prepared by May Zima & Co., independent certified public accountants (the "Financial Feasibility Study"), is reproduced herein as Appendix "A" and should be read in its entirety.

Based upon the assumptions that the Series 1983 Bonds will bear interest at the rates and mature in the amounts and on the dates set forth in the Financial Feasibility Study and certain other information and assumptions set forth therein, debt service coverage on the Series 1983 Bonds for the five fiscal years ending January 31, 1989 has been forecasted by May Zima & Co. to be as set forth in the following table.

		1985	1986	1987	1988	1989
Number of times annual Debt Service Requirement on Series 1983 Bonds is covered by excess of revenues over expenses before interest, depreciation, and amortization.* See p. 32 of the Feasibility Study, Appendix "A" hereto.	(1)	1.20	1.38	1.58	1.63	1.20
	(2)	1.13	1.26	1.42	1.42	1.13

(1) Before management fees which are subordinate to debt service requirements.

(2) After management fees.

\*The debt service coverage figures stated above were based on a projected weighted average interest rate on the Series 1983 Bonds of 12.44%. Inasmuch as the actual rates on the Series 1983 Bonds may vary from that projected in the Financial Feasibility Study, the Financial Feasibility Study being designated "Preliminary and Tentative," investors should review the debt service coverages in the final Feasibility Study to determine actual debt service coverage on the Series 1983 Bonds.

Because there is no assurance that actual events will correspond with assumptions made, there is no representation made by the Corporation, the County, or the Underwriter that the forecasts will correspond with the results actually achieved in the future. Actual operating results may be affected by many uncontrollable factors, including increased costs, lower than anticipated revenues, employee relations, taxes, governmental controls, changes in demographic trends, and general economic conditions.

*Investment Considerations.* There are risk factors and other investment considerations in connection with the Series 1983 Bonds. See the caption "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

*Additional Information.* Investors are invited to review any document relating to the Series 1983 Bonds at the office of the Underwriter during normal business hours after reasonable notice. The Underwriter will provide copies of any documents relating to the Series 1983 Bonds for the cost of reproduction and delivery thereof. Investors are invited to communicate with:

Buchanan & Co., Inc.  
129 North State Street  
Jackson, Mississippi 39205

## OFFICIAL STATEMENT

\$6,800,000

PICKENS COUNTY, SOUTH CAROLINA  
HOSPITAL REVENUE BONDS  
SERIES 1983  
(COUNTRYSIDE MANOR PROJECT)

## INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, is furnished with respect to the Series 1983 Bonds. The Series 1983 Bonds will be issued by the County pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended, known as the Hospital Revenue Bond Act (the "Act") and pursuant to the Indenture between the County and the Trustee.

The Series 1983 Bonds and the interest thereon are limited obligations of the County and do not constitute an indebtedness to which the faith and credit of the County, the State of South Carolina or any other county, municipal corporation or political subdivision of the State of South Carolina is pledged. Principal of and interest on the Series 1983 Bonds are payable solely from the revenues derived from the Loan Agreement (except to the extent payable out of the proceeds of the Series 1983 Bonds or income from the temporary investment thereof and, under certain circumstances, the net proceeds of insurance, sale or condemnation awards or amounts payable pursuant to the Guaranty). Neither the Series 1983 Bonds nor the interest thereon shall ever constitute an indebtedness or a charge against the general credit or taxing power of the County, the State of South Carolina or any other county, municipal corporation or political subdivision of the State of South Carolina, within the meaning of any constitutional or statutory provision or limitation, and neither shall ever constitute or give rise to any pecuniary liability of the County, the State of South Carolina, or any other county, municipal corporation or political subdivision of the State of South Carolina.

The proceeds of the Series 1983 Bonds will be used to (1) acquire, construct and equip the Project; (2) pay interest on the Series 1983 Bonds during the construction of the Project; (3) fund the Debt Service Reserve Fund created by the Indenture, and (4) pay the costs of issuance of the Series 1983 Bonds. The proceeds of the Series 1983 Bonds will be loaned by the County to the Corporation pursuant to the Loan Agreement. See the caption "SUMMARY OF ESTIMATED SOURCES OF FUNDS AND USES OF PROCEEDS", page 8 herein.

The Series 1983 Bonds will be secured by an assignment by the County to the Trustee of all of the County's right, title and interest in and to the Loan Agreement (except for certain rights to indemnification and to payment of expenses) and the Mortgage, including the payments to be received by the County from the Corporation pursuant thereto, and by a mortgage lien on the Land and the Project and a security interest in the Facilities Equipment, Inventory and Gross Receipts, all subject to Permitted Encumbrances. The Series 1983 Bonds will be further secured by an unconditional guarantee by Bryson F. Hill, Jr. of the payment by the Corporation of the Basic Payments to be made by it until April 1, 1989.

- This Official Statement contains descriptions of (among other matters) the Project, the Series 1983 Bonds, the Loan Agreement, the Mortgage, the Indenture, the Guaranty and the Continuing Care Agreement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Loan Agreement, the Mortgage, the Indenture, the Guaranty and the Continuing Care Agreement are qualified in their entirety by reference to such documents and all references herein to the Series 1983 Bonds are qualified by reference to the forms thereof included in the Indenture.

THE APPENDICES TO THIS OFFICIAL STATEMENT ARE AN INTEGRAL PART HEREOF AND MUST BE READ BY EACH INVESTOR FOR A COMPLETE UNDERSTANDING OF THE SECURITIES OFFERED HEREBY.

## THE COUNTY

Pickens County, South Carolina, is a body politic and corporate and a political subdivision of the State of South Carolina, organized and existing under and by the virtue of the laws of the State of South Carolina. The County is authorized by the Act, among other things, (i) to issue bonds for the purpose of defraying the cost of providing a retirement home facility, (ii) to make the proceeds of any bonds available by way of a loan to a corporation, (iii) to enter into a loan agreement with such corporation prescribing the terms and conditions of the payments to be made to the County to meet the payments to become due on such bonds, and (iv) to mortgage such facility and the site thereof for the benefit of the holders of such bonds.

Neither the State of South Carolina, the County of Pickens, South Carolina, nor any political subdivision of the State of South Carolina is liable for the payment of the principal of, premium, if any, or interest on the Series 1983 Bonds.

### County Council

The County is governed by a County Council consisting of six elected members who are duly qualified electors of and taxpayers in the County of Pickens, South Carolina. The following persons constitute the officers and members of the County Council.

<u>Name</u>	<u>Office</u>	<u>Occupation</u>	<u>Term Expiration</u>
Marion C. Owens	Chairman	Realtor	January 1, 1985
Dr. Robert R. Nash	Vice-Chairman	_____, Central Wesleyan College	January 1, 1987
James P. Whitlock	Councilman	_____, First Federal Savings & Loan	January 1, 1987
Ocie Trotter	Councilman	Owner of Grocery Store	January 1, 1985
Michael G. Galloway	Councilman	_____, Ohio Gear	January 1, 1985
Samuel E. Calloway	Councilman	Retired	January 1, 1985

The County at the time of delivery of the Series 1983 Bonds will, among other things, assign all of its rights under the Loan Agreement (except for certain rights to indemnification and payment of expenses) and the Mortgage to the Trustee which, on behalf of the Bondholders, will exercise all of the County's rights thereunder.

## THE TRUSTEE

Citizens and Southern National Bank of South Carolina, Columbia, South Carolina will be the Trustee for the Series 1983 Bonds. W.E. Barrett, Corporate, Trust Officer of the Trustee, is the trust officer for the Series 1983 Bonds. The mailing address and telephone number of the Trustee are as follows:

Citizens and Southern National Bank of South Carolina  
P.O. Box 22201  
293 Graystone Boulevard  
Columbia, South Carolina 29222  
(803) 765-8011

## THE SERIES 1983 BONDS

### Description

The Series 1983 Bonds are being issued as negotiable coupon bonds in the denominations of \$1,000 and \$5,000 each, registrable as to principal only, or as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The coupon bonds will be dated March 1, 1983, and will bear interest from that date at the rates set forth on the cover of this Official Statement and will mature on March 1, as set forth therein. The fully registered bonds without coupons will bear interest from the March 1 or September 1 next preceding their date of issue, in each case at the same rates as the coupon bonds and with the maturities set forth on the cover of this Official Statement. Interest on the Series 1983 Bonds will be payable semi-annually on March 1 and September 1 of each year, commencing September 1, 1983. Interest on coupon Series 1983 Bonds is payable at the principal corporate trust office of the Trustee. Interest on fully registered bonds may be paid by check or draft and mailed to the registered owner thereof. Principal of all Series 1983 Bonds is payable at the principal corporate trust office of the Trustee. Coupon bonds and fully registered bonds are interchangeable as provided in the Indenture.

### Security

The Series 1983 Bonds are payable from the payments to be made by the Corporation pursuant to the Loan Agreement. To secure such payments and the other obligations of the Corporation under the Loan Agreement, the Corporation has entered into the Mortgage with the County. Under the Mortgage the Corporation has granted to the County a first mortgage lien upon the Land and the Project and a security interest in the Facilities Equipment, Inventory and Gross Receipts, subject in each case to Permitted Encumbrances. To secure the prompt payment on the Series 1983 Bonds, the County has assigned to the Trustee under the Indenture all right, title and interest of the County to the Loan Agreement (except for the rights to indemnification and to payment of attorneys' fees and other expenses) and the payments and other amounts to be received thereunder and all right, title and interest of the County under the Mortgage and the mortgage lien and security interest granted thereunder, and all payments so assigned will be paid directly by the Corporation to the Trustee.

The lien of the Mortgage on the Project and the Land is subject to liens in favor of materialmen and contractors which, if perfected, will be prior to the lien of the Mortgage if payments to the materialmen or contractors are not made when due. Such lien is also subject to Permitted Encumbrances.

The security interest in the Corporation's Inventory and Facilities Equipment is subject to purchase money security interests in such collateral now existing or hereafter created. The security interest in the Gross Receipts is, under the terms of the Loan Agreement, subject to any security interest in such collateral hereafter granted by the Corporation as security for Short-

term Indebtedness not exceeding \$300,000. In addition, the security interest in certain Gross Receipts may not be enforceable against third parties unless such Gross Receipts are delivered to the Trustee (which delivery the Corporation is not required to make prior to a default under the Loan Agreement) and is subject to exceptions under the South Carolina Uniform Commercial Code (the "UCC"). In the event of a default by the Corporation under the Loan Agreement, the Trustee may not be able to compel third parties to make payments due the Corporation directly to the Trustee. Under current law all such security interests may be further limited by the following: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) present or future prohibitions against assignment contained in any state or federal statutes or regulations; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) federal bankruptcy laws affecting assignments of revenues earned or the attachment of any security interest in property acquired after any institution of bankruptcy proceedings by or against the Corporation; and (vi) the requirement that appropriate continuation statements be filed pursuant to the UCC as from time to time in effect.

In the event of a bankruptcy proceeding involving the Corporation, by virtue of the Mortgage the Trustee should be treated under the Federal Bankruptcy Code as one holding a secured claim, to the extent collateralized as described in the Loan Agreement and the Mortgage. The potential effects of bankruptcy of the Corporation could be to delay enforcement of remedies otherwise available to the Trustee and allow the bankruptcy court, under certain circumstances, to substitute other assets of the Corporation for collateral under the Mortgage, to sell all or part of the collateral under the Mortgage without application of the proceeds to Bonds and Parity Indebtedness, to subordinate the Mortgage to liens securing borrowing approved by the bankruptcy court, to permit the Corporation to cure defaults and reinstate the Mortgage, to compel release of the Mortgage or rejection of the Loan Agreement by payment of an amount determined by the bankruptcy court to be the value of the collateral thereunder (even though less than the total Bonds and Parity Indebtedness outstanding), or to modify the terms of or payments due under the Loan Agreement and the Mortgage.

Additional security will be derived from (a) the Guaranty described under the heading "The Guaranty" and (b) the Debt Service Reserve Fund which will be funded in an amount equal to \$500,000 until there shall be \$\_\_\_\_\_ in the Debt Service Reserve Fund at and subsequent to which time the Debt Service Reserve Fund will be funded in an amount equal to \$\_\_\_\_\_.

The Series 1983 Bonds are limited obligations of the County payable solely from revenues to be derived from the Corporation. The Series 1983 Bonds do not constitute general obligations of the State of South Carolina (the "State"), the County or any other county, municipal corporation or political subdivision of the State. Neither the credit nor the taxing power of the State, the County or any other county, municipal corporation or political subdivision of the State is pledged to the payment of the principal of or the redemption premium, if any, or interest on the Series 1983 Bonds.

#### Legality

The Series 1983 Bonds have been authorized by an Ordinance of the County and a Resolution of the State Budget and Control Board of South Carolina. The Series 1983 Bonds have been approved as to legality by Wyche, Burgess, Freeman & Parham, P.A., of Greenville, South Carolina, Bond Counsel, whose approving opinion has been delivered with the Series 1983 Bonds.

#### Redemption

*Optional Redemption.* The Series 1983 Bonds maturing on March 1, 1989 will be redeemable at the option of the County, at the direction of the Corporation, in whole on any date occurring on or after March 1, 1987 or in part on any interest payment date by lot occurring on or after March 1, 1987 from any moneys available therefor at the following redemption prices



(expressed as percentages of the principal amount of Series 1983 Bonds being redeemed) plus accrued interest to the redemption date, all in the manner provided in the Indenture:

Period (Both Dates Inclusive)	Redemption Price
March 1, 1987 to February 27, 1988 .....	103%
March 1, 1988 to February 28, 1989 .....	102

The Series 1983 Bonds maturing on March 1, 2013 will be redeemable at the option of the County, at the direction of the Corporation, in whole on any date occurring on or after March 1, 1987 or in part on any interest payment date by lot occurring on or after March 1, 1987 from any moneys available therefor at the following redemption prices (expressed as percentages of the principal amount of Series 1983 Bonds being redeemed) plus accrued interest to the redemption date, all in the manner provided in the Indenture:

Period (Both Dates Inclusive)	Redemption Price
March 1, 1987 to February 29, 1988 .....	103%
March 1, 1988 to February 28, 1989 .....	102
March 1, 1989 to February 28, 1990 .....	101
March 1, 1990 and thereafter .....	100

**Mandatory Redemption.** The Series 1983 Bonds maturing on March 1, 2013 are subject to mandatory redemption in part, by lot, on March 1, of the years 1990 through 2013 in the amounts set forth below at 100% of the principal amount of the Series 1983 Bonds being redeemed plus accrued interest to the date of redemption, without premium:

Year	Amount
1990	\$
1991	
1992	
1993	
1994	
1995	
1996	
1997	
1998	
1999	
2000	
2001	
2002	
2003	
2004	
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	



**Extraordinary Redemption.** The Series 1983 Bonds are also redeemable in whole at any time or in part (on any interest payment date) upon certain events of damage, destruction or condemnation of the Facilities or upon the occurrence of a Determination of Taxability, and are redeemable in whole at any time (a) in certain events if the Loan Agreement has become void or unenforceable, or (b) if certain excessive liabilities have been imposed upon the Corporation, at a redemption price equal to 100% of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption and without premium. (See "The Loan Agreement-Damage, Destruction, Condemnation and Other Loss of Title," and "The Loan Agreement—Corporation's Obligation and Option to Direct Redemption of Bonds"). In the case of a redemption in part as provided in this paragraph, the particular Bonds to be redeemed shall be selected by the Trustee in inverse order of maturity and by lot within a maturity in such manner as the Trustee shall deem fair and appropriate.

**Notice of Redemption.** Notice of redemption identifying the Bonds to be redeemed shall be given by the Trustee (a) by publication one time not less than 30 days prior to the date fixed for redemption in an Authorized Newspaper, and (b) by first class mail, postage prepaid, to all registered owners of Bonds to be redeemed (provided, however, that failure to mail an appropriate notice or any such notice shall not affect the validity of the proceedings of such redemption if notice by publication is duly made in proper and timely fashion). If at the time of giving notice of redemption, all Bonds to be redeemed are registered as to principal (other than to bearer) or fully registered, publication of notice as herein provided shall be deemed to have been waived if notice of redemption shall have been mailed by first class mail, postage prepaid, to the registered holder or holders of the Bonds to be redeemed. If, because of the temporary or permanent suspension of the publication or general circulation of an Authorized Newspaper or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such a publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Each notice of redemption shall state the redemption date, the place at which payment will be made, the principal amount to be redeemed and, if less than all of the Bonds of any one maturity are to be redeemed, the distinctive numbers and letters of the Bonds to be redeemed and, in the case of fully registered Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any fully registered Bond is to be redeemed in part only, the notice of redemption which relates to that Bond shall also state that on or after the date fixed for redemption, upon surrender of the Bond, a new fully registered Bond in principal amount equal to the unredeemed portion of the Bond will be issued. The notice of redemption shall also state that the interest on the Bonds, or portions of Bonds, in such notice designated for redemption shall cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Bonds, or portions of Bonds, the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption.

#### Additional Bonds

The County may authorize the issuance of Additional Bonds, but only for one or more of the following purposes:

(a) refinancing or refunding any Bonds or any Parity Indebtedness if, (i) the Maximum Aggregate Annual Debt Service for the Funded Debt then to be issued for such refinancing or refunding purposes is not greater than 1.05 times the Maximum Aggregate Annual Debt Service on the indebtedness then to be refinanced or refunded, as shown by a written report of a Management Consultant, and (ii) the Debt Service Coverage Ratio for each of the two Fiscal Years immediately following the Fiscal Year in which such refinancing or refunding is to take place, as forecast by a Management Consultant, is not less than 1.20 for all Funded Debt, including the Funded Debt then to be issued for such purposes;

(b) acquisition or construction of Additional Facilities if (i) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available was at least 1.20 for all Funded Debt outstanding at the end of such Fiscal Year, including the Funded Debt then to be issued by the Corporation for such acquisition or construction, or (ii) (A) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available was at least 1.20 for all Funded Debt outstanding at the end of such Fiscal Year, but not including the Funded Debt then to be issued, and (B) the Debt Service Coverage Ratio (including the forecast revenues from the Additional Facilities then being financed) for each of the two Fiscal Years immediately following the Fiscal Year in which such Additional Facilities are to be acquired or completed, as forecast by a Management Consultant, is at least 1.20 for all Funded Debt, including the Funded Debt then to be issued;

(c) to complete the Project, without limitation, and

(d) payment of moneys for (i) the costs of issuance and sale of any such Additional Bonds, (ii) funded interest for such period as shall be determined by the Corporation and (iii) the Debt Service Reserve Fund or any other reserve fund required to be established as a consequence of the issuance of such Additional Bonds.

All Additional Bonds shall be on a parity with the Series 1983 Bonds and all terms shall be subject to the provisions of the Indenture and approval by the County and the Corporation. Prior to the delivery by the Trustee of any Additional Bonds, there shall be filed with the Trustee various reports and opinions and such supplements to the Indenture, Mortgage and Loan agreement, as may be required by such documents.

#### Parity Indebtedness

Parity Indebtedness may be incurred by the Corporation in lieu of the issuance of Additional Bonds by the County for the same purposes for which Additional Bonds may be issued and upon satisfying the terms and conditions applicable to the issuance of Additional Bonds for such purposes. Holders of Parity Indebtedness will have the same security as holders of Bonds under the Indenture, except that the holders of Parity Indebtedness shall not be entitled to share on a parity with the holders of the Bonds in any of the funds or accounts established by the Indenture. See "The Loan Agreement—Parity Indebtedness."

#### Rate Covenant

The Corporation agrees to fix, charge and collect, or to cause to be fixed, charged and collected, rates, rentals, fees and charges for the services furnished or to be furnished by the Corporation in amounts sufficient to maintain the Debt Service Coverage Ratio in each Fiscal Year equal to 1.20, subject to certain exceptions. See "The Loan Agreement—Rate Covenant."

# SUMMARY OF ESTIMATED SOURCES OF FUNDS AND USES OF PROCEEDS\*

## SOURCES OF FUNDS:

Series 1982 Bond proceeds(1)	\$6,800,000
Interest earnings(2)	221,240

TOTAL SOURCES OF FUNDS \$7,021,240

## APPLICATION OF FUNDS:

Acquisition of Land	\$ 68,500	
New Construction	3,832,940	
Architect and Engineering	80,000	4364940
Furniture, Fixtures and Equipment	432,000	\$4,413,440

Development Fee(3)	\$ 120,000	
Marketing(4)	160,000	
Title and Recording	25,000	
Legal Fees	150,000	
Printing	30,000	256,800
Feasibility	45,000	
Trustee Fee	6,800	
Contingency	<del>25,000</del> 50,000	\$ 581,800

Bond Underwriting Discount(5)	\$ 340,000	
Managing Underwriter's Fee(6)	340,000	
Funded Interest During Construction(7)	846,000	
Debt Service Reserve(8)	500,000	\$2,026,000

TOTAL APPLICATION OF FUNDS \$7,021,240

- (1) Plus accrued interest to the date of delivery.
- (2) These earnings were projected at an assumed interest rate of 8% on funds invested during the construction period.
- (3) Unico Development Services, Inc., Greenville, South Carolina, will be paid a development fee of \$120,000 for its services in procuring financing for and developing the Project.
- (4) This amount is payable to the Management Company pursuant to the Marketing Agreement with the Corporation for marketing of the Project.
- (5) The Underwriter and other municipal bond broker/dealers to whom the Series 1983 Bonds may be re-offered for sale will receive a total bond underwriting discount equal to \$340,000, which is equal to 5% of the proceeds of the Series 1983 Bonds.
- (6) The Underwriter will also receive a Managing Underwriter's fee equal to \$340,000 which is equal to 5% of the proceeds of the Series 1983 Bonds.
- (7) Interest on the Series 1982 Bonds is being funded for the 12 month construction period.
- (8) The Debt Service Reserve Fund, as funded from the proceeds of the Series 1983 Bonds, represents approximately % of the maximum annual debt service on the Series 1983 Bonds.

\* Estimated, subject to change.

# SERIES 1983 BOND PRINCIPAL AND INTEREST REQUIREMENTS\*

The following table sets forth for each Bond year ending March 1 of each respective year the amounts required in each year to make the payments of the principal of the Series 1983 Bonds at maturity, the mandatory sinking fund redemption payments for the Series 1983 Bonds maturing March 1, 2013 and the payments of interest on the Series 1983 Bonds.

Year	Principal	Mandatory Sinking Fund Redemption Requirements	Interest	Total Annual Debt Service
1984				
1985				
1986				
1987				
1988				
1989				
1990				
1991				
1992				
1993				
1994				
1995				
1996				
1997				
1998				
1999				
2000				
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				
Totals	\$	\$	\$	\$

Total Debt Service: \$  
Average Annual Debt Service: \$  
Maximum Annual Debt Service: \$

\* Estimated, subject to change.

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## FINANCIAL FEASIBILITY STUDY

The Financial Feasibility Study prepared by May Zima & Co., is contained in Appendix "A" herein and should be read in its entirety. The projected financial statements contained in the Financial Feasibility Study are based upon certain assumptions with respect to future events. In the accompanying letter to the Financial Feasibility Study, May Zima & Co., states that "The accompanying financial forecast indicates that sufficient funds will be available to meet the Project's operating expenses, working capital needs, and other financial requirements, including the debt service requirements associated with the proposed \$6,800,000 bond issue, during the forecast periods. However, the achievement of any financial forecast is dependent upon future events, the occurrence of which cannot be assured."

May Zima & Co., has calculated coverage of the Annual Debt Service Requirement as described in the Financial Feasibility Study in the table captioned "Forecast Statements of Debt Service Coverage" shown on page 32 of the Financial Feasibility Study and also shown below.

### COUNTRYSIDE MANOR, INC. FORECAST STATEMENTS OF DEBT SERVICE COVERAGE

	1985	For the Years Ending January 31			1989
	1986	1987	1988		
AVAILABLE FOR DEBT SERVICE					
NET (LOSS) INCOME					
BEFORE MANAGEMENT FEES	\$ (73,400)	\$ 69,800	\$ 232,300	\$ 271,600	\$ 332,200
ADD					
Expenses not requiring cash outlay:					
Depreciation	190,500	190,500	190,500	190,500	190,500
Amortization of financing costs	41,400	41,400	41,400	41,400	41,400
Interest deducted—bonds	846,000	846,000	846,000	846,000	846,000
Entrance deposits for bond retirement	—	—	—	—	1,760,800
Less: Interest earned on debt service fund	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
<b>TOTAL AVAILABLE FOR DEBT SERVICE</b>	<b>\$954,500</b>	<b>\$1,097,700</b>	<b>\$1,260,200</b>	<b>\$1,299,500</b>	<b>\$3,130,900</b>
DEBT SERVICE REQUIREMENTS					
Interest—bonds	\$846,000	\$ 846,000	\$ 846,000	\$ 846,000	\$ 846,000
Less: Interest earned on					
debt service reserve fund	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Principal—bonds	—	—	—	—	1,800,000
<b>TOTAL DEBT SERVICE REQUIREMENTS</b>	<b>\$796,000</b>	<b>\$ 796,000</b>	<b>\$ 796,000</b>	<b>\$ 796,000</b>	<b>\$2,596,000</b>
DEBT SERVICE COVERAGE(1)	1.20x	1.38x	1.58x	1.63x	1.20x
DEBT SERVICE COVERAGE(2)	1.13x	1.20x	1.42x	1.42x	1.13x

(1) Before management fees which are subordinate to debt service requirements.

(2) After management fees.

\*The accompanying assumptions are an integral part of this preliminary forecast.



## THE CORPORATION

### General

Countryside Manor, Inc., is a South Carolina corporation incorporated on December 7, 1982 for the purpose of acquiring, owning and operating health care facilities. Countryside Manor, Inc. is a privately held corporation, with three principal shareholders, Rickey M. Merritt, Travers W. Paine, III and Bryson F. Hill, Jr., each owning 31 1/3% of the outstanding common stock of the Corporation. The remaining common stock is owned by a minority shareholder.

### Officers and Board of Directors

Set forth below are the names, residences and positions of the officers and directors of the Corporation:

Name	Position	Residence
Rickey M. Merritt	President and Director	Greer, South Carolina
Travers W. Paine, III	Vice President and Director	Augusta, Georgia
Bryson F. Hill, Jr.	Secretary-Treasurer and Director	Birmingham, Alabama
Joanne J. Randall	Director	Greenville, South Carolina

### Biographical Information

Set forth below is biographical information on the officers of the Corporation:

#### Rickey M. Merritt, President

Mr. Merritt, age 32, is a life long resident of the Greenville, South Carolina area. He has been employed by United Medical and Surgery Supply Corporation for approximately seven years. During that time, Mr. Merritt has been involved in the sale and distribution of medical supplies and equipment. During the last three years, Mr. Merritt has been involved in the development, furnishing and equipping of more than twenty nursing homes and health care facilities in the southeast.

#### Travers W. Paine, III, Vice President

Mr. Paine, age 34, graduated from University of Georgia, Athens, Georgia in 1970 with a Bachelor of Arts degree. In 1973, Mr. Paine graduated from University of Georgia Law School, Athens, Georgia. Mr. Paine is a practicing attorney and is a partner of the law firm of Paine, Dalis, Smith & McElreath, Augusta, Georgia. Mr. Paine is a member of the American Bar Association, Forum Committee on Health Law and many other local and business organizations.

#### Bryson F. Hill, Jr., Secretary-Treasurer

Mr. Hill, age 48, has been associated with the health care field since 1968. From 1970-1981, Mr. Hill served as President of Hill Guthrie Properties which owned and managed twenty nursing homes in Alabama, Georgia, South Carolina and Florida. In 1981, Mr. Hill sold all of his interest in the nursing homes to the employees forming Southern Medical Services, Inc. He has been active in nursing home and health care associations, serving as president of the Alabama Nursing Home Association and on the Board of Governors of the American Health Care Association. Mr. Hill is currently President of Bryson Hill & Associates, Inc., a health care management company.

### Financial Information

For financial information of the Corporation, see the Financial Statement included herein as Appendix B.





## THE GUARANTOR

Bryson F. Hill, Jr. (the "Guarantor") has unconditionally guaranteed the payment by the Corporation of the Basic Payments to be made by it until April 1, 1982. See the caption "SUMMARY OF THE GUARANTY" herein. For biographical information concerning Mr. Hill, see the caption "THE CORPORATION—Biographical Information" herein.

The Underwriter has on file a compilation of the financial statement of the Guarantor as of June 30, 1982, which shows a total net worth in excess of \$6,000,000 based on the fair market value of his assets. The bulk of the net worth is made up of investments in real estate and notes receivable from the sale of nursing homes. Mr. Hill has also guaranteed other bond issues. See Appendix "C" herein.

## THE PROJECT

### The Project Site

The Project will be located on a 15.63 acre parcel of land in the City of Easley, South Carolina. The site is situated in the Southwest corner at the intersection of SC Highway No. 8 and SC Highway No. 179 (Zion School Road). The site currently consists of open farm land and second growth pines. The land has varying grade with steep slopes at the rear of the property abutting a creek.

### Architectural Description of the Project Building

The Project, comprising a total of 29 one-story buildings, will provide complete facilities for a 115 unit retirement home and a 60 bed adult residential facility. The assisted living units include 56 two bedroom suites and 59 one bedroom suites. The rest home portion of the Project includes 56 semi-private rooms and 4 private rooms and is housed in the Community Center Building.

The assisted living units are arranged in four clusters forming a courtyard with each unit having a separate yard area. There are five living units in each cluster, served by a corridor with a private entrance to each unit. All assisted units are individually heated and air conditioned, and include a living space, bedroom area, bath and toilet space and a service area with cabinets, a sink and a small table and chairs. Three out of the four clusters will have separate Community Buildings which include a large room that can be used either as a lounge or a back up dining room seating 50 people. This back up dining room would be used in cases of extreme inclement weather. Each such Community Building will also contain rest rooms, a laundry facility and a room in which an attendant will be on duty. This last room will contain medical charts of all the residents occupying the units in that particular cluster, emergency first aid kit and a blood pressure kit. The emergency call system will be in that room.

Entrance to the Project will be through the Community Center reception and social area. The Community Center contains the Project's central dining room, the library, a private dining room for the use of the residents and a post office. The Community Center will also contain the central nurses station which will be staffed by a LPN 24 hours a day. The Director of Nursing who will be a registered nurse, will be on the premises from 9:00 A.M. to 5:00 P.M. An old style gazebo is located in a landscaped courtyard which joins the entrance to the beauty and barber shop. The courtyard beyond includes bird feeding stations, a walking area and a piazza. The piazza leads into the main dining room and the recreation area, which includes game rooms, sewing and painting areas.

### General Contractor

Construction Enterprises, Inc., Cleveland, Tennessee (the "Contractor") has been selected as general contractor for construction of the Project. The Contractor is a Tennessee corporation

licensed to do business in South Carolina. The Contractor began doing business in 1979 and has averaged \$5,000,000 of construction each year. The Contractor has been primarily engaged in the design, development and construction of nursing homes and secondarily in the construction of office buildings, apartments and churches. Some of the projects either under construction or recently completed by the Contractor include the following:

Name and Location	Approximate Completion Date	Actual or Estimated Contract Amount
Donelson Health Care Center ..... Donelson, Tennessee		\$1,349,000
Regency Health Care Center ..... Monteagle, Tennessee		\$1,242,000
Regency Health Care Center ..... Rutledge, Tennessee		\$1,210,000

#### The Construction Contract

The Corporation has entered into a fixed amount construction contract with the Contractor to provide for the construction of the Project, engineering, site improvement and the installation of certain fixed equipment (the "Construction Contract") for a maximum price of \$3,832,940. The Construction Contract requires the Contractor to complete the Project within 12 months of the Contractor's notice to proceed. The Construction Contract will provide that liquidated damages will accrue thereafter at an amount which is equal to the daily debt service on the Series 1983 Bonds. Under the Construction Contract, the Contractor will be required to furnish performance, labor and materials payment bonds in the full amount of the Construction Contract. The Surety for the foregoing described performance and payment bonds will be Aetna Casualty and Surety Company.

#### The Design and Inspecting Architect

The Corporation has entered into a contract with Ard-Wood Architects Inc., Greenville, South Carolina, a state licensed architectural firm (the "Architect"), to provide architectural services for the Project. The Architect was incorporated in 1979 and employs 8 architects, 17 draftsmen, 7 engineers and various administrative personnel.

The Architect will be responsible for preparing the plans, specifications and working drawings for the Project, periodically inspecting the Project in order to insure that it is constructed in accordance with such plans and specifications and certifying the construction draws from the Construction Fund established under the Indenture.

Recent projects by the Architect include:

Name and Location	Approximate Completion Date	Actual or Estimated Cost
Grady H. Hipp Nursing Home ..... (Addition) Greenville, South Carolina	1983	\$ 600,000
Retirement Village for the Elderly ..... Greer, South Carolina	1983	\$1,800,000
Doctor's Office ..... Greenville, South Carolina	1983	\$ 350,000
Renovation of Detoxification Facility ... Greenville, South Carolina	1982	\$ 50,000

### Licensing and Other Approvals

The Architect's plans for the construction of the Project have been approved by the City of Easley, South Carolina prior to the date of this Official Statement. The Corporation will obtain a building permit from the City of Easley prior to commencement of construction.

Upon completion of construction of the Project, the Corporation anticipates that it will be required to and that it will receive a license to operate the 60 bed portion of the Project as an adult residential care facility pursuant to South Carolina statutes.

### OPERATIONS OF THE PROJECT

#### General

The Corporation will operate the Project pursuant to a policy of providing continuing care to residents. This policy involves a contractual arrangement, to be evidenced by a Continuing Care Agreement between the Corporation and the resident, pursuant to which the resident has the right to live in a residential care environment that includes social and recreational accommodations, health care services and other support services, subject to certain conditions. See the caption "SUMMARY OF THE CONTINUING CARE AGREEMENT" herein. In addition to its assisted living units and common areas, the Project includes a 60 bed rest home for the primary purpose of providing care for individuals who require more care than provided by the assisted living unit portion of the Project.

#### The Management Company

First American Management Co., Inc. is an Alabama corporation incorporated on for the purpose of managing health care facilities. Although the Management Company is newly formed, most of the principals have had extensive experience in the management of nursing homes and retirement centers in the southeast. Bryson Hill, Jr., President and sole stockholder of the Management Company, was formerly President of Hill-Guthrie Associates, an Alabama corporation which owned and/or managed approximately 20 nursing homes and retirement centers in Alabama, Georgia, Florida and South Carolina.

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Set forth below is a list of some of the facilities which Bryson Hill developed and/or managed through his previous companies. They are managed by another entity at this time.

<u>Name and Location</u>	<u>Number of Beds</u>
Apollo Nursing Home .....	151
Mobile, Alabama	
The Nursing Home of Arab, Inc. ....	67
Arab, Alabama	
The Nursing Home of Boaz, Inc. ....	80
Boaz, Alabama	
Huntsville Nursing Home .....	129
Huntsville, Alabama	
Lynwood Nursing Home .....	127
Mobile, Alabama	
Mary Brandon Nursing Home .....	172
Oxford, Alabama	
Parkwood Health Facility .....	74
Phenix City, Alabama	
Perry Hill Health Facility, Inc. ....	130
Montgomery, Alabama	
Trussville Nursing Home, Inc. ....	125
Trussville, Alabama	
Tyson Manor Health Facility, Inc. ....	125
Montgomery, Alabama	
Pensacola Health Facility, Inc. ....	118
Pensacola, Florida	
Perry Health Facility .....	92
Perry, Florida	
Augusta Health Facility, Inc. ....	213
Augusta, Georgia	
Burke County Health Facility, Inc. ....	103
Waynesboro, Georgia	
Medical Arts Health Facility of Columbus, Inc. ....	110
Columbus, Georgia	
So. Medical of Dublin, Inc. ....	108
Dublin, Georgia	
So. Medical of E. Macon, Inc. ....	122
Macon, Georgia	
So. Medical of N. Macon, Inc. ....	228
Macon, Georgia	
Medical Arts Health Facility of Lawrenceville, Inc. ....	124
Lawrenceville, Georgia	
Southern Medical of Ridgeway, Inc. ....	150
Ridgeway, South Carolina	
Southern Medical of Waterboro, Inc. ....	130
Waterboro, South Carolina	

### The Management Agreement

The Management Company has entered into a thirty year contract with the Corporation dated as of March 1, 1983 (the "Management Agreement") pursuant to which the Management Company has undertaken the responsibility for the day-to-day management of the Project upon completion of construction.

The Management Company's responsibilities include:

- (1) the hiring, discharging, supervision and management of employees and the establishment of rates of compensation and personnel policies;
- (2) the purchasing of routine and medical supplies;
- (3) the preparation of budgets, financial statements and other accounting data;
- (4) the billing and collection of accounts receivable;
- (5) the provision and supervision of operation of food services facilities;
- (6) the institution of any and all legal actions or proceedings, in the name of the Project;
- (7) administer and schedule all Project services;
- (8) the review of the insurance programs.

The Management Company will receive a monthly fee of four percent (4%) of the gross operating revenues of the Project less contractual allowances for the previous month for the first year of operations, five percent (5%) for the second year of operations, six percent (6%) for the third year and seven percent (7%) for the fourth year and thereafter. The Management Agreement provides for subordination of all payments to be made under the Management Agreement to the payments of principal and interest on the Series 1983 Bonds and to all operating expenses of the Corporation.

### The Marketing Agreement

*David C. Brown*  
*Kathy Sturkie*

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## Eligibility and Admission of Residents

In order for a couple or an individual to become a resident in an assisted living unit of the Project, he or she, or at least one partner of a married couple must have attained the age of 55. Prior to executing the Continuing Care Agreement, a prospective resident must furnish the Corporation with the results of a complete physical examination which has occurred within the past thirty days, and with a statement from a physician that residence in the Project will tend to maintain and/or improve the prospective resident's mental, physical and emotional condition. The Project is non-denominational, and admission is available to all eligible persons without regard to race, creed, color, sex or national origin. The eligibility requirements for residency in the Project must, in general, be maintained throughout a person's occupancy of an assisted living unit. See the caption "SUMMARY OF THE CONTINUING CARE AGREEMENT" herein.

## Fees and Services

At the present time, no federal, state or local law governs the amounts which the Corporation may charge a resident for occupancy of a unit in the Project. No assurance, however, can be given that no such law will not be enacted in the future.

A. *Deposits.* When a prospective resident makes application for an assisted living unit, and after the health of the person has been determined to be satisfactory for assisted living services, the Continuing Care Agreement is executed by the resident and the Corporation and the Continuing Care Deposit is made. In the event that a prospective resident is awaiting completion of construction of the assisted living unit or desires to be placed on a waiting list, a partial deposit of \$1,000 is made to be applied to the Continuing Care Deposit to be paid in full at the time of occupancy. The present schedule of Continuing Care Deposits is as follows:

Type of Unit	Deposit Per Unit
Two Bedroom .....	\$19,900
One Bedroom .....	\$13,900

These deposits are made in full in cash at the time of occupancy by a resident. Seventy five percent (75%) of the Continuing Care Deposit is returnable if:

- (1) A resident, for any personal reason, chooses to vacate an assisted living unit, or
- (2) When the health of any resident becomes such that, in the opinion of the Medical Director of the Project and the resident's personal physician, the resident can no longer be adequately maintained in the assisted living community and needs to be transferred to acute or long-term nursing care, or
- (3) A resident dies, and a new resident pays a Continuing Care Deposit for the residency in the vacated unit.

B. *Monthly Service Charge.* In addition to the Continuing Care Deposit discussed above, residents will be billed a Monthly Service Charge which covers certain services provided by the Project. The Monthly Service Charge schedule is as follows:

Type of Unit	Monthly Service Fee	
	Single occupancy	Double occupancy
Two Bedroom .....	\$850	\$1,275
One Bedroom .....	\$850	\$1,275

The Monthly Service Charge will entitle the resident to three meals a day, utilities, upkeep of the amenities, nursing supervision, housekeeping and linen services, therapeutic, social and recreational programs, transportation to shopping and churches, emergency call services, daily health check, security officers, social work services, special therapeutic diet service and fully

equipped and staffed medical clinic. The Monthly Service Charge does not include the cost of personal telephones, personal laundry, medications or drugs, physicians' charges, costs of the annual physical examination and costs of out of the ordinary routine personal care services.

C. *Health Care.* Each assisted living unit and rest home room will be equipped with an emergency call system which will be monitored at a nursing station in the Community Center and in each Community Building located in the clusters. Such monitoring will be by licensed medical personnel 24 hours a day. In addition to the emergency call system button located in each unit, each resident will possess a transportable emergency call unit which operates up to 250 feet away from the living unit.

A medical clinic will be located in the Community Center Building housing the adult residential care facility. It will contain one physician's office and two examination rooms. It will be staffed by the Medical Director of the Project and his two partners who will be on call 24 hours a day. The equipment contained in the medical clinic will include an EKG machine, blood pressure monitors and a fully equipped pharmacy.

The nurses will administer physical fitness and physical therapy programs to the residents in the Community Building. In addition, the nurses will perform a daily health check on all the residents of the Project.

Special dietary meals will be provided to the residents upon advice of the Medical Director.

#### Adult Residential Care Portion of the Project

The 60 bed rest home portion of the Project will service ambulatory individuals who need slightly more custodial supervision than those persons occupying the assisted living units. The 60 bed adult residential care facility will be situated in the Community Center Building with nurses and attendants on duty 24 hours a day. The patients in the rest home will be entitled to all the same services as the individuals occupying the assisted living units although their actual living space will be smaller.

The schedule of Continuing Care Deposits for the rest home rooms is as follows:

Type of Room	Deposit Per Bed
Private .....	\$8,000
Semi-Private .....	\$4,000

The schedule of Monthly Service Charges for the rest home rooms is as follows:

Type of Room	Monthly Service Fee	
	Single Occupancy	Double Occupancy
Private .....	\$850	\$1,700
Semi-Private .....	\$850	\$1,700

## RISK FACTORS AND INVESTMENT CONSIDERATIONS

As indicated previously herein, the Series 1983 Bonds are payable solely from the payments payable by the Corporation to the Issuer pursuant to the Loan Agreement. In order for the Corporation to be able to generate sufficient revenue from the Project to meet its obligations under the Loan Agreement, it must be able to operate the Project at a profit. The Corporation has herein identified a number of "risk factors" regarding an investment in the Series 1983 Bonds, some of which could adversely affect the operation of the Project. These are as follows:

### 1. Debt Service Source

The Series 1983 Bonds are payable solely from the receipts of the Issuer arising out of or in connection with its mortgage and security interest in the Project, including the payments payable by the Corporation under the Loan Agreement. While the future abilities of the Corporation to meet its obligations under the Loan Agreement are based upon assumptions and business judgments which the Corporation believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that cannot be determined at this time. Thus, no assurance can be given that revenues will be realized by the Corporation in the amounts sufficient to pay the principal of and interest on the Series 1983 Bonds as they become due.

Prospective purchasers of the Series 1983 Bonds should consider carefully the following factors, among others, which may affect operations and revenues of the Project:

(1) There are certain other similar facilities presently existing and operating in the primary service area and there is no guarantee that the Corporation will be able to compete successfully with the existing similar facilities and any other similar facilities constructed in the future.

(2) The ability of the Corporation to meet its debt service obligations is largely dependent upon the prompt rent-up of the Project. Delay in the rent-up of the Project beyond the anticipated rent-up period will result in a delay of revenues forecast for the Project, and the ability of the Corporation to make the payments required under the Loan Agreement would be adversely affected.

(3) The ability of the Project to attract residents is dependent upon price, availability and numerous intangibles concerning the attractiveness of the Project to elderly persons.

In the future, the following factors, among others, may unfavorably affect the operations of the Project, to an extent and in a manner that cannot be determined at this time:

(1) Reinstatement or establishment of wage, rent and price controls.

(2) Adoption of new legislation including regulation of retirement and rest home facilities.

(3) The professional and industrial relations of the Corporation's and Management Company's staff and employees and labor union activities.

(4) Demographic changes in the population of the area from which it is contemplated that the Project will draw residents.

(5) Utility cost increases in the future due to an energy shortage.

(6) Substantial lessening in the need or demand for retirement and rest home facilities in the Project's service area.

(7) Inflation beyond that anticipated in establishing tests for the admission of residents may require increases in rates and charges beyond the ability of residents to pay.

### 2. Limited Income of Occupants

The Project is designed for occupancy by retired persons who have relatively fixed incomes. The ability of the Corporation to increase the monthly service charges charged to residents to

the extent required to compensate for increasing expenses may be restricted by the probable fixed incomes of many of the residents of the Project. Moreover, the ability of some of the elderly persons who are expected to occupy the Project to pay the rental rates may be dependent upon continued receipt by such persons of Social Security payments. To the extent there are changes in the Social Security system, the residents' ability to pay may be affected.

### 3. Financial Feasibility of the Project

The financial forecasts included in the Feasibility Study (Appendix A) are based on the Corporation's assumptions concerning future events and circumstances. The assumptions disclosed therein are those which the Corporation believes are significant to the forecasts or are key factors upon which the financial results of the operation of the Project by the Corporation depend. Some assumed events and circumstances inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of these forecasts. Therefore, the actual results achieved during the forecast period will vary from the forecast and the variations may be material.

### 4. Limited Resources and Lack of Experience of the Corporation

The Corporation has limited resources and is dependent upon the successful marketing of the Continuing Care Agreements and the operation of the Project to meet its obligations under the Loan Agreement. If the marketing of the Continuing Care Agreements and the operation of the Project produces insufficient revenues to pay the debt service on the Series 1983 Bonds, then the Corporation would have to look to any reserve accounts and its limited assets to meet its debt service obligations.

### 5. Dependence on Success of Marketing Program for Assisted Living Units

The ability of the Corporation to make payments to the Trustee sufficient to pay the principal of and interest on the Series 1983 Bonds, when due, is dependent upon successful marketing of the Continuing Care Agreements for the assisted living units within a reasonable time period. Although the Corporation has contracted with the Management Company which is experienced in the management of rest homes and retirement home facilities similar to the Project, the Corporation is newly formed and as an entity has no financial history and has no experience in the management of facilities such as the Project. The Feasibility Study is based on the assumption that the Project will achieve 70% occupancy during the first year of operations of the Project. If this projected rate is not achieved, the ability of the Corporation to make the payments due on the Series 1983 Bonds may be impaired.

### 6. Lack of Audited Financial Statement of the Guarantor

The Underwriter has on file a compilation of the financial statement of the Guarantor which indicates a total net worth in excess of \$6,000,000 based on the fair market value of his assets. However, such financial statement has not been prepared in accordance with generally accepted accounting principles nor has it been reviewed or audited by an independent certified public accountant.

### 7. Competition

According to the Feasibility Study attached hereto as Appendix A there is one competitive facility located in the Project's service area and one under construction. No assurance can be given that competitive continuing care facilities will not be constructed in the Project's service area in the future. Furthermore, retirement and rest home facilities do not require a governmentally approved Certificate of Need. Accordingly, competition can come not only from facilities such as nursing homes which have been issued Certificates of Need, but also from other facilities such as homes for the aged, condominiums and apartment buildings, some of which may be designed to offer similar facilities and services at lower prices.

## 8. Normal Risk Attending Any Investment in Real Estate

There are many diverse risks attending any investment in real estate, not within the Corporation's control, which may have a substantial bearing on the economic viability of the Project. Such risks include possible adverse use of adjoining land, fires or other casualty, condemnation, increased taxes, changes in demand for such facilities, decline in the neighborhood and general economic conditions.

## 9. Taxation of Series 1983 Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 1983 Bonds is exempt from Federal income taxation under current provisions of the Code, and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no guarantee that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 1983 Bonds taxable for Federal income tax purposes. Interest on the Series 1983 Bonds can become taxable if capital expenditures are incurred in excess of those permitted by Section 103(b)(6) of the Code.

## 10. Market for the Series 1983 Bonds

### (1) Lack of Bond Rating

The Series 1983 Bonds are not rated and no rating has been applied for.

### (2) Secondary Market

There is no established secondary market for the Series 1983 Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Series 1983 Bonds. However, it is the present practice of the Underwriter to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Series 1983 Bonds, but is not obligated to do so. However, prices of municipal bonds traded by the Underwriter in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the companies operating the facilities subject to bonded indebtedness. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in selected issues of municipal bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the company operating the subject facilities, or a material adverse change in the operations of that company, whether or not the subject bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

Municipal bonds are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

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## DEFINITIONS OF CERTAIN TERMS

The following words and terms as used in this Official Statement shall have the following meanings:

*"Accountant" or "Accountants"* shall mean an Independent certified public accountant or a firm of Independent certified public accountants selected by the Corporation.

*"Act"* shall mean Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as from time to time amended, known as the Hospital Revenue Bond Act.

*"Additional Bonds"* shall mean Bonds authorized to be issued by the County on a parity with the Series 1983 Bonds pursuant to the provisions of the Indenture.

*"Additional Facilities"* shall mean any additional real property which is hereafter included in the Land by amendment of the Loan Agreement, any structure or improvement which may hereafter be located on the Land (other than the Project), any improvement, addition, enlargement, extension or alteration of or to the Facilities (except for the Project), and any additional equipment and personal property which may hereafter be located on the Land (except for any such property that constitutes a part of the Project). *"Additional Facilities"* may include satellite facilities or facilities independent of the Facilities as they then exist, acquired or constructed by or for the Corporation and located on the Land, as described in the Loan Agreement or in any amendment thereto.

*"Additional Payments"* shall mean the payments required to be made by the Corporation pursuant to the Loan Agreement in addition to Basic Payments.

*"Adjusted Annual Operating Revenues"* shall mean operating revenues and Unrestricted Investment Income of the Corporation less adjustments for bad debts and uncompensated services for any Fiscal Year, all as determined in accordance with generally accepted accounting principles.

*"Aggregate Debt Service"* shall mean as of any date of calculation and with respect to any period the sum of (1) the interest falling due on Funded Debt during such period (except to the extent that such interest is payable from the proceeds of Funded Debt set aside for such purpose) and (2) the principal, whether by payment at maturity or by deposit into a sinking fund (or other similar fund) by reason of mandatory call for redemption, required with respect to Funded Debt during such period; which sum shall be computed on the assumption that no portion of such Funded Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments, and, in the case of Interim Indebtedness, calculating the payments of principal and interest in accordance with the terms of the Funded Debt described in the irrevocable agreement of the banking, investment banking or other appropriate financial institution obtained in connection with such Interim Indebtedness.

*"Architect"* shall mean such Independent architect or architects duly registered in the State and employed by the Corporation.

*"Authorized Newspaper"* means a newspaper or financial journal of general circulation in New York, New York, printed in the English language, being customarily published on each business day whether or not published on Saturdays, Sundays or holidays.

*"Basic Payments"* shall mean the payments required to be made by the Corporation pursuant to the Loan Agreement to meet the debt service requirements of the Bonds.

*"Board of Directors"* shall mean either the Board of Directors of the Corporation or any duly authorized committee of that Board.

*"Bond Counsel"* shall mean any firm of bond counsel experienced in matters relating to tax exempt financing of hospital or health care facilities, selected by the Corporation.

*"Bond Fund"* means the Bond Fund created pursuant to the Indenture.

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"*Bond Redemption Fund*" shall mean the Bond Redemption Fund created pursuant to the Indenture.

"*Bonds*" shall mean the Series 1983 Bonds and any Additional Bonds.

"*Certified Resolution*", with respect to the County, shall mean a copy of a resolution certified by the Clerk or Deputy Clerk of the County to have been duly adopted by the County Council of the County at a meeting duly called and convened; and, with respect to the Corporation, shall mean a copy of a resolution of the Board of Directors of the Corporation certified by the Secretary or Assistant Secretary of the Corporation to have been duly adopted at a meeting duly called and convened.

"*Closing Date*" shall mean the date on which any series of Bonds is delivered to the Original Purchasers thereof and payment is received by the County.

"*Code*" shall mean the Internal Revenue Code of 1954, as amended, and the regulations promulgated or proposed pursuant thereto.

"*Completion Date*" shall mean the date of completion of the Project established in accordance with the Loan Agreement.

"*Construction Contract*" shall mean, (i) with respect to the Project, the contract between the Corporation and Construction Enterprises, Inc., dated \_\_\_\_\_, 1983, including any amendment thereof, or any other contract entered into by the Corporation for the construction or acquisition of any portion of the Project, and (ii) with respect to any Additional Facilities or Other Facilities, any contract of the Corporation providing for the acquisition, construction, equipping, furnishing or installation of any part of the Additional Facilities or Other Facilities, including any amendment thereof made in accordance with the provisions thereof and the Loan Agreement.

"*Construction Fund*" shall mean the Construction Fund created pursuant to the Indenture.

"*Contractor*" shall mean (i) with respect to the Project, Construction Enterprises Inc., or any other Person with whom the Corporation enters into a Construction Contract for the construction or acquisition of any portion of the Project, and, (ii) with respect to any Additional Facilities or Other Facilities, a Person with whom the Corporation enters into a Construction Contract.

"*Continuing*" as applied to an event of default, shall mean any event of default not cured or expressly waived in writing by the Trustee.

"*Corporation*" shall mean Countryside Manor, Inc., a corporation organized and existing under the laws of the State, and any successor to such corporation permitted pursuant to the Loan Agreement.

"*Corporation Representative*" shall mean any person or persons designated to act on behalf of the Corporation by an Officers' Certificate.

"*Cost*", as applied to the Project or to any Additional Facilities shall mean, without intending thereby to limit or restrict any proper definition of such term under the provisions of law, all costs of acquisition, equipping and construction and all obligations and expenses and all items of cost which are permitted by the Act including, without intending to limit the generality of the foregoing: (a) the cost of the acquisition of property, including rights in land and other property, both real and personal and improved and unimproved; (b) the cost of demolishing, removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any land to which such buildings or structures may be moved or relocated; (c) the cost of all machinery, fixed and movable equipment and furnishings; (d) financing charges, interest prior to and during construction and, if permitted by law, for a period of not exceeding two years after the estimated date of completion of construction; (e) the cost of engineering and architectural surveys, plans and specifications; (f) the cost of consulting and

legal services and other expenses necessary or incidental to determining the feasibility or practicability of constructing or acquiring the Project, or any such Additional Facilities; (g) the cost of administrative and other expenses necessary or incidental to the construction or acquisition of the Project or such Additional Facilities, and the financing of the construction or acquisition thereof; and (h) the cost of issuing any Bonds or Parity Indebtedness, including legal fees, underwriting discount, trustee's fees and printing costs, and the cost of reimbursing the Corporation for any of the foregoing.

"*Counsel*" shall mean an attorney duly admitted to practice law before the highest court of any State.

"*County*" shall mean Pickens County, South Carolina, a body politic and corporate and a political subdivision of the State and any successor in function.

"*County Representative*" shall mean any person or persons designated to act by or on behalf of the County by an Officers' Certificate.

"*Debt Service Coverage Ratio*" shall mean for any period the percentage derived by dividing Net Revenues Available for Debt Service for such period by Maximum Aggregate Annual Debt Service for such period.

"*Debt Service Reserve Fund*" shall mean the Debt Service Reserve Fund created pursuant to the Indenture.

"*Debt Service Reserve Requirement*" shall mean \$500,000 until there shall be \$\_\_\_\_\_ in the Debt Service Reserve Fund, at and subsequent to which time the Debt Service Reserve Requirement shall be \$\_\_\_\_\_.

"*Determination of Taxability*" shall mean the occurrence of the first to occur of the following: (a) the date on which the Corporation determines that the interest on any of the Series 1983 Bonds is subject to Federal income taxation by filing with Trustee a statement to that effect, supported by any tax schedule, return or document which discloses that an Event of Taxability has occurred; or (b) the date on which the Corporation, the County, the Trustee or any holder of a Series 1983 Bond shall be advised in writing by private ruling, technical advice or any other written communication from an authorized official of the Internal Revenue Service that, based upon any filings of the Corporation, or upon review or audit of the Corporation, or upon any other grounds whatsoever, an Event of Taxability has occurred; or (c) the date on which the Corporation shall receive notice from the County or the Trustee in writing that the County or the Trustee has been advised (i) by any holder of a Series 1983 Bond that the Internal Revenue Service has assessed as includable in the gross income of such holder the interest on such Series 1983 Bond due to the occurrence of an Event of Taxability; or (ii) by any authorized official of the Internal Revenue Service that the interest on the Series 1983 Bonds is includable in the gross income of any holder thereof due to the occurrence of an Event of Taxability; provided, however, that no Determination of Taxability shall be deemed to have occurred pursuant to clause (a) above unless supported by a written opinion of Bond Counsel to the effect that the interest on the Series 1983 Bonds is subject to Federal income taxation as the result of the occurrence of an Event of Taxability; provided further that if the Corporation directly or through a holder of the Series 1983 Bonds contests the ruling, advice, communication or assessment described in clause (b) or (c) above by an appropriate proceeding, the Determination of Taxability under such clause (b) or (c) shall not occur until such ruling, advice, communication or assessment is finally upheld in a proceeding from which no further appeal can be or is taken by the Corporation; provided, however, that no decree or judgment by any court or action by the Internal Revenue Service shall be considered final unless the bondholder involved in such proceeding or action (i) has given the Corporation and the Trustee reasonably prompt notice of the commencement thereof and (ii) has offered the Corporation the opportunity to control the defense thereof so long as the Corporation agrees to pay all expenses in connection therewith and to indemnify such bondholder against all liabilities in connection therewith.

"Event of Default" shall mean any event defined as such in the Loan Agreement, the Indenture, the Mortgage and the Guaranty.

"Event of Taxability" shall mean any of the following conditions or circumstances: (a) as a result of capital expenditures being paid or incurred with respect to "facilities" described in section 103(b)(6)(E) of the Code and applicable regulations thereunder, the aggregate face amount of the Series 1983 Bonds, determined in accordance with the provisions of Section 103(b)(6)(D) of the Code, exceeds the limit permitted by said Section 103(b)(6)(D); (b) the Series 1983 Bonds constitute "arbitrage bonds" within the meaning of Section 103(e) of the Code; (c) the failure of the Corporation to observe any covenant, agreement or representation contained in the Agreement which failure results in interest on any of the Series 1983 Bonds being or becoming includable in the gross income of any holder thereof for Federal income tax purposes; (d) any change in Federal tax law or applicable regulations thereunder occurring after the issuance of the Series 1983 Bonds which results in interest on any of the Series 1983 Bonds being or becoming includable in the gross income of any holder thereof for Federal income tax purposes; or (e) the existence or absence of any other circumstance which shall cause the interest on any of the Series 1983 Bonds to be or to become includable in the gross income of any holder thereof for Federal income tax purposes; provided, however, that no Event of Taxability shall be deemed to have occurred with respect to any Series 1983 Bond if the interest thereon shall be subject to Federal income taxation for any period solely because during that period such Series 1983 Bond was held by a person who is a "substantial user" of the Project or a "related person" as such terms are used or defined in Section 103(b) of the Code.

"Facilities" shall mean the Land, the Project, the Facilities Equipment, the Inventory and any Additional Facilities.

"Facilities Equipment" shall mean any and all items of furniture, machinery, equipment, or other tangible personal property now owned or hereafter acquired by the Corporation, which are now or hereafter located on the Land or in any building or other improvements on the Land, and any and all additions, substitutions and replacements thereof, less such furniture, machinery, equipment or other personal property as may be released from the lien of the Mortgage pursuant to its terms.

"Fiscal Year" shall mean any period of 12 consecutive months adopted by the Corporation as its fiscal year for financial reporting purposes and initially means the period beginning October 1 of each calendar year and ending on September 30 of the succeeding calendar year.

"Funded Debt" shall mean all indebtedness of the Corporation (including the obligation of the Corporation to make the Basic Payments and other payments required by the Loan Agreement and any installment purchase and capitalized lease rental obligations) which in accordance with generally accepted accounting principles is classified as a liability on the Corporation's balance sheet, and which has a final maturity (or which, pursuant to the terms of a revolving credit or similar agreement or otherwise, is renewable or extendable at the option of the Corporation, subject only to credit review by the lender, to a date or for a period or periods ending) more than one year after the date of creation thereof, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund payments or otherwise) are required to be made less than one year after the date of the creation thereof; but excluding any Short-term Indebtedness.

"Guaranty" shall mean the Guaranty Agreement dated as of March 1, 1983, executed by Bryson F. Hill, Jr., as from time to time amended and supplemented.

"Government Obligations" shall mean direct general obligations of, or obligations the full and prompt payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America or any agency thereof.

"Governmental Restrictions" means Federal, State or other applicable governmental laws or regulations or judicial or administrative decisions or rulings affecting the Corporation which

place restrictions and limitations on (i) the rates, fees and charges to be fixed, charged and collected by the Corporation, or (ii) the level of revenues derived from expense reimbursement and rate payment programs and agreements or (iii) restricting the purposes for which the Facilities may be used.

"*Gross Receipts*" shall mean all accounts, contract rights, general intangibles, instruments, chattel paper and documents as defined under the South Carolina UCC which now or hereafter arise or are created in connection with or with respect to the Facilities, and all other revenues, income, receipts and money received by or on behalf of the Corporation from or with respect to the Facilities (other than revenues, income, receipts and money received by the Corporation as agent for and on behalf of some person other than the Corporation), and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, the proceeds of such rights and the proceeds of accounts receivable, whether now owned or held or hereafter coming into existence including, but without limiting the generality of the foregoing, (a) revenues derived from its operations at or with respect to the Facilities, (b) gifts, grants, bequests, donations and contributions to the Corporation with respect to the Facilities, and (c) proceeds derived in connection with or with respect to the Facilities from (i) insurance, except to the extent the use thereof is otherwise required by the Loan Agreement, (ii) condemnation awards or sales under a reasonably apprehended threat of condemnation, except to the extent the use thereof is otherwise required by the Loan Agreement, (iii) accounts receivable, (iv) securities and other investments, (v) Inventory and other tangible and intangible property, (vi) medical or expense reimbursement or insurance programs or agreements, and (vii) contract rights, general intangibles and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Corporation (including any assets that may be listed on the "asset" side of the balance sheet of the Corporation). "Gross Receipts" shall not, however, include (A) proceeds of Permitted Indebtedness, or (B) gifts, grants, bequests, donations and contributions to the Corporation heretofore or hereafter made, which are required to be excluded by the terms of the incurrence or which are designated at the time of the making thereof by the donor or maker as being specifically restricted to a particular purpose and the income derived therefrom, all to the extent required by the terms of the incurrence or such designation.

"*Holder*" or "*holder*" shall mean, (i) with respect to the Bonds, the bearer of a Bond not registered as to principal, the bearer of a coupon, and the registered owner of a Bond registered as to principal, and (ii) with respect to Parity Indebtedness, the lawful owner thereof, as established to the satisfaction of the Trustee.

"*Indenture*" shall mean the Indenture of Trust dated as of March 1, 1983, between the County and the Trustee, as from time to time supplemented and amended.

"*Independent*" when used with respect to any specified Person, means such a person who (i) is in fact not looking to others for his opinions or for the guidance of this conduct; (ii) does not have any direct financial interest or any material indirect financial interest in the Corporation, other than the payment to be received under a contract for services to be performed as an independent contractor by such Person; and (iii) is not connected with the County, the Corporation or any Contractor as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or person performing a similar function.

"*Initial Entrance Fees*" shall mean the amounts paid to the Corporation by the "initial residents" of the Project in the way of deposits for residence in the Project, but shall exclude all payments made by such residents on a monthly basis. For purposes of this definition, the "initial residents" of the Project shall mean each and every first occupant of a unit or bed of the Project who pays deposit in connection with such occupancy.

"*Insurance Consultant*" shall mean an Independent Person qualified to survey risks and to recommend insurance coverage for facilities similar to the Facilities and having a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker, agent, insurer or other recognized expert in the field of insurance with whom the Corporation transacts business.



"Interest Account" shall mean the Interest Account in the Bond Fund created pursuant to the Indenture.

"Interim Indebtedness" means indebtedness of the Corporation which has a final maturity not more than 60 months after the date of creation thereof and which is designated as Interim Indebtedness by the Corporation in a statement filed with the Trustee and accompanied by the irrevocable agreement of the banking, investment banking or other appropriate financial institution described in the Loan Agreement. (See "The Loan Agreement—Permitted Indebtedness").

"Inventory" shall mean all presently existing and after acquired inventory (as such term is defined in the South Carolina UCC) of the Corporation used, usable or to be used in connection with the Project or any Additional Facilities and now or hereafter located on the Land or in any building or other improvements on the Land.

"Issuance Expenses" shall mean legal, accounting and underwriting fees and expenses, economic feasibility, consultant fees, recording expenses, printing costs, state license fees, trustees' and depositary fees, title insurance costs, builder's risk and other insurance costs, and other reasonable fees and expenses incurred or to be incurred by or on behalf of the Corporation as may be necessary or incident to financing the preparation of documents, and the issuance and sale of the Series 1983 Bonds.

"Land" shall mean the real property described in Exhibit A to the Loan Agreement, as from time to time amended and supplemented.

"Loan Agreement" shall mean the Loan Agreement dated as of March 1, 1983, between the County and the Corporation, as from time to time supplemented and amended.

"Management Consultant" shall mean an Independent corporation, partnership, joint venture, association or unincorporated organization, qualified to study and make recommendations concerning operations and financial affairs of facilities similar to the Facilities and qualified to make financial forecasts with respect thereto, having a favorable national reputation for skill and experience in such work and, unless otherwise specified in the Loan Agreement, selected and employed by the Corporation.

"Maximum Aggregate Annual Debt Service" shall mean, as of any date of calculation, the Aggregate Debt Service as computed for the then current or any future Fiscal Year in which such sum shall be largest, and when making such calculation, the Aggregate Debt Service with respect to variable interest rate debt then outstanding, if any, shall be computed based upon the rate of interest thereon in effect at the time of such calculation.

"Mortgage" shall mean the Mortgage and Security Agreement dated as of March 1, 1983, from the Corporation, as mortgagor, to the County, as mortgagee, and assigned by the County to the Trustee as security for the Bonds, Parity Indebtedness and other obligations of the Corporation under the Loan Agreement, as from time to time amended and supplemented.

"Net Proceeds" when used with respect to any insurance claims, condemnation award or proceeds from a sale under a reasonably apprehended threat of condemnation, shall mean the gross proceeds from the insurance claims, condemnation award or sale price remaining after payment of all expenses (including attorneys' fees and any expenses of the County, the Corporation and the Trustee) incurred in the collection of such gross proceeds.

"Net Revenues Available for Debt Service" shall mean with respect to any period, the excess of revenues over expenses of the Corporation for such period, determined in accordance with generally accepted accounting principles, to which shall be added interest, depreciation and amortization expense, determined in accordance with generally accepted accounting principles, and from which shall be excluded (a) any profits or losses on the sale or other disposition (including any profits or losses due to casualty losses or condemnation), not in the ordinary course of business, of investments or fixed or capital assets or resulting from the early extin-

guishment of debt, and (b) the net proceeds of insurance (other than business interruption insurance) and condemnation awards.

*"Officers' Certificate"* (i) with reference to the Corporation shall mean a certificate signed by the President or any Vice-President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation, and (ii) with reference to the County shall mean a certificate in writing signed by the Chairman or Vice-Chairman of the County Council or the County Administrator and in either case attested by the Clerk or the Deputy Clerk of the County Council of the County.

*"Opinion of Counsel"* shall mean a written opinion of Counsel who may (except as otherwise specifically provided in the Loan Agreement or the Indenture) be Counsel for the County or the Corporation or both.

*"Original Purchaser"* shall mean with respect to any series of Bonds, the original purchaser or underwriter of such series of Bonds, and with respect to the Series 1983 Bonds shall mean Buchanan & Co., Inc.

*"Other Facilities"* shall mean real property and other fixed or capital assets owned by the Corporation not included within, located on or constituting a part of the Land.

*"Outstanding"* when used with reference to Bonds, Parity Indebtedness, or other Funded Debt, shall mean, as of the date of determination or computation, all Bonds theretofore issued and delivered under the Indenture and all Parity Indebtedness and other Funded Debt which has been incurred by the Corporation or with respect to which the Corporation is obligated except:

(a) Bonds and Parity Indebtedness theretofore canceled by the Trustee or delivered to the Trustee canceled or for cancellation;

(b) Bonds and portions of Bonds and Parity Indebtedness or portion thereof for whose payment or redemption moneys or Government Obligations shall have been theretofore deposited in trust with the Trustee in trust for the holders of such Bonds or Parity Indebtedness; provided that if such Bonds or Parity Indebtedness are to be redeemed, notice of such redemption shall have been duly given pursuant to the Indenture or any instrument securing Parity Indebtedness, or irrevocable instructions to call the same for redemption at a stated redemption date shall have been given to the Trustee;

(c) Bonds or Parity Indebtedness in exchange for or in lieu of which other Bonds or Parity Indebtedness shall have been issued and delivered pursuant to the Indenture or any instrument securing Parity Indebtedness; and

(d) Other Funded Debt which has been paid or for which payment has been provided pursuant to the terms of the instruments under which such other Funded Debt was incurred;

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Bonds or Parity Indebtedness have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the County or the Corporation or Parity Indebtedness owned by the Corporation shall be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds or Parity Indebtedness which the Trustee knows to be so owned shall be disregarded.

*"Parity Indebtedness"* shall mean any indebtedness incurred, assumed or guaranteed by the Corporation, permitted by the Loan Agreement, and secured on a parity with the Bonds.

*"Paying Agent"* shall mean any Person in addition to the Trustee designated by or pursuant to the Indenture to receive and disburse principal of, premium, if any, and interest on the Bonds on behalf of the County.



*"Permitted Encumbrances"* shall mean:

(a) liens for taxes and special assessment which are not then delinquent, or if then delinquent are being contested in accordance with the Loan Agreement;

(b) utility, access and other easements and rights of way, restrictions, restrictive covenants and exceptions that the Corporation certifies to the Trustee will not interfere with or impair the operation of the Facilities;

(c) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Loan Agreement;

(d) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facilities and do not materially impair the property affected thereby for the purposes for which it was intended;

(e) zoning laws;

(f) liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, undetermined liens and charges incidental to construction or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in a permitted contest and such other liens and charges at the time required by law as a condition precedent to the exercise of any privileges or licenses necessary to the Corporation;

(g) the Indenture, the Loan Agreement and the Mortgage and any supplements thereto;

(h) liens securing Parity Indebtedness;

(i) rights of lessees, sublessees or franchise holders under agreements with the Corporation as permitted by the Loan Agreement;

(j) pledges of or security interests in the Gross Receipts to secure Short-term Indebtedness granted in accordance with the provisions of the Loan Agreement, which pledges or security interests may have priority over the security interest in the Gross Receipts granted pursuant to the Mortgage;

(k) purchase money mortgages or purchase money security interests or any title retention interest retained by vendors or lessors in connection with the sale or leasing of equipment or fixtures to the Corporation to the extent permitted under the Loan Agreement; and

(l) liens, charges and encumbrances of whatever kind in existence on the date of delivery of the Series 1983 Bonds as more fully described in Exhibit B to the Mortgage.

*"Permitted Indebtedness"* shall mean the indebtedness of the Corporation permitted by the Loan Agreement.

*"Permitted Investments"* shall mean any of the following which at the time are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein:

(a) Government Obligations;

(b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Federal Farm Credit Banks, Federal National Mortgage Association or Government National Mortgage Association or similar agencies of the federal government now existing or hereafter created;

(c) all other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by Congress;

(d) interest-bearing demand or time deposits (including certificates of deposit) in banks (including the Trustee) and savings and loan associations, which banks or savings and loan associations or holding companies by which such banks or savings and loan associations are owned, either have a consolidated capital, surplus and undivided profits of at least \$10,000,000 at the time of the investment or any renewal thereof or such deposits are secured at all times, in the manner and to the extent provided by law, by collateral security described in clauses (a), (b) or (c) of this definition and of a market value of no less than the amount of moneys so invested; provided, however, the requirements for consolidated capital, surplus and undivided profits and collateralization above shall not apply to investments in interest-bearing demand or time deposits to the extent such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation; and

(e) repurchase agreements with banks (including the Trustee) and savings and loan associations, the underlying securities of which are investments of the types described in clauses (a), (b) or (c) of this definition, continuously having a market value at least equal to the amount so invested, and which underlying securities are held by such bank or savings and loan association.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" shall mean the plans and specifications for the Project approved by the Corporation.

"Prime Rate" shall mean the rate of interest in effect from time to time as announced by the Trustee at its principal office in Columbia, South Carolina as its prime rate.

"Principal Account" means the Principal Account in the Bond Fund created pursuant to the Indenture.

"Project" shall mean the acquisition of land and the construction, installation and equipping thereon of a retirement home facility containing 115 assisted living units and a rest home with 60 beds, as more particularly described in the Loan Agreement and in the Plans and Specifications.

"Project Documents" means (a) the Plans and Specifications approved by the Corporation; (b) appropriate permits for construction, if required, including any building permits and such other evidence required to establish the approval by the local government of the construction of the Project; (c) a copy of the Construction Contract; and (d) any amendments to the documents described in (a), (b) or (c).

"Repair and Replacement Fund" shall mean the Repair and Replacement Fund created pursuant to the Indenture.

"Series 1983 Bonds" shall mean the \$6,800,000 principal amount of the County's Hospital Revenue Bonds, Series 1983 (Countryside Manor Project) dated as of March 1, 1983, authorized by the Indenture.

"Series 1983 Long-Term Bonds" shall mean the Series 1983 Bonds that mature on March 1, 2013.

"Series 1983 Short-Term Bonds" shall mean the Series 1983 Bonds that mature on March 1, 1989.

"Short-term Indebtedness" shall mean indebtedness of the Corporation (other than (i) indebtedness, not for borrowed money, incurred in the ordinary course of business and (ii) the

current portion of the interest and principal on Funded Debt) which (1) is due on demand or has a final maturity not more than one year after the date of creation thereof, and (2) is not renewable or extendable at the option of the Corporation, subject only to credit review by the lender, to a date or for a period or periods ending more than one year after the date of creation thereof.

"*South Carolina UCC*" shall mean the South Carolina Uniform Commercial Code, as codified in Title 36, Code of Laws of South Carolina 1976, as from time to time amended and supplemented.

"*State*" shall mean the State of South Carolina.

"*Trust Estate*" shall have the meaning specified in the granting clauses of the Indenture.

"*Trust Moneys*" shall mean all moneys received by the Trustee: (a) as compensation for, or proceeds of sale of, any part of the Facilities taken by eminent domain or purchased by, or sold pursuant to an order of a governmental authority or otherwise disposed of; (b) as proceeds of insurance with respect to any part of the Facilities; (c) to be held or applied under the Indenture, or required to be paid to the Trustee and whose disposition is not specifically provided for in the Indenture, including, but not limited to, the investment income of all Funds and Accounts held by the Trustee under the Indenture; (d) as proceeds from the sale of the Series 1983 Bonds and any Additional Bonds; (e) as Basic Payments, or as otherwise payable under the Loan Agreement; and (f) as proceeds of the operation, lease or sale of the Facilities upon the occurrence of an event of default under the Indenture.

"*Trustee*" shall mean the Citizens and Southern National Bank of South Carolina, Columbia, South Carolina, as trustee under the Indenture, or its successor trustee or successors from time to time under the Indenture.

"*Underwriter*" shall mean, with respect to any series of Bonds, the underwriter of such series of Bonds and, with respect to the Series 1983 Bonds, shall mean Buchanan & Co., Inc.

"*Unrestricted Investment Income*" shall mean investment income received by the Corporation in respect of any funds of the Corporation not restricted to a particular use or purpose by the Board of Directors or by the terms of any instrument or document pursuant to which any such funds were created or delivered to the Corporation; provided, however, that investment income in respect of any of the funds or accounts established and maintained in accordance with the terms of the Indenture shall not be deemed to be Unrestricted Investment Income until after the Completion Date.

"*Written Request*" (i) with reference to the County shall mean a request in writing signed by the Chairman of the County Council or the County Administrator and, in either case, attested by the Clerk or the Deputy Clerk of the County Council of the County, (ii) with reference to the Corporation, shall mean a request in writing signed by the President or any Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation, and (iii) with reference to any other Person, shall mean a request in writing signed by a natural person authorized to sign on behalf of such Person.

## SUMMARY OF THE LOAN AGREEMENT

The following summarizes certain provisions of the Loan Agreement: it is not, however, a comprehensive description and reference is made to the full text of the Loan Agreement for a complete recital of its terms.

### Loan of Series 1983 Bond Proceeds

The County agrees to loan the proceeds of the Series 1983 Bonds (exclusive of accrued interest) to the Corporation by (a) making the deposit to the Debt Service Reserve Fund equal to the Debt Service Reserve Requirement, (b) making the payment to the Corporation of amounts necessary to reimburse the Corporation for certain costs paid or incurred by the Corporation in connection with the Project prior to the Closing Date in accordance with the Loan Agreement and (c) making the deposits to the Interest Account and the Construction Fund in accordance with the Loan Agreement. For this purpose the proceeds of the Series 1983 Bonds shall be deemed to include the underwriting discount, or other amount, if any, by which the amount received by or on behalf of the County on the original sale of the Series 1983 Bonds to the Original Purchaser is less than the principal amount of the Series 1983 Bonds.

The Corporation agrees to make all contracts and do all things necessary for the acquisition and construction of the Project, with or without advertising for bids, and the Corporation agrees that it will cause the Project to be acquired, constructed, installed and equipped wholly within the boundary lines of the land in substantial accordance with the Project Documents, as the same may be modified from time to time in accordance with the provisions of the Loan Agreement, and shall provide all other improvements, access roads, utilities, equipment, furnishings and other items required for the Project so as to make the Facilities fully operable for the purpose for which they will be used. All of such acquisition, construction and installation shall be made in accordance with the specifications and directions of the Corporation.

The Corporation agrees to acquire, construct, install and equip the Project with all reasonable dispatch; and to use its best efforts to cause acquisition, construction, installation and equipping of the Project to be completed within twelve months following the Closing Date, or as soon thereafter as may be practicable, unless the Corporation exercises its option to prepay the Basic Payments and terminate the Loan Agreement pursuant to the provisions thereof; but if for any reason such acquisition, construction, installation and equipping is not completed by said date the Corporation shall nevertheless be required to make the Basic Payments and the Additional Payments but shall not be liable for any other obligations other than those set forth in the Loan Agreement.

### Corporation Required to Pay in Event Construction Fund Insufficient

In the event the moneys in the Construction Fund available for payment of the Cost of the Project should not be sufficient to pay the Cost of the Project in full, the Corporation agrees to complete the Project and to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Construction Fund directly to the contractors or suppliers or into the Construction Fund as the same shall become due. The County does not make any warranty, either express or implied, that the moneys paid into the Construction Fund and available for payment of the Cost of the Project will be sufficient to pay all of the Cost of the Project. The Corporation agrees that if after exhaustion of the moneys in the Construction Fund the Corporation should pay any portion of the Cost of the Project pursuant to the provisions of the Loan Agreement, the Corporation shall not be entitled to any reimbursement therefor from the County or from the Trustee or from the holders of any of the Bonds, nor shall the Corporation be entitled to any diminution or postponement of the Basic Payments or of the Additional Payments payable under the Loan Agreement.

### Basic Payments; Additional Payments

The Corporation agrees to pay to the Trustee, in such manner as shall be acceptable to the Trustee, for the account of the County without notice or demand, Basic Payments in an amount sufficient to pay in full the principal of, premium, if any, and interest on the Bonds from time to time outstanding under the Indenture. Without limiting the foregoing, Basic Payments shall be due and payable in the following amounts, and at the following times:

- (a) Commencing on the 25th day of March, 1984, and on the 25th day of each month thereafter, into the Interest Account an amount equal to one-sixth (1/6) of the interest which is due and payable on the Bonds on the next succeeding interest payment date; provided, however, that the Corporation shall receive a credit for the amount already on deposit in the Interest Account and available for payment of interest on the Bonds, exclusive of any amounts paid with respect to or credited against a previous monthly payment.
- (b)(1) On March 1, 1984, into the Principal Account an amount equal to 80% of the total amount of Initial Entrance Fees then held by the Corporation; and on each six-month anniversary of March 1, 1984, into the Principal Account an amount equal to 80% of the total amount of Initial Entrance Fees not previously taken into account in making deposits into the Principal Account pursuant to this paragraph (b)(1).
- (2) Commencing on the 25th day of March, 1984, and on the 25th day of each month thereafter, an amount equal to the quotient of (a) the difference between (i) \$1,800,000 and (ii) the sum of the amounts previously deposited into the Principal Account pursuant to paragraph (b)(1) above, divided by (b) the number of months remaining after March 1, 1984, or, if later, the last six-month anniversary of March 1, 1984, until March 1, 1989, provided, however, that the Corporation shall receive a credit for the amount already on deposit in the Principal Account (other than any amount deposited pursuant to paragraph (b)(1) above) and available for payment on March 1, 1989, of principal of the Series 1983 Short-Term Bonds, exclusive of any amounts paid with respect to or credited against a previous monthly payment.
- (c) Commencing on the 25th day of March, 1989, and on the 25th day of each month thereafter, an amount equal to one-twelfth (1/12) of the principal required to retire the Series 1983 Long-Term Bonds to be called by the mandatory sinking fund redemption or to be paid at maturity on the next ensuing March 1; provided, however, that the Corporation shall receive a credit for the amount already on deposit in the Principal Account and available for payment of the principal of the Series 1983 Long-Term Bonds, whether upon mandatory sinking fund redemption or at maturity, exclusive of any amounts paid with respect to or credited against a previous monthly payment.
- (d) Commencing on the 25th day of the month following any month in which the balance in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement (by reason of a loss actually realized in the assets thereof or a valuation as required by the Indenture or a withdrawal of funds from the Debt Service Reserve Fund), the amount necessary to restore, in twelve (12) equal monthly deposits, the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

The Corporation further agrees to pay all other amounts, liabilities and obligations which the Corporation in the Loan Agreement or as provided in the Indenture assumes or agrees to pay, including without limitation: (a) to the Trustee, its reasonable fees for services rendered and for expenses reasonably incurred by it as Trustee under the Indenture; and (b) to the County, its reasonable costs and expenses, directly related to the Project or the Bonds. The Corporation also agrees to pay to the Trustee, for the credit of the Interest Account, on demand, interest (to the extent permitted by law) at the rate borne by the respective Bonds on all overdue Basic Payments from the due date thereof until payment.

The obligations of the Corporation to make the payments required under the Loan Agreement are absolute and unconditional without defense or set-off by reason of any default by the



County under the Loan Agreement or under any other agreement between the Corporation and the County or for any other reason.

#### Protection of Tax Exempt Status of the Series 1983 Bonds

The Corporation and the County have agreed that, while any of the Series 1983 Bonds remains outstanding:

(1) neither the Corporation nor the County has committed or permitted or will commit or permit (as to any act or event over which it has or reasonably could have control) the commission of any act or the occurrence of any event which would cause interest on the Series 1983 Bonds to be subject to Federal income taxation;

(2) neither the Corporation nor the Issuer will fail to take any action necessary to be taken in order for interest on the Series 1983 Bonds to be exempt and continued to be exempt from Federal income taxation;

(3) the Corporation has agreed that 90% or more of the net bond proceeds of the Series 1983 Bonds shall be used exclusively to acquire, construct, and reconstruct or improve land or property of a character subject to the allowance for depreciation;

(4) during the three-year period following the Closing Date with respect to the Series 1983 Bonds, neither the Corporation nor the Issuer shall make or cause or permit to be made any Section 103(b)(6)(D) expenditure with respect to facilities which are located in (or contiguous to or integrated with facilities located in) the City of Easley, South Carolina, which would cause the interest on the Series 1983 Bonds to be subject to Federal income taxation;

(5) the primary purpose of the project is not and will not be to provide retail food and beverage services or to provide recreation or entertainment;

(6) no portion of the proceeds of the Series 1983 Bonds will be used to provide any of the following: any golf course, tennis club, racquet sports facility, hot tub facility or suntan facility;

(7) no portion of the proceeds of the Series 1983 Bonds will be used directly or indirectly to provide residential rental projects within the meaning of Section 103 of the Code;

(8) the Corporation will not take any action or fail to take any action which would cause the Facilities not to constitute a hospital facility within the meaning of the Act; and

(9) the Issuer will not issue additional Bonds if to do so would cause interest on the Series 1983 Bonds no longer to be exempt from Federal income taxation.

#### Determination and Event of Taxability

Should there occur a Determination of Taxability, the Corporation shall be required to prepay the Series 1983 Bonds and within 180 days after such Determination of Taxability will pay to the Trustee for application to the redemption of the Series 1983 Bonds an amount equal to, when added to other funds on deposit in the Bond Fund, the Bond Redemption Fund, the Repair and Replacement Fund and the Debt Service Reserve Fund (a) one hundred percent (100%) of such aggregate principal amount of the Series 1983 Bonds outstanding at such time plus accrued interest to the redemption date, plus (b) an amount equal to any fees and expenses accrued and to accrue until such prepayment. Such amount shall constitute the total compensation due the Issuer and the holders of the Series 1983 Bonds by reason of the occurrence of the Determination of Taxability.

If, however, the Determination of Taxability includes the determination that the interest on an amount less than all of the Series 1983 Bonds is includable in the gross income of the holders thereof and the loss of exemption can be cured by a partial redemption of the Series 1983 Bonds, the Corporation shall be obligated only to pay that part of the amount described above as is required to cure the loss of tax exemption specified in the Determination of Taxability.



### Maintenance of the Facilities

As long as any Bonds are outstanding, the Corporation will, at its sole cost and expense, keep and maintain the Facilities, both inside and outside, in a good state of repair and preservation, ordinary wear and tear and obsolescence in spite of repair excepted, and will make all necessary repairs, renewals, replacements, betterments and improvements thereof so that the business carried on in connection therewith may be properly and advantageously conducted at all times. The Corporation will provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Facilities in an economical and efficient manner, consistent with facilities comparable to the Facilities.

### Operation of the Facilities

As long as any Bonds are outstanding, the Corporation will faithfully and efficiently administer, maintain and operate the Facilities as a retirement home facility (as such term is defined in the Act); will use, maintain and operate the Facilities upon a revenue-producing basis, consistent with the Corporation's obligations imposed under the Loan Agreement, for the care of its residents and other related purposes, and for the welfare and benefit of the general public; will use the Facilities only in furtherance of the lawful corporate purposes of the Corporation; and will continue to be duly qualified to do business in the State, and subject to the provisions of the Loan Agreement, it will maintain its corporate existence.

### Rate Covenant

The Corporation will calculate the Debt Service Coverage Ratio for each Fiscal Year, beginning with the Fiscal Year ending September 30, 1987, as soon as practicable but in no event later than one hundred twenty (120) days following the end of such Fiscal Year. If the Debt Service Coverage Ratio at the end of any Fiscal Year is less than 1.20, the Corporation covenants to employ a Management Consultant to examine the rates, rentals, fees and charges of the Corporation and the methods of operation and management of the Corporation and make such recommendations to the Corporation as the Management Consultant believes are appropriate to enable the Corporation to increase the Debt Service Coverage Ratio to at least 1.20 in the Fiscal Year following the Fiscal Year in which the Debt Service Coverage Ratio shall have fallen below 1.20, and for the next succeeding year. If in the judgment of the Management Consultant it is not possible for the Corporation to meet the foregoing rate covenant requirements, the report of the Management Consultant shall so indicate and shall further indicate the projected Debt Service Coverage Ratio if the recommendations of the Management Consultant are followed.

The Corporation covenants and agrees that promptly upon the receipt of such recommendations, subject to Governmental Restrictions, it shall revise its rates, rentals, fees and charges or its methods of operation and management and shall take such other action as shall be in conformity with such recommendations. If the Corporation complies with the recommendations of the Management Consultant (except to the extent partially or completely restricted by Governmental Restrictions), it shall for the Fiscal Year in which such Management Consultant is employed and for the subsequent Fiscal Year, be excused from compliance with the rate covenant provisions of the immediately preceding paragraph; provided, however, that the Corporation fixes, charges and collects or causes to be fixed, charged and collected rates, rentals, fees and charges for the use of and for the services furnished or to be furnished by the Corporation which shall be sufficient in each such Fiscal Year to produce a Debt Service Coverage Ratio equal to at least 1.00.

### Compliance with Laws

The Corporation will promptly comply or cause compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Facilities, or to the repair and alteration thereof, or to the use or manner of use of the Facilities. The Corporation may contest the application of any such law, ordinance, order, rule, regulation or requirement as applied to the Corporation provided that such contest shall not materially impair the obligations of the Corporation under the Loan Agreement or materially adversely affect or impair the Gross Receipts of the Corporation.

### Taxes, Permits and Other Charges

The Corporation will pay and discharge, promptly as and when the same shall become due and payable, all lawful income taxes, real estate taxes, personal property taxes, business and occupation taxes, occupational license taxes, water charges, garbage disposal charges, license fees, assessments, including, but not limited to, assessments for public improvements or benefits imposed on the Facilities, or for which the Corporation or the County (with respect to the Facilities) is liable and all other governmental taxes, impositions, and charges of every kind and nature. The Corporation or the County, upon written notice thereof to the Trustee, may contest in good faith any such tax, imposition, charge or assessment levied by any governmental authority, and in such event may permit such tax, imposition, charge or assessment to remain unsatisfied during the period of such contest and any appeal therefrom unless or until by such action the Facilities shall be endangered, or any material part thereof shall become subject to imminent loss or forfeiture, in which event such tax, imposition, charge or assessment shall be paid by the Corporation. The Corporation also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light, heat, power, telephone, oxygen, and other utility and service used, rendered or supplied to, upon or in connection with the Facilities.

### Liens and Encumbrances

The Corporation agrees that, except for Permitted Encumbrances, it will not create or suffer to be created any lien, encumbrance or security interest upon the Facilities or the Gross Receipts of the Corporation, or any part thereof. The Corporation further covenants and agrees that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall occur, all claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon the Facilities or the Gross Receipts, or any part thereof. The Corporation is not required to satisfy or discharge any such claim or demand so long as the validity thereof is being contested in good faith and by appropriate legal proceedings without cost or expense to the County or the Trustee, the Corporation has established and maintained reserves sufficient to pay the same, and the Corporation's failure to satisfy or discharge such claim or demand will not adversely affect the Facilities or Gross Receipts of the Corporation. If any such lien is filed or asserted against the Corporation, the Facilities, the Gross Receipts, or any Basic Payment payable under the Loan Agreement, by reason of work, labor, services or materials supplied or claimed to have been supplied on or to the Corporation or the Facilities, at the request or with the permission of the Corporation or of anyone claiming under it, the Corporation shall, within thirty (30) days after it receives notice of the filing thereof or the assertion thereof against the Facilities, the Gross Receipts or any Basic Payment, cause the same to be discharged of record, or effectively prevent the enforcement or foreclosure thereof, by contest, payment, deposit, bond, order of court or otherwise.

## Financial Statements; Inspections and Reports

The Corporation covenants that it will keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Corporation in accordance with generally accepted accounting principles consistently applied, and will furnish to the Trustee, the Underwriter, and each holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding (or to their accountants or agents) who shall request the same in writing:

(a) within 120 days after the last day of each Fiscal Year of the Corporation, the financial report of the Corporation certified by an Accountant, including a balance sheet and statement of revenues and expenses and changes in financial position as of the end of such Fiscal Year, together with a separate written statement of the Accountant certifying such report, that such Accountant has obtained no knowledge of any default by the Corporation in the fulfillment of any of the terms, covenants, provisions or conditions of the Loan Agreement, or, if such Accountant shall have obtained knowledge of any such default or defaults and the nature thereof, they shall disclose the same; but such Accountant shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default; and

(b) within 120 days after the last day of each Fiscal Year of the Corporation, an Officers' Certificate of the Corporation, stating that the signer of the certificate has made a review of the activities of the Corporation during the preceding Fiscal Year for the purpose of determining whether or not the Corporation has complied with all of the terms, provisions and conditions of the Loan Agreement and that to the best knowledge of such signer the Corporation has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Loan Agreement on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Loan Agreement, or if the Corporation shall be in default such certificate shall specify all such defaults and the nature thereof of which the signer of the certificate shall have knowledge.

In addition, the Corporation shall furnish such additional information as the Trustee, the Underwriter or any holder of ten percent (10%) or more in aggregate principal amount of Bonds then outstanding may reasonably request concerning the Corporation in order to enable the Trustee, the Underwriter or any such holder to determine whether the covenants, terms and provisions of the Loan Agreement have been complied with by the Corporation, and for that purpose all pertinent financial books, documents and vouchers (other than medical, donor and personnel records) relating to its business affairs and properties shall at all times upon reasonable prior written notice during regular business hours be open to the inspection of such persons or their accountants or other agents (who may make copies of all or any part thereof).

## Security Interest in Gross Receipts and Potential Subordination Thereof

To secure the prompt payment of the amounts due under the Loan Agreement and the performance by the Corporation of its other obligations thereunder, the Corporation will grant to the County pursuant to the Mortgage a security interest in the Corporation's rights to and interests in all Gross Receipts; provided, however, that the security interest granted to the County may from time to time be subordinated to a security interest granted to another Person to secure Short-term Indebtedness (see "The Loan Agreement—Permitted Indebtedness" and "The Mortgage—Subordination of Security Interest in Gross Receipts"). The security interest created thereby shall not diminish the obligation of the Corporation to make all payments required under the Loan Agreement from its general assets. So long as no Event of Default under the Loan Agreement has occurred and is continuing, the Corporation will have the right to possession and use of the Gross Receipts. Upon the occurrence of an Event of Default thereunder, the Trustee may exercise its rights and remedies with respect thereto (see "The Loan Agreement—Remedies").

### Insurance Required

The Corporation will maintain insurance of such type and in such amounts as is customarily carried, and against such risks as are customarily insured against, by retirement home facilities of like size and character including without limitation:

(a) During the construction of the Project or Additional Facilities, as the case may be, builder's risk insurance insuring direct physical loss of or damage to the Facilities in the amount of its full insurable value on a replacement cost basis (including value to be added by the Project or the Additional Facilities, as the case may be). The Corporation may cause the Contractor under the Construction Contract to maintain such insurance.

(b) Insurance against direct physical loss or damage caused by any of the perils customarily insured under the standard fire insurance policy with extended coverage, sprinkler leakage and vandalism and malicious mischief endorsements added thereto covering the Facilities in the amount of their full insurable value on a replacement cost basis (at least equal to the principal amount of Bonds and Parity Indebtedness then outstanding) with loss deductible clauses as determined by an Insurance Consultant and approved by the Trustee. Any determination of replacement cost will be made every two years from and after the Completion Date by a recognized appraiser or insurer selected by the Corporation and reasonably acceptable to the Trustee.

(c) Insurance coverage of boilers, pressure vessels, auxiliary piping and selected machinery objects (including pumps and compressors), with a minimum limit of \$

(d) After the Completion Date, business interruption insurance providing coverage to the Corporation covering loss of net revenues and continuing fixed expenses in the event of direct physical loss of or damage to the Facilities or any part thereof, in the amount of projected future net revenues and continuing fixed expenses for a period of at least one year next succeeding such damage or destruction. In any event the amount of business interruption insurance required shall not be less than the amount necessary to make payment of (1) the Maximum Aggregate Annual Debt Service and (2) an amount which the Corporation has reasonably determined to be adequate to pay for the salaries of the officers and employees whose continued employment is necessary to insure the prompt and efficient renewal of the operations of the Facilities after the completion of the repairs or replacement.

(e) General public liability insurance and landlord's liability insurance protecting the Corporation against liability for injuries to persons or property occurring on, in, or about the Facilities, in the amount of \$ per person for bodily injury liability and \$ per occurrence for damage to property, including loss of use thereof arising out of the ownership, maintenance or use of the Facilities, but with \$ as the minimum limit in annual aggregate claims.

(f) Automobile liability insurance for vehicles owned or operated by the Corporation with the minimum limits \$ per person or claim, and \$ per occurrence against liability for bodily injury but with \$ as the minimum limit in annual aggregate claims and to the extent of \$ per occurrence and \$ in annual aggregate claims against liability for damage to property for vehicles owned by the Corporation.

(g) Professional liability insurance for death, injury, loss or damage occurring during examination, diagnosis, treatment or care of any resident of the Facilities in such amounts as are customarily carried by similar retirement home facilities in the State, but in no event less than \$ per occurrence and \$ in annual aggregate claims.

(h) Workmen's compensation insurance with respect to the Facilities as required by the laws of the State.

(i) A commercial blanket bond covering all employees of the Corporation in the amount of \$



(j) A performance bond and labor and material payment bond covering the faithful performance by the Contractor of the Construction Contract for the Project and the payment of all obligations arising under such Contract.

All such insurance shall be taken out and maintained with generally recognized responsible insurers (including insurance funds established by the United States of America, the State or any agency or instrumentality thereof) selected by the Corporation and approved by the Trustee, and may be written with deductible amounts comparable to those on similar policies carried by other retirement home facilities of like size and character to the Facilities. In each policy, other than policies of workmen's compensation insurance, the County and the Trustee shall be named as additional insureds as their respective interests may appear (or, if requested by the insurer, as mortgagees). The policies described in subparagraphs (a), (b) and (c) of the first paragraph of this caption shall contain standard clauses requiring that all Net Proceeds resulting from any claim, if in excess of \$150,000, be paid to the Trustee.

#### **Insurance Consultant**

In the event that the insurance required by the Loan Agreement is not available to the Corporation at reasonable cost, and, in any case, every year from and after March 1, 1984, the Corporation shall employ or cause to be employed an Insurance Consultant for the purpose of reviewing the insurance coverage of, and the insurance required for, the Corporation and the Facilities and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Corporation and the Facilities and their operations, maintenance and administration. The insurance requirements specified hereunder shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report.

#### **Indemnification and Nonliability of the County and the Trustee**

The Corporation agrees, at its expense, to pay, and to indemnify and save the County and the Trustee and their members, directors, officers, employees and agents harmless from and against any and all claims, damages, demands, expenses, liabilities and taxes (except for federal or state income taxes imposed on the Trustee in respect of any fees paid to the Trustee in accordance with the Loan Agreement or the Indenture) of any character or nature whatsoever regardless of by whom imposed, and losses of every kind, arising out of, resulting from, or in any way connected with the Facilities, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Facilities. The Corporation also agrees, at its expense, to pay, and to indemnify and save the County and the Trustee and their members, directors, officers, employees and agents harmless of, from and against, all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. Notwithstanding the foregoing, neither the County, the Trustee nor their respective members, directors, officers, employees and agents shall be indemnified against liability for damage arising out of bodily injury to persons or damage to property caused by its or their own willful and malicious acts or omissions. ~~Λ~~

#### **Damage, Destruction, Condemnation and other Loss of Title**

If all or any part of the Facilities are destroyed or damaged or title to the Facilities or any part thereof fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, the Corporation will have the option or may be obligated, under certain conditions described below under the caption "Corporation's Obligation and Option to Direct Redemption of Bonds," to direct the County to redeem outstanding Bonds. Otherwise, the Corporation shall use the Net Proceeds of any award with respect to the damage, destruction, taking or failure of title to repair, rebuild or restore the Facilities.

If the Net Proceeds are \$150,000 or less, they shall be paid to the Corporation and the Corporation agrees to pay all costs to replace, repair, rebuild and restore the Facilities to substantially the same condition as existed before the taking or acquisition or event causing the damage or destruction. If the Net Proceeds are in excess of \$150,000, they shall be paid directly to the Trustee and deposited in the Repair and Replacement Fund (see "The Indenture—Repair and Replacement Fund"). The Trustee shall apply the Net Proceeds to payment of the costs of repair, replacement, rebuilding or restoration of the Facilities. If the Net Proceeds are not sufficient to pay such costs in full, the Corporation will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of the Net Proceeds.

All proceeds of business interruption insurance shall be deposited first in the Interest Account or the Principal Account, but only to the extent necessary to satisfy the obligations of the Corporation to make Basic Payments under the Loan Agreement and after satisfaction of such obligations will be paid to the Corporation.

#### **Corporation's Obligation and Option to Direct Redemption of Bonds**

The Corporation may direct the County to redeem all outstanding Bonds if substantially all of the Facilities have been damaged or destroyed or title to the Facilities fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, to such extent that (i) in the opinion of a Management Consultant, the Net Revenues Available for Debt Service will be materially adversely affected and (ii) in the opinion of an Architect, the completion time for repair, rebuilding, replacement or restoration of the Facilities is estimated to extend beyond the term of the business interruption insurance carried by the Corporation. In the event that the Facilities have been damaged or destroyed or title to the Facilities fails or has been taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain to the extent described in clauses (i) and (ii) above, the Corporation will be required to direct the County to redeem all outstanding Bonds unless in the opinion of a Management Consultant the forecasted Debt Service Coverage Ratio for the 12-month period immediately following the expiration of the term of the business interruption insurance carried by the Corporation will equal at least 1.00.

The Corporation may direct the County to redeem a portion of the outstanding Bonds on any interest payment date of the Bonds (i) in an amount equal to the Net Proceeds remaining after repair, replacement, rebuilding or restoration of the Facilities, or (ii) in an amount not in excess of the Net Proceeds of the insurance claim or condemnation award, if part, but not substantially all, of the Facilities are destroyed, damaged or title to part, but not substantially all, of the Facilities fails or is taken under the exercise of, or acquired under the threat of the exercise of, the power of eminent domain, and the Corporation presents to the Trustee a certificate of a Management Consultant indicating that (A) the property forming a part of the Facilities which was taken, destroyed or damaged or with respect to which title has failed was not essential to the use of the Facilities as a complete and operational retirement home facility, and (B) in his opinion the Debt Service Coverage Ratio for the Fiscal Year following such damage, destruction, condemnation or failure of title will be at least 1.00, after taking into account any partial redemption of Bonds resulting from such prepayment.

The Corporation may also elect to terminate the Loan Agreement and direct the redemption of all outstanding Bonds if (a) as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or any burden on the Issuer or unreasonable burdens or excessive liabilities, whether direct or indirect, shall have been imposed on the Corporation including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.



### Remodeling, Improvements and Additions

The Corporation will have the privilege, at its expense, of remodeling the Facilities or making substitutions, additions, modifications or improvements thereon or thereto from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, provided that such action will not damage (except for any temporary and immaterial damage associated with any such remodeling or other such activities) the Facilities or significantly alter the character or purpose or detract from the value or operating efficiency thereof and will not significantly impair the revenue producing capability of the Facilities or adversely affect the ability of the Corporation to comply with the provisions of the Loan Agreement, the Mortgage and the Indenture.

### Leases and Operating Contracts

The Corporation may lease any part, but not all or substantially all to one Person, of the Facilities, including any or all of the living units contained therein, or contract for the performance by others of operations or services on or in connection with the Facilities, or any part thereof, for any lawful purpose, provided that (a) no such lease or contract shall be inconsistent with the provisions of the Loan Agreement, the Mortgage or the Indenture, (b) the Corporation shall remain fully obligated and responsible under the Loan Agreement to the same extent as if such lease or contract had not been executed, (c) no assignee or lessee shall be allowed to utilize a portion of the Facilities primarily for an activity not normally associated with the operation of a retirement home facility (as defined in the Act), (d) except as otherwise permitted by the Loan Agreement, no assignment shall be for security purposes, and (e) (except with respect to any lease of living space to a resident) there shall have been delivered to the Trustee a report of a Management Consultant to the effect that after taking into account rentals or other sums payable to or by the Corporation in respect of such lease or contract, the Net Revenues Available for Debt Service will not be materially adversely affected by virtue of such lease or contract. In addition, each such lease (other than any lease of living space to a resident) or contract shall be expressly conditioned upon, and shall by its terms not be effective until a signed Opinion of Bond Counsel shall be rendered that the exemption from Federal income tax of the interest on the Series 1983 Bonds shall not be adversely affected by any such lease or contract.

### Merger, Consolidation or Transfer of Assets by the Corporation

The Corporation will maintain its corporate existence and will not dissolve or otherwise dispose of all or the major portion of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; except, that if no Event of Default under the Loan Agreement has occurred and is continuing, the Corporation may, without violating the foregoing, consolidate with or merge into another corporation qualified to do business in the State, or permit one or more other such corporations to consolidate with or merge into it, or transfer (by sale, lease or otherwise) all or the major portion of its assets to another such corporation or corporations upon compliance with the following requirements:

- (a) The surviving, resulting or transferee corporation, as the case may be:
  - (i) is a corporation qualified to do business in the State;
  - (ii) qualifies under the Act as a "hospital agency";
  - (iii) assumes in writing, if such corporation is not the Corporation, all of the obligations of the Corporation under the Loan Agreement, the Indenture, and the Mortgage;
  - (iv) will not, after such transaction, otherwise be in default under any provisions of the Loan Agreement, the Indenture, or the Mortgage;

(v) is licensed and accredited to the extent required of the Corporation by the Loan Agreement;

(vi) will have a net worth equal to not less than 100% of the Corporation immediately prior to such merger, consolidation, sale or other transfer; and

(b) Either (A) the Trustee shall have received the report of a Management Consultant to the effect that:

(i) The Debt Service Coverage Ratio, without giving effect to the merger, consolidation, sale or other transfer, was at least 1.20 on account of Funded Debt outstanding at the end of such Fiscal Year, for the last Fiscal Year for which audited financial statements are available, and

(ii) in each case with respect to the surviving, resulting or transferee corporation (after giving effect to the merger, consolidation, sale or other transfer) either (1) the Debt Service Coverage Ratio for each of the two full Fiscal Years following the Fiscal Year in which such merger, consolidation, sale or other transfer is to be effective is forecasted to be (x) equal to or greater than 1.20 and not reduced to less than 75% of the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Corporation are available, or (y) higher than it would have been had such merger, consolidation, sale or other transfer not been effected, or (2) the Debt Service Coverage ratio for each of the two full Fiscal Years immediately following the Fiscal Year in which such merger, consolidation, sale or other transfer is effective is forecasted by such Management Consultant to be not less than 1.30; or

(B) the Trustee shall have received the report of a Management Consultant to the effect that the Debt Service Coverage Ratio applicable to the surviving, resulting or transferee corporation (after giving effect to the merger, consolidation, sale or other transfer) during each of the two full Fiscal Years immediately following the Fiscal Year in which such merger, consolidation, sale or other transfer is effected is forecasted by the Management Consultant to be (i) greater than the Debt Service Coverage Ratio for the last complete Fiscal Year preceding the Fiscal Year in which such merger consolidation, sale or other transfer is effective and (ii) in compliance with the rate covenant of the Loan Agreement (see "The Loan Agreement—Rate Covenant"); and

(c) The Lien created by the Indenture and the Mortgage on and the security interest in the Facilities granted in the Mortgage and the security interest in the Gross Receipts of the Hospital granted in the Mortgage, will not in any manner be adversely affected thereby.

In addition, if the Corporation shall transfer substantially all of its assets to or consolidate with or merge into another corporation, then prior to any such transfer, consolidation or merger, an Opinion of Bond Counsel shall be furnished to the County and the Trustee to the effect that the exemption from federal income taxation of interest on the Series 1983 Bonds will not be impaired as a result of any such transfer, consolidation or merger.

#### Permitted Indebtedness

The Corporation agrees that during the term of the Loan Agreement, it will not incur any indebtedness of any nature whatsoever, secured or unsecured, except the following:

(a) the Loan Agreement, the Indenture and similar documents relating to Additional Bonds;

(b) operating liabilities incurred in the ordinary course of business (including operating leases) other than for borrowed money;

(c) contractual liabilities for which moneys are available in the Construction Fund;

(d) Short-term Indebtedness in an aggregate amount not to exceed at any time \$300,000, which Short-term Indebtedness may be secured by a security interest in the Gross Receipts if no Event of Default has occurred and is then continuing (see "The Mortgage—Subordination of Security Interest in Gross Receipts");

(e) purchase money obligations and capitalized leases consisting of indebtedness secured by liens on or conditional sales agreements or deferred payment plans of personal property the maximum aggregate payments in any Fiscal Year on which (including the contract, lease or loan then to be incurred) do not exceed ten percent (10%) of Adjusted Annual Operating Revenues as shown on the latest available audited financial statements of the Corporation;

(f) Funded Debt for the purpose of refinancing or refunding outstanding indebtedness, if, (1) the Maximum Aggregate Annual Debt Service for the Funded Debt then to be issued for refinancing or refunding purposes is not greater than 1.05 times the Maximum Aggregate Annual Debt Service on the indebtedness then to be refinanced or refunded, as shown by a written report of a Management Consultant filed with the Trustee, and (2) the Debt Service Coverage Ratio for each of the two Fiscal Years immediately following the Fiscal Year in which the refinancing or refunding is to take place, as forecasted by a Management Consultant in a report filed with the Trustee, is not less than 1.20 for all Funded Debt, including the Funded Debt then to be issued for refinancing or refunding purposes;

(g) Funded Debt for the purpose of acquiring or constructing Additional Facilities or Other Facilities if (1) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Hospital are available was at least 1.20 for all Funded Debt outstanding at the end of such Fiscal Year, including the Funded Debt then to be issued as shown by a written report of a Management Consultant filed with the Trustee; or (2)(A) the Debt Service Coverage Ratio for the latest Fiscal Year for which audited financial statements of the Hospital are available was at least 1.20 for all funded Debt outstanding at the end of such Fiscal Year, but not including the Funded Debt then to be issued, and (B) the Debt Service Coverage Ratio (including the forecasted revenues from the Additional Facilities or the Other Facilities then being financed) for each of the two Fiscal Years immediately following the Fiscal Year in which such Additional Facilities or Other Facilities are to be acquired or completed, as forecasted by a Management consultant in a report filed with the Trustee, is at least 1.20 for all Funded Debt, including the Funded Debt then to be issued;

(h) Funded Debt to complete the Project, without limitation;

(i) Interim Indebtedness for the purpose of acquiring or constructing Additional Facilities or Other Facilities, provided that (1) the aggregate unpaid principal amount of such Interim Indebtedness does not at any time exceed the "shareholder's equity" as shown on the latest audited financial statements of the Corporation, or the aggregate unpaid principal amount of such Interim Indebtedness in excess of the Corporation's "shareholder's equity" (as shown on the latest available audited financial statements of the Corporation) is at all times secured by an irrevocable letter of credit issued by a United States national banking association or any bank organized and existing under the laws of any state of the United States having undivided capital and surplus of at least \$50,000,000, (2) the Corporation intends to incur Funded Debt to repay such Interim Indebtedness and evidences such intention by the delivery to the Trustee of the original or a certified copy of an irrevocable agreement (the "Commitment"), subject to standard closing conditions, of a banking, investment banking or other appropriate financial institution which commits such banking, investment banking or other appropriate financial institution to provide funds to the Corporation for the payment of such Interim Indebtedness at or before maturity thereof and which sets forth, among other things, the principal amount and repayment terms of, and the interest rate with respect to, such Funded Debt to be incurred by the Corporation, and (3) such Funded Debt meets the tests with respect to Funded Debt mentioned in subparagraph (g) above; and

(j) Any indebtedness arising under or in respect of any agreement by the Corporation to reimburse or indemnify any bank issuing a letter of credit in accordance with the provisions of subparagraph (i) of this caption.

The restrictions described in this caption are subject to the condition that, in the event that a Management Consultant shall deliver a report to the Trustee to the effect that Governmental Restrictions then in existence or by their application make it impractical for the Corporation to produce the ratios set forth in this Section, then such ratios shall be reduced to the maximum ratios then permitted by such Governmental Restrictions, but in no event less than 1.00.

#### Parity Indebtedness

The Corporation may incur, assume or guarantee Parity Indebtedness for the purposes of (i) refinancing or refunding any or all of the Bonds or Parity Indebtedness previously incurred, or (ii) acquiring or constructing Additional Facilities, or (iii) completing the Project, which Parity Indebtedness may include the costs of issuance and sale of any such Parity Indebtedness, capitalized interest for such period as shall be determined by the Corporation and any reserve funds required to be established as a consequence of the issuance of such Parity Indebtedness.

Parity Indebtedness may be incurred, assumed or guaranteed for the purposes set forth in the immediately preceding paragraph upon substantially the same terms and conditions for the issuance of Additional Bonds for such purposes as more fully described under the caption "The Bonds—Additional Bonds."

Any Parity Indebtedness may be secured on a parity with the Bonds; provided, however, that the holders of Parity Indebtedness will not be entitled to share on a parity with the holders of the Bonds in any of the funds and accounts created pursuant to the Indenture.

Any default under any instrument or agreement providing for repayment of Parity Indebtedness secured on a parity with the Bonds will be a default under the Loan Agreement and there will be included in any instrument or agreement providing for repayment of such Parity Indebtedness a provision that any default under the Loan Agreement will be a default under such instrument or agreement. In addition, unless otherwise agreed to by the Trustee, the Trustee will act as trustee under any instrument securing Parity Indebtedness, and any instrument or agreement providing for repayment of such Parity Indebtedness will include a provision that, prior to exercising any remedies upon a default by the Corporation under such instrument or agreement, the Trustee (or the holders thereof, if the Trustee otherwise consents) will consider the interests of the holders of Parity Indebtedness and the Bonds and will proceed such that the interests of such holder or holders and the Bondholders will be equally protected.

#### Events of Default

The following will be "Events of Default" under the Loan Agreement:

(a) if there should not be sufficient funds on deposit with the Trustee in the Bond Fund (prior to the transfer of any moneys from any other funds or accounts under the Indenture) to make any interest or principal (whether at maturity or pursuant to any mandatory sinking fund redemption) payment on the Bonds when due, or if default shall be made in the due and punctual payment of any Basic Payment for interest or principal on the Bonds as such are described in subparagraphs (a), (b) or (c) of the foregoing caption "The Loan Agreement—Basic Payments; Additional Payments" for a period of five (5) days after the due date of any such payment;

(b) if default shall be made in the due and punctual payment of any Basic Payment or other amount payable under the Loan Agreement other than any Basic Payment described in the immediately preceding paragraph (a) for a period of ten (10) days after receipt of written notice from the Trustee of the nonpayment of such amount;



(c) if default shall be made by the Corporation in the due performance of or compliance with any of the terms of the Loan Agreement, other than those referred to in the foregoing subparagraphs (a) and (b) or elsewhere in this caption, and such default shall continue for thirty (30) days after the County or the Trustee or the Holders of 25% in aggregate principal amount of Bonds Outstanding shall have given the Corporation written notice of such default and requiring it to be remedied; provided, however, that if the Corporation shall fail to make any repair, restoration or replacement which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Corporation to begin and complete such repair, restoration or replacement through the exercise of due diligence;

(d) if any event of default occurs under an instrument creating or incurring Parity Indebtedness;

(e) except as otherwise expressly provided in the Loan Agreement, the abandonment by the Corporation of the Facilities or any substantial part thereof, or the operations thereof contemplated by the Loan Agreement, continued for a period of five days after there has been given, by registered or certified mail, written notice to the Corporation by the County, the Trustee or the Holders of 25% in aggregate principal amount of Bonds then Outstanding;

(f) if the Corporation shall file a voluntary petition in bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, imposition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Corporation or of all or any substantial part of its properties or of the Facilities, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(g) if a petition shall be filed against the Corporation seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation and shall remain undismissed or unstayed for an aggregate of ninety (90) days (whether or not consecutive), or if any trustee, receiver or liquidator of the Corporation or of all or any substantial part of its properties or of the Facilities shall be appointed without the consent or acquiescence of the Corporation and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) days (whether or not consecutive);

(h) if a court of competent jurisdiction shall have finally determined that the Corporation or another obligor shall have defaulted under any other agreement, lease, mortgage or instrument of any kind, if such default shall permit the acceleration of any debt, obligation, rental or other sum of money payable by the Corporation (whether directly, as guarantor, as partner or joint venturer, or otherwise) and the Trustee shall have determined that such default will materially adversely affect the rights of the holders of the Bonds;

(i) if any judgments, or writs or warrants of attachment or of any similar processes in an aggregate amount in excess of \$50,000 are entered or filed against the Corporation or against the Facilities or any of its other tangible or intangible property and remaining unvacated, unpaid, unbonded or unstayed for a period of 30 days;

(j) if any representation or warranty made by the Corporation in the Loan Agreement, or made by the Corporation in any statement or certificate furnished by the Corporation either required by the Loan Agreement or in connection with the execution and delivery of the Loan Agreement, proves untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after notice thereof to the Corporation by the Trustee or the Holders of 25% or more in aggregate principal amount of Bonds then Outstanding; or

(k) if there shall be an event of default under the Indenture or the Mortgage.

Provided, however, that if after any Event of Default shall have occurred and prior to the Trustee exercising any of the remedies provided in the Loan Agreement, the Corporation shall have completely cured such default by depositing with the Trustee sufficient moneys or by performing such other acts or things in respect of which it may have been in default under the Loan Agreement, then in every such case such default shall be waived, rescinded and annulled by the Trustee by written notice given to the Corporation; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

In addition, if the acceleration of the maturity of the Bonds and its consequences shall have been annulled and rescinded pursuant to, and in accordance with the provisions of the Indenture, the acceleration of all Basic Payments and any other payments under the Loan Agreement shall likewise be automatically annulled and rescinded, but no such annulment or rescission shall affect any subsequent default or impair any right or remedy consequent thereon.

#### Remedies

If any Event of Default occurs and is continuing, the Trustee may, or if requested in writing by the Holders of 25% or more of the principal amount of Bonds then Outstanding, shall, exercise any one or more of the following remedies:

(a) Declare all Basic Payments, and any other payments required under the Loan Agreement to be immediately due and payable (being an amount equal to that necessary to pay in full the principal of and interest accrued on all Bonds then Outstanding, assuming acceleration of the Bonds under the Indenture, and to pay all other payments required under the Loan Agreement and the Indenture), whereupon the same shall become immediately due and payable by the Corporation;

(b) Exercise its rights to the Trust Estate and the Gross Receipts of the Corporation and collect, use and dispose of the same;

(c) Direct the Corporation to employ a Management Consultant and other experts and personnel;

(d) Through its duly authorized agents have access to and inspect, examine and make copies of, the books, records and accounts of the Corporation (other than individual medical records);

(e) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate the Facilities and to administer the Trust Estate for the benefit of the County and the Holders of the Bonds then Outstanding;

(f) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Corporation under the Loan Agreement.

(g) Exercise any remedy afforded a "secured party" under the South Carolina UCC; or

(h) Exercise any remedy under the Mortgage.



### SUMMARY OF THE INDENTURE

The following summarizes certain provisions of the Indenture; however, it is not a comprehensive description and reference is made to the full text of the Indenture for a complete recital of its terms.

#### Funds and Accounts Established Under the Indenture

The Indenture provides for the establishment of the Construction Fund, the Bond Fund, including therein a Principal Account and an Interest Account, the Debt Service Reserve Fund, the Bond Redemption Fund and the Repair and Replacement Fund.

#### Construction Fund

The Trustee shall credit to the Construction Fund the net proceeds of the sale of the Series 1983 Bonds, exclusive of amounts described below which are required to be deposited into other funds created under the Indenture. All income profits or revenues on the investment of amounts on deposit in the Construction Fund shall be credited to the Construction Fund. All moneys in the Construction Fund shall be held by the Trustee in trust and, subject to the provisions of the Indenture, shall be applied to the payment of the Cost of the Project, and, pending such application, shall be subject to a lien and charge in favor of the holders of the outstanding Bonds for the further security of the holders until paid out or transferred as provided in the Indenture.

Payment of the Cost of the Project shall be made from the Construction Fund. All disbursements from the Construction Fund for payment of the Cost of the Project, including Issuance Expenses, shall be made in accordance with, and subject to, the provisions of the Indenture.

#### Interest Account

The Trustee shall credit to the Interest Account the sum of \$ , equal to the accrued interest received upon the sale of the Series 1983 Bonds, and the sum of \$ to be applied to the payment of interest on the Series 1983 Bonds for a period of approximately 12 months after the Closing Date. There shall be deposited in the Interest Account as received the total amount of Basic Payments required to be made by the Corporation pursuant to the Loan Agreement for the payment of interest on the Bonds and any other amounts deposited with the Trustee for deposit in the Interest Account.

On or before each interest payment date, the Trustee shall withdraw from the Interest Account an amount sufficient to pay the interest coming due on the Bonds on such interest payment date, and shall use such amounts to pay interest on the Bonds on such interest payment date; provided, however, that the accrued interest received upon the sale of the Series 1983 Bonds will be used, along with such additional funds as will be necessary, to make the interest payment due and payable on September 1, 1983.

If on any interest payment date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on such interest payment date, the Trustee shall transfer any moneys then on deposit to the credit of the Principal Account and the Debt Service Reserve Fund, in such order of priority, to the Interest Account sufficient to pay the interest coming due on the Bonds on such interest payment date.

Prior to the Completion Date, all income, profits or revenues derived from the investment of amounts on deposit in the Interest Account shall be credited to the Construction Fund. After the Completion Date, all income, profits or revenues derived from the investment of amounts on deposit in the Interest Account shall be credited to the Interest Account.

### Principal Account

There shall be deposited in the Principal Account as received the total amount of Basic Payments required to be made by the Hospital pursuant to the Loan Agreement for the payment of principal on the Bonds and any other amounts deposited with the Trustee for deposit in the Principal Account.

Amounts on deposit from time to time to the credit of the Principal Account shall be used on any interest payment date to make up any deficiency in the Interest Account.

On or before each principal payment date, whether by reason of the stated maturity of Bonds or through the operation of the mandatory sinking fund provisions of the Indenture or a similar provision of a supplemental indenture, the Trustee shall withdraw from the Principal Account an amount sufficient to pay the principal coming due on the Bonds on such principal payment date, and shall use such amounts to pay principal on the Bonds on such date, whether by reason of the stated maturity of the Bonds or through the operation of the mandatory sinking fund provisions of the Indenture or a similar provision of a supplemental indenture. If on any date for the payment of principal of the Bonds there are not sufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on such date, the Trustee shall transfer any moneys then on deposit in the Bond Redemption Fund and the Debt Service Reserve Fund, in such order of priority, in an amount equal to such deficiency to the Principal Account.

Prior to March 1, 1989, all income, profits or revenues derived from the investment of amounts on deposit in the Principal Account and any amount in the Principal Account in excess of \$1,800,000 shall be paid to the Corporation. Subsequent to March 1, 1989, all income, profits or revenues derived from the investment of amounts on deposit in the Principal Account shall be credited to the Principal Account.

### Debt Service Reserve Fund

The Trustee shall deposit in the Debt Service Reserve Fund the initial deposit of \$500,000. There shall also be deposited in the Debt Service Reserve Fund as received the total amount of Basic Payments required to be made by the Corporation pursuant to the Loan Agreement.

Amounts deposited in the Debt Service Reserve Fund shall be used and withdrawn by the Trustee for the purpose of paying as much of the last maturing principal of the Bonds as there is on deposit in the Debt Service Reserve Fund, whether at the stated payment date or by redemption of Bonds; provided, however, that whenever and to the extent that moneys in the Interest Account, the Principal Account, or the Bond Redemption Fund, as the case may be, are insufficient for the purpose of paying principal of and interest on the Bonds, whether or not at the redemption date therefor, moneys on deposit in the Debt Service Reserve Fund shall be withdrawn by the Trustee and used for such purpose.

Subject to the next two succeeding sentences, if at any time the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, as evidenced by a certificate of an Accountant delivered to the Trustee, such excess shall (1) prior to the Completion Date, be transferred to the Construction Fund, and (2) subsequent to the Completion Date, be transferred to the Interest Account, such amount to constitute a credit against the amount the Corporation is required to deposit in such account for such Fiscal Year pursuant to the Loan Agreement. When the amount on deposit in the Debt Service Reserve Fund is sufficient to pay principal and interest on the Bonds through maturity thereof as evidenced by a certificate of an Accountant delivered to the Trustee, the balance, if any, shall constitute a credit against the next succeeding Basic Payments due under the Loan Agreement. Unless Trust Moneys on deposit in the Debt Service Reserve Fund are less than the Debt Service Reserve Requirement, all income, profits and revenues derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall (1) prior to the Completion Date, be deposited in the Construction Fund, (2) subsequent to the Completion Date and until March 1, 1989, be

paid to the Corporation, (3) subsequent to March 1, 1989, be deposited in the Debt Service Reserve Fund until the amount on deposit in the Debt Service Reserve Fund equals \$ , and (4) subsequent to the date specified in clause (3) of this paragraph, be deposited in the Interest Account as a credit against Basic Payments required to be made by the Corporation pursuant to the Loan Agreement.

Notwithstanding any other provision of the Indenture to the contrary, if at any time the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, all income, profits or revenues derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall be deposited in the Debt Service Reserve Fund until such time as there is on deposit therein an amount of Trust Moneys equal to the Debt Service Reserve Requirement.

At such times as the Trustee is required to determine whether the amount on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Requirement, the Trustee shall value any Permitted Investments in such account at the market value thereof plus accrued interest thereon as of the close of business on any business day within three business days of the date of such valuation.

#### **Bond Redemption Fund**

The Bonds may be redeemed at the option of the County (which option may be exercised only upon the direction of the Corporation) and upon the occurrence of certain events as more fully described under the caption "The Series 1983 Bonds—Redemption." In such event, there shall be deposited in the Bond Redemption Fund as received funds required to redeem Bonds which will be used by the Trustee to redeem Bonds in the manner specified by the Indenture.

All income, profits and revenues derived from the investment of amounts on deposit in the Bond Redemption Fund shall be credited to the Bond Redemption Fund.

#### **Repair and Replacement Fund**

In the event of damage, destruction, loss of title or condemnation of the Facilities, the Net Proceeds (if they exceed \$150,000) of insurance or condemnation awards and other amounts shall be deposited in the Repair and Replacement Fund and shall be disbursed by the Trustee to pay the cost of replacement, repair, reconstruction or restoration of the Facilities as provided in the Loan Agreement or transferred to the Bond Redemption Fund in accordance with the Loan Agreement and used to redeem Bonds pursuant to the Indenture. Any amounts remaining in the Repair and Replacement Fund after payment of all costs of replacement, repair, reconstruction or restoration relating to the condemnation, damage or destruction to which such amounts relate, and/or after the transfer of all amounts required to be transferred to the Bond Redemption Fund in accordance with the Loan Agreement, shall be transferred to the Interest Account.

All income, profits and revenues derived from the investment of amounts on deposit in the Repair and Replacement Fund shall be deposited in the Repair and Replacement Fund.

#### **Investments**

Subject to the provisions of any law then in effect to the contrary, and subject to the provisions of the next succeeding sentence, the Trustee shall invest to the extent reasonably possible all Trust Moneys on hand from time to time as directed by the Corporation in Permitted Investments. In the absence of such direction, the Trustee shall invest Trust Moneys in such Permitted Investments as it chooses in its discretion. Not less than twenty-five per centum (25%) of the Trust Moneys held for the credit of the Debt Service Reserve Fund shall be invested in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than two (2) years after the date of

such investment, and the remaining seventy-five per centum (75%) of such Trust Moneys shall be invested in Permitted Investments which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the last maturity date of any outstanding Bonds. Notwithstanding any other provisions hereof, all Permitted Investments shall be made so as to mature or be subject to redemption at the option of the holder thereof on or prior to the date or dates that the Corporation or the Trustee anticipates that moneys therefrom will be required. The Trustee may trade with itself or its affiliates in the purchase and sale of such Permitted Investments and the Trustee shall not be liable or responsible for any loss resulting from any such investment. Such Permitted Investments shall be registered in the name of the Trustee. The Trustee may invest in Permitted Investments through its own trust department and Trust Moneys may be deposited in time deposits, or certificates of deposit issued by the Trustee or its affiliates.

The Trustee shall sell or present for redemption any investment whenever it shall be necessary in order to provide money to meet any payment under the Indenture, and the Trustee shall not be liable or responsible for any loss resulting from such sale. Any loss actually realized on investments in any fund or account created under the Indenture shall be charged to the fund or account in which such investment was held. To the extent any loss actually realized on investments in any fund or account reduces the amount of Trust Moneys or the value of Permitted Investments in such fund or account below the amount of Trust Moneys or the value of Permitted Investments then required to be on hand in such fund or account pursuant to the Loan Agreement or the Indenture, such loss is to be made up by the Corporation in the manner set forth in the Loan Agreement and any moneys paid to the Trustee by the Corporation for such purpose shall be deposited in the fund or account with respect to which, and to the extent that, such loss was incurred.

#### Events of Default; Remedies

The following events shall constitute an event of default under the Indenture:

- (a) Default in the payment of any interest upon any Bond when it becomes due and payable; or
- (b) Default in the payment of the principal (or premium, if any, on) any Bond when the same becomes due and payable (whether at the stated maturity thereof or upon proceedings for redemption or otherwise); or
- (c) Default in the performance, or breach, of any covenant or warranty or representation of the County contained in the Indenture (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere in the Indenture specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the County and the Corporation by the Trustee or to the County, the Corporation and the Trustee by the holder or holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, however, that if such default be such that it cannot be remedied within a period of 30 days, and the County or the Corporation is diligently attempting to remedy the same, then such period shall be increased to such extent as shall be necessary to enable the County to remedy the same, but, in no event shall the period for remedying such default exceed 90 days after the giving of the notice required by this section; provided further that if, with respect to such default the Corporation shall not be deemed in default under the Loan Agreement or the Mortgage by reason of "force majeure", no event of default shall be deemed to exist under this clause (c); or
- (d) the occurrence of an event of default under the Loan Agreement; or
- (e) The occurrence of an event of default under the Mortgage; or
- (f) The occurrence of a default or an event of default under any document or instrument securing Parity Indebtedness.



### Acceleration of Maturity

If an event of default occurs and is continuing, then and in every such case the Trustee may, and upon the written request by registered or certified mail, to the Trustee by the holder or holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, declare the principal of all the Bonds and the interest accrued thereon to be due and payable immediately, by a notice in writing to the County and the Corporation and upon such declaration such principal shall become immediately due and payable; provided, however, that no Bonds shall be accelerated under the Indenture unless and until the Trustee has accelerated the payment of Basic Payments under the Loan Agreement.

At any time after such a declaration of acceleration has been made, but before the Trustee has exercised any other remedy specified in the Loan Agreement or the Mortgage, the Trustee, by written notice to the County and the Corporation, shall rescind and annul such declaration and its consequences if, among other things, all overdue installments of principal and interest on the Bonds have been paid and all other events of default have been cured or waived.

### Additional Remedies

The Trustee, in case of the occurrence of an event of default specified in the Indenture, may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction, shall (a) exercise any or all rights of the County under the Loan Agreement or the Mortgage; (b) proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or the Bonds or in aid of the execution of any power in the Indenture or the Bonds granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee may deem most effectual to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or the Indenture; (c) to the extent permitted by law, sell the Facilities, or any part or parts thereof, to pay the indebtedness secured by the Indenture and by the Mortgage; and (d) exercise any remedies available to a secured party under the Uniform Commercial Code as in effect at such time in the State.

### Supplemental Indentures

*Without Consent of Bondholders.* The County and the Trustee may enter into supplemental indentures for any one or more or all of the following purposes: (a) to add to the covenants and agreements of the County such other covenants and agreements thereafter to be observed, or to surrender any right or power reserved or conferred upon the County in the Indenture; (b) to make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the County may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the holders of the Bonds; (c) to subject, describe or redescribe any property subject or to be subjected to the lien of the Indenture; (d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit its qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions or provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; (e) to provide for Additional Bonds in accordance with the Indenture; (f) to provide for Parity Indebtedness in accordance with the Loan Agreement; (g) to provide for the exchange of Bonds of one series for Bonds of another series, or the exchange of Bonds of one denomination or kind for Bonds of another denomination or kind, of the same series; and (h) to modify or eliminate any of the terms of the Indenture; provided, however, that (1) any such modifications or eliminations shall be expressly provided in such supplemental indenture to become effective only when there are no Bonds outstanding of any series created prior to the

execution of such supplemental indenture; and (2) the Trustee may, in its discretion, decline to enter into any such supplemental indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective.

*With Consent of Bondholders.* With the consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, the County and the Trustee may enter into supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall, without the consent of the holders of each Bond affected thereby, (1) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or (2) reduce the percentage of holders of Bonds required to approve any such supplemental indenture, or (3) modify any of the provisions of the Indenture relating to supplemental indentures and amendments to the Loan Agreement or the Mortgage with the consent of the Bondholders, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Bond affected thereby or (4) permit the creation of any lien on the properties assigned, mortgaged and conveyed under the Indenture prior to or on a parity with the lien of the Indenture, other than as permitted by the Indenture or the Loan Agreement, or deprive the holders of the Bond of the lien created by the Indenture upon said properties.

#### **Amendments to Agreement and Mortgage**

*Without Consent of Bondholders.* The County and the Trustee, at any time and from time to time, shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Loan Agreement or the Mortgage as may be required: (a) by the provisions of the Loan Agreement, the Mortgage or the Indenture; (b) to correct or amplify the description of any property at any time subject to the Loan Agreement or the Mortgage or better to assure, convey and confirm unto the Trustee any property subject or required to be subject to the Loan Agreement or the Mortgage, or to subject to the Loan Agreement or the Mortgage additional revenues, property or other collateral; or (c) to add to the conditions, limitations and restrictions of the Corporation in the Loan Agreement or the Mortgage, other conditions, limitations and restrictions thereafter to be observed; or (d) to consent to the creation of any series of Additional Bonds, as provided in the Indenture, including therein any amendment of the Loan Agreement to provide for increased Basic Payments and to provide terms and conditions relating to the acquisition, construction, installation and equipping of any Additional Facilities financed with the proceeds of such series of Additional Bonds; or (e) to modify or eliminate any of the terms of the Loan Agreement or the Mortgage; provided, however, that (1) any such modification or elimination shall be expressly provided in such amendment to the Loan Agreement or the Mortgage to become effective only when there are no Bonds outstanding of any series created prior to the execution of such amendment to the Loan Agreement or the Mortgage; and (2) the Trustee may, in its discretion, decline to enter into any such amendment which, in its opinion, may not afford adequate protection to the Trustee when the same becomes effective, or (f) to evidence the succession of another corporation to the Corporation in accordance with the provisions of the Loan Agreement, and the assumption by any such successor of the covenants of the Corporation contained in the Loan Agreement or to evidence the succession of any successor Trustee under the provisions of the Indenture; or (g) to add to the covenants of the Corporation or to surrender any right or power conferred upon the Corporation; or (h) to cure any ambiguity, to correct or supplement any provision of the Loan Agreement or the Mortgage, as the case may be, that may be inconsistent with any other provision of the Loan Agreement or the Mortgage, as the case may be, or to make any other provisions with respect to matters or questions arising under the Loan Agreement or the Mortgage, provided such action shall not adversely affect the interests of the holders of the Bonds then outstanding.



*With Consent of Bondholders.* With the consent of the holders of not less than a majority in principal amount of the Bonds of all series then outstanding which are affected by such amendment to the Loan Agreement or the Mortgage, the Trustee, the County and the Corporation may enter into an amendment or amendments to the Loan Agreement or the Mortgage for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Loan Agreement or the Mortgage; provided, however, that no such amendment shall, without the consent of the holder of each outstanding Bond affected thereby, (a) reduce the aggregate amount of Basic Payments payable under the Loan Agreement, or allow any installment of Basic Payments to be paid subsequent to the time needed for the payment of principal, premium, if any, and interest on the Bonds; or (b) modify any of the provisions of the Loan Agreement to eliminate the requirement that the Trustee consent to every amendment thereto; or (c) release from the lien of the Mortgage any of the property secured thereby except as expressly permitted by the Mortgage.

#### Discharge of Indenture

Whenever the conditions specified in either clause (1) or clause (2) of the following subparagraph (a), and the conditions specified in the following subparagraphs (b) and (c) shall exist, namely:

(a) either

(1) all Bonds theretofore authenticated and delivered and all coupons appertaining thereto have been cancelled by the Trustee or delivered to the Trustee for cancellation, excluding, however,

(A) coupons appertaining to Bonds called for redemption and maturing after the relevant redemption date, whose surrender has been waived as provided in the Indenture,

(B) Bonds and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Trustee and thereafter repaid to the Corporation or discharged from such trust, as provided in the Indenture, and

(C) Bonds alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in the Indenture, and (i) which, prior to the satisfaction and discharge of the Indenture as provided in the Indenture, have not been presented to the Trustee with a claim of ownership and enforceability by the holder thereof or (ii) whose enforceability by the holder thereof has been determined adversely to the holder by a court of competent jurisdiction or other competent tribunal; or

(2) the Corporation has deposited or caused to be deposited with the Trustee as trust funds in cash and/or Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the holder), will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on Bonds and coupons not theretofore cancelled by the Trustee or delivered to the Trustee for cancellation, to the maturity or redemption date, as the case may be, and has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee in the name, and at the expense, of the Corporation in the same manner as is provided by the Indenture;

(b) the Corporation has paid, caused to be paid or made arrangements satisfactory to the Trustee for the payment of all other sums payable under the Indenture and under the Loan Agreement by the Corporation until the Bonds are so paid; and

(c) the Corporation has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions therein provided for relating to the satisfaction and discharge of the Indenture have been complied with;

then, upon the request of the County or the Corporation authorized by a resolution of the County or the Corporation, the Indenture and the liens, rights and interests thereby granted or granted by the Loan Agreement or the Mortgage shall cease, determine and become null and void, and the Trustee shall execute and deliver such instruments of satisfaction as may be necessary, and forthwith the estate, right, title and interest of the Trustee in and to all of the Trust Estate and in and to all rights under the Loan Agreement, and the Mortgage shall thereupon be discharged and satisfied, and the Trustee shall in such case transfer, deliver and pay the same to the Corporation or upon the order of the Corporation.

### SUMMARY OF THE MORTGAGE

The following summarizes certain provisions of the Mortgage; it is not, however, a comprehensive description and reference is made to the full text of the Mortgage for a complete recital of its terms.

#### Mortgage Lien and Security Interest

Pursuant to the Mortgage the Corporation has granted and conveyed to the County a first mortgage lien on the Land and the Project and has granted to and in favor of the County a security interest in the Facilities Equipment, the Inventory and the Gross Receipts, subject in each case to Permitted Encumbrances, as security for the payment of the principal of, premium, if any, and interest on the Bonds and any Parity Indebtedness. The County has transferred and assigned all of its right, title and interest in the Mortgage to the Trustee.

#### Release of Items of Facilities Equipment

If no event of default under the Loan Agreement or Mortgage shall have occurred and be continuing, the Corporation may remove any items of Facilities Equipment from the Facilities and sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the County therefor, provided that:

(a) (i) the Corporation shall receive consideration at least equal to the fair market value, if any, of such Facilities Equipment as determined by the Corporation, (ii) such consideration is promptly applied toward the acquisition of additional Facilities Equipment to be used in the operations of the Facilities and to be subject to the lien of the Mortgage, and (iii) such removal, sale, trade-in, exchange or other disposition will not significantly impair the revenue producing capacity of the Corporation; or

(b) the Corporation shall reasonably and in good faith determine that such items of Facilities Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary for the Corporation's purposes and that the removal, sale, trade-in, exchange or other disposition will not significantly alter the character or purpose or detract from the value or operating efficiency of the Facilities and will not significantly impair the revenue producing capacity of the Corporation; provided, however, that any proceeds or other consideration received by the Corporation pursuant to such a transaction shall, to the extent not used to replace the Facilities Equipment, be deposited into the Interest Account of the Bond Fund; and provided further that the Corporation will not be required to make any such deposits to the Interest Account until such time as any such proceeds or other consideration received by the Corporation exceeds \$50,000 in any Fiscal Year.

The removal from the Facilities of any portion of the Facilities Equipment pursuant to the provisions of the Mortgage shall not entitle the Corporation to any abatement or diminution of the amounts payable under the Loan Agreement.

#### Release of Certain Land

If no event of default shall have occurred and be continuing, the Corporation reserves the right at any time and from time to time, to amend the Mortgage for the purpose of effecting the release of or removal from the mortgage lien of the Mortgage of (i) any unimproved part of the Land (on which no building or equipment owned by the Corporation and essential to the continued operation of the Facilities is situated) or (ii) any part of the Land with respect to which the Corporation proposes to convey fee title to a public utility or public body in order that utility services or roads may be provided for the Facilities; provided that if at the time any such amendment is made any of the Bonds are outstanding and unpaid such amendment shall not be effective until and unless there are deposited with the Trustee the following:

- (a) Copies of the said amendment to the Mortgage;
- (b) An Officer's Certificate of the Corporation (i) stating that the Corporation is not in default under any of the provisions of the Loan Agreement or the Mortgage, (ii) giving an adequate legal description of that portion of the Land to be released, (iii) stating the purpose for which the release is desired, (iv) requesting such release, (v) stating that the proceeds, if any, received by the Corporation from the sale or other disposition will be in the form of cash or, if not in cash, having attached to such Officer's Certificate an Opinion of Bond Counsel that the exemption from Federal income taxation of interest on the Series 1983 Bonds will not be impaired by such receipt, (vi) stating that the consideration received has a present value of at least \$4,383 per acre, and (vii) stating that the part of the Land released or removed from the lien of the Mortgage is expected to be used in a manner consistent with the character and purpose of the Project;
- (c) A resolution of the Board of Directors of the Corporation approving the amendment to the Mortgage;
- (d) Evidence of the authority of the officers of the Corporation who execute such amendment to the Mortgage;
- (e) If applicable, a copy of the instrument granting the easement or conveying the portion of the Land to be released;
- (f) Any instrument or instruments required from the County by the terms of such release or removal from the Land;
- (g) A certificate of an Independent engineer reasonably acceptable to the Trustee dated not more than sixty days prior to the date of the release and stating that, in the opinion of such engineer (i) the portion of the Land so proposed to be released should be released in order to obtain utility services or roads to benefit the Facilities, or is not otherwise needed for the operation of the Facilities for the purpose hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness of the Facilities for the purposes intended and will not destroy the means of ingress and egress therefrom; and
- (h) A sum equal to the net proceeds, if any, from the sale or other disposition of the portion of the Land so released or removed, which sum shall be deposited into the Bond Redemption Fund and used to redeem Bonds on the earliest redemption date permitted by the Indenture.

Provided further, however, that if the portion of the Land to be released has transportation or utility facilities located upon it, the Corporation shall retain an easement to use such facilities to the extent necessary for the efficient operation of the Facilities.

#### Grant of Easements

If no event of default shall have occurred and be continuing, the Corporation may at any time or times grant easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to any property or rights included in the Facilities free from

the lien and security interest afforded by the Mortgage or the Corporation may release existing easements, licenses, rights-of-way and other rights and privileges with or without consideration.

#### **Title Insurance**

The Corporation will cause to be furnished, concurrently with the execution and delivery of the Mortgage, an ALTA mortgagee title insurance policy (or appropriate binder) upon the Land issued by a title insurance company approved by the County and the Trustee, insuring that the Corporation has good and marketable fee simple title to the Land and that the Mortgage represents a valid mortgage lien on the Land, subject to no encumbrances other than Permitted Encumbrances, in an amount equal to the face amount of the Series 1983 Bonds less an amount equal to the Debt Service Reserve Requirement.

#### **Subordination of Security Interest in Gross Receipts**

The Corporation may grant a security interest in the Gross Receipts in accordance with the Loan Agreement (see "The Loan Agreement—Permitted Indebtedness"). The County and the Trustee agree to cooperate with the Corporation in the execution and delivery of such documents as may be reasonably necessary to evidence the subordination of the security interest in the Gross Receipts granted under the Mortgage to any security interest granted by the Corporation in accordance with the provisions of the Loan Agreement, provided that the Corporation causes to be furnished to the Trustee an Officers' Certificate stating that the Corporation is not in default under the Loan Agreement.

#### **Events of Default and Remedies**

Upon the occurrence of an event of default under the Mortgage (which shall include the nonpayment of any obligation secured by the Mortgage and the occurrence of any event of default under the Loan Agreement or the Indenture), the Trustee (as assignee of the County) may, among other things, undertake to accelerate the indebtedness secured thereby; to enter and take possession of the Facilities and operate the same in accordance with the provisions of the Mortgage, to foreclose the mortgage lien and security interest granted by the Mortgage and sell the Facilities or any portion thereof in accordance with the provisions of State law. The net proceeds from any such foreclosure sale shall be applied to the payment of the principal and interest on the Bonds.

## SUMMARY OF THE GUARANTY

### The Guaranty

The Guarantor guarantees to the Trustee for the benefit of the holders at any time and from time to time of the Series 1983 Bonds and any interest coupons appertaining thereto an amount equal to One Hundred Percent (100%) of the scheduled Basic Payments to be made by the Corporation under the Loan Agreement during the period commencing on March 1, 1983 and ending on April 1, 1989 (the "Termination Date"), payable as and when said Basic Payments are scheduled to be paid.

If the Trustee shall fail to receive any such Basic Payment scheduled to be paid prior to the Termination Date, as and when said payment becomes due and payable, the Guarantor shall immediately pay to the Trustee at its principal corporate trust office in Birmingham, Alabama, in lawful money of the United States of America, an amount equal to the amount of the Basic Payment not paid. In the event of such a failure, the Guaranty is a primary and original obligation of the Guarantor and is an absolute unconditional, continuing and irrevocable guarantee of payment and not a collectibility or performance and is in no way conditioned or contingent upon any attempt to collect from the Corporation or the County or to realize upon any of the Trust Estate.

The Guaranty shall remain in full force and effect without respect to future changes and conditions, including change in law, until the later to occur (the "Guaranty Termination Date") of (i) the Termination Date, or (ii) the date no Event of Default continues to exist hereunder which existed on the Termination Date. The Guaranty Termination Date shall in any event occur when the principal of, and the redemption premium, if any, and the interest on, the Series 1983 Bonds and all other amounts payable by the County pursuant to the terms of the 1983 Bonds or the Indenture and by the Corporation pursuant to the terms of the Loan Agreement or the Mortgage shall have been paid in full or shall be deemed to have been paid in full in accordance with the Indenture, the Loan Agreement and the Mortgage.

### Events of Default

Any of the following events constitutes an Event of Default under the Guaranty:

(a) failure by the Guarantor to make any payment required to be made under the Guaranty as and when the same shall become due and payable;

(b) failure by the Guarantor to observe or perform any condition or agreement of the Guaranty on his part to be observed or performed, other than as referred to in clause (a) of this paragraph, for a period of thirty days after written notice from the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration;

(c) any representation by or on behalf of the Guarantor contained in the Guaranty or in any instrument furnished in connection with the Guaranty proves false or misleading in any material respect as of the date of the making or furnishing thereof;

(d) the Guarantor shall consent to a bankruptcy or similar proceeding with respect to his property;

(e) a bankruptcy or similar proceeding is commenced against the Guarantor and continues in effect for a period of sixty (60) days; or

(f) an Event of Default occurs and is continuing under the Indenture, the Loan Agreement or the Mortgage.



### Remedies Upon Default

Whenever any Event of Default under the Guaranty shall have occurred and is continuing, the Trustee may and, if requested so to do in writing by the holders of 25% in aggregate principal amount of the Series 1983 Bonds then outstanding and furnished indemnification as provided in the Guaranty, the Trustee shall be obligated to, proceed by suit or other appropriate proceeding or action, and the Trustee shall have the right to proceed first and directly against the Guarantor under the Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the Trustee. Before taking any action under the Guaranty at the request of the bondholders, the Trustee may require that satisfactory indemnity be furnished by those bondholders requesting such action by the Trustee for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

The right to enforce the Guaranty is vested exclusively in the Trustee for the equal and pro rata benefit of all holders at any time of the Series 1983 Bonds and any interest coupons appertaining thereto, unless the Trustee refuses or neglects to act within a reasonable time after being requested in writing so to do by the holders of at least 25% in aggregate principal amount of the Series 1983 Bonds then outstanding and after being furnished satisfactory indemnity as aforesaid, in which event the holder of any of the Series 1983 Bonds or any interest coupons appertaining thereto may thereupon so act in the name and behalf of the Trustee or may so act in his own name, provided that the rights of no other holder of the Series 1983 Bonds or coupons appertaining thereto are impaired.

### Amendments to the Guaranty

The Trustee shall not consent to any amendment or modification of the Guaranty or waive any of the provisions thereof without the giving of notice and the written approval or consent of the holders of (a) not less than  $\frac{3}{4}$  in principal amount of the Series 1983 Bonds at the time outstanding with respect to an amendment, modification or waiver of any of the provisions of the Guaranty relating to notice and service of process, pleadings and other papers, or (b) all of the Series 1983 Bonds at the time outstanding with respect to any other amendment, modification or waiver thereof.

If at any time the Guarantor shall request the consent of the Trustee to any such proposed amendment or modification or waiver, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, modification or waiver to be published in an Authorized Newspaper and mailed, first class mail, postage prepaid, to all registered holders of outstanding Series 1983 Bonds. Such notice shall briefly set forth the nature of such proposed amendment, modification or waiver and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by any holder of the Series 1983 Bonds. If all of the Series 1983 Bonds are registered as to principal (other than to bearer) or both principal and interest, a copy of any proposed amendment, modification or waiver of the Guaranty shall be mailed, first class mail, postage prepaid, to all such registered holders, and published notice of such amendment, modification or waiver need not be given. If, within 60 days or such longer period as shall be prescribed by the Trustee following the giving of such notice, the holders of not less than the requisite percentage of outstanding Series 1983 Bonds shall have consented to or approved the execution of such amendment, modification or waiver of the Guaranty, no holder of any Series 1983 Bond or any interest coupon appertaining thereto shall have any right to object to any of the terms and provisions contained therein, with the operation thereof, or in any matter to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Guarantor from executing the same or from taking any action pursuant to the provisions thereof.



SUMMARY OF THE CONTINUING CARE AGREEMENT

## FEDERAL TAX EXEMPTION

In the opinion of Bond Counsel, interest on the Series 1983 Bonds is exempt from Federal income taxation under existing statutes, court decisions, regulations and rulings, except for interest on any Series 1983 Bond for any period during which such Series 1983 Bond is held by a person who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, and no opinion is expressed with respect to the taxability of interest on any Bond for any period when such Bond is so held by a "substantial user" or such "related person." Such opinion is subject to the qualification that there is uncertainty, because of the lack of applicable case law, as to whether the South Carolina Supreme Court, if faced with the question, would hold that issuance of Bonds under the Act for the purpose of financing the acquisition, construction and equipping of the Project does not violate the requirement of the South Carolina Constitution that County bonds be issued only for "public purposes." Furthermore, such opinion relies upon (1) the certification of the Corporation that, in connection with the Series 1983 Bonds, the capital expenditures limitations of Section 103(b)(6)(D) of the Internal Revenue Code of 1954 as amended have not been and will not be exceeded; and (2) the assumption that the Corporation will duly comply with the provisions of the Loan Agreement.

The Corporation has made a general covenant under the Loan Agreement that it will not take any action which would cause the interest on the Series 1983 Bonds to lose their tax exempt status. The existence and continuation of such tax exemption is subject to certain qualifications presently contained in section 103 of the Internal Revenue Code of 1954, as amended (the "Code").

## Ten Million Dollar Limit

Interest on "industrial development bonds" (as defined by Section 103(b) of the Code) is not exempt from federal income taxes unless the aggregate authorized face amount of the bond issue and certain "capital expenditures" (as defined by Section 103(b)(6)(E) of the Code) are \$10,000,000 or less during the period beginning three years prior to the date of the issuance of the Series 1983 Bonds and ending three years after such date. The Corporation has specifically agreed under the Loan Agreement that it will not make or permit any capital expenditures which would cause the interest on the Series 1983 Bonds to lose their Federal income tax exemption. Both the County and the Corporation have covenanted under the Loan Agreement that no additional series of bonds will be issued if to do so would cause the interest on the Series 1983 Bonds to lose its tax exempt status.

## Substantial User/Related Person

The tax exemption accorded to industrial development bond issues of \$10,000,000 or less will not apply with respect to any Bond for any period during which it is held by a person who is a "substantial user" of the Project or a "related person" (as defined in section 103(b)(13) of the Code). The Corporation shall not have violated any of its covenants if the interest on any of the Series 1983 Bonds becomes taxable to a person who is a "substantial user" of the Project or a "related person." Bond Counsel expresses no opinion with respect to interest on any Series 1983 Bond for any period during which such Bond is held by a person who is a "substantial user" or a "related person."

## Arbitrage

The County has delivered a certificate setting forth certain facts and circumstances which, the County is advised, establish that the Series 1983 Bonds are not "arbitrage bonds" within the meaning of section 103(c) of the Code. The Corporation has agreed that so long as any of the Series 1983 Bonds remain outstanding, moneys on deposit in any fund or account maintained in connection with the Series 1983 Bonds, whether or not such moneys were derived from the

proceeds of the sale of the Series 1983 Bonds or from other sources, will not be used in a manner which will cause the Series 1983 Bonds to be "arbitrage bonds" within the meaning of Section 103(c) of the Code, and any lawful regulations promulgated or proposed thereunder.

#### Legal Opinion

A legal opinion is not binding on the Internal Revenue Service or the courts, and the laws, regulations, court decisions, and administrative interpretations upon which the conclusions stated in the opinion of Bond Counsel are based are subject to change at any time by the Congress, the Treasury Department or later judicial and administrative decisions. Moreover, the legal opinion of Bond Counsel is predicated on representations concerning the Corporation and the operation of the Project by the Corporation. If the Corporation fails to comply with these representations, the opinion may become inapplicable.

#### STATE TAXATION

In the opinion of Bond Counsel, under the Act the Series 1983 Bonds and the income therefrom are exempt from all taxation in the State of South Carolina, except for inheritance, estate or transfer taxes. This opinion is (1) subject to the qualification that there is uncertainty, because of the lack of applicable case law, as to whether the South Carolina Supreme Court, if faced with the question, would hold that the issuance of Bonds under the Act for the purpose of financing the acquisition, construction and equipping of the Project does not violate the requirement of the South Carolina Constitution that County bonds be issued only for "public purposes," and (2) is based on the assumption that the Corporation will duly comply with the provisions of the Loan Agreement.

Interest on the Series 1983 Bonds may or may not be subject to state or local tax laws of other states. Each purchaser of Series 1983 Bonds should consult his own tax advisor regarding the taxable status of the Series 1983 Bonds in a particular state or local jurisdiction.

#### UNDERWRITING

The Corporation has requested the County to sell the Series 1983 Bonds to Buchanan & Co., Inc., Jackson, Mississippi (the "Underwriter"), on a negotiated basis, and the Underwriter has agreed to offer the Series 1983 Bonds subject to the terms and conditions of an agreement (the "Bond Purchase Agreement") to be entered into by and between the County and the Underwriter. The Underwriter intends to initially purchase the Series 1983 Bonds from the County at a price equal to 95% of their par value plus accrued interest to the date of the proposed purchase. The Underwriter will also receive a Managing Underwriter's Fee of \$340,000 which is equal to 5% of the proceeds of the Series 1983 Bonds. The Underwriter may subsequently change the price at which the Series 1983 Bonds are offered without requirement of prior notice. (See the caption "SUMMARY OF ESTIMATED SOURCES OF FUNDS AND USES OF PROCEEDS.")

#### APPROVAL OF LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 1983 Bonds are subject to the approval of their legality by Wyche, Burgess, Freeman & Parham, P.A., Greenville, South Carolina, Bond Counsel. Copies of the legal opinion of Wyche, Burgess, Freeman & Parham, P.A., Bond Counsel, will be available at the time of delivery of the Series 1983 Bonds. Wyche, Burgess, Freeman & Parham, P.A. has not participated in the preparation of this

Official Statement relating to the Series 1983 Bonds except the portions hereof captioned "THE SERIES 1983 BONDS," "DEFINITIONS OF CERTAIN TERMS," "SUMMARY OF THE LOAN AGREEMENT," "SUMMARY OF THE INDENTURE," "SUMMARY OF THE MORTGAGE," "SUMMARY OF THE GUARANTY," "FEDERAL TAX EXEMPTION," "STATE TAXATION" and "APPROVAL OF LEGAL MATTERS." Wyche, Burgess, Freeman & Parham, P.A. accordingly expresses no opinion as to the sufficiency or accuracy of any other material, information or financial statements.

Certain legal matters incident to the authorization, issuance and sale of the Series 1983 Bonds will be passed upon for the Corporation and the Management Company by Paine, Dalis, Smith & McElreath, Augusta, Georgia; for the County by Felix Finley, Esq., Pickens, South Carolina; and for the Underwriter by George E. Mueller, Jr., P.A., Tampa, Florida.

#### ABSENCE OF MATERIAL LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 1983 Bonds or questioning or affecting the legality of the Series 1983 Bonds or the proceedings and authority under which the Series 1983 Bonds are to be issued or which, in any manner, questions the right of the County to loan the proceeds of the Series 1983 Bonds to the Corporation or which in any manner questions the right of the Corporation to construct, finance or operate the Facilities in accordance with the provisions of the Loan Agreement.

At the closing of the purchase of the Series 1983 Bonds by the Underwriter, the County and the Corporation will deliver to the Underwriter certificates stating that there is no litigation pending or threatened seeking to restrain or enjoin the issuance or delivery of the Series 1983 Bonds or questioning or affecting the legality of the Series 1983 Bonds or the proceedings or authority under which the Series 1983 Bonds are to be issued.

#### RELATED PARTIES AND TRANSACTIONS

Bryson F. Hill, Jr., Secretary-Treasurer and 32 1/3 % stockholder of the Corporation, is President and 100 % stockholder of the Management Company. Therefore the Management Agreement between the Corporation and the Management Company is not an arms-length agreement. The Management Company will receive \$160,000 from Series 1983 Bond proceeds as a marketing fee pursuant to the Marketing Agreement with the Corporation. Such Marketing Agreement is not an arms-length agreement.

Travers W. Paine, III is acting as Counsel to the Corporation and to the Management Company and his law firm will be paid a fee out of Bond proceeds for its legal services in the foregoing capacities. Mr. Paine is Vice President and owns 32 1/3 % of the stock of the Corporation.

#### ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the matters involving opinions are true or that any of the estimates will be realized. The Corporation will deliver to the Underwriter letters of representation stating that this Official Statement does not contain any misrepresentation of a material fact and does not omit to state any material fact necessary to make the statements contained herein not misleading in reference to their participation herein. No representations are made by the Corporation, the County or the Underwriter that there has been no change in the affairs of the County or the Corporation since the date hereof.

## MISCELLANEOUS

The Underwriter has furnished the information in this Official Statement with respect to the public offering prices of the Series 1983 Bonds and the information under the heading "UNDERWRITING." The County has furnished the information in this Official Statement relating to itself. The Management Company has furnished the information contained under the heading "MANAGEMENT OF THE PROJECT." The Corporation has furnished the remaining information contained in this Official Statement, including Appendix A attached hereto.

The execution and delivery of this Official Statement has been approved by the County and the Corporation.

Approved:

COUNTRYSIDE MANOR, INC.

Approved:

PICKENS COUNTY, SOUTH CAROLINA

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Chairman

COUNTRYSIDE MANOR, INC.  
FINANCIAL STATEMENTS  
FROM DECEMBER 3, 1982 TO JANUARY 31, 1983  
AND  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

APPENDIX B

016472



COUNTRYSIDE MANOR, INC.

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Balance Sheet

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EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

016473

H. MAX HUIE & COMPANY, P. A.  
CERTIFIED PUBLIC ACCOUNTANTS  
1001 2ND AVENUE EAST  
ONEONTA, ALABAMA 35121  
—  
TELEPHONE: (205) 825-3472

AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY  
OF CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders of  
Countryside Manor, Inc.

We have examined the balance sheet and statement of changes in financial position of Countryside Manor, Inc. as of January 31, 1983. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Countryside Manor, Inc. as of January 31, 1983 and the changes in its financial position for the period then ended, in conformity with generally accepted accounting principles.

*H. Max Huie & Company, P.A.*

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

February 11, 1983

016474

COUNTRYSIDE MANOR, INC.

BALANCE SHEET  
(Development Stage)  
JANUARY 31, 1983

ASSETS

Current assets		
Cash		\$ 1,000
Other assets		
Land option	\$ 6,000	
Survey, architectural fees and other development expenses	<u>10,925</u>	<u>16,925</u>
Total assets		<u>\$17,925</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable		\$ 1,950
Loans from stockholder		8,500
Loans from others		<u>6,475</u>
		16,925
Stockholders' equity		
Common stock, par value \$1.00 per share, 100,000 shares authorized; 1,000 shares issued and outstanding		<u>1,000</u>
Total liabilities and stockholders' equity		<u>\$17,925</u>

The accompanying notes are an integral  
part of these financial statements.

016475

COUNTRYSIDE MANOR, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FROM DECEMBER 3, 1982 TO JANUARY 31, 1983

Sources of working capital

Issuance of common stock \$ 1,000

Uses of working capital

Land options \$ 6,000  
Other development expenses 10,925

Total uses (16,925)

Decrease in working capital \$(15,925)

Changes in working capital - increase (decrease)

Cash \$ 1,000  
Accounts payable ( 1,950)  
Loans from stockholder ( 8,500)  
Loans from others ( 6,475)

Decrease in working capital \$(15,925)

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

The accompanying notes are an integral  
part of these financial statements.

016476

COUNTRYSIDE MANOR, INC.  
NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Development Stage Enterprise

Countryside Manor, Inc. is a development stage enterprise under current pronouncements of the American Institute of Certified Public Accountants. The development activities of the Company are described below.

Organization and Development

The Company was organized on December 3, 1982 to construct and operate an assisted living and adult care residential facility in Easley, South Carolina.

The Company expects to finance the construction with Hospital Revenue Bonds in the amount of \$6,800,000.

Operations

There have been no operations by the Company for the period of the accompanying financial statements. Therefore, Statements of Income and Retained Earnings have not been presented.

Other Assets

At January 31, 1983 stockholders and others had incurred expenses amounting to \$14,975, on behalf of the Company, for cost of developing the proposed project. The Company expects to start amortizing these costs when the project is completed.

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

016477

## OTHER BOND ISSUES GUARANTEED BY BRYSON F. HILL, JR.

\$1,375,000 The Medical Clinic Board of the City of Huntsville, Alabama, First Mortgage Revenue Bonds issued in 1974.

\$1,175,000 The Medical Clinic Board of the City of Trussville, Alabama, First Mortgage Revenue Bonds issued in 1974.

\$1,560,000 The Second Medical Clinic Board of the City of Mobile, Alabama, First Mortgage Revenue Bonds issued in 1974 and 1975.

\$2,000,000 The Second Medical Clinic Board of the City of Oxford, Alabama, First Mortgage Revenue Bonds issued in 1974 (\$1,500,000) and 1978 (\$500,000).

\$2,570,000 Richmond County Health Corporation, First Mortgage Revenue Bonds issued in 1977.

\$1,900,000 The Medical Clinic Board of the City of Montgomery-Tyson Manor, First Mortgage Revenue Bonds issued in 1979.

\$1,850,000 The Health and Educational Facilities Board of the Town of Dover, Tennessee, First Mortgage Revenue Bonds issued in 1982. Mr. Hill has given a Limited Guaranty for the first five years of this issue.

\$3,000,000 The City of Winter Garden, Florida, First Mortgage Revenue Bonds issued in 1982. Mr. Hill has given a Limited Guaranty for the first five years of this issue.

\$2,700,000 The Health, Educational and Housing Facility Board of the Town of New Tazwell, Tennessee, First Mortgage Revenue Bonds issued in 1982. Mr. Hill has given a Limited Guaranty for the first five years of this issue.

All of the foregoing bond issues are fully current in payment of principal and interest.

EXHIBIT

FEB 22 1983

NO. 03

STATE BUDGET & CONTROL BOARD

APPENDIX C

016478

Appellate  
Printing  
Co.

☐ New Jersey (201) 753-0200  
☐ Philadelphia (215) 581-3877

☐ New York (212) 480-9180  
☐ Harrisburg (717) 232-0543

6th PROOF  
February 11, 1983



# EXHIBIT

STATE BUDGET AND CONTROL BOARD  
MEETING OF February 22, 1983

FEB 22 1983

NO. 04

BLUE AGENDA  
ITEM NUMBER

4

Agency: Greenville County

STATE BUDGET & CONTROL BOARD

Subject: Proposal to Issue Industrial Revenue Bonds  
(\$300,000, Eastern Industrial Supplies, Inc., Project)

The proposed project will provide employment for approximately 15 persons at a plumbing and mechanical supplies storage, sale and distribution facility.

The required reviews by the Attorney General's Office and the State Auditor's Office were incomplete as these agenda materials were being prepared. Staff will advise the Board on the results of these reviews at the meeting.

Board Action Requested:

If review results are satisfactory, adopt a resolution approving the Greenville County proposal to issue \$300,000 Industrial Revenue Bonds on behalf of the Eastern project.

Staff Comment:

Attachments:

016479

The State of South Carolina

APR 5 1983



Office of the Attorney General

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK  
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING  
POST OFFICE BOX 11548  
COLUMBIA, S.C. 29211  
TELEPHONE 803-758-2081

April 5, 1983

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

Re: \$300,000 Greenville County, South Carolina  
Industrial Revenue Bond, (Eastern Industrial  
Supplies, Inc.)

Dear Mr. McInnis:

Regarding the above referenced bond, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Sections 4-29-10 et seq., Code of Laws of South Carolina, 1976, as amended, and the same appear, in our opinion, to be in order.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "D. Eckstrom", written over a horizontal line.

David C. Eckstrom  
Assistant Attorney General

DCE/cs

Enclosures

016480

February 17, 1983

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

The South Carolina State Budget  
and Control Board  
Wade Hampton Office Building  
Room 618  
Columbia, South Carolina 29211

Gentlemen:

In connection with the sale by Greenville County, South Carolina (the "Issuer") of its Industrial Development Revenue Bond (Eastern Project), Series 1983, dated the date of issuance and delivery thereof, in the principal amount of \$300,000 (the "Bond") to the Citizens & Southern National Bank of South Carolina, Greenville, South Carolina (the "Purchaser"), the Purchaser makes the following representations and certifications:

(i) the Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Bond;

(ii) the Purchaser is financially able to bear the economic risk of its proposed investment in the Bond for an indefinite period;

(iii) the Purchaser is familiar with the business affairs of Eastern Industrial Supplies, Inc. (the "Company") and has obtained and examined all financial and other information with respect to the Bond, the Company and the officers and shareholders of the Company which it deems necessary in order to enable it to evaluate the merits and risks of its investment in the Bond and to make an informed investment judgment in connection with the purchase of the Bond;

(iv) the Purchaser has had the opportunity to ask questions of, and receive answers from, the Issuer and the Company concerning the terms and conditions of the offering and any other information which it has deemed relevant to the Bond and its investment in the Bond;

016481

The South Carolina State Budget  
and Control Board  
February 17, 1983  
Page Two

EXHIBIT

FEB 22 1983 NO. 03

STATE BUDGET & CONTROL BOARD

(v) the Bond is being purchased for the account of the Purchaser and for the purpose of investment and not presently for resale, and the Purchaser has no present intention of offering the Bond or any portion thereof for resale either currently or after the passage of a fixed period of time;

(vi) the Purchaser is not presently a part to, nor has it contemplated any agreement, undertaking, arrangement, obligation, indebtedness or commitment which is likely to compel disposition of its investment in the Bond.

Sincerely,

CITIZENS & SOUTHERN NATIONAL  
BANK OF SOUTH CAROLINA

By: Sharon M. Edwards  
Sharon M. Edwards  
Corporate Banking Officer

016482

# EXHIBIT

FEB 22 1983

NO. 04

## REVENUE BOND ISSUE PETITION PROCESSING CHECKLIST

STATE BUDGET & CONTROL BOARD

[Item for Board meeting of 2/22/83]

1. Local Government: Greenville County
2. Bond Counsel:
  - (a) Firm Hyche, Burgers, Freeman & Parham
  - (b) Contact Person Carl H. Muller Phone 242-3131
  - (c) Address Box 10207, Greenville, SC 29603
3. Project Name: Eastern Industrial Supplies, Inc.
4. Issue Amount: \$ 300,000 Type: Industrial
5. Employment Impact of Project: Approx 15
6. Type/Nature of Business of Firm Involved: Facility for storage sale and distribution of plumbing and mechanical supplies

\* \* \* \* \*

7. Processing Checklist	Rec'd. From	Sent To
(a) Governing body resolution/ordinance/petition	CM 2/18	DE 2/18
(b) Documents on issuance/securing of bonds	CM 2/18	DE 2/18
(c) Financial Information:		
(1) Audited Statements (3 most recent years)		
OR		
(2) If private placement, "investment letter"		
(Purchaser: <u>US National Bank</u> )	CM 2/18	EV 2/18
(3) Review by State Auditor's Office (memo)	OK 2/23	XXXXXXXX
(d) Health and Environmental Control certification		
(e) B&C Board Resolution and Notice ( <u>2</u> copies for certification for bond counsel)	CM 2/18	DE 2/18
(f) Review by Attorney General's Office (letter)	OK 4/5/83	XXXXXXXX

016483

Motion: TGM  
 Second: EM  
 Absent: GA  
 Vote: For 3 - Against 0

Certificates signed: 4/5

Resolutions mailed:  
 Hwy Patrol 4/5

rec'd during item

C. GRANVILLE WYCHE  
ALFRED F. BURGESS  
C. THOMAS WYCHE  
DAVID L. FREEMAN  
JAMES C. PARHAM, JR.  
JAMES M. SHOEMAKER, JR.  
WILLIAM W. KEHL  
CHARLES W. WOFFORD  
LARRY D. ESTRIDGE  
D. ALLEN GRUMBINE  
CARY H. HALL, JR.  
CARL F. MULLER  
HENRY L. PARR, JR.  
BRADFORD W. WYCHE  
ERIC B. AMSTUTZ  
FRANK S. HOLLEMAN, III

WYCHE, BURGESS, FREEMAN & PARHAM  
PROFESSIONAL ASSOCIATION  
ATTORNEYS AT LAW  
GREENVILLE, SOUTH CAROLINA 29603

POST OFFICE BOX 10207  
44 EAST CAMPERDOWN WAY  
CABLE ADDRESS: JURAL  
TELEPHONE 803-242-3131

February 17, 1983

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

Mr. William McInnis  
State Budget and Control  
Board of South Carolina  
Sixth Floor  
Wade Hampton Office Building  
Columbia, South Carolina

Re: \$300,000 Greenville County, South Carolina  
Industrial Revenue Bond (Eastern Project)  
Series 1983

Dear Mr. McInnis:

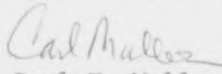
Enclosed please find the following in connection with  
the above-captioned industrial revenue bond:

1. Original and one copy of the Bond Ordinance;
2. Petition of the Greenville County Council;
3. Resolution approving the above Petition;
4. Resolution of the State Budget and Control  
Board approving the project;
5. Commitment Letter from The Citizens & Southern  
National Bank of South Carolina.

Please forward the appropriate documents to me when this  
matter has been approved at the February 22, 1983 meeting of  
the State Budget and Control Board.

As always, I appreciate your assistance in this matter.

Very truly yours,

  
Carl F. Muller

CFM/bjm  
Enclosures

016484



# EXHIBIT

FEB 22 1983

NO. 04

RESOLUTION  
OF  
THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

APPROVING AN UNDERTAKING BY GREENVILLE COUNTY, SOUTH CAROLINA, PURSUANT TO CHAPTER 29 OF TITLE 4 OF THE 1976 CODE OF LAWS OF SOUTH CAROLINA, AS AMENDED, TO ASSIST IN FINANCING A PLUMBING AND MECHANICAL SUPPLIES STORAGE, SALE AND DISTRIBUTION PROJECT THROUGH THE ISSUANCE OF A \$300,000.00 GREENVILLE COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BOND (EASTERN PROJECT) SERIES 1983.

WHEREAS, the County Council of Greenville County, South Carolina (the "County Council"), pursuant to Chapter 29 of Title 4 of the 1976 Code of Laws of South Carolina, as amended (the "Act"), has petitioned the State Budget and Control Board of South Carolina (the "State Board"), seeking approval from the State Board of a financial undertaking proposed by Greenville County, South Carolina (the "County"); and

WHEREAS, the undertaking provides for the issuance and sale to the Citizens and Southern National Bank of South Carolina ("C&S") of a Three Hundred Thousand Dollar (\$300,000.00) Greenville County, South Carolina Industrial Revenue Bond (Eastern Project) Series 1983, pursuant to the Act, the proceeds to be used to finance a plumbing and mechanical supplies storage, sale and distribution facility (the "Project"); and

WHEREAS, C&S has agreed to purchase the Bond; and

WHEREAS, the proceeds of the Bond will be loaned by the County to Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company"), in exchange for its \$300,000.00 note

016485

(the "Company Note") providing for payments to the County sufficient to meet the payment schedule on the Bond; and

WHEREAS, the Company will own the Project and will secure payments under the Company Note by granting to the County a mortgage on and security interest in the Project and certain other real property and a security interest in the Project; and

WHEREAS, the County will secure payment of the Bond by granting to C&S a security interest in the Company Note and in the mortgage and security interest granted by the Company and will conditionally assign to C&S the Company Note and this mortgage and security interest; and

WHEREAS, the Company, George Bagwell and Eastern Controls, Inc., will unconditionally guarantee payment of the Bond; and

WHEREAS, the general terms of the principal loan documents contemplated in connection with this transaction have been reviewed by the Attorney General of South Carolina on behalf of the State Board; and

WHEREAS, the State Board has made such independent investigation as it has deemed advisable.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

1. That it has been found and determined by the State Board as follows:

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

EXHIBIT

(b) The County Council has filed with the State Board pursuant to the Act a proper petition reciting facts which are in all respects true and correct.

(c) The Project is reasonably estimated to cost approximately Three Hundred Fifty Thousand Dollars (\$350,000.00).

(d) The Project will create approximately 15 jobs in the County and will be of benefit to the State of South Carolina, and to the County and adjacent areas in particular.

(e) The Project is intended to promote the purposes of the Act and is reasonably anticipated to effect this result.

2. That on the basis of the foregoing findings the proposed undertaking of the County to finance the Project through the issuance of the Bond pursuant to the Act (including changes in any details of the financing consummated which do not materially affect the undertaking) is hereby approved.

3. That notice of this action taken by the State Board in giving its approval to the undertaking of the County, shall be published in The Greenville News, which is a newspaper published in Greenville, South Carolina, and having general circulation in the County.

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

NOTICE OF APPROVAL OF PROJECT

BY

THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

Notice is hereby given that the State Budget and Control Board of South Carolina (the "State Board") has approved the financing by Greenville County, South Carolina (the "County") of the acquisition, construction and/or installation of land, buildings and equipment comprising a plumbing and mechanical supplies storage, sale and distribution facility (the "Project") through the issuance of an Industrial Revenue Bond (Eastern Project) Series 1983, in the principal amount of Three Hundred Thousand Dollars (\$300,000.00) (the "Bond"), pursuant to the provisions of Chapter 29 of Title 4 of the 1976 Code of Laws of South Carolina, as amended.

The proceeds of the Bond will be loaned by the County to Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company"), in exchange for its \$300,000.00 note (the "Company Note") providing for payments to the County sufficient to meet the payment schedules on the Bond. The Company will own the Project and will secure payments to be made under the Company Note by granting to the County a mortgage and security interest in the Project, which will constitute a foreclosable lien upon the Project.

016488

The Bond will be payable by the County solely from payments received by the County under the Company Note. Neither the Project or Bond, nor any charges in connection with the Project or Bond, shall constitute or give rise to a pecuniary liability of the County or a charge against the general credit or taxing power of the County.

When completed, the Project is reasonably estimated to create 15 jobs in the County.

Notice is 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 this undertaking of the County by action de novo instituted in the Court of Common Pleas in the County.

STATE BUDGET AND CONTROL BOARD OF  
SOUTH CAROLINA

By: s/William A. McInnis  
Secretary

EXHIBIT

FEB 22 1983 NO. 04

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA  
COUNTY OF RICHLAND

EXHIBIT  
FEB 22 1983 NO. 04  
STATE BUDGET & CONTROL BOARD

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

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

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

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

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

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

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

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:30 A. M., Tuesday, February 22, 1983, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of: Senator Dennis (during consideration of this item) and Mr. Patterson.

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

FOR MOTION

3

AGAINST MOTION

0

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

That any and all conditions attached to the referenced Board action have been satisfied as of the date of this certificate.

016490

April 5, 1983

William A. McInnis  
Secretary



STATE OF SOUTH CAROLINA )  
COUNTY OF GREENVILLE )

PETITION

TO: THE STATE BUDGET AND CONTROL  
BOARD OF SOUTH CAROLINA

EXHIBIT

FEB 22 1983 NO. 04

STATE BUDGET & CONTROL BOARD

The County Council of Greenville County (the "County Council") would respectfully report unto the State Budget and Control Board of South Carolina the following findings:

1. The County Council is the governing body of Greenville County, South Carolina (the "County") as established by law, and as such, is the "governing board" described in Chapter 29 of Title 4 of the 1976 Code of Laws of South Carolina, as amended, (the "Act").

2. The Act authorizes and empowers the County, acting through the County Council, if it shall comply with the provisions set forth in the Act, to assist industrial enterprises in the financing of land, buildings, equipment, machinery and other improvements deemed necessary, suitable or useful for the manufacture, processing, warehousing or distribution of agricultural or manufactured products and, for that purpose, to issue industrial development revenue bonds.

016491

3. The County, acting through the County Council, has agreed that the County will undertake, through the issuance and sale of an industrial development revenue bond pursuant to the Act, to assist in the financing of the purchase of land and the construction and equipping of a building and plantsite improvements in the County for the storage, sale and distribution of plumbing and mechanical supplies (the "Project"). In this connection, the County, acting through the County Council, has agreed to issue and sell a Greenville County, South Carolina, Industrial Revenue Bond (Eastern Project) Series 1983 (the "Bond") in the amount of Three Hundred Thousand Dollars, pursuant to the Act in order to finance the Project. The Bond will be issued as a tax-exempt instrument by virtue of the provisions of the Act and Section 103 of the Internal Revenue Code of 1954, as amended. The Bond shall be repaid in forty equal quarterly installments of principal over a period of ten years commencing April 1, 1985. Interest shall be payable quarterly at the rate of seventy-four percent of the prime commercial lending rate charged by the Citizens and Southern National Bank of South Carolina (the "Bank") from time to time.

4. The cost of the Project is approximately Three Hundred Fifty Thousand Dollars (\$350,000) according to the reasonable estimates of the Company. In order to finance the cost of the Project, it is necessary for the County to issue the Bond.

5. When completed the Project will create approximately 15 jobs in the County.

6. The Project will subserve the purposes of the Act, and the Project will have a beneficial effect upon the economy of South Carolina, and the County and adjacent areas in particular, by promoting the development of industrial enterprise.

7. The County, by providing this financial assistance to the Company for development of the Project, will incur no pecuniary liability; nor will it incur a charge against its general credit or taxing power.

8. The Bank has agreed to purchase the Bond at par value without discount.

9. The proposed loan documents will provide, among other things, the following:

(a) To finance the cost of the Project, the County will issue its Bond in the principal amount of Three Hundred Thousand Dollars. The County promptly will use the proceeds of the Bond to purchase from the Company a note providing for payments sufficient to pay when due all amounts payable under the Bond. Payment of the note will be secured by the granting to the County of a mortgage on and security interest in the Project (including fixtures). Payment of the Bond will be secured by the granting to the Bank of a security interest in

the note and the aforementioned mortgage and the security agreement. Also, in order to secure further payment of the Bond, the County will conditionally assign to the Bank the note and the aforementioned mortgage and security agreement;

(b) The mortgage and security agreement to be granted by the Company to the County will be conventional in form and will constitute foreclosable liens. Included in the granting clause of the mortgage will be all real property and fixtures acquired for the Project. Included in the granting clause of the security agreement will be all fixtures acquired for the Project;

(c) The proceeds derived from the issuance and sale of the Bond will be loaned by the County to the Company and used solely to pay the costs incident to financing the acquisition, construction and installation of the Project;

(d) The issuance and sale of the Bond by the County shall impose upon the County no pecuniary liability; nor shall this create a charge upon its general credit or taxing power;

(e) The payments to be made by the Company to the County under its note will be sufficient to enable the County to make all payments (including principal and interest) required of the County under the Bond;

(f) George Bagwell and Eastern Controls, Inc. will guarantee unconditionally full payment of the Bond;

(g) The loan documents will require that the Company pay for all maintenance required to keep the Project in good repair and all insurance required to keep the Project properly insured;

(h) No reserves for payment of the Bond or for maintenance or insurance on the Project shall be required in view of the financial stability of the Company;

(i) The proposed documents will be substantially in the form submitted with this Petition and commonly used in connection with the issuance of industrial revenue bonds.

Upon the basis of the foregoing, the County, acting through the County Council, respectfully prays that the State Budget and Control Board of South Carolina accept the filing of this Petition; that it make a prompt and independent investigation of the Project; that it find that the proposed Project will promote the purposes of the Act and that the proposed Project is reasonably anticipated to effect this result; that it approve the Project and the issuance and sale of the Bond, including changes in any details of the proposed financing as finally consummated which do not materially affect this undertaking; and that it give

**016495**

published notice of its approval in the manner set forth in the Act.

Respectfully submitted,

COUNTY COUNCIL OF GREENVILLE COUNTY

(SEAL)

By: Melvin M. Pace  
Melvin M. Pace  
Chairman of County Council

Attest: Mary J. Turner  
Mary Turner  
Clerk of County Council

By: Royce J. Carter  
Acting County Administrator

February 15, 1983



# EXHIBIT

A RESOLUTION

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

TO AUTHORIZE A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF THE ISSUANCE AND SALE OF A GREENVILLE COUNTY, SOUTH CAROLINA INDUSTRIAL REVENUE BOND (EASTERN PROJECT) SERIES 1983 IN THE PRINCIPAL AMOUNT OF THREE HUNDRED THOUSAND DOLLARS PURSUANT TO CHAPTER 29 OF TITLE 4 OF THE 1976 CODE OF LAWS OF SOUTH CAROLINA, AS AMENDED; AND TO PROVIDE FOR OTHER MATTERS RELATING TO THIS UNDERTAKING.

BE IT RESOLVED BY THE COUNTY COUNCIL OF GREENVILLE COUNTY, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

## ARTICLE I

### FINDINGS OF FACT

As an incident to the adoption of this Resolution, the County Council of Greenville County, South Carolina (the "County Council") has made the following findings:

1. Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company") has proposed that Greenville County, South Carolina (the "County") assist in financing the acquisition of certain land and the construction and equipping of a building and plantsite improvements composing an industrial facility in the County owned by the Company for the storage, sale and distribution of plumbing and mechanical supplies (the "Project"). The Project will be financed in part by the issuance and sale by the County of its Industrial Revenue Bond (the "Bond"), in a total principal amount of Three Hundred Thousand Dollars, pursuant to the authorization of Chapter 29 of Title 4 of the 1976 Code of Laws of South Carolina, as amended (the "Act").

016497

2. The Project will be aided by the assistance which the County might render pursuant to the Act. The County, acting through the County Council, has agreed to assist in financing the Project by issuing and selling the Bond. The proceeds of the Bond will be loaned by the County to the Company to finance the Project. The Company in exchange for the Bond shall deliver to the County, at the time that the Bond is issued and sold, its note in the amount of the proceeds. Also, the Company will grant to the County a mortgage on and security interest in the Project (including fixtures). The Company, Eastern Controls, Inc. and George Bagwell will guarantee full payment of the Bond.

3. The Project will subserve the purposes of the Act. The Project, when completed, will create approximately 15 jobs.

4. Neither the Project nor the Bond will give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers.

5. The amount necessary to finance the Project is approximately Three Hundred Fifty Thousand Dollars. The amount of the Bond shall be Three Hundred Thousand Dollars, and the Bond shall be issued and sold for this amount at no discount. The Bond shall be repaid in forty equal quarterly installments of principal over a period of ten years commencing April 1, 1985. Interest shall be payable quarterly at the rate of seventy-four per cent of the prime commercial lending rate charged by the Citizens and Southern National Bank of South Carolina, a national banking corporation,

from time to time. Payments to the County by the Company shall be sufficient to allow the County to meet the repayment schedule on the Bond.

6. No reserve fund shall be established in connection with the Bond or in connection with the maintenance of the Project.

7. The Company shall pay all costs required to keep the Project in good repair and to keep the Project properly insured.

8. The proposed loan documents obligate the Company unconditionally to pay to the County the amounts necessary to pay all principal, interest and premium, if any, when and as they become due on the Bond and similarly to pay all other costs in connection with those instruments.

9. The Bond will be issued as a tax-exempt instrument by virtue of the provisions of the Act and Section 103 of the Internal Revenue Code of 1954, as amended.

10. The Company has arranged for the issuance and sale of the Bond to the Citizens and Southern National Bank of South Carolina.

## ARTICLE II

### PETITION TO THE STATE BUDGET AND CONTROL BOARD

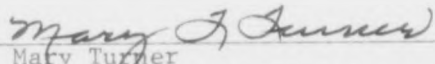
The County is hereby authorized and committed to submit a petition to the State Budget and Control Board of South Carolina to seek the approval required by the Act. This Petition shall be substantially upon the terms of the Petition attached as Exhibit A to this Resolution.

ARTICLE III

EXECUTION

The Chairman of County Council (or in his absence, the Vice Chairman of County Council) and the County Administrator of the County (or anyone authorized to act in his stead) are hereby authorized and empowered to execute all documents required to effectuate the intent of this Resolution, and the Clerk of County Council is hereby authorized and empowered to attest to these signatures.

The foregoing constitutes a true copy of a Resolution duly adopted by the County Council of Greenville County, South Carolina on February 15, 1983, relating to the issuance of the Greenville County, South Carolina Industrial Revenue Bond (Eastern Project) Series 1983 in a total principal amount of Three Hundred Thousand Dollars.

  
Mary Turner  
Clerk of County Council  
Greenville County, South Carolina

February 15, 1983

Exhibit "A"

STATE OF SOUTH CAROLINA )  
COUNTY OF GREENVILLE )

PETITION

---

TO: THE STATE BUDGET AND CONTROL  
BOARD OF SOUTH CAROLINA

---

The County Council of Greenville County (the "County Council") would respectfully report unto the State Budget and Control Board of South Carolina the following findings:

1. The County Council is the governing body of Greenville County, South Carolina (the "County") as established by law, and as such, is the "governing board" described in Chapter 29 of Title 4 of the 1976 Code of Laws of South Carolina, as amended, (the "Act").

2. The Act authorizes and empowers the County, acting through the County Council, if it shall comply with the provisions set forth in the Act, to assist industrial enterprises in the financing of land, buildings, equipment, machinery and other improvements deemed necessary, suitable or useful for the manufacture, processing, warehousing or distribution of agricultural or manufactured products and, for that purpose, to issue industrial development revenue bonds.

016501

3. The County, acting through the County Council, has agreed that the County will undertake, through the issuance and sale of an industrial development revenue bond pursuant to the Act, to assist in the financing of the purchase of land and the construction and equipping of a building and plantsite improvements in the County for the storage, sale and distribution of plumbing and mechanical supplies (the "Project). In this connection, the County, acting through the County Council, has agreed to issue and sell a Greenville County, South Carolina, Industrial Revenue Bond (Eastern Project) Series 1983 (the "Bond") in the amount of Three Hundred Thousand Dollars, pursuant to the Act in order to finance the Project. The Bond will be issued as a tax-exempt instrument by virtue of the provisions of the Act and Section 103 of the Internal Revenue Code of 1954, as amended. The Bond shall be repaid in forty equal quarterly installments of principal over a period of ten years commencing April 1, 1985. Interest shall be payable quarterly at the rate of seventy-four percent of the prime commercial lending rate charged by the Citizens and Southern National Bank of South Carolina (the "Bank") from time to time.

4. The cost of the Project is approximately Three Hundred Fifty Thousand Dollars (\$350,000) according to the reasonable estimates of the Company. In order to finance the cost of the Project, it is necessary for the County to issue the Bond.



5. When completed the Project will create approximately 15 jobs in the County.

6. The Project will subserve the purposes of the Act, and the Project will have a beneficial effect upon the economy of South Carolina, and the County and adjacent areas in particular, by promoting the development of industrial enterprise.

7. The County, by providing this financial assistance to the Company for development of the Project, will incur no pecuniary liability; nor will it incur a charge against its general credit or taxing power.

8. The Bank has agreed to purchase the Bond at par value without discount.

9. The proposed loan documents will provide, among other things, the following:

(a) To finance the cost of the Project, the County will issue its Bond in the principal amount of Three Hundred Thousand Dollars. The County promptly will use the proceeds of the Bond to purchase from the Company a note providing for payments sufficient to pay when due all amounts payable under the Bond. Payment of the note will be secured by the granting to the County of a mortgage on and security interest in the Project (including fixtures). Payment of the Bond will be secured by the granting to the Bank of a security interest in

the note and the aforementioned mortgage and the security agreement. Also, in order to secure further payment of the Bond, the County will conditionally assign to the Bank the note and the aforementioned mortgage and security agreement;

(b) The mortgage and security agreement to be granted by the Company to the County will be conventional in form and will constitute foreclosable liens. Included in the granting clause of the mortgage will be all real property and fixtures acquired for the Project. Included in the granting clause of the security agreement will be all fixtures acquired for the Project;

(c) The proceeds derived from the issuance and sale of the Bond will be loaned by the County to the Company and used solely to pay the costs incident to financing the acquisition, construction and installation of the Project;

(d) The issuance and sale of the Bond by the County shall impose upon the County no pecuniary liability; nor shall this create a charge upon its general credit or taxing power;

(e) The payments to be made by the Company to the County under its note will be sufficient to enable the County to make all payments (including principal and interest) required of the County under the Bond;

**016504**

(f) George Bagwell and Eastern Controls, Inc. will guarantee unconditionally full payment of the Bond;

(g) The loan documents will require that the Company pay for all maintenance required to keep the Project in good repair and all insurance required to keep the Project properly insured;

(h) No reserves for payment of the Bond or for maintenance or insurance on the Project shall be required in view of the financial stability of the Company;

(i) The proposed documents will be substantially in the form submitted with this Petition and commonly used in connection with the issuance of industrial revenue bonds.

Upon the basis of the foregoing, the County, acting through the County Council, respectfully prays that the State Budget and Control Board of South Carolina accept the filing of this Petition; that it make a prompt and independent investigation of the Project; that it find that the proposed Project will promote the purposes of the Act and that the proposed Project is reasonably anticipated to effect this result; that it approve the Project and the issuance and sale of the Bond, including changes in any details of the proposed financing as finally consummated which do not materially affect this undertaking; and that it give

published notice of its approval in the manner set forth in the Act.

Respectfully submitted,

COUNTY COUNCIL OF GREENVILLE COUNTY

(SEAL)

By: \_\_\_\_\_  
Melvin M. Pace  
Chairman of County Council

Attest: \_\_\_\_\_  
Mary Turner  
Clerk of County Council

By: \_\_\_\_\_  
County Administrator

February 15, 1983

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

GREENVILLE COUNTY, SOUTH CAROLINA

\$300,000

INDUSTRIAL REVENUE BOND

(EASTERN PROJECT)

SERIES 1983

BOND ORDINANCE

016507

AN ORDINANCE

AUTHORIZING THE ISSUANCE AND SALE BY GREENVILLE COUNTY, SOUTH CAROLINA TO THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA OF A GREENVILLE COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BOND (EASTERN PROJECT) SERIES 1983 IN THE TOTAL AMOUNT OF THREE HUNDRED THOUSAND DOLLARS TO FINANCE THE ACQUISITION OF LAND AND THE CONSTRUCTION AND EQUIPPING OF A BUILDING AND IMPROVEMENTS COMPOSING AN INDUSTRIAL FACILITY FOR THE STORAGE, SALE AND DISTRIBUTION OF PLUMBING AND MECHANICAL SUPPLIES; AUTHORIZING THE LOAN BY THIS COUNTY OF THE PROCEEDS OF THIS BOND TO EASTERN INDUSTRIAL SUPPLIES, INC. FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THIS FACILITY; AUTHORIZING THE ACCEPTANCE BY THIS COUNTY FROM THIS COMPANY OF ITS NOTE IN THE TOTAL AMOUNT OF THREE HUNDRED THOUSAND DOLLARS AND OTHERWISE PROVIDING FOR PAYMENT OF ALL AMOUNTS PAYABLE UNDER THIS BOND; AUTHORIZING THE ACCEPTANCE BY THIS COUNTY FROM THE COMPANY OF A MORTGAGE ON AND SECURITY INTEREST IN THIS FACILITY; AUTHORIZING THE CONDITIONAL ASSIGNMENT OF THIS NOTE, THIS MORTGAGE AND SECURITY INTEREST AND THE GRANTING OF A SECURITY INTEREST IN THIS NOTE, THIS MORTGAGE AND SECURITY INTEREST BY THIS COUNTY TO THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA IN ORDER TO SECURE PAYMENT OF ALL AMOUNTS PAYABLE UNDER THIS BOND; AND AUTHORIZING OTHER RELATED MATTERS.

WHEREAS, Greenville County, South Carolina is authorized and empowered by the provisions of Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended (the "Act"), to loan money to private corporations in order to promote the industrial development of South Carolina and to develop trade in South Carolina by inducing industrial enterprises to locate and remain in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, Greenville County, South Carolina is further authorized by this statute to issue industrial revenue bonds payable solely out of payments which it shall receive from private

016508



corporations that have been granted these industrial development loans; and

WHEREAS, Greenville County, South Carolina has been requested to assist in financing the acquisition of land and the construction and equipping of a building and plantsite improvements for an industrial facility in Greenville County, South Carolina; and

WHEREAS, Greenville County, South Carolina has committed to lend this assistance for the acquisition, construction and equipping of these facilities; and

WHEREAS, these facilities will be of the character and will accomplish the purposes prescribed by the aforementioned statute; and

WHEREAS, Greenville County, South Carolina proposes to loan to Eastern Industrial Supplies, Inc. funds to finance the acquisition, construction and equipping of these facilities and necessary related expenses; and

WHEREAS, it has been determined that, in order to finance these facilities and these necessary related expenses, Greenville County, South Carolina will be required to issue, sell and deliver to the Citizens and Southern National Bank of South Carolina a \$300,000 principal amount Greenville County, South Carolina Industrial Revenue Bond (Eastern Project), Series 1983.

NOW, THEREFORE, BE IT ORDAINED by the County Council of Greenville County, South Carolina, in meeting duly assembled:

ARTICLE I

DEFINITIONS

The terms defined in this section for all purposes of this Ordinance shall have the respective meanings specified in this section.

"ADMINISTRATOR" means the County Administrator of the County or, in his absence, any person authorized to act in his stead.

"BOND" means the \$300,000 Greenville County, South Carolina Industrial Development Revenue Bond (Eastern Project), Series 1983, in the principal amount of \$300,000 to be issued, sold and delivered by the County to the Citizens and Southern National Bank of South Carolina. The Bond shall be substantially in the form attached as Exhibit A to the Loan Agreement.

"CHAIRMAN" means the duly elected Chairman of County Council or, in his absence, the Vice-Chairman of County Council.

"CLERK" means the Clerk of County Council, or, in her absence, any person authorized to act in her stead.

"CODE" means the Internal Revenue Code of 1954, as amended, and all applicable regulations.

"COMPANY" means Eastern Industrial Supplies, Inc., a South Carolina corporation, its successors and assigns.

"COMPANY NOTE" means the Secured Note of the Company in the principal amount of \$300,000 to be executed and delivered by the Company to the County in consideration for the issuance of the Bond and the loan of the proceeds of the Bond to the Company. The Company Note will be substantially in the form attached as Exhibit C to the Loan Agreement.

"CONSTRUCTION FUND" means the account to be established at the Citizens and Southern National Bank of South Carolina with the proceeds from the sale and delivery of the Bond and Company Note.

"COUNTY" means Greenville County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, its successors and assigns.

"COUNTY COUNCIL" means the County Council of the County, and any successor body.

"C&S" means the Citizens and Southern National Bank of South Carolina, a national banking association, its successors and assigns, and, if it shall sell or transfer the Bond, then any party which shall subsequently become a registered holder of that Bond.

"GUARANTY" means the Guaranty by George Bagwell and Eastern Controls, Inc. guaranteeing full payment of the Bond. The Guaranty will be substantially in the form attached as Exhibit E to the Loan Agreement.

"LOAN AGREEMENT" means the Loan Agreement among the County, C&S and the Company, which recites the terms and

conditions of the loan to be made by C&S to the County and by the County to the Company to finance the Project and necessary related expenses. The Loan Agreement will be substantially in the form attached as Exhibit X to this Ordinance.

"MORTGAGE AND SECURITY AGREEMENT" means the Mortgage and Security Agreement between the County and the Company in which the Company grants to the County a mortgage and security interest covering the Project (including fixtures). The Mortgage and Security Agreement will be substantially in the form attached as Exhibit D to the Loan Agreement.

"PROJECT" means the land, building and plantsite improvements that have been or will be acquired, constructed and/or installed in the County, that will be financed with the proceeds from the Company Note and that will be used by the Company as a facility for the storage, sale and distribution of plumbing and mechanical supplies.

"SECURITY AGREEMENT AND CONDITIONAL ASSIGNMENT" means the Security Agreement and Conditional Assignment between the County and C&S, in which the County grants to C&S a security interest in its rights in and to the Company Note, and the Mortgage and Security Agreement, all amounts received under those documents and all proceeds from the disposition of those documents, and in which the County conditionally assigns to C&S its rights in and to those documents, all amounts received under

those documents and all proceeds from the disposition of those documents. The Security Agreement and Conditional Assignment will be substantially in the form attached as Exhibit B to the Loan Agreement.

## ARTICLE II

### TERMS OF THE BOND AND THE COMPANY NOTE

SECTION 201. RESTRICTION ON ISSUANCE. No Bond shall be issued under this Ordinance except in accordance with the provisions of this Ordinance.

SECTION 202. ISSUANCE OF BOND. The Bond is hereby authorized and shall be issued and delivered by the County on or before April 30, 1983 at such time as the County, the Company and C&S shall agree and shall be dated the date of issuance and delivery. The Bond shall be in registered form and shall be sold to C&S for a purchase price equal to its principal face amount of \$300,000. The interest rate, maturity, redemption provisions and other terms and conditions of the Bond shall be as provided in the Loan Agreement, which is attached to and expressly incorporated into this Ordinance.

SECTION 203. LIMITED OBLIGATION. The Bond and all payments required under the Bond (including principal and interest) shall be limited obligations of the County payable by the County solely from payments received by the County under or in connection with the Company Note. This Ordinance, the Loan

Agreement, the Bond, the Mortgage and Security Agreement, the Security Agreement and Conditional Assignment and all obligations of the County arising under or related to these documents, do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

SECTION 204. ACCEPTANCE OF COMPANY NOTE. Simultaneous with the issuance, sale and delivery of the Bond, the County shall purchase the Company Note, which shall be dated the date of delivery. The Company Note shall be in the principal amount of \$300,000 and shall be purchased for that amount. The terms and conditions of the Company Note shall be as provided in the Loan Agreement, which is attached to and expressly incorporated into this Ordinance. The Company Note shall provide for payments of principal, interest and costs sufficient to pay when due all amounts payable under the Bond.

### ARTICLE III

#### DOCUMENTATION

SECTION 301. AUTHORIZATION, EXECUTION AND DELIVERY OF DOCUMENTS. The County is authorized and directed to execute, seal and deliver and to exercise its powers and perform its obligations under the Bond, the Loan Agreement, the Mortgage and Security Agreement, and the Security Agreement and Conditional



Assignment, each substantially in the form attached as an exhibit to this Ordinance or the Loan Agreement. The County is authorized and directed, prior to execution, sealing and delivery of these documents, to make any changes or modifications in the form of any of these documents which may be required or deemed appropriate by the Chairman in order to accomplish the purposes of the transactions authorized by this Ordinance and which the Chairman shall determine do not materially affect adversely the interest of the County under these documents. The County is authorized and directed to execute, seal and deliver all other documents which may be requested by C&S or the Company at any time in connection with this transaction and which the Chairman shall determine do not materially affect adversely the interests of the County in this transaction. All documents to be executed by the County shall be signed and sealed by the Chairman and Administrator, and the Clerk shall attest to their signatures. The execution, sealing and delivery of each document shall be conclusive evidence of its due execution, sealing and delivery in accordance with the terms of this Ordinance, and each such document shall thereupon become binding and enforceable against the County.

SECTION 302. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Any obligation for the payment of money incurred by the County pursuant to this Ordinance or any documents executed in connection with the transactions authorized

by this Ordinance shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from payments received by the County under or in connection with the Loan Agreement, the Company Note, the Guaranty and the Mortgage and Security Agreement. Nothing in this Ordinance, the Bond or any document executed in connection with the transactions authorized by this Ordinance shall be considered as pledging any other funds or assets of the County.

#### ARTICLE IV

##### CUSTODY AND APPLICATION OF PROCEEDS

SECTION 401. CONSTRUCTION FUND. The County shall establish with C&S the Construction Fund to receive all of the proceeds from the issuance and sale of the Bond and Company Note and to be designated "Greenville County (Eastern Project) Series 1983 Construction Fund." All funds in the Construction Fund shall be disbursed in accordance with the terms of the Loan Agreement solely for the purposes and upon receipt of the requisitions described in the Loan Agreement.

SECTION 402. APPLICATION OF PROCEEDS. All of the proceeds from the sale and delivery of the Company Note shall be used to acquire, construct and install the Project and to pay the necessary expenses related to acquisition, construction and installation of the Project, all as more fully described in the Loan Agreement. The Company shall have the right to direct the

investment of the moneys in the Construction Fund in accordance with the procedures described in the Loan Agreement and shall have the right to retain the earnings from those investments in the Construction Fund for use as described in the Loan Agreement.

#### ARTICLE V

#### MISCELLANEOUS

SECTION 501. ARBITRAGE. All of the proceeds of the Company Note are reasonably expected to be expended by the Company not later than December 1, 1983 to pay for the Project, which will consist entirely of land and property of a character subject to the allowance for depreciation under the Code and to pay any expenses allowed by the Act and the Code and incurred in connection with the acquisition, construction and installation of the Project. No part of the proceeds of the Bond or Company Note will be used to finance inventory or for working capital. The Chairman is hereby authorized to execute and file in the name and on behalf of the County a non-arbitrage certificate required to be executed pursuant to the provisions of the regulations issued pursuant to Section 103 of the Code.

SECTION 502. SEVERABILITY. If any provision of this Ordinance shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any jurisdiction or jurisdictions or in all jurisdictions, or in any case or cases or in all cases because it conflicts with any constitution or statute or rule of law or public policy, or for any other reason,

that circumstance shall not have the effect of rendering the provision in question otherwise inoperative or unenforceable, or of rendering any other provision invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Ordinance, shall not affect the remaining portions of this Ordinance.

SECTION 503. CONTRACT. This Ordinance shall be deemed to be a contract which shall bind the County to the performance of its obligations hereunder and which shall be enforceable by the Company, C&S and any subsequent lawful holder of the Bond.

SECTION 504. EFFECTIVE DATE OF ORDINANCE. This Ordinance shall take effect immediately upon third reading by the County Council.

SECTION 505. The Chairman of the County is hereby authorized to make, if requested by the Company, an election to issue the Bond pursuant to Section 103(b)(6)(D) of the Code and to sign and file or cause to be filed any and all documents necessary to accomplish and effect such election.

I hereby certify that the foregoing constitutes a true copy of a Bond Ordinance duly adopted by the County Council of Greenville County, South Carolina on \_\_\_\_\_, 1983.

By \_\_\_\_\_  
Mary Turner  
Clerk of County Council

EXHIBIT X  
(LOAN AGREEMENT)

**016519**

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 1983, among GREENVILLE COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (the "County"), the CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, a national banking association ("C&S"), and EASTERN INDUSTRIAL SUPPLIES, INC., a South Carolina corporation (the "Company").

WITNESSETH:

IN CONSIDERATION of the respective representations and agreements hereinafter contained and other value, the parties hereto agree as follows:

ARTICLE I

LIMITATION OF COUNTY'S LIABILITY

Section 1.1. Any obligation which the County may incur for the payment of money as a result of its entering into or performance of this Loan Agreement or the transactions described in this Loan Agreement shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never create a pecuniary liability against it or a charge upon its general credit or against its taxing powers but shall be payable solely out of the funds received by it under or related to this Loan Agreement, the Company Note or the Mortgage and Security Agreement or the Guaranty.

EXHIBIT

FEB 22 1983 NO. 04

STATE BUDGET & CONTROL BOARD

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016520



## ARTICLE II

### DEFINITIONS

Section 2.1. Certain terms used in this Loan Agreement shall have the meanings given to them in Section 2.2 of this Loan Agreement, unless the context clearly indicates otherwise. The definition of any document shall include any amendments to that document, unless the context clearly indicates otherwise.

Section 2.2. These terms are defined under this Loan Agreement as follows:

"ACT" means Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended.

"ASSISTANCE AGREEMENT" means the contract pursuant to which the County has agreed to finance the acquisition, construction and installation of the Project.

"BOND" means the \$300,000 Greenville County, South Carolina Industrial Development Revenue Bond (Eastern Project) Series 1983 to be issued, sold and delivered by the County to C&S. The Bond shall be substantially in the form attached as Exhibit A to this Loan Agreement.

"CHAIRMAN" means the Chairman of County Council (or the Vice Chairman of County Council whenever the Chairman of County Council is unavailable to act).

"CLERK" means the Clerk of County Council (or the Assistant Clerk or Acting Clerk of County Council whenever the Clerk of County Council is unavailable to act).

"CODE" means the Internal Revenue Code of 1954, as amended and the applicable regulations.

"COMPANY" means Eastern Industrial Supplies, Inc., a South Carolina corporation.

"COMPANY NOTE" means the \$300,000 Secured Note of the Company to be executed and delivered by the Company to the County in consideration for the issuance of the Bond and the loan of the proceeds thereof to the Company. The Company Note will be substantially in the form attached as Exhibit C to this Loan Agreement.

"COMPLETION DATE" means the date of completion of the acquisition, construction and installation of the Project as that date shall be certified as provided in Section 6.4 of this Loan Agreement.

"CONSTRUCTION FUND" means the account to be established by the Company and the County at C&S with the proceeds from the sale and delivery of the Company Note and the Bond as provided in Article VI of this Loan Agreement.

"CONSTRUCTION PERIOD" means the period beginning with the execution and delivery of the Assistance Agreement and ending on the date that the Project is certified as completed in accordance with the procedure described in Section 6.4 of this Loan Agreement.

"COUNTY" means Greenville County, South Carolina, and its successors and assigns.

"COUNTY ADMINISTRATOR" means the County Administrator of the County or any person authorized to act in his stead.

"COUNTY COUNCIL" means the County Council of the County.

"C&S" means the Citizens and Southern National Bank of South Carolina, and, if it shall sell the Bond, then any party which shall subsequently become a registered owner of that Bond.

"GUARANTY" means the Guaranty dated as of April 1, 1983 substantially in the form attached as Exhibit E to this Loan Agreement.

"LOAN AGREEMENT" means this Loan Agreement.

"MORTGAGE AND SECURITY AGREEMENT" means the Mortgage and Security Agreement dated as of April 1, 1983 in which the Company grants to the County a mortgage and security interest covering the property composing the Project. The Mortgage and Security Agreement will be substantially in the form attached as Exhibit D to this Loan Agreement.

"PENALTY RATE" means that rate of interest equal to 110% of the Prime Rate or such maximum lesser amount as shall be allowed by law.

"PRIME RATE" means that rate of interest announced from time to time by C&S at its principal office as its prime rate determined at the close of business on each business day.

"PROJECT" means the land, buildings, plantsite improvements, and equipment composing an industrial facility of the Company in the County and used as a facility for the storage, sale and distribution of plumbing and mechanical supplies.

"SECURITY AGREEMENT AND CONDITIONAL ASSIGNMENT" means the Security Agreement and Conditional Assignment, dated as of April 1, 1983 between the County and C&S, in which the County grants to C&S a security interest in its rights in and to the Company Note, the Mortgage and Security Agreement, all amounts received under those documents and all proceeds from the disposition of those documents, and in which the County conditionally assigns to C&S its rights in and to those documents, all amounts received under those documents and all proceeds from the disposition of those documents. The Security Agreement and Conditional Assignment will be substantially in the form attached as Exhibit B to this Loan Agreement.

### ARTICLE III

#### REPRESENTATIONS AND ACKNOWLEDGMENTS

Section 3.1 Representations by the County. The County makes the following representations to the other parties to this Loan Agreement:

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to issue the Bond and to enter into and perform the transactions described in this Loan Agreement. The County has been duly authorized by proper action of the County Council to execute and deliver this Loan Agreement and the Bond and to enter into and fully perform the transactions described in this Loan Agreement.

(b) Neither the execution and delivery of this Loan Agreement, nor the consummation and performance of the transactions described in or contemplated by this Loan Agreement, including specifically, but not limited to, the issuance of the Bond, violates, conflicts with or results in a breach of any of the terms, conditions or provisions of any agreement, restriction, statute, law, rule, order or regulation to which the County is now a party or by which it is bound.

(c) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, public board or body, pending or threatened, against or affecting the County, wherein an unfavorable decision, ruling or finding would adversely affect the Bond or the transactions described in or contemplated by this Loan Agreement.

(d) Neither the existence of the County nor the rights of the County Administrator and the members of County Council to their offices is being contested and none of the proceedings taken to authorize the execution and delivery of the Bond or the transactions described in this Loan Agreement has been repealed, revoked, amended or rescinded.

(e) All consents, authorizations or approvals required on the part of the County in connection with the issuance of the Bond and the execution and delivery of this Loan Agreement and the consummation of the transactions contemplated thereby have been obtained and remain in full force and effect as of the date hereof.

Section 3.2 Representations by the Company. The Company makes the following representations to the other parties to this Loan Agreement:

(a) The Company is a corporation duly incorporated and in good standing under the laws of the State of South Carolina and is duly qualified to do business in every jurisdiction where such qualification is necessary. The Company has all necessary power to enter into and perform the transactions described in this Loan Agreement and has been duly authorized to do so.

(b) Neither the execution and delivery of this Loan Agreement or the Company Note, nor the consummation and performance of the transactions described in this Loan Agreement or the Company Note, violates, conflicts with or results in a breach of any of the terms, conditions or provisions of any agreement, restriction, statute, law, rule, order or regulation to which the Company is now a party or by which it is bound.

(c) There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any judicial or administrative court or agency, public board or body, pending or threatened, against or affecting the Company wherein an unfavorable decision, ruling or finding would adversely affect the transactions described in this Loan Agreement; nor are there any judgments outstanding and unsatisfied against the Company.

(d) This Loan Agreement and the executed counterparts of each of the documents attached as an exhibit to this Loan Agreement are legal, valid and binding obligations enforceable in accordance with their terms.

(e) The financial statements of the Company dated September 30, 1981 and 1982 delivered to C&S represent fairly the financial condition of the Company at those dates. The Company has no forward or long-term commitments or material unrealized anticipated losses from unfavorable commitments or contingent liabilities except those disclosed in the Company's financial statements at those dates. Since September 30, 1982 there has been no material adverse change in the financial condition of the business or operations of the Company.

(f) The Company reasonably expects that all of the proceeds of the sale of the Bond will be expended not later than December 1, 1983 to pay for the Project, which will consist entirely of land and property of a character subject to the allowance for depreciation under the Code and to pay any expenses relating to the issuance of the Bond allowed by the Act and the Code, and incurred in connection with the acquisition, construction and installation of the Project. Acquisition, construction and installation of the Project will proceed with due diligence to completion no later than December 1, 1983. No part of the proceeds of the Bond will be used to finance inventory or for working capital.

(g) All consents, approvals or authorizations, if any, of any governmental body or authority required on the part of the the Company in connection with the issuance of the Bond, the execution, delivery and performance of this Agreement and the Company Note and the acquisition of the Project have been obtained and remain in full force and effect.

(h) As of February 1, 1983, no contracts had been entered into with respect to the Project. No portion of the Bond proceeds will be used to reimburse the Company for any costs paid or incurred prior to February 1, 1983.

(i) The Project is located entirely within the unincorporated area of the County.

(j) The Company has clear title to all assets and properties comprising the Project, free and clear of all prior liens, pledges, mortgages or security interests.

(k) The Company has filed all tax returns required to be filed and paid all taxes that are deemed to be due or provided adequate reserves for payment.

(l) The Company has delivered to C&S all credit agreements, guarantees, purchase agreements, or other instruments related to extensions of credit in excess of \$100,000.

(m) The Company has not made any investments by stock purchase, contributions, loan, advance, guaranty, assumption, or by any other means, except those as disclosed in the financial statements of the Company as of September 30, 1982.



## ARTICLE IV

### ISSUANCE AND SALE OF THE BOND AND COMPANY NOTE

Section 4.1. Issuance and Sale of the Bond, Acceptance of Company Note and Application of Proceeds. In order to provide the Company, by way of loan, with funds for the payment of the costs of the acquisition, construction and installation of the Project, the County shall issue, sell and deliver the Bond to C&S (and C&S shall purchase the Bond) on or before April 30, 1983 at such time as the County, the Company and C&S shall agree, and the County shall loan the proceeds to the Company at that time in exchange for the Company Note. The Bond and Company Note shall be sold for a price equal to their principal face amounts, without discount. The Bond and Company Note shall be dated the date of issuance and delivery.

Delivery of the Bond and the loan of the proceeds of the sale thereof to the Company shall be conditioned upon the execution and delivery to the County of the Company Note. Payments to be made by the Company under the Company Note shall be sufficient to enable the County to make timely payments of all amounts due under the Bond.

The terms and conditions of the Bond and the Company Note shall be as provided in the respective forms of Bond and Company Note attached as exhibits to this Loan Agreement.

Payment of the Bond shall be secured at the time of issuance and delivery by the Security Agreement and Conditional Assignment. Payment of the Company Note shall be secured at the time of sale by the Mortgage and Security Agreement. Payment of the Bond shall be guaranteed at the time of sale by the Guaranty.

All proceeds from the issuance and sale of the Bond and Company Note shall be deposited in the Construction Fund.

Section 4.2. Execution; Limited Obligation. The Bond shall be executed on behalf of the County by the signature of the Chairman and County Administrator and attested with the signature of the Clerk and shall have impressed thereon the corporate seal of the County. In case any officer of the County whose signature shall appear on the Bond shall cease to be such officer before the Bond is issued and delivered, such signature shall nevertheless be valid and sufficient for all purposes and the Bond may be issued and delivered as though said officer had remained in office until such issuance and delivery. The Bond shall be a limited obligation of the County as provided therein.

Section 4.3. Mutilated, Lost or Destroyed Bond. Should the Bond become mutilated, the County shall cause to be executed

and shall deliver a new Bond of like date and tenor upon the cancellation of such mutilated Bond. Should the Bond be lost or destroyed, the County shall cause to be executed and shall deliver a new Bond of like date and tenor in substitution therefor. If the Bond shall have matured, instead of issuing a new Bond the County may pay the same without surrender thereof. Such new Bond shall be executed and delivered or such matured Bond shall be paid without surrender only when the registered owner has paid the reasonable expenses and charges of the County in connection therewith.

Section 4.4. Registration and Transfer of Bond. The Bond shall be fully registered, payable to the registered owner thereof. The County hereby designates the Company as bond registrar and hereby directs the Company to maintain registration books for the registration or transfer of the Bond. The Bond may be transferred only upon assignment duly executed by the registered owner of the Bond, such transfer to be made on said registration books and endorsed on the Bond by the bond registrar. No such transfer shall be made until the transferring bondholder has caused its interest in the Company Note to be endorsed to the order of the transferee of the Bond. The person in whose name the the Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of and interest on the Bond shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability of the County upon the Bond to the extent of the sum or sums so paid.

Section 4.5. Unconditional Obligation of Company. The obligation of the Company to make the payments required to be made hereunder and under the Company Note and to perform and observe the other agreements on its part contained herein and in the Company Note shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise. The Company (i) will not suspend or discontinue any payments required to be made under the Company Note except to the extent the same have been prepaid (and then only to the extent such prepayments have been received by the bondholders), (ii) will timely perform and observe all its other agreements contained in this Loan Agreement and in the Company Note, and (iii) will not terminate this Loan Agreement or its obligations under the Company Note for any cause including, without limiting the generality of the foregoing, the invalidity or unenforceability of the Bond, failure of the Company's title to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, sale, loss, destruction or condemnation of or damage to the Project,

commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative acts by or under the authority of the United States of America, the State of South Carolina, or any political subdivision of either thereof, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Loan Agreement.

Section 4.6. Cooperation by County. The Company, at its own cost and expense and in its own name or, to the extent lawful, in the name of the County, may prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to secure or protect its rights under this Loan Agreement, and in such event the County hereby agrees to cooperate fully with the Company, but at the Company's expense, and to take all action necessary to effect a substitution of the Company for the County in any such action or proceeding if the Company shall so request.

Section 4.7. Prepayment. Any prepayment of the Company Note in accordance with the provisions of that Note shall be applied to the prepayment of the Bond in accordance with the provisions of the Bond.

ARTICLE V  
REPLACEMENTS AND RELEASES OF COLLATERAL

Section 5.1. In order to induce the County to loan the proceeds of the sale of the Bond to the Company and in order to secure repayment of the Company Note, the Company shall grant or shall cause to be granted to the County a mortgage and security interest on certain of the Company's property.

The County hereby appoints C&S to accept or reject any proposed deletions of collateral. C&S may but shall be under no obligation to consult with the County prior to accepting or rejecting any such proposal. Further, the County hereby appoints C&S as its agent with full authority:

- (1) to accept a security interest or mortgage on any additional collateral to secure payment of the Company Note; and
- (2) to receive and hold any collateral subject to any security interest or mortgage granted to secure payment of the Company Note; and
- (3) to release any and all collateral from any security interest or mortgage granted to secure payment of the Company Note.

EXHIBIT

FEB 22 1983      NO. 04

STATE BUDGET & CONTROL BOARD

ARTICLE VI  
CONSTRUCTION FUND

Section 6.1. Disbursements from the Construction Fund.  
Monies in the Construction Fund shall be used for the following purposes and, subject to the provisions of Section 6.5 of this Loan Agreement, for no other purpose:

(a) Payment of the costs associated with granting, perfecting and protecting any mortgage or security interest to secure full payment or performance of the Bond, the Company Note or this Loan Agreement; and

(b) Payment of all planning, engineering, architectural, supervision, inspection, construction and asset acquisition expenses incurred in connection with the acquisition, installation and construction of the Project; and

(c) Payment of all legal, financing, insurance, accounting and printing expenses incurred in connection with the acquisition, construction and installation of the Project; and

(d) Payment of all expenses incurred in seeking to enforce any remedy against any contractor or subcontractor under any contract relating to the acquisition, construction and installation of the Project; and

(e) Payment of all interest coming due during the Construction Period on the Company Note; and

(f) Payment of all taxes and assessments relating to the Project coming due during the Construction Period; and

(g) Payment of all fees coming due to C&S in connection with supervision of the Construction Fund during the Construction Period; and

(h) Payment of any and all other costs or expenses relating to the acquisition, construction and installation of the Project; and

Any payment made pursuant to the preceding subsections (a) through (h), inclusive, of this section may be made only for obligations or expenses paid or incurred after February 1, 1983, the date of the Assistance Agreement. No payment shall be made

for any item except upon receipt by C&S, as agent, of a certificate from any officer of the Company stating that:

(a) an obligation in the stated amount has been paid or incurred by or on behalf of the Company, the payment of which is a proper charge against the Construction Fund and has not been the basis of any previous withdrawal from the Construction Fund;

(b) each item for which the payment is being made is or was necessary in connection with the Project and is authorized by this Loan Agreement to be paid;

(c) there are no vendors', mechanics', materialmen's or similar liens or rights to liens, chattel mortgages or conditional sale contracts, or other contracts or obligations which should be satisfied or discharged before payment of such obligation is made;

(d) the requisition contains no request for payment of any portion of any obligation which the Company is, as of the date of the certificate, entitled to retain under any retained percentage agreements;

(e) the requisition contains no request for payment of any obligation which when added to all previous requisitions and all anticipated future requisitions will result in less than substantially all of the proceeds of the Bond spent as of the date of such certificate being used to provide for land or property of a character subject to the allowance for depreciation under Section 167 of the Code; and

(f) the requisition contains no request for payment of any obligation which was paid or incurred prior to February 1, 1983.

This certificate also shall set forth:

(i) the names and addresses of the persons, firms or corporations to whom payment is due or to whom payments were made for which reimbursement is being requested; and

(ii) the amount to be paid for each such person, firm to corporation, and the purposes of such payments.

Payments from the Construction Fund, at the sole discretion of C&S, may be made:



- (a) to the Company by way of reimbursement for expenses already paid from its own separate funds; or
- (b) to the Company for payment to any third parties entitled to payment; or
- (c) to any third parties entitled to payment.

In no event shall any advance from the Construction Fund be made if there exists a default under this Loan Agreement or any other documents delivered in connection with this transaction. No advance from the Construction Fund shall constitute a waiver of any of the conditions applicable to any subsequent advance.

Any and all funds remaining in the Construction Fund after the Completion Date and after payment in full of the costs of acquiring, constructing and installing the Project shall be applied immediately by the Company to prepay the Company Note, and the County shall use such prepayments immediately to prepay the Bond.

There shall be a reasonable fee charged by C&S for handling the Construction Fund.

Section 6.2. Bank's Right to Rely on Certifications and to Withhold Funds. In making any payment from the Construction Fund, C&S may rely on any information, representation or certification delivered to it pursuant to Section 6.1 of this Loan Agreement, and C&S shall have no liability for making payments in accordance with this information, representation or certification. However, if C&S shall believe that any such information, representation or certification is incomplete or misleading in any material respect, then it shall immediately notify the Company in writing and it shall have no obligation to make any further payment from the Construction Fund until the validity of the requisition in question shall have been resolved to its reasonable satisfaction.

Section 6.3. Company Required to Pay Costs in Event Construction Fund Insufficient. In the event the funds in the Construction Fund available for payment of the costs of the Project shall not be sufficient to pay the costs of the Project in full, the Company shall pay all additional costs to complete the Project. The County makes no warranty that the funds which will be paid into the Construction Fund in fact will be sufficient to pay all costs which have been or will be incurred in connection with the acquisition, construction and installation of the Project. The Company agrees that, even if it shall not be fully reimbursed for these additional costs of the Project through payments from the Construction Fund, it shall not be entitled to any further funds from the County or from C&S.

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Section 6.4. Establishment of Completion Date. Completion of the Project shall be evidenced by a certificate signed by an officer of the Company stating that acquisition, construction and installation of the Project has been completed as planned.

It shall be the duty of the Company to cause the certificate contemplated by this Section 6.4 to be furnished as soon as practicable after the Project shall have been completed.

Section 6.5. Temporary Investment of Construction Fund. Any funds held as a part of the Construction Fund may be invested and reinvested by C&S at the direction of the Company only in (1) obligations issued or guaranteed by the United States of America, or any agency or corporation which is or may hereafter be created by or pursuant to an Act of Congress as an agency or instrumentality of the United States of America, or (2) obligations of any national or state banking association that are fully secured by obligations described in the preceding clause.

All earnings from such investment shall belong to the Company and shall be retained in the Construction Fund for disbursement as provided in this Loan Agreement.

The Company covenants: (a) that it will not direct C&S to make investments which would cause the Bond to be an "arbitrage bond" within the meaning of Section 103(c)(2) of the Code and the applicable regulations; and (b) that it will furnish to the County accurate information necessary to enable the appropriate County officers and bond counsel to make all necessary certifications required by Section 103(c)(2) of the Code and the applicable regulations.

Section 6.6. Protection of Tax Exempt Status of the Bond. In order to insure that interest on the Bond is not and will not become subject to federal income taxes, the Company and the County covenant with each other and the holder of the Bond that:

(1) all rights and privileges granted to the Company under this Loan Agreement shall be exercised so that if any conflict between this Section and any other provisions in this Loan Agreement shall arise, then in that case, this Section shall control; and

(2) the Company has not committed or permitted and will not commit or permit (as to any act over which it has control) the commission of any act which would cause the interest on the Bond to become includable in the gross income for federal tax purposes of the holder thereof; and

(3) the Company will comply with Section 103 of the Code and with the applicable regulations to the extent that compliance is necessary in order for interest on the Bond to be excludable from the income of the bondholder for the purpose of calculating income subject to federal income taxation.

Section 6.7. Determination of Taxability and Event of Taxability. An "Event of Taxability" shall mean any event as a result of which the interest income on the Bond becomes subject to federal income taxation; provided, however, no Event of Taxability shall be deemed to have occurred if the interest on the Bond is includable in gross income for federal tax purposes solely because a Bond is held by a person who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(10) of the Code.

A "Determination of Taxability" shall mean a determination that the interest income on the Bond is subject to federal income taxation as a result of an Event of Taxability, which determination shall be deemed to have occurred (i) on that date when the Company files any statement pursuant to Section 1.103-10(b)(2)(vi) (c) of the Income Tax Regulations applicable to Section 103 of the Code which discloses that an Event of Taxability has occurred; (ii) on that date when any amendments, modifications, addition or change causing an Event of Taxability hereunder shall have been made in Section 103 of the Code or the applicable of Income Tax Regulations thereunder; or (iii) on that date when any ruling, proposed deficiency or assessment of the Internal Revenue Service or opinion of any court shall have been rendered with respect to the taxability of interest income on the Bond, which ruling, deficiency, assessment, or opinion, in the opinion of counsel for a bondholder, would preclude the bondholder from excluding from his gross income for federal income tax purposes interest on his Bond; provided, however, no Determination of Taxability shall be deemed to have occurred under (iii) above, unless the Company has been afforded the opportunity, at its own expense, to contest any such conclusions or assessments and, further, no Determination of Taxability shall be deemed to have occurred unless such contest, if made, has been finally determined. The Company shall be deemed to have been afforded the opportunity to contest if it shall have been permitted to commence and maintain any action in the name of any holder or former holder of a Bond to judgment and through any appeals therefrom or other proceedings related thereto.

The Company, the County and C&S shall each give notice thereof to the others immediately upon receipt by any of them of notice that an Event of Taxability has occurred.

## ARTICLE VII

### EFFECTIVE DATE OF THIS LOAN AGREEMENT; CERTAIN EXPENSES; REPAYMENT PROVISIONS; AND UNCONDITIONAL OBLIGATIONS OF COMPANY

Section 7.1. Effective Date of this Loan Agreement. This Loan Agreement shall become effective upon its delivery, and shall continue in full force and effect until all amounts payable under the Bond and Company Note have been fully paid, together with all sums to which the County and C&S are entitled under this Loan Agreement; provided, the obligation of the Company and the County to pay all amounts arising upon the occurrence of an Event of Taxability and a Determination of Taxability shall survive forever.

Section 7.2. Payment of County's Expenses. The Company shall pay upon demand by the County all fees and expenses incurred by the County in connection with the issuance, sale and delivery of the Bond and otherwise arising from the transactions described in this Loan Agreement.

Section 7.3. Repayment of Loan. The Company shall pay to C&S for the account of the County all payments required to be made by the Company to the County under the Company Note. All of these payments shall be applied by C&S immediately and exclusively to payment of the County's obligations under the Bond.

Section 7.4. Unconditional Guarantee. The Company hereby unconditionally guarantees that all payments required to be made to C&S under this Loan Agreement, the Bond and the Security Agreement and Conditional Assignment, shall be made promptly when due regardless of any determination for any reason, including but not limited to a determination that one or more of these documents or any portion thereof are deemed invalid or unenforceable.

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## ARTICLE VIII

### MAINTENANCE AND INSURANCE

Section 8.1. Maintenance and Modifications of Project. The Company agrees that it will at its own expense keep the Project in reasonably safe condition and keep the Project in good repair and operating condition, reasonable wear and tear only excepted. The Company may, also at its own expense, make from time to time any additions, modifications or improvements to the Project that it may deem desirable for its business purposes and that do not adversely affect the use of the Project for the purpose for which it is intended and which (i) do not change the nature of the Project as a "project" under the Act; (ii) do not impair the security of the bondholders, and (iii) do not affect the tax-exempt status of the interest on the Bond. Any such additions, modifications, or improvements which are made by the Company shall be made only with the written approval of C&S, which will not be unreasonably withheld.

### Section 8.2. Insurance Required.

(a) The Company shall, at no cost to the County and at all times, keep the Project insured against defect in title and loss by fire, windstorm, hail, earthquake, water damage, explosion or other casualty in an amount not less than all amounts of outstanding principal, accrued interest and other expenses payable under the Company Note, this Loan Agreement and the Mortgage and Security Agreement from time to time.

(b) At all times the Company shall at no cost to the County maintain:

(i) Public liability personal injury insurance (including Workmen's Compensation insurance) in an amount maintained by similar operations against claims for bodily injury or death occurring upon, in or about the Project, with such insurance (other than Workmen's Compensation Insurance) to afford protection to the limit of not less than the total principal amount outstanding under the Company Note in respect of injury or death to one or more persons arising from any one accident; and

(ii) Public liability property damage insurance, insuring against claims for damage to property of third persons occurring upon, in or about the Project with such insurance to afford protection to the limit of not less than the total principal amount outstanding under the Company Note in respect of damage to the properties of one or more owner arising from any one accident.



(c) The insurance required by this Section 8.2 shall be maintained in full force and effect at all times.

(d) Certificates evidencing the insurance coverage required by this Section 8.2, shall be delivered by the Company to the County and C&S at the time of the sale of the Bond. And, in the case of expiring policies throughout the term of this Agreement, copies of any new or renewal policies, each bearing notations evidencing payment of the premiums or other evidence of payment, shall be delivered by the Company to the County and C&S.

(e) The policies of insurance provided for in this section shall name the Company as the insured and C&S and the County, as additional insureds and/or loss payees, as their respective interests may appear.

(f) All insurance required by this Section 8.2 shall be effected with responsible insurance companies qualified to do business in the State of South Carolina selected by the Company and reasonably satisfactory to the County and C&S and may be written with deductible amounts, co-insurance features and exceptions and exclusions comparable to those in similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Company is engaged. The Company shall use its best efforts to cause appropriate provisions to be inserted in each insurance policy making each policy noncancellable without at least 30 days prior written notice to the County and C&S.

(g) The Company shall have the sole right and responsibility to adjust any loss with any insurance company, provided that so long as any amount remains outstanding and unpaid under the Company Note or the Loan Agreement, no settlement of any claim shall be effected without the written consent of the County and C&S.

(h) The County hereby appoints C&S to approve or reject any such insurance company which the Company shall propose, to receive copies of certificates of insurance, to receive any notice of cancellation which may be required, and to approve or reject any settlement negotiated under any insurance policy. C&S may but shall be under no obligation to deliver to or discuss with the County any information so received or any proposed or final action relating to any insurance policy.

Section 8.3. Application of Net Proceeds of Insurance. The net proceeds of title and casualty insurance shall be paid and applied as provided in Section 8.5. The net proceeds of liability



insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 8.4. Advances by the County or C&S. In the event that the Company shall fail to cause to be maintained the full insurance coverage required by this Loan Agreement or shall fail to keep the Project in reasonably safe condition or shall fail to keep the Project in good repair and good operating condition, or shall fail to pay the taxes and other charges as required by this Loan Agreement, or shall otherwise fail to comply with any covenant or agreement contained in or incorporated into this Loan Agreement, the County, or C&S, after actual notice to the Company, may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or make the required repairs, renewals and replacements or make the required payments and take all other action that the County or C&S may deem necessary to cause the Company to comply with any covenant or agreement contained in or incorporated into this Loan Agreement; and all amounts so advanced by the County or C&S shall become an additional obligation of the Company to the one making the advancement. The Company agrees to pay upon demand the amounts so advanced with interest at the Penalty Rate from the date of advancement to the date of payment.

Section 8.5. Damage and Impairment.

(a) If prior to full payment of the Company Note, title to the Project is discovered to be impaired or the Project is damaged by fire or other casualty, the Company will, at its election, either:

- (i) promptly terminate this Loan Agreement in accordance with the provisions of Article XI, or
- (ii) promptly replace the property affected with substantially similar property of equal value (without regard to the impairment or damage), or
- (iii) restore the property affected to substantially the same condition that existed prior to the impairment or damage, or
- (iv) cure the impairment,

with such changes, alterations and modifications (including the substitution and addition of other property) that may be desired by the Company and reasonably approved by the County and C&S (i) as not adversely affecting the use of the Project for the purpose for which it was intended, (ii) as not impairing the tax-exempt status of the interest on the Bond or (iii) as not affecting the qualification of the Project as a "project" under the Act. The

County hereby appoints C&S to accept or reject any change, alteration or modification that the Company may propose. C&S may but shall be under no obligation to consult with the County prior to approving or rejecting any such change, alteration or modification. The Company shall apply so much as may be necessary of any net proceeds of insurance resulting from claims for such losses in order to carry out its chosen alternative. All net proceeds of insurance arising from these losses or casualties shall be paid jointly to the County, the Company and C&S. If the Company elects to replace or repair the Project or cure the impairment, then all net proceeds of insurance received from such claims or losses shall be deposited with C&S in a separate account. Funds in that account shall be disbursed solely for the purposes and according to the procedures and to the parties described in Article VI of this Loan Agreement.

(b) If the Company elects to replace or repair the Project or cure the impairment, and if the net proceeds of insurance are not sufficient to pay in full the costs of repair or replacement or cure, the Company will nonetheless complete this undertaking and will pay that portion of all costs in excess of the amount of the net proceeds of insurance. The Company shall not be entitled to any reimbursement from the County or C&S for payment of these excess costs; nor shall the Company be entitled to any abatement or diminution of the amounts payable under the Company Note or this Loan Agreement or any other document related to this transaction.

(c) All net proceeds remaining after payment of all costs of repair or replacement or cure, shall be paid by the Company to the County to prepay the Company Note. The County immediately will pay to C&S all such amounts to serve as prepayment on the Bond to the extent of the payment made. When the Company Note has been fully paid, all net proceeds of insurance will be paid to the Company.

#### Section 8.6. Condemnation.

In the event that title to, or the temporary use of, the Project or any part of the Project shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Company shall apply the net proceeds received by it relating to such eminent domain proceedings for one of the purposes and according to the procedures described in Section 8.5.

Within ninety days from the date of such payment, the Company shall notify the County and C&S in writing as to which of the ways

the Company in its sole discretion has decided to apply the condemnation payment. If the Company has decided to repair or replace the Project or cure the impairment, all net proceeds of the payment remaining after payment of the costs of this repair or replacement or cure shall be applied to prepay the Company Note and Bond, as more fully described in Section 8.5(c).

In no event shall the Company voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof, without the consent of the County and C&S. The County hereby appoints C&S as its agent to accept or reject any condemnation award offer. C&S may but shall be under no obligation to consult with the County prior to approving or rejecting any such condemnation award offer.

## ARTICLE IX

### SPECIAL COVENANTS

Section 9.1. Operation of the Project. The Company shall own and operate the Project subject to the Mortgage and Security Agreement.

Section 9.2. No Warranty of Condition or Suitability by the County. The County makes no warranty, either express or implied, as to the condition of the Project, or that it is or will be suitable for the Company's purposes or needs.

Section 9.3. County's Right of Access to the Project and Company Records. Upon the occurrence of an Event of Default by the Company, the duly authorized agents of the County and C&S shall have the right at all reasonable times, to enter upon, examine and inspect the Project and inspect the Company's financial records.

### Section 9.4. Indemnification Covenants.

(a) The Company shall and agrees to indemnify and save the County and C&S and their officers, agents or employees harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the term of this Loan Agreement, and, the Company further shall indemnify and save the County and C&S and their officers, agents or employees harmless against and from all claims arising during the term of this Loan Agreement from (i) any condition of or on the Project, (ii) any breach or default on the part of the Company in the performance of any of its obligations under this Loan Agreement, (iii) any act of negligence of the Company or of any of its agents, contractors, servants, employees or licensees, and (iv) any act of negligence of any assignee of the Company, or of any agents, contractors, servants, employees or licensees of any assignee of the Company. The Company shall indemnify and save the County and C&S harmless from any such claim arising as aforesaid or in connection with any action or proceeding brought thereon, and upon notice, the Company at its own expense shall defend the County and C&S in any such action or proceeding at its own expense.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Loan Agreement, by reason of the issuance, sale and delivery of the Bond or any other document in connection with the issuance, sale and delivery of the Bond, by reason of the performance of any act in connection with the entering into and performance of the transactions described in this Loan Agreement, or by reason of the operation of the Project

by the Company, including claims, liabilities or losses arising in connection with the violation of any statutes or regulations, nevertheless, if the County should incur any such pecuniary liability, then in that event the Company shall indemnify and hold harmless the County against all pecuniary claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought on such claim and upon notice from the County, the Company at its own expense shall defend the County in any such action or proceeding; provided, however, that this indemnification shall not extend to wilfulness of the County.

Section 9.5. Affirmative Covenants. The Company covenants and agrees that from the date hereof and until payment in full of principal and interest of the Company Note, unless the County and C&S shall otherwise consent in writing, the Company will (and will cause each consolidated subsidiary to):

(a) Furnish C&S and the County a copy of report of certified audit of the Company for each fiscal year prepared by a certified public accountant satisfactory to the County and C&S, and a balance sheet and related statements of income and surplus of the Company for each quarter signed by an officer of the Company. All financial statements (which will be consolidated and consolidating financial statements), will be prepared in accordance with generally accepted accounting principles and will be in a form satisfactory to the County and C&S. The engagement of a certified public accountant will require, and the report of audit will show, any and all of the terms of this Loan Agreement that are being violated or that there are no violations. Such annual audits and quarterly statements shall be delivered within 90 days and 30 days, respectively, after the close of the fiscal period. The Company will furnish the County and C&S within a reasonable period of time such additional information and financial statements as the County and C&S may from time to time request.

(b) Maintain (consolidated) current assets of not less than 1.0 times (consolidated) current liabilities, all as determined by generally accepted accounting principles.

Section 9.6. Negative Covenants. The Company covenants and agrees that from the date hereof and until payment in full of principal and interest of the Company Note, unless the County and C&S shall otherwise consent in writing, the Company will not (and will not allow any consolidated subsidiary to):

(a) Suffer or permit: 1. Dissolution or liquidation either in whole or in part or redeem or retire any shares of its own

stock (or that of any consolidated subsidiary except through corporate reorganization), or 2. A Change in ownership of stock.

Section 9.7. Appointment. The County hereby appoints C&S as its fully authorized agent to waive any of the conditions imposed by these covenants and to receive all reports described in this Article.

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## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES

Section 10.1. Events of Default Defined. The occurrence of any one or more of the following events shall be an "Event of Default" under this Loan Agreement:

(a) If the Company shall fail to make any required payment of principal or interest under the Company Note and the failure shall continue for two business days after notice; or

(b) If the County shall fail to make any required payment of principal or interest under the Bond and the failure shall continue for two business days after notice; or

(c) If the Company shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed (other than as referred to in Section 10.1(a)), for a period of thirty days after written notice has been given to the Company by the County or C&S; provided, however, if said failure be such that it cannot be corrected within the applicable period it shall not constitute an Event of Default if corrective action is instituted by the Company within the applicable period and diligently pursued so that the default is corrected within ninety days after such written notice and provided further, if by reason of "force majeure" as hereinafter defined the Company is unable in whole or in part to carry out any agreement on its part herein contained (other than as referred to in Section 10.1 (a)) there shall be no Event of Default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or any State, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; or any other cause or event not reasonably within the control of the Company; or

(d) If any representation or warranty on the part of the Company made in this Loan Agreement, or in any report, certificate, financial or other statement furnished in connection with this Loan Agreement or the transactions described in this Loan Agreement shall have been false or misleading in any material respect when made; or

(e) If the Company shall make an assignment for the benefit of creditors, shall file a petition in bankruptcy, shall be

adjudicated insolvent or bankrupt, shall petition or apply to any tribunal for any receiver of or any trustee for itself or of any substantial part of its property; or shall commence as debtor any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or similar law or statute of any jurisdiction, whether now or hereafter in effect; or if there shall be commenced against the Company any such proceeding which remains undismissed for a period of thirty days; or if the Company indicates its consent to, approval of, or acquiescence in any such proceeding or the appointment of any receiver of or trustee for itself or any substantial part of its property; or if the Company suffers any such receivership or trusteeship to continue undischarged for a period of thirty days; or

(f) an Event of Default shall occur under the Mortgage and Security Agreement or the Security Agreement and Conditional Assignment in addition to this Loan Agreement.

Promptly after the occurrence of any Event of Default under this Loan Agreement, the Company will provide to C&S and the County written notice setting forth the nature of the default, the steps being taken to remedy the default, and the anticipated time that will be necessary to cure the default.

Section 10.2. Remedies on Default. Whenever any Event of Default shall have happened and be subsisting:

(a) C&S may, at its option and by notice in writing to the County and the Company, declare the unpaid principal amount of the Bond and Company Note and the interest accrued on the Bond and Company Note to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(b) C&S may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenant of the County or the Company, under or described in this Loan Agreement or otherwise; and

(c) The County may, at its option and by notice in writing to the Company, declare the unpaid principal amount of the Company Note and the interest accrued on the Company Note to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(d) The County may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenant of the Company, under this Loan Agreement or otherwise.

Whenever an Event of Default referred to in Section 10.1 shall have happened and be subsisting, C&S shall have the right to enforce in the name of the County any rights or powers of the County described in the above subparagraphs (c) and (d), and the County hereby consents to any such action in this regard, and the County hereby appoints C&S as its agent with full authority to enforce these rights or powers.

Section 10.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to C&S or the County is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or any other document or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 10.4. Agreement to Pay Attorneys' Fees and Expenses. In the event there shall occur an Event of Default and C&S or the County should employ attorneys or reasonably incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Company or reasonably incur expenses for the protection of or realization upon collateral given to secure these obligations and agreements, the Company shall upon demand pay to C&S or the County the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by C&S or the County.

Section 10.5. No Additional Waiver Implied by One Waiver. In the event any warranty, covenant or agreement contained in this Loan Agreement should be breached by the Company or the County and thereafter waived by the other parties to this Loan Agreement, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach. In addition no waiver hereunder shall be effective unless agreed upon in writing by C&S.

ARTICLE XI

OPTION IN FAVOR OF THE COMPANY

Section 11.1. Option to Terminate. At any time upon at least thirty days' notice the Company may terminate this Loan Agreement by paying to the County the full principal outstanding, interest accrued, and other amounts payable under the Company Note and paying to the County any and all other sums then due to the County under this Loan Agreement and the Mortgage and Security Agreement; provided, however, the obligation of the Company and the County to pay all amounts arising upon the occurrence of any Event of Taxibility and a Determination of Taxability shall survive forever.

Except as provided above, the Company cannot terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Project to function at its intended level, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County or C&S to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, or failure of the Project at any time to comply with any existing or future statute, rule or regulation.

## ARTICLE XII

### MISCELLANEOUS

Section 12.1. Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing by registered or certified mail, return receipt requested, postage prepaid, and shall be deemed to have been given when delivered (a) if to the County, at Greenville County Courthouse Annex, Room 111, Greenville, South Carolina 29601, Attention: Clerk of County Council; or (b) if to the Company, at P. O. Box 17293, Greenville, South Carolina, 29606, Attention: President; or (c) if to C&S Bank at P. O. Box 1449, Greenville, South Carolina, 29602, Attention: Senior Loan Officer. In the event that C&S shall sell its interest in the Bond, notice hereunder shall be given to the transferee at the address shown on the registration books kept by the Company as bond registrar. The Company, the County and the bondholder may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications given hereunder shall be sent or persons to whose attention the same shall be directed.

Section 12.2. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the registered holders of the Bond, the County and the Company and their respective successors and assigns. C&S shall have the right at any time to assign its respective rights under this Loan Agreement, the Bond, the Security Agreement and Conditional Assignment and the Company Note without the consent of the County or the Company; however, neither the County nor the Company shall have any such right of assignment without the consent of the holder of Bond. The bondholder may not transfer its interest in its Bond without also transferring its interest in the Security Agreement and Conditional Assignment, the Company Note and the Loan Agreement.

Section 12.3. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, that holding shall not invalidate or render unenforceable any other provision of this Loan Agreement.

Section 12.4. Waiver of Presentment, etc. The Company hereby waives presentment, demand, dishonor, protest, notice for payment, notice of non-payment, notice of default, notice of compromise or surrender and any other demand or notice whatsoever in connection with the payment of the Bond or the Company Note.

Section 12.5. Payments Due on Saturday, Sunday and Holidays. Whenever any payment to be made hereunder, under the Bond or under the Company Note shall be stated to be due on a Saturday, a Sunday or a public holiday under the laws of the State of South Carolina, such payment shall be made on the next succeeding business day.

Section 12.6. Amendments, Changes and Modifications. This Loan Agreement may not be amended, changed, modified, altered or terminated without the written consent of the County, the Company and the registered owner of the Bond.

Section 12.7. Execution of Counterparts. This Loan Agreement may be executed in several counterparts, only one of which shall be an original for Uniform Commercial Code perfection purposes; provided, however, that any action may be brought upon any counterpart of this Loan Agreement or any counterpart of any document that is attached to this Loan Agreement as an exhibit.

Section 12.8. Law Governing Construction of Agreement. This Loan Agreement is prepared and entered into with the intention that the laws of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, THE CITIZENS AND SOUTHERN NATIONAL BANK, GREENVILLE COUNTY, SOUTH CAROLINA, and EASTERN INDUSTRIAL SUPPLIES, INC., each pursuant to due authority, have duly executed this Loan Agreement, all as of the date first above written.

(SEAL)  
Attest:

GREENVILLE COUNTY, SOUTH CAROLINA

\_\_\_\_\_  
Mary Turner  
Clerk of County Council

By: \_\_\_\_\_  
Melvin M. Pace  
Chairman of County Council

By: \_\_\_\_\_  
County Administrator

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness



(SEAL)

CITIZENS AND SOUTHERN  
NATIONAL BANK OF SOUTH CAROLINA

\_\_\_\_\_  
Witness

By: \_\_\_\_\_

\_\_\_\_\_  
Witness

(SEAL)

EASTERN INDUSTRIAL SUPPLIES, INC.

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
President

\_\_\_\_\_  
Witness

Attest: \_\_\_\_\_  
Secretary

EXHIBIT

FEB 22 1983 NO. 04

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA )

COUNTY OF GREENVILLE )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw the corporate seal of  
Greenville County, South Carolina affixed to the foregoing Loan  
Agreement, and that (s)he also saw \_\_\_\_\_, as  
Chairman of County Council and \_\_\_\_\_, as County  
Administrator, sign and Mary Turner, as Clerk of County Council,  
attest the same, and that (s)he with \_\_\_\_\_  
witnessed the execution and delivery thereof as the free act and  
deed of the County.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_ day of April, 1983

Notary Public of South Carolina

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

STATE OF SOUTH CAROLINA )

COUNTY OF GREENVILLE )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_,  
who being duly sworn, says that (s)he saw James Weaver, known  
personally to him(her) as Vice President of Citizens and Southern  
National Bank of South Carolina, a national banking association,  
sign and seal the foregoing Loan Agreement, and that (s)he with \_\_\_\_\_  
witnessed the execution and delivery thereof as  
the free act and deed of said bank.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_ day of April, 1983

Notary Public of South Carolina

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

016552

STATE OF SOUTH CAROLINA

COUNTY OF GREENVILLE

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_, who  
being duly sworn, says that (s)he saw \_\_\_\_\_, and \_\_\_\_\_  
\_\_\_\_\_, known personally to him(her) as \_\_\_\_\_  
\_\_\_\_\_ and \_\_\_\_\_ of Eastern  
Industrial Supplies, Inc., sign and seal the foregoing Loan  
Agreement, and that (s)he with \_\_\_\_\_ witnessed the  
execution and delivery thereof as the free act and deed of said  
Company.

SWORN TO before me this \_\_\_\_\_  
\_\_\_\_\_ day of April, 1983

Notary Public for South Carolina

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

016553

EXHIBIT A

(BOND)

016554

THIS BOND IS A LIMITED OBLIGATION AND IS NOT AND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE COUNTY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS

STATE OF SOUTH CAROLINA  
GREENVILLE COUNTY  
INDUSTRIAL REVENUE BOND (EASTERN PROJECT)  
SERIES 1983

\$300,000.00

KNOW ALL MEN BY THESE PRESENTS that Greenville County, a body politic and corporate, and a political subdivision of the State of South Carolina (the "County"), for value received, does promise to pay, but only from the source and upon the terms hereinafter provided, to the order of the Citizens and Southern National Bank of South Carolina (hereinafter, together with its successors and assigns and any lawful subsequent registered holder of this Bond, termed "Holder"), the principal sum of THREE HUNDRED THOUSAND DOLLARS (\$300,000.00), plus interest on the outstanding principal amount from day to day hereof at the rate of interest per annum equal to seventy-four per cent (74%) of the "Prime Rate" (as hereinafter defined), computed on the basis of a 360 day year of twelve 30 day months.

Overdue installments of principal and, to the extent permitted by law, interest shall bear interest at the rate of interest per annum equal to the "Penalty Rate" (as hereinafter defined).

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

016555

If the maximum marginal tax rate imposed on corporate income by Section 11 of the Internal Revenue Code of 1954, as amended (the "Tax Rate"), should increase or decrease from the current rate of 46%, then the County shall pay to the Holder of this Bond interest on the outstanding principal amount of this Bond as it varies from day to day at a rate of interest per annum calculated by multiplying the "Tax Equivalent Yield" by the difference between one and the new Tax Rate.

"Tax Equivalent Yield" means 74% of the Prime Rate divided by 54%. The "Prime Rate" means the rate of interest announced by the Citizens and Southern National Bank of South Carolina, as its prime rate determined at the close of business on each business day. The "Penalty Rate" means the rate of interest per annum equal to 110% of the Prime Rate.

In the event there shall occur a "Determination of Taxability" (as defined in the hereafter referred to Loan Agreement), the Holder shall have the option (to be exercised within 30 days of learning of the Determination of Taxability) to declare that the entire outstanding principal of and accrued interest under this Bond shall become due and payable within 30 days after notice to the County of such declaration. If the Holder makes such declaration, the redemption price shall be equal to the outstanding principal amount hereof plus accrued interest to the date of redemption. If the Holder does not make such declaration, then at all times after the Determination of Taxability this Bond



shall bear interest at the Penalty Rate. In either case, the County shall pay to the Holder an amount equal to (i) any penalties or interest on overdue taxes which are payable by the Holder as a result of the failure of the Holder to include in its gross income the interest received on this Bond for the period from the date of the "Event of Taxability" (as defined in the Loan Agreement) and continuing through the Determination of Taxability and (ii) the difference between interest on the outstanding principal amount from day to day hereof computed at a rate of interest per annum equal to 110% of the Prime Rate and the interest actually paid or accrued on this Bond for the period from the date of the Event of Taxability to and through the date of the Determination of Taxability; provided that if there is or has been more than one Holder of this Bond between the time of the Event of Taxability and the time of the Determination of Taxability, then payments described in (ii) shall be prorated according to the length of time that each Holder has held this Bond between the time of the Event of Taxability and the Determination of Taxability and shall be payable to each Holder on that basis. The obligations of the County described in this paragraph shall survive full payment or prepayment of this Bond.

Interest on this Bond shall be payable on each January 1, April 1, July 1 and October 1, commencing July 1, 1983, until payment in full of the principal hereof.

Principal shall be repaid in forty equal installments in the amount of Seven Thousand Five Hundred and No/100 Dollars

(\$7,500.00). Principal installments shall be due on the first day of each January 1, April 1, July 1 and October 1 commencing April 1, 1985 and continuing until January 1, 1995.

Any allowable collection costs or expenses shall be due upon demand.

In the event that any payment of principal or interest hereon shall be due on a Sunday or a holiday, then payment shall be made on the next succeeding business day. The failure to make appropriate payment of interest or principal at the times specified after appropriate notice shall give rise to an "Event of Default" (as defined in the Loan Agreement).

Each installment paid shall be credited first to allowable collection expenses, second to any federal tax penalties or fines, third to all interest due on this Bond and fourth to the principal amount of this Bond from time to time remaining unpaid.

All the payments made on this Bond shall be payable in legal tender of the United States of America and in immediately available funds. Payments of principal and interest hereon shall be made by check or draft and mailed to the registered owner hereof at the address shown on the registration books kept by the Company as bond registrar, or at such other place as the Holder may from time to time designate; provided, however, that payment of the final installment of principal and interest hereon shall be made only upon surrender of this Bond to the Company.

This Bond is issued pursuant to a Loan Agreement, dated as of April 1, 1983 among the County, the Eastern Industrial Supplies, Inc. and the Holder, and an ordinance of the County adopted \_\_\_\_\_, 1983 for the purpose of providing funds for the County to loan the Company, which will in turn use these funds pursuant to the Loan Agreement to pay for an industrial facility in the County for the storage, sale and distribution of plumbing and mechanical supplies (such facility being hereinafter termed the "Project"). The Company shall use these funds solely to pay expenses incidental to the Project as provided in the Loan Agreement. The County offers this assistance in order to promote industry and to develop trade in the County and South Carolina.

This Bond is secured by a Security Agreement and Conditional Assignment dated as of April 1, 1983 (the "Security Agreement and Conditional Assignment") among the County, as debtor, and the Holder, as secured party. The collateral under that Security Agreement and Conditional Assignment includes one \$300,000 Secured Note executed by the Company and payable to the order of the County (the "Company Note") and the proceeds of the Company Note. Payment of the Company Note is secured by a Mortgage and Security Agreement, dated as of April 1, 1983 (the "Mortgage and Security Agreement"), between the Company, as mortgagor/debtor, and the County, as mortgagee/secured party. Payment of the Bond is guaranteed by George Bagwell and Eastern Controls, Inc. pursuant to a Guaranty dated as of April 1, 1983 (the "Guaranty").

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EXHIBIT

-5-

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

Copies of the Security Agreement and Conditional Assignment, the Company Note, the Mortgage and Security Agreement, the Loan Agreement, and the Guaranty are on file at the principal offices of the Holder in Greenville, South Carolina. Reference is made to these agreements for a full description of the collateral, the obligations of the County and the Company and the rights and remedies of the Holder and the conditions under which the Holder may exercise rights under the Loan Agreement, to all of the provisions of which, the Holder of this Bond, by acceptance of this Bond, assents.

The County shall have the right at any time to prepay this Bond in whole or in part, without penalty, provided that notice of such prepayment shall have been given in writing to the Holder at least 30 days prior to the date of such prepayment. Any partial prepayment of principal shall be applied to the unpaid installments of principal in the inverse order of their regular maturities.

Upon the occurrence of an Event of Default (and the expiration of any applicable cure period) as provided in the Loan Agreement, the Holder may, at its option, by notice in writing to the County and the Company declare the entire unpaid balance hereunder immediately due and payable and may take any action or proceeding at law or in equity which it may deem advisable for the protection of its interest to collect and enforce payment.

It is agreed that in the event any part of the amounts due hereunder be not paid when due, or if this Bond be placed in the hands of an attorney for collection, or if this debt or any part be collected by an attorney or by legal proceedings of any kind, all reasonable costs and expenses incident upon such collection (including attorneys' fees) shall be added to the amount due upon this Bond, and be collectible as a part hereof.

This Bond is issued pursuant to the authorization of and for the purposes prescribed by Title 4, Chapter 29 of the Code of Laws of South Carolina, 1976, as amended, and pursuant to an ordinance duly adopted by the County Council of Greenville County, South Carolina, and with the approval of the State Budget and Control Board of South Carolina. This Bond is a limited obligation of the County and is payable solely from the payments received by the County under the Company Note or out of the proceeds of the Security Agreement and Conditional Assignment or the Mortgage and Security Agreement or the Guaranty.

Pursuant to the Loan Agreement and the Company Note, payments sufficient for the prompt payment of all amounts payable under this Bond are to be paid by the Company to the County for application to payments due under this Bond.

This Bond is registered in the name of the Holder on the registration books kept by the Company as bond registrar, which registration has been made in said registration books hereby by said bond registrar, and no transfer hereof shall be valid unless

made on said registration book at the written request of the Holder. This Bond may not be transferred or assigned unless the Holder shall at the same time transfer and assign to any successor Holder its interest in the Loan Agreement, the Security Agreement and Conditional Assignment, the Company Note, the Mortgage and Security Agreement and the Guaranty.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and for the execution and delivery of this Bond, the Loan Agreement, the Security Agreement and Conditional Assignment and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Bond, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, GREENVILLE COUNTY, SOUTH CAROLINA, has caused this Bond to be duly executed, sealed and delivered by the Chairman of County Council and the County Administrator with the Clerk of County Council attesting, all on the \_\_\_\_ day of April, 1983.

(SEAL)

GREENVILLE COUNTY, SOUTH CAROLINA

By: \_\_\_\_\_  
Chairman of County Council

Attest: \_\_\_\_\_  
Clerk of County Council

By: \_\_\_\_\_  
County Administrator



EXHIBIT B

(SECURITY AGREEMENT AND CONDITIONAL  
ASSIGNMENT)

016563

THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA

AND

GREENVILLE COUNTY, SOUTH CAROLINA

SECURITY AGREEMENT AND CONDITIONAL ASSIGNMENT

DATED AS OF APRIL 1, 1983

**016564**

STATE OF SOUTH CAROLINA    )  
                                  )  
COUNTY OF GREENVILLE    )

SECURITY AGREEMENT  
AND  
CONDITIONAL ASSIGNMENT

TO ALL WHOM THESE PRESENTS MAY CONCERN, Greenville County, South Carolina, a political subdivision and a body politic and corporate of the State of South Carolina (the "County"), SENDS GREETINGS:

WHEREAS, the County is authorized and empowered by Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended (the "Act"), to lend funds to private enterprises to assist in the acquisition, construction and equipping of the properties hereinafter described; and

WHEREAS, the County is further authorized by the Act to issue industrial revenue bonds for this purpose; and

WHEREAS, these industrial revenue bonds are limited obligations of the County payable by the County solely from revenues received by the County from private enterprises as payments in exchange for the loan of the proceeds of these industrial revenue bonds to these private enterprises; and

WHEREAS, the County has agreed to issue and sell its \$300,000 Industrial Revenue Bond (Eastern Project), Series 1983 (the "Bond"); and

WHEREAS, the Citizens and Southern National Bank of South Carolina ("C&S"), has agreed to purchase the Bond upon receipt

016565

from the County of adequate security for payment of all amounts payable under the Bond; and

WHEREAS, the County has agreed to loan to Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company") the proceeds from the issuance and sale of the Bond upon receipt by the County of the Company's Secured Note committing it to pay when due all amounts payable under the Bond and also upon receipt by the County from the Company of adequate security for payment of these amounts;

NOW, THEREFORE, KNOW ALL MEN, that in consideration of \$1.00 in hand paid at and before the execution and delivery of these presents and in consideration of the purchase of the Bond and for the better securing of the payment of all amounts payable in accordance with the terms of the Bond and for the better securing of the payment of any other amounts herein specified, the County and C&S agree as follows:

SECTION 1. SECURITY INTEREST.

The County does hereby convey, warrant, mortgage, pledge, assign and grant to C&S as holder of the Bond and its successors and assigns, and to any subsequent registered owner of the Bond, and C&S does hereby accept, a first security interest in all and singular of the County's right, title and interest in, to or arising under the following:

(a) That certain Secured Note dated on or about April \_\_\_\_, 1983 in the principal face amount of \$300,000 executed by the

Company and delivered to the County, naming the County as payee (the "Company Note"), substantially in the form attached as Exhibit C to the Loan Agreement, dated as of April 1, 1983, among the County, C&S and the Company (the "Loan Agreement"); and (b)

That certain Mortgage and Security Agreement, between the County, as mortgagee/secured party, and the Company, as mortgagor/debtor, dated as of April 1, 1983, in substantially the form attached as Exhibit D to the Loan Agreement, and all amendments thereto (the "Mortgage and Security Agreement"); and

(c) All proceeds payable to the County from disposition by it of the Company Note and the Mortgage and Security Agreement;

(d) All amounts payable to the County under the Company Note and the Mortgage and Security Agreement.

The things described in (a) through (d), inclusive, hereinafter collectively shall be termed "Collateral."

C&S, its successors and assigns, and the subsequent registered owners of the Bond shall have and hold the Collateral forever; provided always, however, that this security interest is granted upon the express condition that if the County shall pay or cause to be paid all amounts payable to the holders of the Bond under the Bond, the Loan Agreement, and this Security Agreement and Conditional Assignment, then the security interest hereby granted shall cease and be discharged; otherwise it shall remain in full force and effect.

SECTION 2. CONDITIONAL ASSIGNMENT.

The County does hereby assign to C&S, its successors and assigns, and to any subsequent registered owners of the Bond, and C&S does hereby accept, as collateral security for payment of the Bond and any other amounts herein specified, all and singular of the County's right, title and interest in, to or arising under the following:

- (a) Company Note; and
- (b) Mortgage and Security Agreement; and
- (c) All proceeds payable to the County from disposition by it of the Company Note and the Mortgage and Security Agreement; and
- (d) All amounts payable to the County under the Company Note and the Mortgage and Security Agreement.

These assignments are made upon the express condition that if the County shall pay or cause to be paid all amounts payable to the holders of the Bond under the Bond, the Loan Agreement, and this Security Agreement and Conditional Assignment, then these assignments shall cease and be discharged; otherwise they shall remain in full force and effect.

SECTION 3. PROTECTION OF COLLATERAL.

The County will not:

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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(a) by affirmative act consent to the creation or existence of any security interest in the Collateral except that granted to the holders of the Bond in connection with the transaction described in the Loan Agreement; or

(b) sell, mortgage, transfer, assign or hypothecate its interest in the Collateral except in accordance with the terms of the Loan Agreement and this Security Agreement and Conditional Assignment.

SECTION 4. DEFAULTS AND OTHER PROVISIONS.

An "Event of Default" under this Security Agreement and Conditional Assignment shall occur if and when there shall be an Event of Default under:

- (a) the Loan Agreement, or
- (b) the Mortgage and Security Agreement.

SECTION 5. RIGHTS OF BONDHOLDER.

The County agrees that when any Event of Default has occurred and is continuing:

(a) C&S or the successor registered owner of the Bond shall have the rights, duties and remedies of a secured party and the County shall have the rights and duties of a debtor under the Uniform Commercial Code of the State of South Carolina, regardless of where action may be taken to enforce those rights and duties; and

(b) C&S or the registered owner of the Bond may, by notice in writing to the County, declare the entire unpaid balance of the Bond to be immediately due and payable, and thereupon the entire unpaid balance, together with all accrued interest, shall be immediately due and payable; and

(c) C&S or the registered owner of the Bond, personally or by agents or attorneys, shall have the right (subject to compliance with any mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof; and

(d) C&S or the registered owner of the Bond may (subject to compliance with any mandatory legal requirements) sell and dispose of said Collateral, or any part thereof, at public or private sale, and either for cash or on credit and on such terms as the bondholder may determine, and at any place, provided, however, that any such sale shall be held in a commercially reasonable manner; and

(e) C&S or the registered owner of the Bond may proceed to protect and enforce the Bond and this Security Agreement and Conditional Assignment by suit or suits or proceedings in equity or at law, and whether for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or for the recovery of judgment for the indebtedness hereby secured, or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(f) C&S, upon application to a court of competent jurisdiction, shall be entitled, without notice and without regard to the adequacy of any security for the indebtedness hereby secured or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to manage the Collateral and to collect the rents and profits thereof. The receiver shall be entitled to perform all lawful acts necessary and appropriate for the management of the Collateral including, but not limited to, the execution, cancellation or modification of leases, and the execution or termination of contracts providing for the management of the Collateral, all on such terms as are lawful and are deemed best to protect the security of this Security Agreement and Conditional Assignment. All rents collected shall be applied first to the reasonable costs of taking control of and managing the Collateral and collecting the rents, including, but not limited to, attorneys' fees, receiver's fees, premiums on receiver's bonds, premiums on insurance policies, taxes, assessments and other charges on the Collateral, and the costs of discharging any obligation or liability arising under the Collateral and then in the manner hereinafter provided. C&S and the receiver shall have access to the books and records used in the management of the Collateral and shall be liable to account only for those rents actually received. C&S shall not be liable to the Company, the County or anyone claiming under or through the County, or anyone having an interest in the Collateral by reason

of anything done or left undone by C&S under this paragraph. If the rents of the Collateral are not sufficient to meet the costs of taking control of and managing the Collateral and collecting the rents, C&S, at its sole option, may advance moneys to meet the costs. Any funds expended by C&S for such purposes shall become indebtedness of the County to C&S secured by this Security Agreement and Conditional Assignment. Unless the County and C&S agree in writing to other terms of payment, such amounts shall be payable upon notice from C&S to the County requesting payment thereof and shall bear interest from the date of disbursement at the Penalty Rate as stated in the Loan Agreement. The entering upon and taking and maintaining of control of the Collateral by C&S or the receiver and the application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of C&S hereunder.

In case of any sale of the Collateral pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement and Conditional Assignment, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Bond and any claims for matured and unpaid interest on the Bond and any claim for any other amounts arising under the Bond.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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The proceeds and avails of any sale of the Collateral and the proceeds and the avails of any remedy hereunder shall be paid and applied as follows:

(a) First, to the payment of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the bondholders of the amount then owing or unpaid on the Bond for principal and interest and all allowable collection expenses, and in case such proceeds shall be insufficient to pay in full the whole amount so due and owing or unpaid upon the Bond, with application to be made first to allowable collection expenses, second to any unpaid interest thereon, and third to unpaid principal thereof, such application to be made upon presentation of the Bond, and upon the notation thereof of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the amount, if any, then owing to the bondholders and unpaid under the Loan Agreement; and

(d) Fourth, to the payment of the surplus, if any, to the County or to whomsoever may be lawfully entitled to receive the same.

No delay or omission of C&S or any other registered owner of the Bond to exercise any right or power arising from any default on the part of the County, shall exhaust or impair any such right

or power or prevent its exercise during the continuance of such default. No waiver by C&S or any other registered owner of the Bond of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. C&S, or any other registered owner of the Bond, may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to each and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness hereby secured operate to prejudice, waive or affect the security interests and conditional assignments effected by this Security Agreement and Conditional Assignment or any rights, powers or remedies hereunder; nor shall C&S or any other registered owner of the Bond be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

SECTION 6. MISCELLANEOUS.

The unenforceability or invalidity of any provision or provisions of this Security Agreement and Conditional Assignment shall not render any other provision or provisions herein contained unenforceable or invalid.



All communications provided for herein shall be in writing and sent by registered or certified mail, return receipt requested, postage prepaid, and shall be deemed given when actually received by the addressee. The respective addresses of the Company, C&S and the County are as follows:

As to the Company:	Attention: President P. O. Box 17293 Greenville, SC 29606
As to C&S:	Attention: Senior Loan Officer P. O. Box 1449 Greenville, SC 29602
As to the County:	Attention: Chairman of County Council Courthouse Annex Greenville, SC 29601

or such other addresses as the Company, C&S or the County may designate by notice duly given to the other parties. All notices given by any party hereto shall be given to all parties hereto or their successors and assigns.

IT IS THE EXPRESS CONDITION of this Security Agreement and Conditional Assignment that nothing herein shall constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and nothing herein shall ever constitute or give rise to any pecuniary liability of the County or any charges against its taxing powers or upon its general credit. Any obligation of the County for the

payment of money shall be payable solely from the payments received by the County under or in connection with the Company Note, and nothing in this Security Agreement and Conditional Assignment shall be considered as pledging any other funds or assets of the County.

IN WITNESS WHEREOF, C&S and the County have caused these presents to be duly executed and sealed, all as of the 1st day of April, 1983.

(SEAL)

CITIZENS AND SOUTHERN  
NATIONAL BANK OF SOUTH CAROLINA

\_\_\_\_\_  
Witness

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Witness

(SEAL)

GREENVILLE COUNTY, SOUTH CAROLINA

Attest:

\_\_\_\_\_  
Mary Turner  
Clerk of County Council

By:

\_\_\_\_\_  
Melvin M. Pace  
Chairman of County Council

\_\_\_\_\_  
Witness

By:

\_\_\_\_\_  
County Administrator

\_\_\_\_\_  
Witness

STATE OF SOUTH CAROLINA

)

PROBATE

COUNTY OF GREENVILLE

)

PERSONALLY APPEARED before me \_\_\_\_\_, who being duly sworn, says that (s)he saw the corporate seal of Greenville County, South Carolina affixed to the foregoing Security Agreement and Conditional Assignment, and that (s)he saw Melvin M. Pace, as Chairman of County Council and \_\_\_\_\_, as County Administrator sign, and Mary Turner, as Clerk of County Council, attest the same, and that (s)he with \_\_\_\_\_ witnessed the execution and delivery thereof as the free act and deed of the County.

SWORN TO before me this  
\_\_\_\_ day of April, 1983.

Notary Public for South Carolina

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

STATE OF SOUTH CAROLINA

)

PROBATE

COUNTY OF GREENVILLE

)

PERSONALLY APPEARED before me \_\_\_\_\_, who being duly sworn, says that (s)he saw the corporate seal of the Citizens and Southern National Bank of South Carolina affixed to the foregoing Security Agreement and Conditional Assignment, and that (s)he saw \_\_\_\_\_, as \_\_\_\_\_, sign, and that (s)he with \_\_\_\_\_ witnessed the execution and delivery thereof as the free act and deed of the Citizens and Southern National Bank of South Carolina.

SWORN TO before me this  
\_\_\_\_ day of April, 1983

Notary Public for South Carolina

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

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

016577

EXHIBIT C

(NOTE)

016578

STATE OF SOUTH CAROLINA     )  
                                      )  
COUNTY OF GREENVILLE     )

SECURED NOTE  
1983

KNOW ALL MEN BY THESE PRESENTS that Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company"), for value received, does promise to pay to the order of Greenville County, South Carolina (the "County"), the principal sum of THREE HUNDRED THOUSAND DOLLARS (\$300,000.00), and to pay interest on the outstanding principal amount from day to day hereof at the rate of interest per annum equal to seventy-four per cent (74%) of the "Prime Rate" (as hereinafter defined) computed on the basis of a 360 day year of twelve 30 day months.

Overdue installments of principal and, to the extent permitted by law, interest shall bear interest at the rate per annum equal to the "Penalty Rate" (as hereinafter defined).

If the maximum marginal tax rate imposed on corporate income by Section 11 of the Internal Revenue Code of 1954, as amended (the "Tax Rate"), should increase or decrease from the current rate of 46%, then the Company shall pay to the County interest on the outstanding principal amount from time to time of this Note at a rate of interest per annum calculated by multiplying the "Tax Equivalent Yield" by the difference between one and the new Tax Rate.

"Tax Equivalent Yield" means 74% of the Prime Rate divided by 54%. The "Prime Rate" means the rate of interest announced

EXHIBIT

FEB 22 1983     NO. 04

STATE BUDGET & CONTROL BOARD

016579

by the Citizens and Southern National of South Carolina ("C&S") as its prime rate determined at the close of business on each business day. The "Penalty Rate" means the rate of interest per annum equal to 110% of the Prime Rate.

In the event there shall occur a "Determination of Taxability" [as defined in the Loan Agreement among C&S, the County and the Company dated as of April 1, 1983 (the "Loan Agreement")] the County shall have the option (to be exercised within 30 days of learning of the Determination of Taxability) to declare that the entire outstanding principal of and accrued interest under this Secured Note shall become due and payable within 30 days after notice to the Company of such declaration. If the County makes such declaration, the redemption price shall be equal to the outstanding principal amount hereof plus accrued interest to the date of redemption. If the County does not make such declaration, then at all times after the Determination of Taxability, this Secured Note shall bear interest at the Penalty Rate. In either case, the Company shall pay to the County an amount equal to (i) any penalties or interest on overdue taxes which are payable by the holder of the \$300,000 Greenville County, South Carolina Industrial Revenue Bond (Eastern Project) Series 1983 (the "Bond") as a result of the failure of such holder to include in its gross income the interest received on the Bond for the period from the date of the "Event of Taxability" (as defined in the Loan Agreement) and continuing through the Determination



of Taxability and (ii) the difference between interest on the outstanding principal amount from day to day of the Bond computed at a rate of interest per annum equal to 110% of the Prime Rate and the interest actually paid or accrued on the Bond for the period from the date of the Event of Taxability to and through the date of the Determination of Taxability.

Interest on this Secured Note shall be payable on each January 1, April 1, July 1 and October 1, commencing July 1, 1983 and continuing until payment in full of this Secured Note. Beginning on April 1, 1985 principal shall be repaid in forty (40) equal installments of Seven Thousand Five Hundred Dollars (\$7,500.00) due on January 1, April 1, July 1 and October 1 of each year. On January 1, 1995, the last payment of principal shall become due. Any allowable collection costs or expenses shall be due upon demand.

In the event that any payment date shall fall on a Sunday or a holiday, then payment shall be made on the next succeeding business day. The failure to make appropriate payment of interest or principal at the times specified after appropriate notice shall give rise to an "Event of Default" (as defined in the Loan Agreement).

Each installment paid shall be credited first to allowable collection expenses, second to any federal tax penalties or fines, third to all interest due on this Note and fourth to the principal amount of this Note from time to time remaining unpaid.

All the payments made on this Secured Note shall be payable in legal tender of the United States of America and in immediately available funds.

This Secured Note is given as security for the payment of the \$300,000 Greenville County Industrial Revenue Bond (Eastern Project), Series 1983 (the "Bond"), dated the date of this Secured Note and issued by the County under the terms of the Loan Agreement. Payments of both principal and interest from this Secured Note have been assigned and pledged to C&S as the original purchaser of the Bond and its registered assigns (the "Bondholders"), under the terms of a Security Agreement and Conditional Assignment, dated as of April 1, 1983 (the "Security Agreement and Conditional Assignment"), and all such payments will be made directly to the Bondholders for the account of the County pursuant to the Security Agreement and Conditional Assignment.

Under the Loan Agreement, the County is loaning to the Company the proceeds of the sale of the Bond so that the Company can pay for facilities in the County for the storage, sale and distribution of plumbing and mechanical supplies (such facilities being hereinafter termed the "Project"). The Company will use these funds solely to pay expenses incidental to the Project.

This Secured Note is secured by a Mortgage and Security Agreement between the County, as mortgagee/secured party, and the Company, as mortgagor/debtor, dated as of April 1, 1983 (the "Mortgage and Security Agreement").

The Company shall have the right at any time to prepay this Secured Note in whole or in part, without penalty, provided that notice of such prepayment shall have been given to the County at least 30 days in advance and shall be in writing. Any partial prepayment of principal shall be applied to the unpaid installments of principal in the inverse order of their regular maturities.

Upon the occurrence of an "Event of Default" under the Loan Agreement, the County (or the Bondholders as assignees of the County) may, at its option and by notice in writing to the Company, declare the entire unpaid balance hereunder immediately due and payable and may take any action or proceeding at law or in equity which it may deem advisable for the protection of its interest to collect and enforce payment.

It is agreed that in the event any part of the amounts due hereunder be not paid when due, or if this Secured Note be placed in the hands of an attorney for collection, or if this debt or any part be collected by an attorney or by legal proceedings of any kind, all reasonable costs and expenses incident upon such collection (including attorneys' fees) shall be added to the amount due upon this Secured Note, and be collectible as a part hereof.

As to this Secured Note and all instruments securing this indebtedness, the undersigned and endorsers severally waive all applicable exemption rights, whether under state constitution,

homestead laws or otherwise, and also severally waive valuation and appraisement, presentment, protest and demand, notice of protest, demand and dishonor and nonpayment, and expressly agree that the maturity of this Secured Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of the undersigned or said endorers.

IN WITNESS WHEREOF, the Company has caused this Secured Note to be duly executed on the \_\_\_\_ day of April, 1983.

(SEAL)

EASTERN INDUSTRIAL SUPPLIES, INC.

Attest: \_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT D  
(MORTGAGE AND SECURITY AGREEMENT)

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

016585

GREENVILLE COUNTY, SOUTH CAROLINA

AND

EASTERN INDUSTRIAL SUPPLIES, INC.

MORTGAGE AND SECURITY AGREEMENT

DATED AS OF FEBRUARY 1, 1983

**016586**



STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF GREENVILLE )

MORTGAGE AND SECURITY AGREEMENT

TO ALL WHOM THESE PRESENTS MAY CONCERN, Eastern Industrial Supplies, Inc., a South Carolina corporation (the "Company"), SENDS GREETINGS:

WHEREAS, GREENVILLE COUNTY, SOUTH CAROLINA, a political subdivision and a body politic and corporate of the State of South Carolina (the "County"), is authorized and empowered by Title 4, Chapter 29 of the Code of Laws of South Carolina, 1976, as amended (the "Act"), to lend funds to private enterprises to assist in the construction, acquisition and installation of the properties hereinafter described; and

WHEREAS, the County is further authorized by the Act to issue industrial revenue bonds for this purpose; and

WHEREAS, these industrial revenue bonds are limited obligations of the County payable by the County solely from revenues received by the County from private enterprises as payments on notes executed and delivered to the County by these private enterprises in exchange for the loan of the proceeds of these industrial revenue bonds to such private enterprises; and

WHEREAS, the County has agreed to issue and sell its \$300,000 Industrial Revenue Bond (Eastern Project) Series 1983 (the "Bond"); and

WHEREAS, the Citizens and Southern National Bank of South Carolina, a national banking association ("C&S"), has agreed to

016587

purchase the Bond upon receipt from the County of adequate security for payment of all amounts payable under the Bond; and

WHEREAS, the County has agreed to loan to the Company the proceeds from the issuance and sale of the Bond upon receipt by the County of the Company's \$300,000 Note committing it to pay when due all amounts payable under the Bond, and also upon receipt by the County from the Company of adequate security for payment of these amounts;

NOW, THEREFORE, KNOW ALL MEN, that in consideration of \$1.00 in hand paid at and before the execution and delivery of these presents and in consideration of the advancement by the County to the Company of the aforementioned funds and for the better securing of the repayment of these funds with interest to the County in accordance with the terms of the Company's aforementioned Note and also for the better securing of the repayment of all other indebtedness hereby secured, the County and the Company agree as follows:

SECTION 1. DEFINITIONS.

"Collateral" shall mean all of the property subject to this Mortgage and Security Agreement.

"Company Note" shall mean that Secured Note dated the date of the issuance and delivery of the Bond and in the principal amount of \$300,000, made by the Company and naming the County as payee, the form of which is attached as Exhibit C to the Loan Agreement. The Company Note and all of its terms are incorporated

016588

herein by reference and this conveyance shall secure any and all renewals or extensions or modifications thereof, however evidenced.

"Loan Agreement" shall mean that Loan Agreement, dated as of April 1, 1983, among the County, C&S and the Company.

SECTION 2. GRANT OF MORTGAGE.

The Company has granted, bargained, sold and released, and by these presents does grant, bargain, sell and release unto the County, its successors and assigns, and the County does hereby accept all of the following described land, buildings, structures, improvements and fixtures (hereinafter sometimes collectively called the "Premises"), to-wit:

(a) All those pieces, parcels or lots of land, more particularly described in Schedule I attached hereto and made a part hereof; and

(b) All buildings, structures and improvements now located on the land described in Schedule I or afterwards erected on that land; and

(c) All wiring, air-conditioning and plumbing and heating equipment and storage racks now or afterwards affixed to the land described in Schedule I,

TOGETHER WITH all and singular the rights, members, hereditaments and appurtenances in any way belonging, relating or

appertaining to any of the Premises hereinabove mentioned or which hereafter shall in any way belong, relate or be appurtenant thereto.

TO HAVE AND TO HOLD all and singular the said Premises unto the said County, its successors and assigns forever, provided always, however, that this mortgage is granted upon the express condition that, if the Company shall pay or cause to be paid all amounts payable under the Company Note, the Loan Agreement and this Mortgage and Security Agreement, then this mortgage shall cease and shall become null and void; otherwise, this mortgage shall remain in full force and effect.

The Company covenants that it is lawfully seized of the Premises hereinabove described in fee simple absolute, that it has good right and is lawfully authorized to sell, convey or encumber the same, and that the Premises are free and clear of all liens except liens for taxes not yet due. The Company further covenants to warrant and forever defend all and singular the said Premises unto the County forever from and against the Company and all persons whomsoever lawfully claiming the same or any part thereof. The Company also agrees that it will, in its individual capacity and at its own cost and expense, promptly take such action as may be necessary to duly discharge any liens and encumbrances on the Premises which are or will be claimed by any party through the Company and which are not related to this mortgage.

EXHIBIT

FEB 22 1983 NO. 04

STATE BUDGET & CONTROL BOARD

016590

SECTION 3. GRANT OF SECURITY INTEREST.

The Company does hereby convey, warrant, mortgage, pledge, assign and grant to the County, its successors and assigns, and the County does hereby accept, a first security interest in and to all and singular of the Company's right, title and interest in and to the Premises.

Subject to the provisions of Section 4 of this Mortgage and Security Agreement, the Company does hereby further convey, warrant, mortgage, pledge, assign and grant to the County, its successors and assigns, and the County does hereby accept, a first security interest in and to all and singular of the Company's right, title and interest in and to any and all obligations which are purchased with the proceeds of the Bond and the Company Note [said securities constituting a part of the "Construction Fund" (as defined in the Loan Agreement)] during the Construction Period (as defined in the Loan Agreement), and all replacements or substitutions and proceeds of those obligations.

The County, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that this security interest is granted upon the express condition that if the Company shall pay or cause to be paid all amounts payable under the Company Note, the Loan Agreement and this Mortgage and Security Agreement, then the security interest hereby granted shall cease and be discharged; otherwise this security interest shall remain in full force and effect.

The Company warrants that it has all right, power and authority to grant to the County security interests in the Collateral for the uses and purposes herein set forth and that the Collateral is unencumbered excepting liens for taxes not yet due and the Company has good title to the same; and the Company will warrant and defend title to the Collateral against all claims and demands of all persons claiming by, through, under or against the Company. The Company also agrees that it will, in its individual capacity and at its own cost and expense, promptly take such action as may be necessary duly to discharge any liens, encumbrances or taxes on the Collateral which are or will be claimed by any party through or against the Company and which are not related to this Mortgage and Security Agreement or the transactions described in the Loan Agreement.

SECTION 4. POSSESSION OF COLLATERAL.

The Company will deposit with C&S for the account of and as agent for the County any and all obligations purchased in whole or in part with the proceeds of the Bond and the Company Note during the Construction Period. This deposit shall occur contemporaneously with the purchase of such obligations. All cash dividends, interest or other income received on such obligations shall be deposited in and shall become a part of, and subject to the restrictions applicable to the Construction Fund. As and when C&S, as custodian of the Construction Fund, shall need to sell, assign or otherwise dispose of such obligations in order to defray costs of the Project for which a requisition and certification has



been duly submitted as provided in the Loan Agreement, C&S shall be permitted to do so, so long as the Company satisfies the requirements of Section 6 of the Loan Agreement. The Company will, at no cost to the County, pay to C&S any reasonable administrative charge imposed by such bank with respect to the Construction Fund.

While the Company is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Collateral other than the aforementioned obligations and the Construction Fund, and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided always that the possession, enjoyment, control and use of the Collateral shall at all times be subject to the observance and performance of the terms of this Mortgage and Security Agreement and the provisions of the Loan Agreement.

SECTION 5. ASSURANCES AND RECORDATION.

(a) The Company will, at no expense to the County, perform every further act reasonably necessary or proper for the perfection of the mortgages and security interests being herein granted. The Company will cause this Mortgage and Security Agreement and any supplements hereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the County in such manner and in such places as may be required by

EXHIBIT

FEB 22 1983

NO. 04

law in order fully to preserve and protect the rights of the County hereunder.

(b) The Company upon demand will pay or reimburse the County for all reasonable attorneys' fees, costs and expenses paid or incurred by it in any proceedings or action or dispute of any kind affecting the indebtedness secured hereby, this Mortgage and Security Agreement or the interest created herein or the Collateral, including, but not limited to, any action to foreclose this Mortgage and Security Agreement or to enforce payment of the Company Note secured hereby and any condemnation action involving the Collateral or any action to protect the security hereof; and any such amounts paid by the County shall be added to the indebtedness secured by the lien of this Mortgage and Security Agreement.

SECTION 6. DEFAULTS.

Any one or more of the following events shall be an "Event of Default" under this Mortgage and Security Agreement: (a) if and when an Event of Default shall occur under the Loan Agreement, (b) if and when the Company shall breach any covenant or agreement in this Mortgage and Security Agreement or (c) if any warranty or representation of the Company in this Mortgage and Security Agreement shall have been false or misleading when made in any material respect.

SECTION 7. COUNTY'S RIGHTS.

The Company agrees that when any Event of Default has occurred and is continuing:

(a) The County shall have the rights, duties and remedies of a mortgagee/secured party, and the Company shall have the rights and duties of a mortgagor/debtor, under the Uniform Commercial Code of the State of South Carolina regardless of where action may be taken to enforce those rights and duties; and

(b) The County may, by notice in writing to the Company, declare the entire unpaid balance of the Company Note to be immediately due and payable, and thereupon the entire unpaid balance, together with all accrued interest thereon, of such Company Note shall be and become immediately due and payable; and

(c) The County personally or by agents or attorneys, shall have the right (subject to compliance with any mandatory legal requirements) to take immediate possession of the Collateral or any portion thereof, and for that purpose may pursue the same wherever it may be found and keep the rents and profits thereof until sold; and

(d) The County may (subject to compliance with any mandatory legal requirements) sell and dispose of said Collateral, or any part thereof, at public or private sale, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the County may determine, and at any place (whether or not it be the location of Collateral or any part thereof), and to whomsoever it shall select (including the County or C&S), provided, however, that any such sale shall be held in a commercially

reasonable manner and otherwise in compliance with applicable law; and

(e) The County may proceed to protect and enforce this Mortgage and Security Agreement, the Company Note and the Loan Agreement by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, or for the recovery of judgment for the indebtedness hereby secured, or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(f) The County, upon application to a court of competent jurisdiction, shall be entitled, without notice and without regard to the adequacy of any security for the indebtedness hereby secured or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Collateral and to collect the rents and profits thereof. The receiver shall be entitled to perform all acts necessary and appropriate for the operation and maintenance of the Collateral including, but not limited to, the execution, cancellation or modification of leases, the making of repairs to the Collateral and the execution or termination of contracts providing for the management or maintenance of the Collateral, all on such terms as are deemed best to protect the security of this Mortgage and Security Agreement. All rents collected pursuant to this paragraph (f) or pursuant to paragraph (c) shall be applied first

to the reasonable costs of taking control of and managing the Collateral and collecting the rents, including, but not limited to, attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Collateral, premiums on insurance policies, taxes, assessments and other charges on the Collateral, and the costs of discharging any obligation or liability of the Company as lessor or landlord of the Collateral and then in the manner hereinafter provided. The County and the receiver shall have access to the books and records used in the operation and maintenance of the Collateral and shall be liable to account only for those rents actually received. The County shall not be liable to the Company, anyone claiming under or through the Company, or anyone having an interest in the Collateral by reason of anything done or left undone by the Company. If the rents of the Collateral are not sufficient to meet the costs of taking control of and managing the Collateral and collecting the rents, the County, at its sole option, may advance moneys to meet the costs. Any funds expended by the County for such purposes shall become indebtedness of the Company to the County secured by this Mortgage and Security Agreement. Unless the County and the Company agree in writing to other terms of payment, such amounts shall be payable upon notice from the County to the Company requesting payment thereof and shall bear interest from the date of disbursement at the Penalty Rate as stated in the Loan Agreement. The entering upon and taking and maintaining of control of the

Collateral by the County or the receiver and the application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of the County hereunder.

In case of any sale of the Collateral or of any part thereof (pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Mortgage and Security Agreement), the principal of the Company Note, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Company Note and any claims for accrued interest and allowable costs unpaid thereon.

The proceeds and avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the County of the amount then owing or unpaid on the Company Note for principal, interest, any penalties or fines and all allowable collection expenses; and in case such proceeds shall be insufficient to pay in full the whole amount so due and owing or unpaid upon the Company Note, with

**016598**



application to be made, first to allowable collection expenses, second to any penalties or fines, third to unpaid interest thereon, and fourth to unpaid principal thereof; such application to be made upon presentation of the Company Note and upon the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the amount, if any, then owing to the County and unpaid under the Loan Agreement or this Mortgage and Security Agreement; and

(d) Fourth, to the payment of the surplus, if any, to the Company or to whomsoever may be lawfully entitled to receive the same.

No delay or omission of the County to exercise any right or power arising from any default on the part of the Company shall exhaust or impair or constitute a waiver of any such right or power or prevent its exercise during the continuance of such default. No waiver by the County of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided therein. The County may exercise any one or more or all of the remedies hereunder, and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to each and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or

**016599**

enforcement of any other or additional mortgage, security, collateral or guaranty for the payment of the indebtedness secured under this Mortgage and Security Agreement operate to prejudice, waive or affect the mortgages and security interests granted by this Mortgage and Security Agreement or any rights, powers or remedies hereunder; nor shall the County be required to first look to, enforce or exhaust such other or additional security, collateral or guarantees.

In case the County shall have proceeded to enforce any right or remedy under this Mortgage and Security Agreement by receiver, entry, foreclosure or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the County, then to the extent allowed by law the Company and the County shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the County shall continue as if no such proceedings had been taken.

SECTION 8. RIGHTS OF THE BANK.

The Company acknowledges and consents to the granting by the County to C&S and to any subsequent registered owner of the Bond of a security interest in this Mortgage and Security Agreement and the Company Note and acknowledges and consents to the conditional assignment by the County to C&S and to any subsequent registered owner of the Bond of this Mortgage and Security Agreement and the Company Note.

EXHIBIT

FEB 22 1983 NO. 04

Further, the Company and County acknowledge that this Mortgage and Security Agreement is made for the benefit of C&S and subsequent registered owners of the Bond and that they and subsequent registered owners of the Bond shall have all rights and remedies of the County under this Mortgage and Security Agreement and shall be entitled to enforce this Mortgage and Security Agreement as if they were the County without regard to the separate validity of any other security interest or conditional assignment granted or made by the County. This Mortgage and Security Agreement shall remain binding upon the Company until the holders of the Bond have received payment of the amounts loaned by them regardless of any determination for any reason, including invalidity, that the County is not liable for the payment of the Bond.

Finally, the Company is required to notify C&S or any subsequent registered owner of the Bond as shown by the registration books kept by the Company as bond registrar at the times and to the extent that it is required to notify the County of any event under this Mortgage and Security Agreement.

SECTION 9. MISCELLANEOUS.

This Mortgage and Security Agreement shall be construed and enforced in accordance with the laws of South Carolina.

When in this Mortgage and Security Agreement one of the parties hereto is named or referred to, the legal representative, successors or assigns of such party shall be included and all

covenants and agreements contained in this Mortgage and Security Agreement by or on behalf of the Company or by or on behalf of the County shall bind and inure to the benefit of the respective representatives, successors or assigns of the other, whether so expressed or not.

The headings of the sections, paragraphs and subdivisions of this Mortgage and Security Agreement are for the convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

The unenforceability or invalidity of any provision or provisions of this Mortgage and Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

All communications provided for herein shall be in writing and shall be deemed given when actually received by the addressee. The respective addresses of the Company, the County and C&S are as follows:

As to the Company:	Attention: President P. O. Box 17293 Greenville, SC 29606
--------------------	---

As to the County:	Attention: Chairman of County Council Courthouse Annex Greenville, SC 29601
-------------------	--

**016602**

As to C&S:

Attention: Senior Loan Officer  
P. O. Box 1449  
Greenville, SC 29602

or to the Company or the County or C&S at such other address as the Company or the County or C&S respectively may designate by notice duly given to the other parties.

IT IS THE EXPRESS CONDITION of this Mortgage and Security Agreement that nothing herein shall constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and nothing herein shall ever constitute or give rise to any pecuniary liability of the County or any charges against its taxing powers or upon its general credit. Any obligation of the County for the payment of money shall be payable solely from the payments received by the County on or in connection with the Company Note and nothing in this Mortgage and Security Agreement shall be considered as pledging any other funds or assets of the County.

IN WITNESS WHEREOF, the Company and the County have caused these presents to be duly executed and sealed, all as of the 1st day of April, 1983.

(SEAL)

EASTERN INDUSTRIAL SUPPLIES, INC.

Attest: \_\_\_\_\_

By: \_\_\_\_\_

Witness:

\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

(SEAL)

GREENVILLE COUNTY, SOUTH CAROLINA

Attest:

By: Melvin M. Pace  
Chairman of County Council

Mary T. Turner  
Clerk of County Council

County Administrator

Witness:

\_\_\_\_\_  
\_\_\_\_\_



STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF GREENVILLE )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_, who being duly sworn, says that (s)he saw the corporate seal of Greenville County, South Carolina affixed to the foregoing Mortgage and Security Agreement, and that (s)he saw Melvin M. Pace, as Chairman of County Council and \_\_\_\_\_, as County Administrator sign, and Mary T. Turner, as Clerk of County Council, attest the same, and that (s)he with \_\_\_\_\_ witnessed the execution and delivery thereof as the free act and deed of the County.

SWORN TO before me this  
\_\_\_\_\_ day of April, 1983

Notary Public for South Carolina

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

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF GREENVILLE )

PROBATE

PERSONALLY APPEARED before me \_\_\_\_\_, who being duly sworn, says that (s)he saw Louise H. Helms as Executrix of the Estate of Jesse L. Helms sign the foregoing Mortgage and Security Agreement, and that (s)he with \_\_\_\_\_ witnessed the execution and delivery thereof as the free act and deed of the Estate.

SWORN TO before me this  
\_\_\_\_\_ day of April, 1983

Notary Public for South Carolina

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

**EXHIBIT**

APR 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

**016605**

SCHEDULE I

ALL that certain piece, parcel or tract of land, lying, being and situate, in the State of South Carolina, County of Greenville and being shown as \_\_\_\_\_ and having according to said survey the following metes and bounds to-wit:

016606

EXHIBIT E  
(GUARANTY)

016607

STATE OF SOUTH CAROLINA )  
 )  
COUNTY OF GREENVILLE )

GUARANTY

FOR VALUE RECEIVED, the undersigned dos hereby unconditional-ly guarantee to the Citizens and Southern National Bank of South Carolina (the "Bank"), and all other subsequent lawful registered holders of the Industrial Development Revenue Bond (Eastern Project) Series 1983 made by Greenville County, South Carolina (the "County") in the principal sum of THREE HUNDRED THOUSAND AND NO/100 DOLLARS (\$300,000) dated April \_\_, 1983 (the "Bond"), that the principal and interest and other sums due under the Bond will be promptly paid in accordance with the terms of the Bond, and the undersigned will, upon demand of the lawful registered holder of the Bond, pay each and every amount lawfully due to that holder of the Bond which is not paid to that holder by the maker as any such amount shall become due. The undersigned further agrees to perform all obligations of Eastern Industrial Supplies, Inc. under that certain Loan Agreement dated as of April 1, 1983 among it, the County and the Bank.

The undersigned hereby waive any and all defenses of any nature whatsoever to payment of any amounts lawfully due under the Bond and Loan Agreement (including but not limited to the invalidity of the Bond and alteration of the terms of payment of the Bond) should payment of any amounts be required under the terms of this Guaranty.

EXHIBIT

FEB 22 1983

NO. 04

STATE OF SOUTH CAROLINA  
CONTROL BOARD  
016608

The undersigned hereby agree to pay all costs and expenses, including reasonable attorneys' fees, incurred by the Bank or any subsequent lawful holder of the Bond in collecting any amounts lawfully due under this Guaranty.

It is understood that this is a joint and several guaranty of payment and that enforcement of this guaranty as to any one or more of the parties is not conditional upon any prior attempt to enforce any other guaranty, security agreement or assignment or upon any attempt to assert any rights against any other person or any collateral.

IN WITNESS WHEREOF, the undersigned has duly executed this Guaranty as of this the 1st day of April, 1983.

\_\_\_\_\_  
George Bagwell

(SEAL)

EASTERN CONTROLS, INC.

ATTEST:

By: \_\_\_\_\_

EXHIBIT

FEB 22 1983

NO. 04

STATE BUDGET & CONTROL BOARD

# EXHIBIT

STATE BUDGET AND CONTROL BOARD FEB 22 1983

NO. 05 BLUE AGENDA

MEETING OF February 22, 1983

ITEM NUMBER

5

STATE BUDGET & CONTROL BOARD

Agency: Division of Local Government

Subject: Expenditures of Rural Improvement Funds for January 1-31, 1983  
Period

The Division of Local Government report for the referenced period includes 17 projects involving a total expenditure of \$262,172 in State grant funds. The report shows a balance available for grants of \$930,642 and that 171 applications involving \$3,368,241 had been approved to that point during the current fiscal year and that 11 applications involving \$306,200 of grants were pending.

Board Action Requested:

Receive as information.

Staff Comment:

Attachments:

Referenced report

016610



BUDGET AND CONTROL BOARD  
DIVISION OF LOCAL GOVERNMENTS

RURAL IMPROVEMENT FUNDS

REPORT OF February 1983

Available For Grants	930,642
Approved To Date	171 3,368,241
Approved To Date	11 306,200

(Above figures include items in this report)

Expenditures for the period January 1 through January 31

Name & Address of Applicant	Date of Application	State Funds (Approved)	Other Funds		Date Approved Or Disapproved	Amount Approved	Description of Project
			Federal	Local			
1. Town of Sharon P.O. Box 122 Sharon, S.C. 29730	12/1/82	7,100	----	----	1/3/83	7,100	Renovations and repairs to the town hall and fire station.
2. Town of Hickory Grove P.O. Box 126 Hickory Grove, S.C. 29717	12/1/82	7,063	----	----	1/3/83	7,063	Renovation of a building to house the fire department and rescue squad.
3. Bamberg County P.O. Box 149 Bamberg, S.C. 29003	11/16/82	14,000	----	5,698	1/3/83	14,000	Renovations to courthouse.
4. Laurens County P.O. Box 737 Laurens, S.C. 29360	8/13/82	30,000	----	----	1/3/83	30,000	Upgrading of county wide emergency communication system.
5. Laurens County P.O. Box 737 Laurens, S.C. 29360	12/29/83	38,750	----	----	1/3/83	38,750	Provide sewer service to the new Dennison Manufacturing Company.
6. City of Camden 1000 Lyttleton Street Camden, S.C. 29020	12/13/82	2,500	----	1,150	1/3/83	2,500	Purchase of a United 121 Intelligence Recording System for the police department.
7. Town of Ware Shoals P.O. Box 510 Ware Shoals, S.C. 29692	1/6/83	4,800	----	----	1/6/83	4,500	Extension of water lines outside of town limit to an area not presently served.

016611

# EXHIBIT

FEB 22 1983 NO. 05

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD  
DIVISION OF LOCAL GOVERNMENTS

RURAL IMPROVEMENT FUNDS

REPORT OF February 1983

APR 1983	50	APR 1983
Balance Available For Grants		
Expended To Date		
Approved To Date		
Expended		

(Above figures include items in this report)

2

Name & Address of Applicant	Date Of Application	State Funds Requested	Other Funds		Date Approved Or Disapproved	Amount Approved	Brief Description of Project
			Federal	Local			
8. McCormick County P.O. Box 426 McCormick, S.C. 29835	8/31/82	35,000	----	----	1/7/83	35,000	Installation of a water line in the eastern portion of the county.
9. Windy Hill Volunteer Fire Company P.O. Box 15180 Quinby, S.C. 29501	12/11/82	1,500	----	----	1/12/83	1,500	Purchase of radio equipment.
10. Town of Leesville Main Street Leesville, S.C. 29070	12/11/82	7,500	----	7,500	1/12/83	7,500	Construction of a building to be used by the rescue squad.
11. Cross Key Fire Department Rt. 2 Union, S.C. 29379	12/13/82	4,000	----	----	1/12/83	4,000	Purchase of equipment.
12. Town of Batesburg Hwy 1 Batesburg, S.C. 29006	12/11/82	7,500	----	7,500	1/12/83	7,500	Construction of a building to be used by the rescue squad.
13. Greenville County Courthouse Annex Greenville, S.C. 29601	12/10/82	1,763	----	----	1/12/83	1,763	Purchase of video equipment for the sheriff's department.

EXHIBIT

FEB 22 1983

NO. 05

STATE BUDGET & CONTROL BOARD

016612

BUDGET AND CONTROL BOARD  
DIVISION OF LOCAL GOVERNMENTS

RURAL IMPROVEMENT FUNDS

REPORT OF February 1983

Available For Grants	
Approved To Date	
Approved To Date	
Expiring	

3

(Above Figure Available From In This Report)

Name & Address of Applicant	Date Of Application	State Funds Requested	State Funds		Date Approved Or Disapproved	Amount Approved	Brief Description of Project
			Federal	Local			
14. Greenville County Courthouse Annex Greenville, S.C. 29601	12/10/82	4,996	----	----	1/12/83	4,996	Purchase of aquatic equipment for the sheriff's department.
15. Town of Swansea P.O. Drawer 428 Swansea, S.C. 29460	10/10/82	26,000	----	----	1/12/83	26,000	Repairs to sewer lift station.
16. Corinth-Shiloh VFD Rt. 2, Box 493 Seneca, S.C. 29678	8/18/82	40,000	----	45,000	1/20/83	40,000	Construction of a multi-purpose community center for use as a meeting place, voting site and a fire department.
17. Grassy Pond Water Company Rt. 2, Box 311 Gaffney, S.C. 29340	12/8/82	38,000	----	5,000	1/20/83	30,000	Installation of water lines

016613

EXHIBIT

FEB 22 1983

NO. 05

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

# EXHIBIT

BLUE AGENDA

MEETING OF February 22, 1983

FEB 22 1983

NO. 06

ITEM NUMBER

6

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## STATE BUDGET & CONTROL BOARD

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Agency: General Services - State Engineer

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Subject: Project Action by Staff:

The State Engineer advises the following have been reviewed by the Joint Bond Review Committee and released by Staff:

Summary 26-83 - Educational Television Commission, Item 1.

Summary 27-83 - Budget & Control Board, General Services, Items 1A & B; Clemson University, Items 2A, B & C; University of South Carolina, Item 3; Medical University, Item 4; Technical & Comprehensive Education, Items 5B & D; Mental Retardation, Items 6A & B; Criminal Justice Academy, Item 7.

Summary 28-83 - Parks, Recreation & Tourism, Item 1; Department of Corrections, Item 2; Department of Corrections, Item 3; Department of Corrections, Item 4; Budget & Control Board, Division of General Services, Item 5; Clemson University, Item 6; Clemson University, Item 7; Clemson University, Item 8; Clemson University, Item 9; Clemson University, Item 10.

---

Board Action Requested:

Approval

---

Staff Comment:

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Attachments:

Referenced Summaries

016614

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

NUMBER

26-83

Assembled by staff of Budget and Control Board,  
Forwarded to Bond Review Committee 2/16/82Page 1 of 1

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
1. EDUCATIONAL TELEVISION COMMISSION	Increase budget to \$14,025	Add \$14,025 [8] Corporation for Public Broadcasting	H67-8049	Satellite Electronics Building: To fund additional engineering services and installation work which originally was to have been provided by ETV staff but which now will be provided by others.	APPROVED 1/27/83	staff app. 1-31-83
Supporting document pages 1-3						
2A. MENTAL RETARDATION	Increase budget to \$3,727,500	Add \$840,000 [4] Excess Debt Service, Paying Patients	J16-7854	Whitten Center - Renovation of Buildings: The State Capital Improvement Bonds authorized in Act 518 of 1980 for these purposes are scheduled for release starting in Priority Group 3, January-June 1985. his request is to add \$840,000 of excess debt service funds to project budget in order to proceed with the renovation Building Med B. It houses some bedfast patients. It does not have a protective fire alarm and life safety system. Plans and specifications have been received by the State Engineer's Office and are ready to be advertised for bids. Action on this request should only address the use of \$840,000 to finance the renovation of the Med B Building and should carry no implication for releasing the bond funds except if the Committee chooses to follow its usual procedure of deauthorizing bonds as other funding is approved.	APPROVED 1/27/83	P.C.B. Carried over 2-8-83
Supporting document pages 4-10						
2B. MENTAL RETARDATION	Decrease budget to \$295,741.79	Deduct \$298 [1] Departmental Capital Improvement Bonds (deauthorize)	J16-7100	Community Residence - Greenville: To close project.	APPROVED 1/27/83	
Supporting document page 11						
3. PARKS, RECREATION AND TOURISM	Increase budget to 2,287,735	Add \$50,000 [7] Federal	F28-7151	Hickory Knob Golf Course: To provide funds for overrun on sewage treatment facilities and fill dirt for parking area.	APPROVED 12/29/82	X
Supporting document pages 12-14						

REC.  
FEB 0 1983  
STATE ENGINEER'S OFFICEEXHIBIT  
FEB 22 1983 NO. 06  
STATE BUDGET & CONTROL BOARD

016615

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

NUMBER

27-83

SOURCE OF FUNDS			
Code	Type	Code	Type
(1) Capital Improvement Bond Proceeds		(3) Insurance Reserve Fund	
(2) Debt Capital (Payroll Bond Proceeds)		(4) Operating - State	
(3) Institution (Tuition) Bond Proceeds		(5) Federal	
(4) Revenue Bond Proceeds		(6) Athletic & Other Special	
(5) Excess Debt Service Reserve		(7)	

Assembled by staff of Budget and Control Board.

Forwarded to Bond Review Committee 1/4/83

Page 1 of 3

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
1A. BUDGET & CONTROL BOARD, GENERAL SERVICES	Increase budget to \$215,000	Add \$12,734 [7] Federal Reimbursement	F12-7017	Boylston House Restoration/Renovations: Exterior renovation completed; remaining funds will be used to continue interior renovation of the Boylston House and the restoration/renovation of outbuildings. These funds are part of the original \$65,000 federal grant.	APPROVED 1/27/83	Staff CBB 1-31-83
Supporting document pages 1-2						
1B. BUDGET & CONTROL BOARD, GENERAL SERVICES	Establish project and source of funds	\$15,000 [6]	F12-8087	Calhoun Building - Renovations for Remittance Processing: To convert existing office space into an area for the automated processing of tax remittances.	APPROVED 1/27/83	Staff CBB 1-31-83
Supporting document pages 3-5						
2A. CLEMSON UNIVERSITY	Increase budget to 2,396,452.94	Add \$1,500,000 [8] "Maintenance, Repairs & Renovation Fee" (part of reclassified tuition fees)	H12-7032	Additions, Expansion & Improvement of Utility Systems, Etc.: To provide for expansion of chilled water system primarily to accommodate new chemistry building. Most of these funds projected to be drawn during calendar year 1984. Significant additional operating costs are indicated.	APPROVED 1/27/83	BACB Staff CBB 2-8-83
Supporting document pages 6-9						
2B. CLEMSON UNIVERSITY	Increase budget to \$559,000	Add \$509,000 [8] "Maintenance, Repairs & Renovation Fee" (part of reclassified tuition fees)	H12-8005	Central Energy Plant - Pollution Control Devices: To finance development of contract documents and construction of pollution control facilities. Planning study approved in Summary 3-83 in response to DHEC Administrative Order 82-1-A. Funds projected to be drawn mostly in FY 1983-84.	APPROVED 1/27/83	BACB Staff CBB 2-8-83
Supporting document pages 10-15						
2C. CLEMSON UNIVERSITY	Establish project and source of funds	\$33,000 [8] "Maintenance, Repairs & Renovation Fee" (part of reclassified tuition fees)	H12-8088	Telecommunications System Expansion: To provide addition to underground duct system for additional voice circuits from Hwy 93 at Sikes Hall to a point near Mauldin Hall. Staff of General Services have determined that this project is compatible with proposed State microwave system. \$16,100 is for work by University forces.	APPROVED 1/27/83	Staff CBB 1-31-83
Supporting document pages 16-23						
EXHIBIT						
FEB 22 1983						
NO. 06						

STATE BUDGET &amp; CONTROL BOARD

916610



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

NUMBER

27-83

Assembled by staff of Budget and Control Board.

Forwarded to Bond Review Committee 1/4/83

Page 2 of 3

NAME OF AGENCY OR INSTITUTION		ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
3. UNIVERSITY OF SOUTH CAROLINA		Revise source of funds	Add \$100,000 [4] Excess Tuition Bond Debt Service; Deduct \$100,000 [2] Tuition Bond Proceeds	H27-7871	Lancaster - Health, Community & Physical Education Building: To shift \$100,000 of project budget from tuition bond proceeds to excess tuition bond debt service funds.	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 24-26							
4. MEDICAL UNIVERSITY		Establish project and source of funds	\$5,000,000 [3] Hospital Revenue Bonds	H51-8089	Hospital Addition and Renovations, Phase VIII: To finance planned renovations at the MU Hospital for which capital improvement bonds have been authorized but which are not available to the institution (These funds are mainly in Priority Groups 4, 6, 7 & 8). The projects are considered "urgent" by MISC.	APPROVED 1/27/83	B+CB Staff app 2-8-83
Supporting document pages 27-32							
5. TECHNICAL AND COMPREHENSIVE EDUCATION		Increase budget to \$4,000,000	Add \$1,500,000 [0] Capital Improvement Bonds Add \$2,296,500 [8] Local	H59-7792	York - Classroom/Learning Center: To permit project to proceed. Capital Improvement Bond funds are in Priority Groups 2, 3 and 4 (\$500,000 in each).	APPROVED 1/27/83	B+CB Carried over 2-8-83
Supporting document pages 33-35							
58. TECHNICAL AND COMPREHENSIVE EDUCATION		Decrease budget to \$55,746	Deduct \$4,254 [8] Local	H59-7988	York - Parking Lot Expansion: To close out project. Fund balance to local capital account.	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 36-37							
59. TECHNICAL AND COMPREHENSIVE EDUCATION		Increase budget to \$57,470	Add \$8,470 [8] Local	H59-8053	Greenville - Truck Driver Training Facility (Donaldson Center): To provide funding needed to award contract. Bids received December 17, 1982.	APPROVED 1/10/83 Void	Void
Supporting document pages 38-41							
59. TECHNICAL AND COMPREHENSIVE EDUCATION		Establish project and source of funds	\$82,500 [8] Local	H59-8090	Greenville - Roof for Library/Classroom Building: To replace 16-year-old roof.	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 42-43							

EXHIBIT

FEB 22 1983

NO. 06

STATE BUDGET &amp; CONTROL BOARD

016617

## 27-83

Forwarded to Bond Review Committee 1/4/83

Page 3 of 3

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
6A. MENTAL RETARDATION	Reduce budget to \$107,183	Deduct \$7,007 [4] Excess Debt Service Funds (transfer to J16-7970, below)	J16-7962	Coastal Region - Community Residence, Charleston: To reduce budget for basic equipment and supplies.	APPROVED 1/27/83	stuff OPP 1-31-83
Supporting document pages 44-45						
6B. MENTAL RETARDATION	Increase budget to \$25,507	Add \$7,007 [4] Excess Debt Service Funds (transfer from J16-7962, above)	J16-7970	Pee Dee Center - Energy Retrofit for Doogwood Circle Residences: To finance the completion of this project.	APPROVED 1/27/83	stuff OPP 1-31-83
Supporting document pages 46-49						
7. CRIMINAL JUSTICE ACADEMY	Establish project and source of funds	\$48,000 [8] Bond Forfeitures and Fines	N20-8091	Maintenance Support Building: To provide a 4,000 square foot, one-story, pre-engineered metal building for maintenance offices (3) and shop area.	APPROVED 1/27/83	stuff OPP 1-31-83
Supporting document pages 50-56						

## EXHIBIT

FEB 22 1983 NO. 06

STATE BUDGET & CONTROL BOARD

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

NUMBER

28-83

Assembled by staff of Budget and Control Board.  
Forwarded to Bond Review Committee 1/18/83

Page 1 of 3

SOURCE OF FUNDS			
Code	Type	Code	Type
(01) Capital Improvements Bond Proceeds		(11) Insurance Reserve Fund	
(11) Dept Capital Improv Bond Proceeds		(12) Operating - State	
(12) Institution (Tuition) Bond Proceeds		(13) Federal	
(13) Revenue Bond Proceeds		(14) Athletics & Other Special	
(14) Excess Debt Service/Interest		(15)	

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
1. Parks, Recreation and Tourism	Increase budget to \$175,000	Add \$25,000 [8] Park Revenues	F28-8006	Charles Towne Landing Renovations: To provide funds for Change Order 3 for cleaning, priming and painting of metal decking and framing structures.	APPROVED 1/27/83	staff OPB 1-31-83
Supporting document pages 1-2						
2. Department of Corrections	Increase budget to \$350,000-500,000	Add \$275,000 [0] Capital Improvement Bond Funds (amount is included in Priority Group 2) 425,000.	N04-8032	Fire/Life Safety: To reflect funds to be made available as a part of Priority Group 2 previously approved by the Committee.	APPROVED 1/27/83	staff OPB 2-8-83
Supporting document page 3						
3. Department of Corrections	Increase budget to \$750,000-1,550,000	Add \$650,000 [0] Capital Improvement Bond Funds (amount is included in Priority Group 2) 450,000	N04-8057	Kirkland Psychiatric Facility: To reflect funds to be made available as a part of Priority Group 2 previously approved by the Committee.	APPROVED 1/27/83	staff OPB 2-8-83
Supporting document page 4						
4. Department of Corrections	Increase budget to \$149,750	Add \$75,000 [0] Capital Improvement Bond Funds (amount is included in Priority Group 2)	N04-8061	Blue Ridge Renovations: To reflect funds to be made available as a part of Priority Group 2 previously approved by the Committee.	APPROVED 1/27/83	staff OPB 2-8-83
Supporting document page 5						
5. Budget and Control Board, Division of General Services	Change scope of project to include reroofing and plaza caulking	No change in overall budget. The remaining funds in present budget \$83,377.63 are proposed to finance additional work on same building.	F12-7270	Eutledge Building Exterior Marble Surface: The work to repair the exterior marble surface of the building is complete. Request is for authorization to use balance to finance the reroofing of the building and the caulking of the plaza exterior.	APPROVED 1/27/83	staff OPB 1-27-83
Supporting document page 6						
6. Clemson University	Reduce budget to \$62,439.16	Deduct \$2,197,560.84 [0] Capital Improvement Bond Funds (Includes 1,960.84 of these funds drawn but not spent.)	H12-7030	Brackett Hall Renovation: To close abandoned project and transfer funds to new chemistry building project per Act 179 of 1981. \$2,195,600 of these funds are included in the \$9,595,600 of Capital Improvement Bond funds not now available to Clemson. First draw of these funds is tentatively set for Group 3 (see Page 12 of JBRC listing).	APPROVED 1/27/83	staff OPB 2-8-83
Supporting document pages 7-9						

EXHIBIT

FEB 22 1983

NO. 06

STATE BUDGET &amp; CONTROL BOARD

016619

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

NUMBER

28-83

Assembled by staff of Budget and Control Board.

Forwarded to Bond Review Committee 1/18/83

Page 2 of 3

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
7. Clemson University	Establish project and source of funds	\$20,000 [4] Student and Faculty Housing Revenue Bond Revenues	H12-8092	Manning and Byrnes Halls - Replace Doors	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 10-15						
8. Clemson University	Establish project and source of funds	\$14,000 [4] Student and Faculty Housing Revenue Bond Revenues	H12-8093	Mauldin/Smith/Barnette Halls - Laundry Repairs	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 16-21						
9. Clemson University	Establish project and source of funds	\$25,000 [4] Student and Faculty Housing Revenue Bond Revenues	H12-8094	Thornhill Village - Sanitary Sewer Improvements	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 22-27						
10. Clemson University	Establish project and source of funds	\$23,000 [6] Operating	H12-8095	Relocate Aerial Power Line: To relocate primary power line across Clemson Bottoms (which presently serves the pump station and sewage treatment facility) to permit installation of lateral-move irrigation system. The irrigation system should be installed before spring planting time.	APPROVED 1/27/83	Staff app 1-31-83
Supporting document pages 28-34						
11. Clemson University	Establish project and source of funds	\$145,000 [9] Funds left to Clemson in will of Mr. Breazeale of Belton	H12-8096	Purchase of Richardson Property, 112 Daniel Drive: Request is for after-the-fact approval of the purchase of the referenced property. The purchase was approved by CHE on 8/5/82 in response to Clemson's 7/16/82 letter. However, CHE's 8/11/82 approval letter to the Budget and Control Board apparently was misplaced and the necessary E-1 form was not filed with the Board. The property is a 2-story (3,184 sq. ft. finished and 1,674 sq. ft. unfinished basement) residence on a lot of about 1 acre. Three appraisals were made with value estimates ranging from a low of \$135,250 to a high of \$165,000. It is adjacent to the Clemson campus and is for office space use.	APPROVED 1/27/83	
Supporting document pages 35-40						
					STATE BUDGET	FEB 22 1983
						EXH

STATE BUDGET &amp; CONTROL BOARD

FEB 22 1983

EXHIBIT

NO. 0-6

016620



# EXHIBIT

STATE BUDGET AND CONTROL BOARD

MEETING OF February 22, 1983

FEB 22 1983

NO. 07

BLUE AGENDA

ITEM NUMBER

7

## STATE BUDGET & CONTROL BOARD

Agency: General Services - State Engineer

Subject: Project Action by Staff

The State Engineer advises the following action by Staff on Permanent Improvement Projects. JBRC action not required.

### Wildlife & Marine Resources:

Cashua Ferry Boat Landing (8-53) - Decrease project funds by \$5,984.38. Unexpended funds to remain in the Darlington County Water Recreation Resource Fund.

# EXHIBIT

FEB 22 1983

NO. 07

STATE BUDGET & CONTROL BOARD

Board Action Requested:

Receive for Information

Staff Comment:

Attachments:

Referenced Form E-11

016621

REVISION OF PROJECT COST ESTIMATE

Date: February 1 1983

Institution or Agency: Wildlife and Marine Resources  
Name of Project: Cashua Ferry Boat Landing (8-53)  
7982  
No. P24-035

EXHIBIT

To: State Budget and Control Board  
Columbia, South Carolina

FEB 22 1983 NO. 07

Your approval of the following revised cost estimate on the above project is requested.

A statement is attached indicating the necessity of these revisions.

STATE BUDGET & CONTROL BOARD

Item	Last Estimate	Revised Estimate	Change
Site	\$	\$	\$
Grading			
Construction	24,000.00	18,015.62	-5,984.38
Fees			
Renovation			
Basic Equipment and Supplies			
Landscaping			
Builder's Risk Insurance			
Other			
Contingencies	750.00	750.00	-0-
Total Estimated Cost	\$ 24,750.00	\$ 18,765.62	\$ -5,984.38

Unexpended funds to remain in the  
Darlington County Water Recreation  
Resource Fund

(Signed) *John M. O'Hea*  
Title: Administrative Services Division

\* If the total estimated cost of the project has been increased, the source of the additional funds required should be indicated also.

APPROVED: *John M. O'Hea*  
STATE ENGINEER

DATE: 1-3-83

016622



# EXHIBIT

STATE BUDGET AND CONTROL BOARD  
MEETING OF February 22, 1983

FEB 22 1983

NO. 08  
ITEM NUMBER

AGENDA

8

STATE BUDGET & CONTROL BOARD

Agency: Division of State Fire Marshal

Subject: January, 1983 Activity Report

The attached report presents statistics on inspections and daily activities of staff of the State Fire Marshal Division.

Board Action Requested:

Receive as information.

Staff Comment:

016623

Attachments:

January, 1983 report

# EXHIBIT

JANUARY, 1983

FEB 22 1983 NO. 08

## MONTHLY REPORT

STATE BUDGET & CONTROL BOARD

DIVISION OF STATE FIRE MARSHAL

1109 Belleview Street

Columbia, S. C.

The State Fire Marshal's Office has the responsibility of fire prevention and fire protection of lives and property from fire and through the assistance of local officials and other state agencies. Through our concentrated efforts in fulfilling these responsibilities, we have obtained ----- 908 ----- full compliances in conditions which were ruled hazards to life. In conjunction with the January compliances, we conducted the following inspections:

	<u>JANUARY.</u>	<u>YEAR TO DATE</u>
I. CONFERENCES AND INVESTIGATIONS	629	3968
a. Fire Drills Held	21	73
b. Fire Extinguisher Demonstrations	41	248
II. EDUCATIONAL:		
a. Schools	56	267
b. Universities	-	2
c. Colleges	3	10
d. Academies	1	2
e. Nursery Schools	33	228
f. Kindergartens	4	99
III. RESIDENTIAL:		
a. Hotels	-	5
b. Motels	3	31
IV. REQUESTED INSPECTIONS:		
a. Homes for Aged	16	65
b. Boarding Homes	9	68
c. Orphanages	5	13
V. SERVICE STATIONS:		
a. Self Service and Full Service	1	1

016624

# EXHIBIT

-2-

FEB 22 1983

NO. 08

## STATE BUDGET & CONTROL BOARD

### VI. OTHER:

a. Prisons, Detention Centers, Etc.	6	15
b. Foster Homes	19	112
c. Condominiums	13	97
d. Miscellaneous	21	94

### VII. PUBLIC ASSEMBLIES:

a. Lounges, Restaurants, Recreation Halls, Etc.	29	168
b. Conferences and Investigations	42	199

### VIII. INSTITUTIONAL & EDUCATIONAL TRAINING PROGRAMS:

a. Training Programs Presented	37	299
b. Hospitals Visited	2	27
c. Nursing Care Facilities Visited	5	46
d. Total Number of Persons in Attendance	2283	13261
e. Special Areas, Civic Groups, Schools, Etc.	82	114

### IX. PLANS:

a. Plans & Specifications Reviewed		86
b. Conferences & Investigations		67

016625

State of South Carolina  
Division of State Fire Marshal



RICHARD S. CAMPBELL, P.E.  
State Fire Marshal

Budget and Control Board  
1109 Belleview Street  
Columbia, S.C. 29201  
(803) 758-2941

EXHIBIT  
FEB 22 1983 NO. 08  
STATE BUDGET & CONTROL BOARD

LP GAS & ANHYDROUS  
AMMONIA  
(803) 758-2247

LIQUEFIED PETROLEUM GAS DIVISION  
DIVISION OF STATE FIRE MARSHAL

The following statistics are inspections made by the LP Gas  
Division through the month of January, 1983.

The number of corrections made for this month are 138.

DECEMBER

Bulk Plants	49
Bulk Trucks	46
Cylinder Trucks	18
Transports	7
Motor Fuel Installations	41
Cylinder Charging Plants	35
Individual Installations	1,896
Conferences	208
Reinspections	<u>161</u>
TOTAL INSPECTIONS	<u><u>2,461</u></u>
Faulty Inspections	222

016626

# EXHIBIT

STATE BUDGET AND CONTROL BOARD FEB 22 1983

NO. 09 BLUE AGENDA

MEETING OF February 22, 1983

ITEM NUMBER

9

~~STATE BUDGET & CONTROL BOARD~~

Agency: Executive Director's Office

Subject: Interviewee Travel Expense Payments

Attached are 15 reports on payments of interviewee travel expenses by Clemson University, 1 by the College of Charleston, 2 by the Sea Grant Consortium, and 1 by the Department of Mental Health made pursuant to authority granted by the Board.

Board Action Requested:

Receive as information.

Staff Comment:

Attachments:

Referenced reports

016627

# EXHIBIT

FEB 22 1983

NO. 09



STATE BUDGET & CONTROL BOARD **CLEMSON**  
UNIVERSITY

## RECEIVED

FEB 7 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE January 26, 1983\*

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Thomas Joseph Maronick  
CITY OF ADDRESS: 300 Stanmore Road, Baltimore, MD 21212  
POSITION TO BE FILLED: Head, Department of Marketing

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

Gerald H. Huddle  
Department Head

[Signature]  
Dean or Director

W. David Howell  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

\*Commitment made prior to date form issued.

016628



# EXHIBIT

FEB 22 1983

NO. 09

STATE BUDGET & CONTROL BOARD

PRESIDENT

CLEMSON  
UNIVERSITY

RECEIVED

FEB 7 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

DATE January 26, 1983\*

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Robert M. Landry

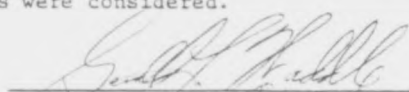
CITY OF ADDRESS: Marketing Department, LSU, 3127 CEBA, Baton Rouge, LA 70806


POSITION TO BE FILLED: Associate/Assistant Professor of Marketing

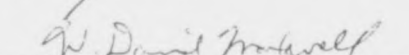
I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.


Recommended by:

  
Department Head

  
Dean or Director

  
Vice President

Approved by:

  
Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board  
Attached to all related Direct Purchase Vouchers


\*Commitment made prior to date form issued.

016629

# EXHIBIT

FEB 22 1983

NO. 09

  
CLEMSON  
UNIVERSITY

STATE BUDGET & CONTROL BOARD

# RECEIVED

FEB 7 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE January 26, 1983\*

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

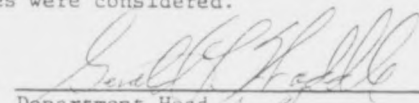
NAME OF RECRUIT: Charles W. Gross

CITY OF ADDRESS: 65 Flint Drive, Lake Barrington, IL 60010

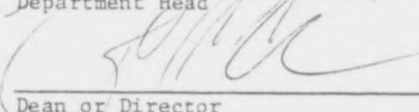
POSITION TO BE FILLED: Head, Department of Marketing

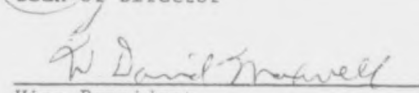
I certify that in recruitment for the above position the following determinations were made:

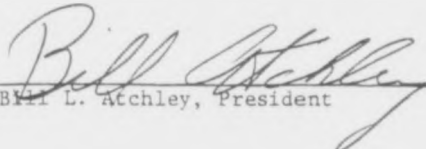
1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by: 

Department Head

  
Dean or Director

  
Vice President

Approved by: 

Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

\*Commitment made prior to date form issued.

016630

# EXHIBIT

FEB 22 1983

NO. 09 CLEMSON  
UNIVERSITY

# RECEIVED

FEB 7 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

## STATE BUDGET & CONTROL BOARD

PRESIDENT

DATE January 26, 1983\*

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Wallace Daniel Rountree

CITY OF ADDRESS: P.O. Box 1160, Boone, NC 28607

POSITION TO BE FILLED: Head, Department of Marketing

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

*Donald J. Kaddell*  
Department Head

*[Signature]*  
Dean or Director

*W. David Maxwell*  
Vice President

Approved by:

*Bill L. Atchley*  
Bill L. Atchley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

\*Commitment made prior to date form issued.

016631

# EXHIBIT

FEB 22 1983

NO. 09



STATE BUDGET & CONTROL BOARD

CLEMSON  
UNIVERSITY

## RECEIVED

FEB 7 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE February 1, 1983

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Peggy Lea Eunice

CITY OF ADDRESS: Lincoln, Nebraska

POSITION TO BE FILLED: Federally funded faculty position; Graduate Program, College of Nursing. Area: Maternal-infant nursing.

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

Madeleine G. Gentry  
Department Head

Mary Ann  
Dean of Director

W. Paul Howell  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016632

# EXHIBIT

FEB 22 1983

NO. 09

CLEMSON  
UNIVERSITY

## RECEIVED

FEB 8 1983

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE February 3, 1983

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: William F. Shughart, II

CITY OF ADDRESS: Washington, DC

POSITION TO BE FILLED: Assistant Professor 1309/U026

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by: Rex L. Cathe  
Department Head

[Signature]  
Dean or Director

W. David Maxwell  
Vice President

Approved by:

Bill L. Archley  
Bill L. Archley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016633

EXHIBIT



RECEIVED

FEB 22 1983

NO. 09 CLEMSON  
UNIVERSITY

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT STATE BUDGET & CONTROL BOARD

DATE February 7, 1983

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Jacquetta J. McClung

CITY OF ADDRESS: Route 2, Indiahoma, OK 73552

POSITION TO BE FILLED: Faculty, Department of Marketing

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

Donald L. Haddell  
Department Head

[Signature]  
Dean or Director

W. Donald Maxwell  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016634



# EXHIBIT

FEB 22 1983

NO. 09

CLEMSON  
UNIVERSITY

STATE BUDGET & CONTROL BOARD

PRESIDENT

## RECEIVED

FEB 8 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

DATE February 2, 1983

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Kenneth R. Tillery  
CITY OF ADDRESS: Atlanta, Georgia  
POSITION TO BE FILLED: Asst/Assoc. Professor of Management

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

[Signature]  
Department Head

[Signature]  
Dean or Director

W. David Maxwell  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016635

EXHIBIT

FEB 22 1983

NO. 09

CLEMSON  
UNIVERSITY

STATE BUDGET & CONTROL BOARD

RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE February 7, 1983

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Kenneth R. Tillery

CITY OF ADDRESS: Atlanta, Georgia

POSITION TO BE FILLED: Asst/Asso Professor of Management

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

[Signature]  
Department Head

[Signature]  
Dean or Director

W. David Murrell  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board  
Attached to all related Direct Purchase Vouchers

016636

EXHIBIT

FEB 22 1983

NO. 09 CLEMSON  
UNIVERSITY



RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT STATE BUDGET & CONTROL BOARD

DATE February 7, 1983

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Dr. Jean Tillery

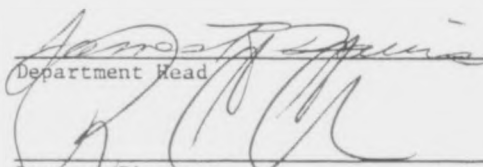
CITY OF ADDRESS: Lilburn, Georgia

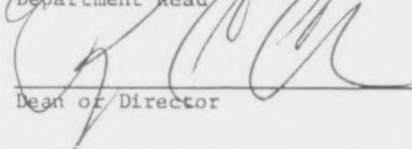
POSITION TO BE FILLED: Assistant Professor

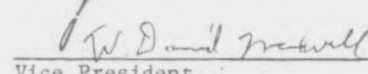
I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

  
Department Head

  
Dean of Director

  
Vice President

Approved by:

  
Bill L. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016637

# EXHIBIT

FEB 22 1983

NO. 09

CLEMSON  
UNIVERSITY

RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT'S STATE BUDGET & CONTROL BOARD

DATE February 8, 1983

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Clark Nardinelli

CITY OF ADDRESS: New Orleans, LA

POSITION TO BE FILLED: Assistant Professor

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

*Rex L. Gottlieb*  
Department Head

*[Signature]*  
Dean or Director

*W. Donald Maxwell*  
Vice President

Approved by:

*Bill L. Archley*  
Bill L. Archley, President

## Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016638

# EXHIBIT

FEB 22 1983

NO. 09 CLEMSON  
UNIVERSITY

RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT STATE BUDGET & CONTROL BOARD

DATE February 8, 1983

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: David Feldman

CITY OF ADDRESS: Durham, NC

POSITION TO BE FILLED: Assistant Professor

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

*Rex L. Kottler*  
Department Head

*W. David Maxwell*  
Dean or Director

*W. David Maxwell*  
Vice President

Approved by:

*Bill E. Atchley*  
Bill E. Atchley, President

Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016639

# EXHIBIT

FEB 22 1983

NO. 09

CLEMSON  
UNIVERSITY

STATE BUDGET & CONTROL BOARD

PRESIDENT

## RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

DATE February 7, 1983

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Jeannie Gaines (who has now signed a contract with the University)  
CITY OF ADDRESS: Gainesville, Florida  
POSITION TO BE FILLED: Asst./Asso. Professor of Management (Assistant)

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
  2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
  3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.
- \* Mrs. Gaines was recruited prior to this forms creation. The expenses she incurred were also prior to this forms requirement.

Recommended by:

Department Head

Dean or Director

W. David McFalls  
Vice President

Approved by:

Bill L. Atchley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board  
Attached to all related Direct Purchase Vouchers

016640



MST

College of Agricultural Sciences  
Cooperative Extension Service

OFFICE OF THE DIRECTOR

RECEIVED

FEB 14 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR



CLEMSON  
UNIVERSITY

February 3, 1983

MEMORANDUM TO: Dr. L. P. Anderson, Dean  
College of Agricultural Sciences

FROM:

Wayne T. O'Dell  
Associate Dean and Director

N.B. The Direct Purchase Voucher, Invoice No. 30563, was processed January 11, 1983 to pay for an airline ticket in the amount of \$246.00 for Mr. Teron Jackson to come to Clemson for an interview for the position of 4-H Camp Director (Student Development Specialist III). This commitment was made prior to the memorandum dated January 12, 1983 from President Atchley on the subject "Budget and Control Board Interviewee Travel Expense Payment Policy." This is provided for your information.

Also attached is a voucher dated February 1, for lodging and meal expenses involved for this same interview date.

re

Attachments

Bill Atchley

EXHIBIT

FEB 22 1983

NO. 09

STATE BUDGET & CONTROL BOARD

016641

# EXHIBIT

FEB 22 1983

NO. 09

STATE BUDGET & CONTROL BOARD



## RECEIVED

FEB 17 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

PRESIDENT

DATE February 11, 1983

### EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT

NAME OF RECRUIT: Rose L. Norman

CITY OF ADDRESS: College Station, Texas 77843

POSITION TO BE FILLED: Assistant Professor of English (Business Writing) 1503-4023

I certify that in recruitment for the above position the following determinations were made:

1. The significance of the position warrants incurring such costs.
2. Payment of the expenses involved in bringing the above individual to Clemson is more cost efficient than sending representatives to the recruit's home town.
3. Qualified applicants residing in South Carolina were considered before applicants from other states were considered.

Recommended by:

A. W. Keen  
Department Head

Robert A. Waller  
Dean or Director

W. David Merrill  
Vice President

Approved by:

Bill L. Atchley  
Bill L. Atchley, President

#### Distribution:

Original: President's Office

Approved Copy: Executive Director, Budget and Control Board

Attached to all related Direct Purchase Vouchers

016642



# THE COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA 29401

## EXHIBIT

FEB 22 1983

NO. 09

Office of the President

EMPLOYEE RECRUITMENT - TRAVEL REIMBURSEMENT STATE BUDGET & CONTROL BOARD

NAME OF RECRUIT: Robert T. Dillion Jr  
CITY ADDRESS: NEWARK, N.J.  
POSITION TO BE FILLED: Faculty - Bio Dept.  
TRAVEL DATES: FROM JAN 19 TO JAN 21 1983  
TOTAL TRAVEL REIMBURSEMENT: \$ 26052

Significance of position warrants such costs and the payment is more cost efficient than sending representatives to the recruits' home town. In making this determination the College has considered qualified candidates residing within South Carolina.

Approved by: Edward M. Collins, Jr.  
Edward M. Collins, Jr.  
President

Original: Accounts Payable  
Copy: Budget and Control Board ✓

016643

FOUNDED 1770

# THE SOUTH CAROLINA SEA GRANT CONSORTIUM

221 FORT JOHNSON ROAD  
JAMES ISLAND  
CHARLESTON, SC  
29412  
TEL. (803)793-9650

RECEIVED

FEB 1 0 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

February 8, 1983

## BOARD OF TRUSTEES

Dr. Bill L. Atchley  
President  
Clemson University

Dr. Edward M. Collins, Jr.  
President  
College of Charleston

Dr. James Holderman  
President  
University of South Carolina

Dr. James B. Edwards  
President  
Medical University of  
South Carolina

Dr. Maceo Nance  
President  
South Carolina State College

Major General James A. Grimsley, Jr.  
Chairman  
President  
The Citadel

Dr. James A. Timmerman  
Executive Director  
South Carolina Wildlife and  
Marine Resources Department

Mr. William T. Putnam  
Executive Director  
State Budget & Control Board  
P.O. Box 12444  
Columbia, South Carolina 29211

Dear Mr. Putnam:

The Consortium has agreed to reimburse the travel expenses of Mr. Joe Lanham and Mr. Leon Abbas to attend an interview for the position of Director of Sea Grant Consortium which was held in Columbia, S. C. January 5, 1983. The travel expenses for these interviewees is significantly less than the expenses would have been for the Board of Trustees of the Consortium to travel to their respective cities to interview each of them.

We appreciate your cooperation and consideration in this matter.

Respectfully,

*Ernesto M. Torres*  
Ernesto M. Torres  
Comptroller

elk

EXHIBIT

FEB 22 1983

NO. 09

STATE BUDGET & CONTROL BOARD

016644

FEB 9 1983

# EXHIBIT

FEB 22 1983

NO. 09

## MEMORANDUM

STATE BUDGET & CONTROL BOARD

TO: State Commissioner of Mental Health

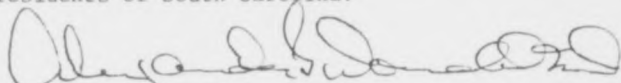
FROM: Director, William S. Hall Psychiatric Institute

SUBJECT: Request To Expend Travel Funds for a Residency Applicant

I request approval of travel reimbursement in the amount of approximately \$297.19 for Mary C. Ward, for an interview at the Institute for the position of first year psychiatric resident (PGY 1).

Because the Institute is a teaching facility, it is necessary that residents be actively recruited for the training program in general psychiatry; and the cost is warranted. The cost of this interview will be less than to pay the cost of five staff members to travel to Charlottesville, Virginia, for the interview. In addition, it is imperative that the applicant see the Institute to make an informed decision.

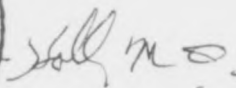
There are six residency positions to be filled, and we have not had six qualified applicants who are residents of South Carolina.



Alexander G. Donald, M. D.

agb

CC: William A. McInnis  
Deputy Executive Director  
State Budget and Control Board



016645

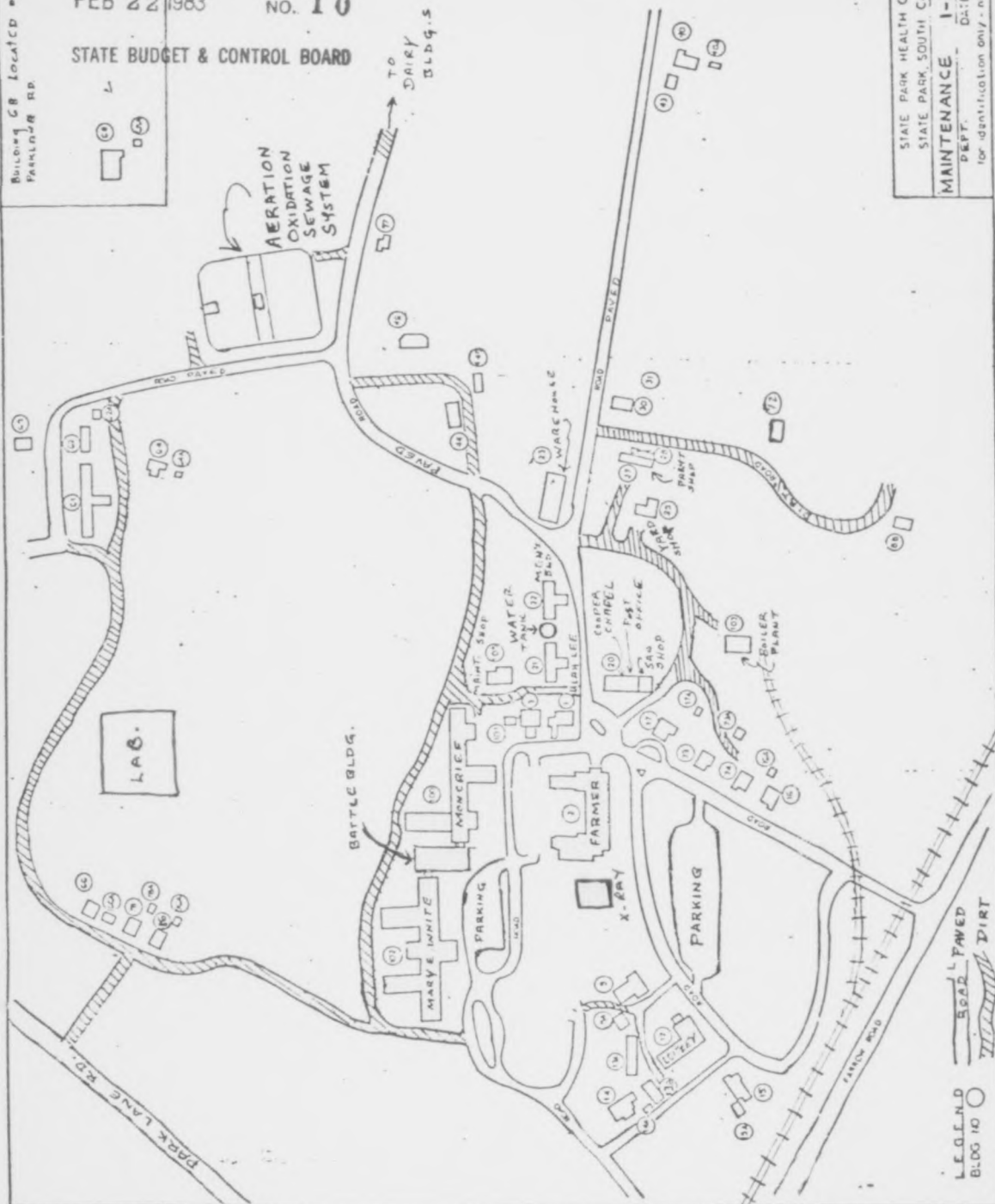
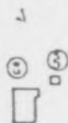
# EXHIBIT

FEB 22 1983

NO. 10

STATE BUDGET & CONTROL BOARD

Building CB located on  
PARKING RD.



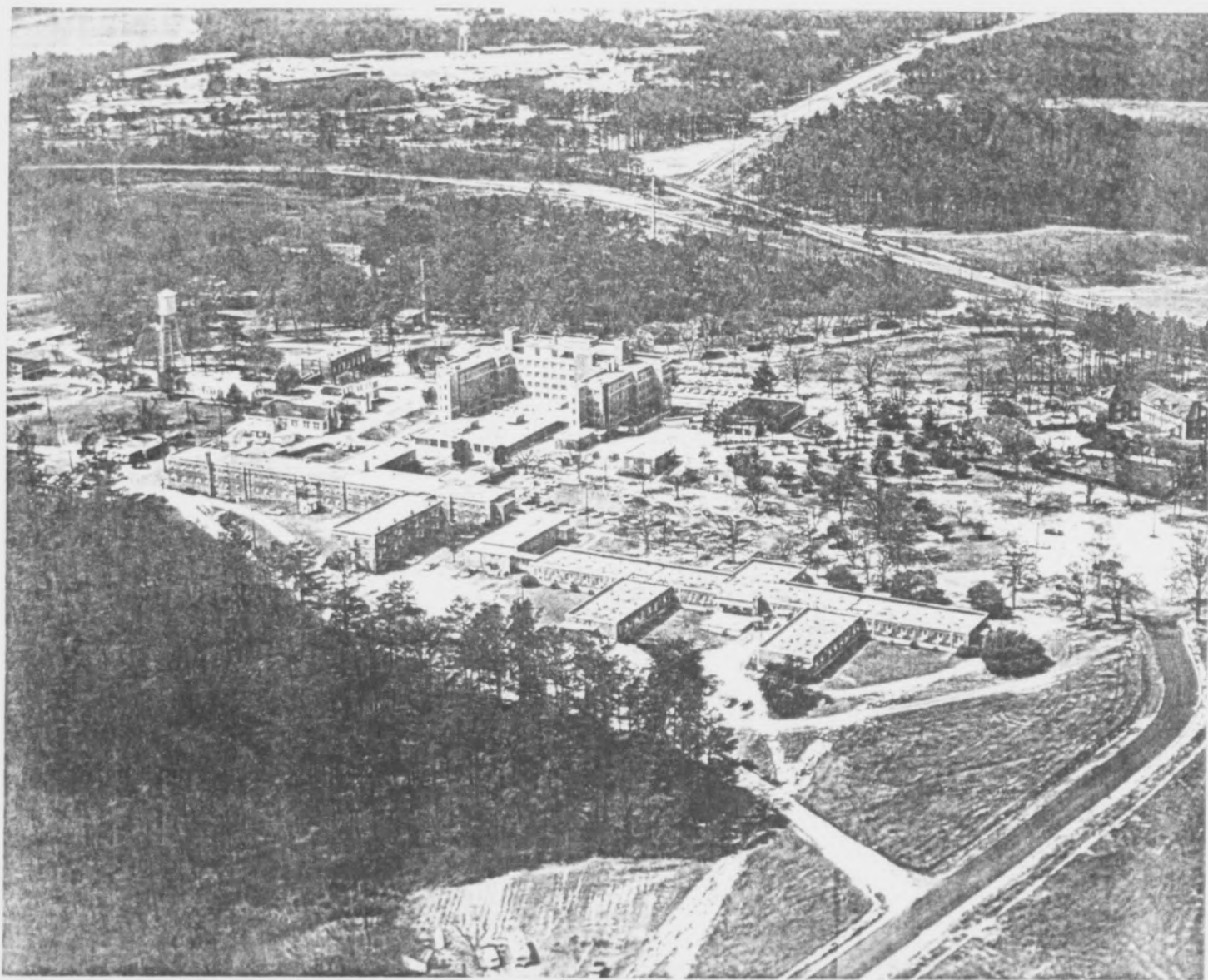
STATE PARK HEALTH CENTER  
STATE PARK SOUTH CAROLINA  
MAINTENANCE 1-25-74  
DEPT. DATE  
for identification only - not to scale

016646

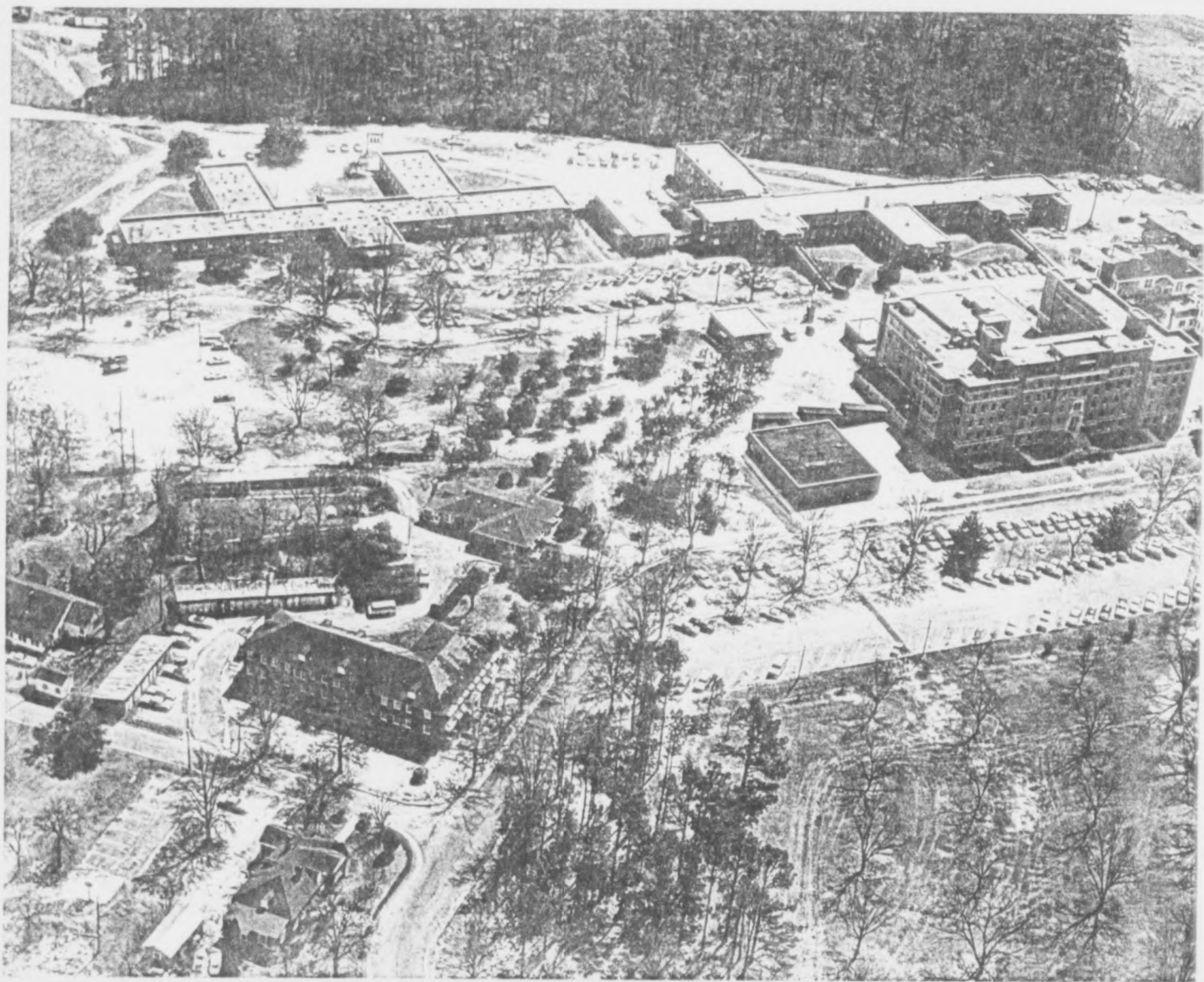




016647



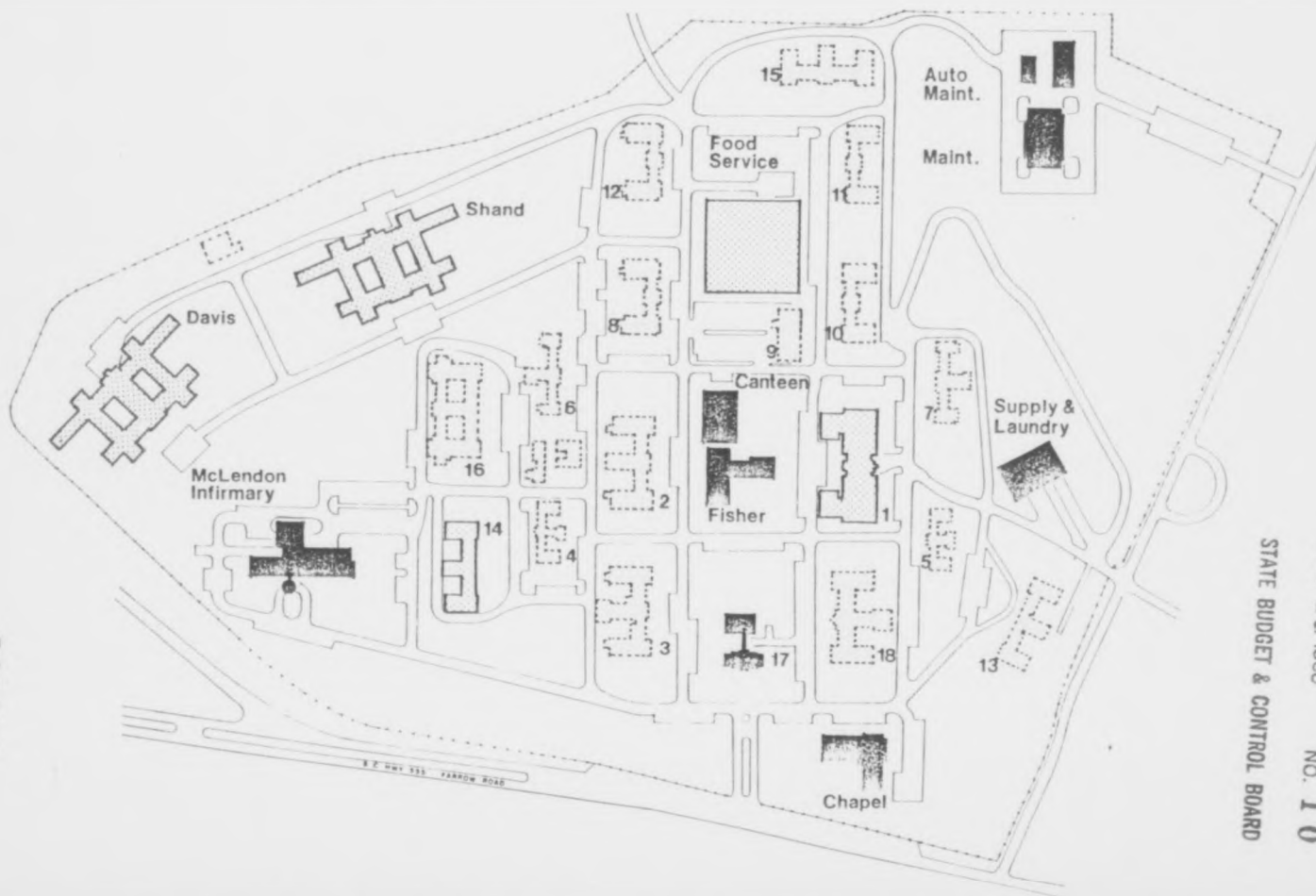
016648



016649



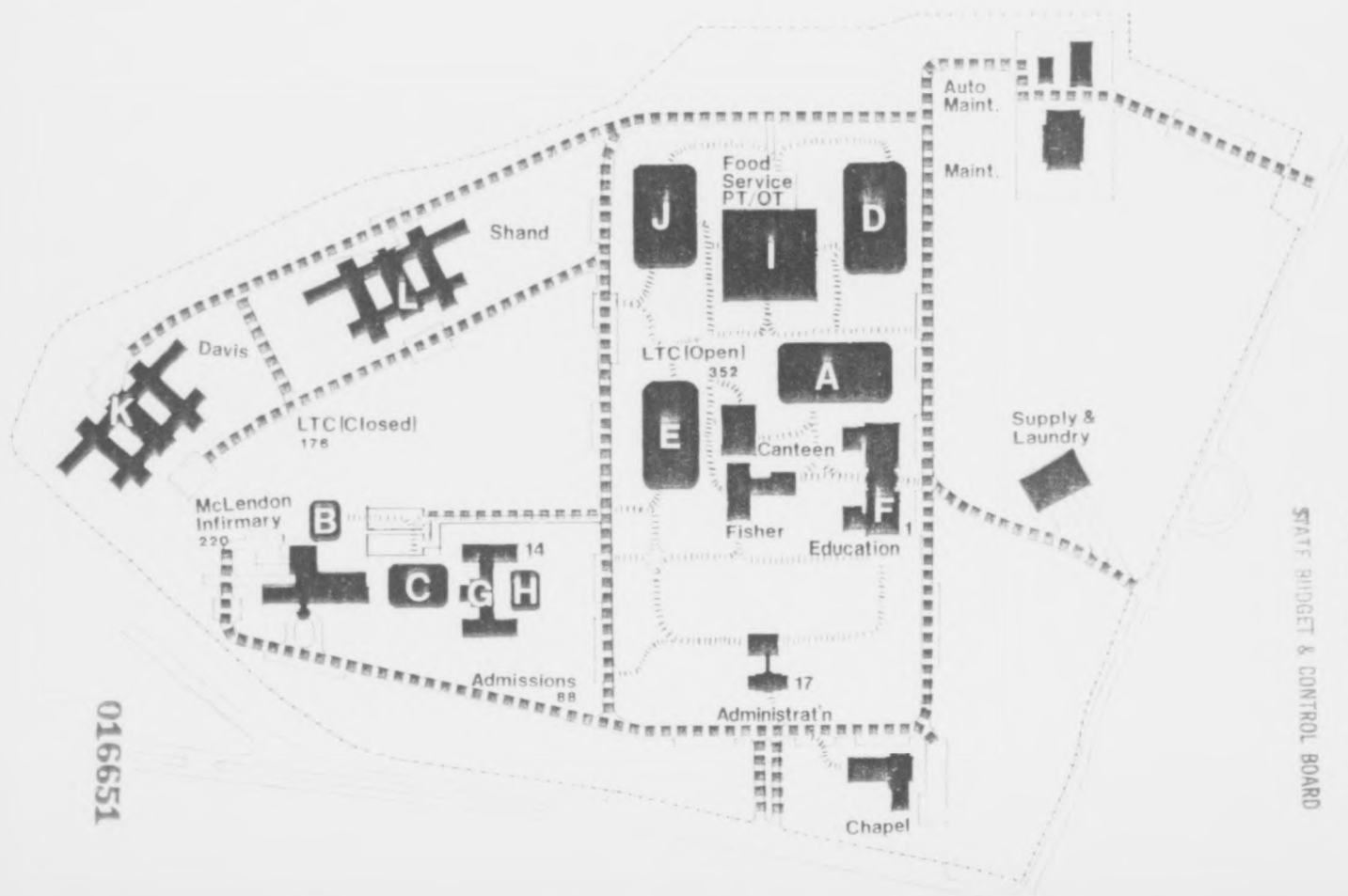
CRAFTS FARROW



016650

EXHIBIT  
FEB 22 1983 NO. 10  
STATE BUDGET & CONTROL BOARD

CRAFTS FARROW  
PROPOSED



016651

EXHIBIT  
FEB 22 1983 NO. 10  
STAFF BUDGET & CONTROL BOARD

# EXHIBIT

FEB 22 1983

NO. 11

## STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR  
P.O. BOX 11333  
COLUMBIA  
29211

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

## STATE BUDGET & CONTROL BOARD

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

### M E M O R A N D U M

TO: All Agency Heads

FROM: Edgar A. Vaughn, Jr. *EA*  
State Auditor

DATE: December 20, 1982

At its meeting on Friday, December 17th, the Budget and Control Board adopted, in concept, a plan to reduce expenditures for the 1982-83 budget by approximately 60 million dollars, to bring expenditures in line with revised revenue estimates. The details of this plan are still being developed and some aspects would require legislation, such as a "mandated furlough". Nevertheless, your agency is hereby notified to be prepared to implement a reduction of budgeted funds of up to 3.5% of your 1982-83 revised budget (October 15, 1982). Enclosed, for your information, is a copy of the budget reduction proposal approved by the Board.

If you have any questions, please call your budget analyst. We expect to forward details after January 14th.

/dmc

attachment

016652



12/17/82

PROPOSED BUDGET REDUCTIONS  
1982-83

Item	Proposed Board Action	Suggested Legislation
Executive Branch		
Public Education	\$20,881,868	Mandate 5 days school closing
Aid to Subdivisions	4,573,329	
Debt Service	2,000,000	
Personal Service and Employer Contributions	20,607,462	A. 5 days furlough for all State employees (11,578,055) B. Recapture unobligated salary budget (4,646,617) C. "Other Funds" transfer for furlough savings (4,382,790)
Specific Reductions	1,639,000	See Schedule I
One Time/Off Budget Reductions	9,647,765	See Schedule II
Legislative Branch	291,000	
Judicial Branch	98,885	Furlough for Classified/Unclassified
Total	59,739,309	

STATE BUDGET &amp; CONTROL BOARD

FEB 22 1983 NO. 11

EXHIBIT

016653

# EXHIBIT

FEB 22 1983 NO. 11

January 11, 1982

STATE BUDGET & CONTROL BOARD

## DESCRIPTION OF OPTIONS

1. Option 1 represents the same plan which was adopted, in concept, by the Board on December 17, 1982, as adjusted and updated.
2. Option 2 represents the capture of all items on the original plan, as adjusted, with the exception of unobligated State salary funds and balances with an across-the-board reduction of .32%. This plan exempts Debt Service (adjusted) only.
3. Option 3 is basically the same as option 2 above except that it exempts everything from the cut that was exempted in the 4.6% cut (as adjusted) and would require an across-the-board reduction of .35%.
4. Option 4 is the same as option 3 except that it also exempts the small agencies with appropriations of less the \$100,000. This has no effect on the across-the-board, which remains at .35%.
5. Option 5 captures only Debt Service excess, specific State reductions and one-time off budget reductions. The remaining reductions exempts only Debt Service and would require an across-the-board reduction of 2.44%.
6. Option 6 captures the same items as option 5. It exempts the same items as the 4.6% reduction (adjusted) and would require a 2.72% across-the-board reduction.
7. Option 7 captures the same as option 6, but adds the small agencies, i.e. less than \$100,000, to the exemption. This option requires an across-the-board of 2.73%.
8. Option 8 utilized specific appropriation reductions as in other options, but only utilizes those one time off budget reductions which require no legislative action.
9. Option 9 is the same as option 8, except that the items exempted under the 4.6% reduction are exempted from the across-the-board reduction.

016654

Budget Reduction Options  
January 11, 1983

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>	<u>Option 5</u>	<u>Option 6</u>	<u>Option 7</u>	<u>Option 8</u>	<u>Option 9</u>
Public Education	20,881,868	20,881,868	20,881,868	20,881,868					
Aid to Subdivisions	3,611,072	3,611,072	3,611,072	3,611,072					
Debt Service	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Personal Service and Employer Contributions	20,607,462	14,566,005	14,566,005	14,566,005					
Specific Appropriation Reductions	1,639,000	1,639,000	1,639,000	1,639,000	1,639,000	1,639,000	1,639,000	1,639,000	1,639,000
One Time/Off Budget Reductions	10,640,878	10,640,878	10,640,878	10,640,878	10,640,878	10,640,878	10,640,878	7,140,878	7,140,878
Legislative	291,000	291,000	291,000	291,000					
Judicial	98,885	98,885	98,885	98,885					
Across the Board		5,771,292	5,771,292	5,771,292	45,220,122	45,220,122	45,220,122	48,720,122	48,720,122
% (Approximate)		.32	.35	.35	2.44	2.72	2.72	2.63	2.93
Totals	59,770,165	59,500,000	59,500,000	59,500,000	59,500,000	59,500,000	59,500,000	59,500,000	59,500,000
Base (000 Omitted)		1,856,020	1,663,262	1,661,905	1,856,020	1,663,262	1,661,905	1,856,020	1,663,262

016655

EXHIBIT  
FEB 22 1983 NO. 11  
STATE BUDGET & CONTROL BOARD

# EXHIBIT

STATE BUDGET AND CONTROL BOARD FEB 22 1983  
MEETING OF February 22, 1983

NO. 12 REGULAR SESSION AGENDA  
ITEM NUMBER 3

---

STATE BUDGET & CONTROL BOARD

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Agency: Executive Director's Office and Finance Division

Subject: 1984-85 Budget Process Schedule

In the past, in the preparation of the annual budget recommendation to the General Assembly, the Board has operated on a schedule which identifies the major functions to be performed and the approximate completion date of each.

A proposed schedule for preparation of the 1984-85 budget is attached.

---

Board Action Requested:

Approve attached schedule.

---

Staff Comment:

---

Attachments:

Referenced schedule

016656

# BUDGET PROCESS

FY 1984-85

FY 1982-83 BUDGET CLOSED  
FY 1983-84 BUDGET BEGINS  
ECONOMIC FORECASTS

MARCH APRIL MAY JUNE JULY AUG SEP OCT NOV DEC

DESIGN BUDGET PROCESS

PRINT MANUALS + FORMS

TRAIN AGENCIES

FUNC. GRPS. COMPLETE STATE OF STATE RPT.

FUNC. GRP. PRESENTATION TO B+C.B. (WAMPEE)

B+C.B. DEVELOPS BUDGET PRIORITIES

AGENCIES NOTIFIED OF PRIORITIES

AGENCIES DEVELOP BUDGET REQUESTS

REQUESTS SUBMITTED TO B+C.B.

STAFF REVIEW + ANALYSIS

B+C.B. REVIEW + ANALYSIS (HEARINGS)

ALLOCATIONS TO AGENCIES

PRINT DETAIL BUDGET FORMS, MANUALS

TRAIN AGENCIES

AGENCIES PREPARE DETAIL BUDGET

B+C.B. FINAL REVIEW + APPROVAL

BUDGET SENT TO PRINTER, WAM. Com.

## EXHIBIT

FEB 22 1983

NO. 12

STATE BUDGET & CONTROL BOARD

016657

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 22, 1983 FEB 22 1983

NO. 13 ITEM NUMBER

4

Agency: General Services

STATE BUDGET & CONTROL BOARD

Subject: Wildlife and Marine Resources Airplane Trade-In

In accordance with previous approvals by the Budget and Control Board and the Joint Bond Review Committee, the Wildlife and Marine Resources Department proposed to trade-in its existing Cessna 180 airplane on the acquisition of a replacement Cessna 180.

A proposal was received under which the proposer allowed a trade-in value of \$31,019.20 on the Cessna 180 owned by the Wildlife and Marine Resources Department. Authorization to apply this amount toward the purchase of a replacement aircraft exceeds the authority of the Division of General Services to approve.

The replacement airplane was flown from Maine to Columbia on Thursday, February 10, and, in order to permit the consummation of the exchange without delay or necessitating a return trip, Mr. Putnam authorized it and advised General Services that Board approval of the trade-in value in excess of \$25,000 would be sought at the present meeting.

Board Action Requested:

Approve trade-in value of \$31,019.20 on Department of Wildlife and Marine Resources 1975 Cessna 180 airplane.

Staff Comment:

Attachments:

Ellis February 11 letter to Putnam plus attachments

016658



STATE OF SOUTH CAROLINA  
BUDGET AND CONTROL BOARD  
DIVISION OF GENERAL SERVICES

300 GERVAIN STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 758-3150



TONY ELLIS

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

PAUL E. MORRIS, JR.  
COMPTROLLER GENERAL

RECEIVED

FEB 11 1983

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

HERBERT C. DENNIS  
CHAIRMAN,  
SENATE FINANCE COMMITTEE

TOM C. MANGUM  
CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

February 11, 1983

EXHIBIT

FEB 22 1983

NO. 13

STATE BUDGET & CONTROL BOARD

Mr. William T. Putnam  
Executive Director  
Budget and Control Board  
Wade Hampton Office Building  
Columbia, South Carolina 29211

Dear Mr. Putnam:

In accordance with our telephone conversation yesterday, I am enclosing correspondence concerning the trade-in on an aircraft for the South Carolina Department of Wildlife and Marine Resources. As I related to you, the trade-in value of \$31,019.20 exceeded my authorization level of \$25,000.00 to be applied toward the purchase of a replacement aircraft. Inasmuch as the pilot flew from Maine to Columbia yesterday to make the exchange of the aircrafts, you authorized the exchange and indicated you would seek Board approval for trade-in values exceeding \$25,000.00.

If you need further information, please advise.

Sincerely,

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

Tony R. Ellis  
Acting Deputy Director

TRE:bs

Enclosure

016659

# EXHIBIT

FEB 22 1983

NO. 13

DIVISION OF GENERAL SERVICES

REQUEST FOR BUDGET AND CONTROL BOARD ACTION

STATE BUDGET & CONTROL BOARD

DATE February 7, 1983

## SUBJECT:

Trade-in of aircraft for South Carolina Wildlife and Marine Resources

## BACKGROUND: (Include Applicable Attachments)

Proposals were received on the purchase of a Cessna 180, 1981 model, less a trade-in of a 1975 Cessna 180. The proposer allowed a trade-in of \$31,019.20.

The net price (less trade-in) would be \$47,000.00

The financing for this transaction was approved at the Budget and Control Board meeting on November 3, 1982

---

## RECOMMENDATION:

### Requestor -

Recommend approval if aircraft passes inspection. (Don MacMillan)

*approved*

### Unit Director -

### Assistant Director -

### Deputy Director -

*Jim Ellis 2/7/83*

016660

State of South Carolina

## State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

REINHOLD C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
JIMMY STANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

Box 1244

Columbia  
29211

WILLIAM A. MCINNIS  
EXECUTIVE DIRECTOR

November 4, 1982

## EXHIBIT

FEB 22 1983

NO. 13

Executive Director James A. Timmerman, Jr.  
Wildlife and Marine Resources Department  
Dennis Building  
Columbia, SC 29201

### STATE BUDGET & CONTROL BOARD

Dear Dr. Timmerman:

This will confirm that the Budget and Control Board, at its meeting on November 3, 1982, concurred in the action of the Joint Bond Review Committee which shifted \$47,000 of Capital Improvement Bond funds allocated for storage facilities from Priority Groups 5 and 6 to Priority Group 1. To accommodate this shift, the Committee moved \$50,000 of Capital Improvement Bond funds authorized to the Budget and Control Board for a contingency revolving fund in Priority Group 1 to Priority Group 6, a step with which the Budget and Control Board also concurred.

These adjustments were made by the Joint Bond Review Committee and the Budget and Control Board in order to make \$47,000 of Capital Improvement Bond funds available to your Department to finance the acquisition of a new aircraft to replace a ten-year-old Cessna 180 currently used in night surveillance of illegal hunting activities. In taking its action, the Board noted that you had been advised that the repairs of the present aircraft's substructure which are now needed would cost approximately \$50,000 and that the purchase of a new Cessna 180, allowing for the trade-in of the old aircraft, would be approximately the same.

In addition, as is required by Section 167 of the 1982-83 Appropriations Act, the Budget and Control Board authorized the Department of Wildlife and Marine Resources to purchase the referenced aircraft.

Sincerely,

*William A. McInnis*

William A. McInnis  
Deputy Executive Director

WAM:dw

016661



South Carolina  
Wildlife & Marine  
Resources Department

RECEIVED

'82 DEC 16 AM 10 08

James A. Timmerman, Jr., Ph.D.  
Executive Director

GENERAL STATE PURCHASING

EXHIBIT

FEB 22 1983 NO. 13

December 15, 1982

STATE BUDGET & CONTROL BOARD

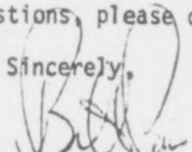
Mr. Don MacMillan  
Purchasing Section  
Division of General Services  
Dutch Plaza, Suite 250  
Columbia, S.C. 29210

Dear Don:

I am requesting on the behalf of the S. C. Wildlife and Marine Resources Department the approval to trade-in one (1) 1975 Cessna 180 airplane toward the purchase of a new 1981 Cessna 180.

Should you have any questions, please call me.

Sincerely,

  
William T. Pace, Jr.  
Purchasing Agent

WTPjr:ma

Approx trade in - \$20 - 24,000 - per

Alvin Poston (Pilot at Wildlife)

+ under \$25,000

approved

for trade-in  
12-17-82



016662

cc: Rich  
Rekin  
William T. Pace, Jr.

## FURNISH THE FOLLOWING INFORMATION WITH PROPOSAL

Aircraft offered (copy on each A/C offered)

Make Cessna Model 180 Skywagon Year 1981Serial No. 18053178 Tail No. N19470

Owner (optional) \_\_\_\_\_

Date of Mfg. \_\_\_\_\_

EXHIBIT

FEB 22 1983

NO. 13

STATE BUDGET &amp; CONTROL BOARD

## FURNISH THE FOLLOWING INFORMATION (if offering used aircraft)

Times on Airframes 280 Hours Total Time as of 1/17/83Accident Record (explain) N/ANext Inspection (type) due Aircraft will be delivered with a fresh annual inspection.TOC - (Not complied with - outstanding) NoneMaintenance Logs; Location & phone number Lincoln Air207/794-3356 to contact Ross WheatonCockpit- passenger/cargo configuration Seating Option Cand description of interior See complete list of specifications attached.Engine Teledyne Continental Make 0-470 Model \_\_\_\_\_Serial No. \_\_\_\_\_ Time on Engine 280 Hours as of 1/17/83Next inspection - (Type) due Will be delivered with fresh inspection Est. Cost \$ N/AEngine under maintenance contract? Yes \_\_\_\_\_ No xxxIf yes - company and extent of coverage N/AExpiration date N/A

016663

## EXHIBIT

FEB 22 1983

NO. 13

BIDDING SCHEDULE

## STATE BUDGET &amp; CONTROL BOARD

Price of New Aircraft.....<sup>New</sup> \$ 78,019.20

Less trade-in of Cessna 180.....\$ 31,019.20

Price Less Trade-In.....\$ 47,000.00\*\*

\*\*This price does not include South Carolina Sales Tax. If SC Sales Tax is applicable, the state will expect to pay.

Proposer Eagle Aviation, Inc.2861 Aviation WayAddress Columbia Metropolitan AirportWest Columbia, SC 29169Signature T. H. Dorsey

T. H. Dorsey, President

Telephone No. 803/794-8555

Delivery will be made three weeks after notification of bid award. Aircraft is available subject to prior sale.

Acting As agent for  
Maine firm for  
new & trade-in  
OF AIRCRAFT

Prayman

016664



# EXHIBIT

STATE OF SOUTH CAROLINA )  
COUNTY OF Lexington )

AFFIDAVIT FEB 22 1983 NO. 13

STATE BUDGET & CONTROL BOARD

PERSONALLY appeared before me T. H. Dorsey, who, being duly sworn, certifies that he is a South Carolina resident vendor at the time the attached bid or quotation is submitted meeting all qualifications of the South Carolina Consolidated Procurement Code (Act 148 of 1981) as defined in Section 11-35-1520(9) (d) of the 1976 Code of Laws of South Carolina, as amended, as follows:

A vendor shall be deemed to be a resident of South Carolina if such vendor is an individual, partnership, association or corporation that is:

- (1) authorized to transact business in South Carolina;
- (2) maintains an office in South Carolina, at Columbia Metropolitan Airport, telephone # 803/794-8555;
- (3) maintains a representative inventory which is defined as that inventory for expendable items located in South Carolina at the time of this bid having a total value of \$10,000 or more based on the bid price, but not to exceed the amount of the contract, which inventory is representative of the general type of commodities on which the bid is submitted;
- (4) has paid all duly assessed taxes.

By this written claim, affiant requests that the resident vendor preference be exercised in consideration of contract award on this bid or quotation.

Affiant's Signature: T. H. Dorsey (L.S.)

## PRINT OR TYPE

NAME T. H. Dorsey  
POSITION President  
FIRM Eagle Aviation, Inc.  
ADDRESS Columbia Metropolitan Airport  
West Columbia, SC 29169  
TELEPHONE # 803/794-8555

SWORN TO before me this  
24th day of January, 1983.

Deane Higgins (L.S.)  
Notary Public of South Carolina  
My commission expires:

016665



# EAGLE AVIATION

1981 CESSNA 180 SKYWAGON  
S/N 18053178  
N19470

EXHIBIT

FEB 22 1983

NO. 13

STATE BUDGET & CONTROL BOARD

EXTERIOR: ALLOVER VESTAL WHITE  
MEDIUM BLUE MAJOR STRIPE  
FLAG RED ACCENT STRIPE

INTERIOR: SEAT INSERTS OF PERFORATED GOLD VINYL  
SEAT TRIM OF GOLD VINYL  
BLACK SEAT BELTS  
FLOOR COVERING OF TROPHY BROWN VINYL  
SIDEWALLS OF CHESTNUT BROWN  
SEATING ARRANGEMENT C

AVIONICS: KMA-24  
DUAL KX-175B'S  
KR-87 ADF  
KT-76 TRANSPONDER  
KN-62A DME  
KING GLIDESLOPE  
AEROSONIC ENCODER

EQUIPPED: BLACK INSTRUMENT UPPER PANEL  
DUAL FLIGHT CONTROLS  
NAVIGATION LIGHTS DETECTORS  
ALL-PURPOSE CONTROL WHEEL (PILOT'S SIDE)  
FLOAT PLANE KIT (OPTION B PARTIAL INSTALLATION)  
UPPER WING STRUT SPEED FAIRINGS  
CARBURETOR AIR TEMPERATURE INDICATOR  
ALTERNATE STATIC SOURCE  
TRUE AIRSPEED INDICATOR  
PRIMARY GROUP  
GROUND SERVICE PLUG RECEPTACLE  
ATTITUDE AND DIRECTIONAL GYROS  
HEATED PITOT SYSTEM  
NON-CONGEALING TYPE OIL COOLER  
ECONOMY MIXTURE INDICATOR  
INSTRUMENT POST LIGHTS  
STROBE LIGHTS  
COURTESY LIGHTS  
OIL QUICK DRAIN VALVE  
ANTI-PRECIPITATION STATIC KIT  
FLIGHT HOUR RECORDER  
PILOT ARTICULATING, RECLINE, VERT. ADJ. SEAT  
STABILIZER ABRASION BOOTS  
OVERSIZED MAIN TIRES ONLY (8.00 X 6)  
ALL AROUND TINTED WINDOWS  
LOCATOR BEACON  
HAND TYPE FIRE EXTINGUISHER

016666

MEETING OF February 22, 1983 FEB 22 1983

NO. 14

ITEM NUMBER

5

---

~~STATE BUDGET & CONTROL BOARD~~

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Agency: Division of General ServicesSubject:

Statewide System for Collection of Waste Oil and the Distribution of Reprocessed #5 Fuel Oil.

In accordance with Budget and Control Board action dated July 14, 1981, the attached is a follow-up report on behalf of the Division of General Services and the Joint Legislative Committee on Energy concerning the statewide system for the collection of waste oil and the distribution of reprocessed #5 fuel oil (January 1, 1982 - December 31, 1982).

---

Board Action Requested:

Receive annual report as information

---

Staff Comment:

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Attachments:

Annual Report to Budget and Control Board on the Collection of Waste Oil and Distribution of #5 Fuel Oil, January 1 - December 31, 1982

016667

Annual Report to Budget and Control Board on the Collection of Waste Oil  
and the Distribution of #5 Fuel Oil, January 1 - December 31, 1982

1. Number and list of Waste Oil Participants:

State Agencies	25 (122 individual sites)
Cities	7
Counties	8
Others	3
Total	43

## EXHIBIT

FEB 22 1983 NO. 14

STATE BUDGET & CONTROL BOARD

### AGENCIES

Aeronautics Commission  
Clemson University  
College of Charleston  
The Citadel  
Department of Education (45 Locations)  
Educational Television Commission  
State Commission on Forestry  
Francis Marion College  
Department of Health and Environmental Control  
S. C. Department of Highways & Public Transportation (48 Locations)  
James Island Public Service District  
S. C. Law Enforcement Division  
Medical University of South Carolina  
Mental Health (2 Locations)  
Mental Retardation (3 Locations)  
Midlands Technical College - Beltline Campus  
Motor Vehicle Management  
Piedmont Technical College  
Santee Cooper - S. C. Public Service Authority  
S. C. State College  
State Ports Authority (4 Locations)  
Trident Technical College  
University of South Carolina  
Wildlife & Marine Resources  
York Technical College

### CITIES

Camden  
Charleston - (2 Locations)  
Greenwood  
Myrtle Beach  
North Charleston  
North Myrtle Beach  
Spartanburg

### COUNTIES

Charleston  
Chester  
Chesterfield  
Edgefield  
Horry  
Lexington (2 Locations)  
Richland

016668

# EXHIBIT

FEB 22 1983

NO. 14

## OTHERS

Boiling Springs Fire District  
Rock Hill School District  
Spartanburg Sanitary School District

## STATE BUDGET & CONTROL BOARD

2. Number of gallons of waste oil collected, January 1 - December 31, 1982:  
56,045

3. Revenue produced by waste oil collection:

56,045	gallons
x .13	per gallon
<u>\$7,285.85</u>	Total Revenue

4. Number and list of reprocessed #5 participants:

State Agencies	10
Cities	1
Counties	1
Others	2
Total	<u>14</u>

## AGENCIES

The Citadel  
Department of Corrections  
Division of General Services  
Department of Health & Environmental Control  
Medical University of South Carolina  
Mental Health  
Mental Retardation  
Midlands Technical College - Airport Campus  
School for the Deaf & Blind  
S. C. State College

## CITIES

City of Spartanburg

## COUNTIES

Richland County

## OTHERS

Chesterfield County School District  
McCormick County School District

5. Number of gallons of reprocessed #5 heating oil sold to participating agencies: 95,000
6. Cost avoidance generated by number of gallons of reprocessed #5 sold to participating agencies:

95,000	gallons
x .23*	per gallon
<u>\$21,850</u>	Total cost avoidance

\*The 23¢ per gallon cost avoidance represents the average difference between the cost of regular #5 heating oil (83¢ per gallon) and the program's contract price for reprocessed #5 (60¢ per gallon).

016669

In December, 1981 a report was submitted to the Joint Legislative Committee on Energy stating that participating agencies could use up to 590,000 gallons of reprocessed #5. The discrepancy in the projections of reprocessed #5 needed by agencies (590,000 gallons) and the number of gallons actually sold (95,000 gallons) directly related to the very mild winter the State experienced in 1981-82. If South Carolina experiences more severe weather conditions during the winter months, agencies using natural gas for heating purposes will be forced to switch to #5 fuel oil and the number of projected gallons should be realized.

#### SUMMARY

The Waste Oil Program has proven to be very cost effective. While many state agencies had already made arrangements to sell their quantities of waste oil prior to this program, some agencies were either giving it away, or in several cases, flushing their waste oil down drains or dumping it in open fields - creating environmental hazards. Under the State's current contract with Statewide Waste Oil, all quantities of waste oil are collected on a regular quarterly basis (more frequently if needed) and the agencies are directly reimbursed 13¢ per gallon by the vendor. Those agencies that use #5 oil are able to blend regular #5 with reprocessed #5 (purchased through the Waste Oil Program) in a 50/50 combination for heating purposes. As referenced above, the average cost avoidance gained by purchasing reprocessed #5 through the Waste Oil Program is 23¢ per gallon.

Because the Waste Oil Program represents a centralized, concerted effort to not only collect the State's quantities of waste oil but to provide additional revenue and significant cost avoidance for the State, it is highly recommended that this program be continued.

## EXHIBIT

FEB 22 1983

NO. 14

STATE BUDGET & CONTROL BOARD

016670



# EXHIBIT

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 22, 1983 FEB 22 1983

NO. 15

ITEM NUMBER

6

## STATE BUDGET & CONTROL BOARD

Agency: Division of General Services

Subject:

Lease/purchase of 29 ea. van wagons for Department of Corrections.

The Department of Corrections, due to new facilities, has a requirement for 29 van wagons. They did not have sufficient funds to purchase all at once. Therefore, they requested a lease/purchase arrangement. Copy of bid tabulations sheet and other data is attached. Am in process of obtaining lease forms from Equipment Leasing, Greenville, South Carolina. Total lease purchase price:

\$347,105.85; interest rate: 9.45%

Board Action Requested:

Approval of request for lease/purchase of 29 van wagons for Department of Corrections.

Staff Comment:

Interest rate approved by Mr. Patterson 2/17/83 subject to final check off by General Services with State Treasurer Tuesday morning, 2/22/83, prior to board meeting in the event that a lower rate is determined.

*Dr-H 2/17/83*

Attachments:

Breakdown of cost

016671

# EXHIBIT

FEB 22 1983

NO. 15

FOR BUDGET AND CONTROL BOARD APPROVAL:

STATE BUDGET & CONTROL BOARD

Sale Price of Equipment.....	29 van wagons at \$10,114. <sup>74</sup>	293,327.46
Placement Charge.....	\$	-
S. C. Sales Tax.....	\$	11,733.09
Minimum Down Payment.....	\$	-
Annual Interest Rate.....	9.45 %	
Total Interest.....	\$	42,045.30
<u>36</u> Equal Monthly Installments of.....	\$	9,315.91
(327.71 per van)		
Total Price including all interest, Sales Tax, and any other charges.....	\$	347,105.85
(12,202.41 per van)		

016672

STATE BUDGET AND CONTROL BOARD **EXHIBIT**  
MEETING OF February 22, 1983 **FEB 22 1983** NO. 16

REGULAR SESSION AGENDA

ITEM NUMBER

7

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**STATE BUDGET & CONTROL BOARD**

Agency: Division of General Services

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Subject:

Request for approval of installment purchase for Florence-Darlington Tec

Florence-Darlington Tec has approved the purchase of an Electronic Composer from IBM. Because they do not have sufficient funds for an outright purchase of \$8,859.88 they desire to purchase on an installment basis for 60 months.

The annual interest rates is to be 10%. The first payment is to be \$195.60 with the 59 succeeding payments to be \$195.22 each. Total pay-out to be \$11,737.58.

---

Board Action Requested:

Approval of request for installment purchase of an IBM Electronic Composer by Florence-Darlington Tec.

---

Staff Comment:

Interest rate approved by Mr. Patterson 2/10/83 subject to final check off by General Services with State Treasurer Tuesday morning, 2/22/83, prior to board meeting in the event that a lower rate is determined.

*A-14 2/17/83*

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Attachments:

**016673**

# EXHIBIT

PROPOSED SUPPLEMENTAL

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 22, 1983

FEB 22 1983

NO. 17 ITEM NUMBER

Agency: Department of Agriculture **STATE BUDGET & CONTROL BOARD**

Subject: Foreign Travel

Commissioner Tindal asks approval of the following foreign travel the cost of which will be paid from foreign trade mission appropriations and other sources:

(a) E. Wayne Mack to Germany and England during the February 24-March 6, 1983 period to assist South Carolina firms with the IFE show in London and to meet with new agricultural attache in Hamburg at an estimated cost of \$2,425.74, including airfare, hotels and other expenses;

(b) Senator T. Ed Garrison to Hamburg, West Germany; London, England; and Belfast, Ireland during the February 24 - March 5, 1983 period to coordinate activities of Susta and SC at IFE '83, promote the sale of South Carolina food and agricultural products, assist SC firms at IFE, work with UK buyers, plan '83 Anuga in Cologne, and develop trade inquiries at the show at an estimated cost of \$2,988, including airfare, hotels and other expenses; and

(c) Roy W. Copelan, Jr., to Hamburg, West Germany and London, England during the February 24 - March 6, 1983 period to coordinate activities of Susta and SC at IFE '83, promote the sale of SC food and agricultural products, assist SC firms at IFE, work with UK buyers, plan Anuga '83 in Cologne, and develop trade inquiries at the show at an estimated cost of \$4,110 (\$2,200 to be paid by Susta and \$1,910 to be paid by foreign trade mission appropriations).

Board Action Requested:

Approve.

Staff Comment:

**016674**

Attachments:

Tindal 2/11/83 letters to Putnam



D. Leslie Tindal - Commissioner

**S.C.**  
DEPARTMENT OF  
**Agriculture**  
**RECEIVED**

Wade Hampton Office Building  
P. O. Box 11280  
Columbia, S. C. 29211

Telephone: (803) 758-2426

FEB 11 1983  
BUDGET AND CONTROL BOARD  
OFFICE OF *Administrative Services*  
February 11, 1983

**EXHIBIT**

FEB 22 1983 NO. 17

STATE BUDGET & CONTROL BOARD

Mr. William T. Putnam  
Executive Director  
Budget and Control Board  
Room 205, Wade Hampton Office Bldg.  
Columbia, S. C. 29211

Dear Mr. Putnam:

Request is hereby filed that E. Wayne Mack, be permitted to travel to Hamburg, West Germany and London February 24, 1983 through March 6, 1983.

His main objective will be to assist S. C. firms with the IFE show in London, to talk with potential buyers of S. C. food and agricultural products and also to call on our new agricultural attache in Hamburg.

Total travel cost is estimated at \$2,425.74, which will include airfare, hotels and other expenses. His expenses will be paid from Foreign Trade Mission appropriations.

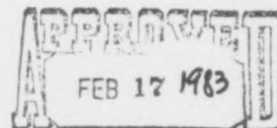
Your cooperation in this matter will be greatly appreciated.

Sincerely,

*D. Leslie Tindal*

D. Leslie Tindal  
Commissioner of Agriculture

DLT/jab



STATE BUDGET AND CONTROL BOARD

*W. A. McJannet*

**016675**



D. Leslie Tindal - Commissioner

**S.C.**  
DEPARTMENT OF  
**Agriculture**  
**RECEIVED**

Wade Hampton Office Building  
P. O. Box 11280  
Columbia, S. C. 29211

Telephone: (803) 758-2426

FEB 11 1983  
BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

February 11, 1983

**EXHIBIT**

FEB 22 1983 NO. 17

STATE BUDGET & CONTROL BOARD

Mr. William T. Putnam  
Executive Director  
Budget and Control Board  
Room 205, Wade Hampton Office Bldg.  
Columbia, S. C. 29211

Dear Mr. Putnam:

Request is hereby filed that Senator T. Ed Garrison be permitted to travel to Hamburg, W. Germany, London, England and Belfast, Ireland February 24, 1983 through March 5, 1983.

His main objective will be to coordinate activities of Susta & SC at IFE '83. Promote the sale of S. C. food & agriculture products. Assist SC firms at IFE. Work with UK buyers. Plan '83 Anuga in Cologne. Develop trade inquiries at show.

Total travel cost is estimated at \$2,988.00, which will include airfare, hotels and other expenses. His expenses will be paid from Foreign Trade Mission appropriations.

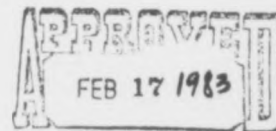
Your cooperation in this matter will be greatly appreciated.

Sincerely,

*D. Leslie Tindal*

D. Leslie Tindal  
Commissioner of Agriculture

DLT/jab



STATE BUDGET AND CONTROL BOARD

*W. H. Tindal*

016676





D. Leslie Tindal - Commissioner

**S.C.**  
DEPARTMENT OF  
**Agriculture**  
**RECEIVED**

Wade Hampton Office Building  
P. O. Box 11280  
Columbia, S. C. 29211

Telephone: (803) 758-2426

FEB 11 1983  
BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

**EXHIBIT**

FEB 22 1983 NO. 17

February 11, 1983

STATE BUDGET & CONTROL BOARD

Mr. William T. Putnam  
Executive Director  
Budget and Control Board  
Room 205, Wade Hampton Office Bldg.  
Columbia, S. C. 29211

Dear Mr. Putnam:

Request is hereby filed that Roy W. Copelan, Jr., be permitted to travel to Hamburg, W. Germany and London, England February 24, 1983 through March 6, 1983.

His main objective will be to coordinate activities of Susta & SC at IFE '83'. Promote the sale of S. C. Food and agricultural products. Assist S. C. Firms at IFE. Work with UK buyers. Plan '83 ANUGA in Cologne and to develop trade inquiries at show.

Total travel cost is estimated at \$4,110.00. Susta will pay \$2,200.00, and Foreign Trade Mission appropriations will pay \$1,910.00. Both includes air fare, meals, lodging, taxi and miscellaneous expenses.

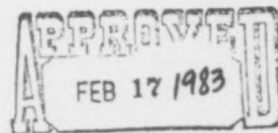
Your cooperation in this matter will be greatly appreciated.

Sincerely,

*D. Leslie Tindal*

D. Leslie Tindal  
Commissioner of Agriculture

DLT/jab



STATE BUDGET AND CONTROL BOARD

*W. H. Tindal*  
**016677**