

AGENDA MATERIALS
AND SUPPORTING DOCUMENTS
FOR THE MEETING OF

APRIL 10, 1969

1360

JOHNSON COUNTY, SOUTH CAROLINA
\$1,000,000
County Industrial Building Revenue
Bonds, Series 1963 (Phillips)

1361

OCCONEE COUNTY, SOUTH CAROLINA
\$1,000,000
County Industrial Building Revenue
Bonds, Series 1969 (Phillips)

FOR DENSITY TESTING PURPOSES ONLY

1361



STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA

P. C. SMITH
STATE AUDITOR

April 10, 1969

RECEIVED
APR 11 1969
GOVERNOR'S OFFICE

TO THE BUDGET AND CONTROL BOARD

Gentlemen:

The County Board of Commissioners of Oconee County have petitioned the Board for approval of their issuance of \$1,000,000.00 of Industrial Revenue Bonds for Phillips Petroleum Company. Proceeds of the bonds will be used to expand existing facilities of Phillips originally constructed by the issuance of \$3,800,000.00 of Industrial Revenue Bonds.

The petition and accompanying documents are in the usual form and have been submitted by Attorney Pat Miley, of Walhalla.

Please indicate your position on the above.

Very truly yours,

P. C. Smith
State Auditor

PCS:dr

I APPROVE

I DISAPPROVE

HOLD FOR DISCUSSION AT NEXT MEETING

SIGNED

1362



STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA

P. C. SMITH
STATE AUDITOR

April 10, 1969

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P. C. Smith
State Auditor

PCS:dr

I APPROVE _____ ✓

I DISAPPROVE _____

HOLD FOR DISCUSSION AT NEXT MEETING _____

SIGNED

Henry Mills

1363

COPY



STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA

P. C. SMITH
STATE AUDITOR

April 10, 1969

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Please indicate your position on the above.

Very truly yours,

A handwritten signature in cursive script, appearing to be 'P. C. Smith'.

P. C. Smith
State Auditor

PCS:dr

I APPROVE

I DISAPPROVE

HOLD FOR DISCUSSION AT NEXT MEETING

SIGNED

A handwritten signature in cursive script, appearing to be 'R. D. Brown', written over a horizontal line.

1364

COPY



STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA

P. C. SMITH
STATE AUDITOR

April 10, 1969

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Very truly yours,

P. C. Smith
State Auditor

PCS:dr

I APPROVE

I DISAPPROVE

HOLD FOR DISCUSSION AT NEXT MEETING

SIGNED

Edgar A. Brown

COPY



STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA

P. C. SMITH
STATE AUDITOR

April 10, 1969

TO THE BUDGET AND CONTROL BOARD

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Please indicate your position on the above.

Very truly yours,

A handwritten signature in dark ink, appearing to be 'P.C. Smith'.

P. C. Smith
State Auditor

PCS:dr

I APPROVE

I DISAPPROVE

HOLD FOR DISCUSSION AT NEXT MEETING

SIGNED

A handwritten signature in dark ink, appearing to be 'Pat Miley'.

1366

LAW OFFICES OF
J. PAT MILEY
COURT HOUSE SQUARE
WALHALLA, SOUTH CAROLINA
29691

OFFICE PHONE 638-2212

RESIDENCE PHONE 638-2046

April 10, 1969

Mr. P. C. Smith
State Auditor, and Secretary
State Budget and Control Board
200 Hampton Office Building
Columbia, South Carolina

RE: \$1,000,000 Industrial Building Revenue Bonds, Series
1969 (Phillips) of Oconee County, South Carolina

Dear Mr. Smith:

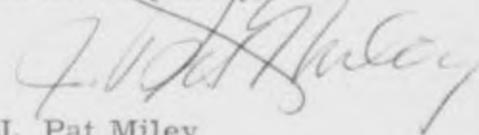
The courtesies extended at our conference on yesterday were most appreciated.

The next issue of our local newspaper, The Seneca Journal, will be published on April 16th, 1969. Agreeable to our conversation, I am sending a copy of the "Notice pursuant to Act No. 103 of the Acts and Joint Resolutions of 1967" to this newspaper for publication.

You indicated that the State Budget and Control Board could be convened before April 16th to act upon the Resolution approving the issuance of the above described bonds. As soon as the Board meets, please mail me two copies of the Resolution and the exhibits I left with you, or if you prefer, I will request Senator Schumacher to call for them.

Thanking you and with best wishes, I am

Yours very truly,



J. Pat Miley

JPM:so

1367

Walhalla, South Carolina

April
~~March~~ 7th, 1969

The County Board of Commissioners of Oconee County, South Carolina, convened in regular public session at the regular meeting place of the board in the County Courthouse, in the Town of Walhalla at 10:00 o'clock A.M., on ~~March~~ ^{April} 7th, 1969, with the following members present:

Reese A. Hubbard,	Chairman
<u>Grady Rankin</u> ,	Commissioner
<u>G. C. Mason</u> ,	Commissioner
<u>Harold T Brock</u> ,	Commissioner
<u>William Derrille Broome</u> ,	Commissioner
<u>Homer Collins</u> ,	Commissioner

There were also present Ann S. Orr, Clerk of the board and J. Pat Miley, County Attorney.

After the meeting had been duly called to order by the Chairman and the roll called with the above result, and after the minutes of the preceding meeting had been read and approved, the Chairman announced that one purpose of the meeting was to consider the adoption of a resolution making application to the State Budget and Control Board for the approval by said board of the issuance by Oconee County of its County Industrial Building Revenue Bonds, Series 1969 (Phillips), in the aggregate principal amount of \$1,000,000.

Thereupon, the following resolution was introduced in written form by Commissioner Grady Rankin, was read in full, and, after due discussion, pursuant to motion made by Commissioner Grady Rankin and seconded by Commissioner G. C. Mason, was adopted by the following vote:

tion of land within the County and the acquisition and construction of a manufacturing plant, including office facilities and other related facilities and improvements thereon, together with machinery and equipment therefor (collectively, "Phillips Project"); and

WHEREAS in conformity with the requirements of Act No.103, the acquisition and construction of the Phillips Project and the issuance of the Series 1968 Bonds by the County to finance the same were approved by the State Budget and Control Board of South Carolina (the "State Board") by resolution of the State Board duly adopted and approved on the 28th day of February, 1968; and

WHEREAS the Phillips Project has been continuously leased to Phillips Petroleum Company, a Delaware corporation ("Phillips"), under and pursuant to a Lease dated as of February 1, 1968 (the "Lease") from the County, as Lessor, to Phillips, as Lessee, under which Lease Phillips is obligated (i) to make basic rent payments directly to the Trustee for the account of the County in amounts sufficient to pay the principal of and interest on the Series 1968 Bonds, (ii) to maintain the Phillips Project in good repair at its own expense and to carry all proper insurance with respect thereto, and (iii) to make the payments in lieu of taxes required by Section 6 of Act No.103; and

WHEREAS the County, having determined that it will be of substantial public benefit to do so, has agreed, subject to the approval of the State Board, to issue an additional series of revenue bonds under Act No.103 and the applicable provisions of the Lease and Indenture for the purpose of financing a portion of the cost of improving and expanding the Phillips Project by acquiring additional land adjacent to the Phillips Project and constructing and equipping thereon an addition to the Phillips Project (the "Phillips Project Addition"), said additional series of bonds to be designated "County

Industrial Building Revenue Bonds, Series 1969 (Phillips)" (the "Series 1969 Bonds"), to be issued in the aggregate principal amount of \$1,000,000 and to rank on a parity and equality of lien under the Indenture with the Series 1968 Bonds; and

WHEREAS the Lease will be amended and supplemented by the County and Phillips prior to the issuance of the Series 1969 Bonds to provide for the payment by Phillips of additional basic rentals in amounts sufficient to pay the principal of and interest on the Series 1969 Bonds, and

WHEREAS it is now deemed advisable by this County Board to file with the State Board, in compliance with Section 14 of Act No. 103, the petition of the County requesting approval by said State Board of the proposed Phillips Project Addition and the issuance of the Series 1969 Bonds by the County;

NOW, THEREFORE, BE IT RESOLVED by the County Board of Commissioners of Oconee County, South Carolina, as follows:

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

(a) That the Phillips Project, as improved and expanded by the Phillips Project Addition, will continue to constitute a "project" as said term is referred to and defined in Section 2(3) of Act No. 103, and that the issuance of the Series 1969 Bonds in the aggregate principal amount of \$1,000,000 to finance a portion of the cost of the acquisition and construction of the Phillips Project Addition will subserve the purposes and in all respects conform to the provisions and requirements of Act No. 103;

(b) That neither the Phillips Project Addition nor the Series 1969 Bonds proposed to be issued by the County to finance the same will constitute or give rise to any pecuniary liability of the County or a

charge against its general credit or taxing power;

(c) That the issuance of Series 1969 Bonds by the County in the aggregate principal amount of \$1,000,000 will be required to finance the Phillips Project Addition:

(d) That the amount necessary in each year to pay the principal of and interest on the Series 1969 Bonds proposed to be issued by the County is presently estimated at approximately \$ 81,000, said amount to be fixed shortly prior to the issuance of the Series 1969 Bonds when the maturities and interest rate or rates shall have been finally determined in accordance with market conditions prevailing at that time, and to be set forth in the proceedings of this County Board authorizing the issuance of said bonds;

(e) That inasmuch as Phillips is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the Series 1969 Bonds is deemed unnecessary;

(f) That the Phillips Project has been leased by the County to Phillips upon terms which (1) require Phillips, at its own expense, to maintain the Phillips Project in good repair and to carry all proper insurance with respect thereto, and (11) require Phillips to make the payments in lieu of taxes referred to in Section 6 of Act No. 103, and that said requirements will be fully applicable to the Phillips Project Addition in accordance with the terms and provisions of the Lease;

(g) That the Phillips Project, as improved and expanded by the Phillips Project Addition, will consist of land and a manufacturing plant and appurtenant facilities acquired and to be acquired and constructed thereon, and is and will be located within the County near the corporate limits of the Town of Seneca;

(h) That in addition to the employment provided for those engaged in the construction of the Phillips Project Addition, and the

stimulation and promotion of existing local industries, including supply and transportation, during such period of construction, it is anticipated that after the Phillips Project Addition shall have been completed and placed in operation, the Project, as improved and expanded by the Phillips Project Addition, will provide permanent employment for substantial additional numbers of people from the County and elsewhere in said area with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits flowing from the conducting of industrial operations; and

(1) That a reasonable estimate of the cost of the Phillips Project Addition is \$1,666,000, and that Phillips has agreed to provide from other sources all that portion thereof in excess of the proceeds of the Series 1969 Bonds;

Section 2. That there be and there is hereby authorized and directed the submission, on behalf of the County, of a petition by this County Board requesting the approval of the proposed financing by the State Board pursuant to the provisions of Section 14 of Act No. 103, said petition, which constitutes and is hereby made a part of this authorizing resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That the Chairman of the County Board be and he is hereby authorized and directed to execute said petition in the name and on behalf of the County Board; and that the Clerk of said board be and she is hereby authorized and directed to affix the seal of the County Board to said petition and to attest the same and thereafter to submit an executed copy of said petition, together with a properly certified copy of this resolution, to the State Board, in Columbia.

Section 4. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed,

and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved April 7th, 1969.

Thomas B. Hubbard
Chairman, County Board of
Commissioners

Attest:

Ann L. Orr
Clerk, County Board of
Commissioners

(Other business not pertinent to the above appears in the minutes of the meeting.)

Pursuant to motion duly made and carried, the meeting was adjourned.

Thomas B. Hubbard
Chairman

Attest:

Ann L. Orr
Clerk

EXHIBIT A
to resolution adopted by the County Board of
Commissioners of Oconee County, South Carolina,
on April 7th, 1969.

STATE OF SOUTH CAROLINA)
)
COUNTY OF OCONEE)

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

I

Statement of Facts

1. Jurisdiction of State Budget Control Board.

Oconee County, South Carolina (the "County"), acting by and through its County Board of Commissioners (the "County Board"), respectfully submits this petition to the State Budget and Control Board (the "State Board") under and pursuant to the provisions and requirements of Act No. 103 of the Acts and Joint Resolutions of South Carolina, 1967 (the "Act") and in particular Section 14 thereof, and respectfully requests the approval by the State Board of the issuance by the County of its County Industrial Building Revenue Bonds, Series 1969 (Phillips) in the aggregate principal amount of \$1,000,000 (the "Series 1969 Bonds").

The County proposes to issue the Series 1969 Bonds for the purpose of financing a portion of the cost of acquiring additional land adjacent to an existing industrial development project (the "Phillips Project") now owned by the County and leased to Phillips Petroleum Company, a Delaware Corporation ("Phillips"), and constructing and equipping thereon an addition to said project (the "Phillips Project Addition"), all as more fully set forth in the resolution of the County Board duly adopted and approved on April 7th, 1969, a certified copy of which resolution is submitted herewith as Exhibit 1.

The acquisition and construction of the Phillips Project was financed out of the proceeds of \$3,800,000 County Industrial Building

Revenue Bonds, Series 1968 (Phillips), dated February 1, 1968 (the "Series 1968 Bonds"), which bonds were issued and delivered by the County on April 2, 1968. The Phillips Project and the issuance of the Series 1968 Bonds to finance the same were approved by the State Board by resolution duly adopted and approved on the 28th day of February, 1968. For a description of the Phillips Project, the terms and conditions under which the Phillips Project was leased by the County to Phillips and the terms and conditions under which the Series 1968 Bonds were issued and secured, reference is hereby made to said resolution adopted by the State Board on February 28, 1968, the petition of the County Board to which said resolution referred, and the exhibits annexed to said petition.

The pertinent documents which are or will become the governing instruments of this transaction are submitted herewith as the following exhibits:

- EXHIBIT 2 - Proposed form of First Supplemental Lease dated as of February 1, 1969 (the "First Supplemental Lease"), supplementing and amending a Lease dated as of February 1, 1968 (the "Lease"), between the County and Phillips.
- EXHIBIT 3 - Proposed form of First Supplemental Indenture of Mortgage and Deed of Trust dated as of February 1, 1969 (the "First Supplemental Indenture"), supplementing and amending an Indenture of Mortgage and Deed of Trust dated as of February 1, 1968 (the "Indenture"), between the County and Third National Bank in Nashville, as Trustee (the "Trustee").
- EXHIBIT 4 - Proposed form of Series 1969 Construction Deposit Agreement dated as of February 1, 1969 (the "Series 1969 Construction Deposit Agreement") by and among the County, Phillips and the Trustee, as Depository.

The First Supplemental Lease, the First Supplemental Indenture and the Series 1969 Construction Deposit Agreement are submitted in draft form. It is expected that the transaction as finally consummated will conform in all substantive respects with the enclosed drafts; however, it may be anticipated that formal changes will occur in subsequent drafts. As is usual in cases of this sort, matters of maturities, interest rates, redemption premiums and the like which depend upon marketing factors will not be finally determined until shortly before the Series 1969 Bonds are delivered.

2. The County and its Governing Body. The County, one of the forty-six counties of the State of South Carolina, is a body politic and corporate and political subdivision of the State of South Carolina. Pursuant to Article 2, Chapter 53, Title 14 of the Code of Laws of South Carolina, 1962, the County Board is the governing body of the County and, as such, is the "County Board" referred to and defined in Section 2 (2) of the Act.

3. Statutory Authority. The County, subject to the approval of the State Board and to compliance in all other respects with the terms and provisions of the Act, is authorized and empowered by the Act to acquire (and in connection with such acquisition to enlarge, improve and expand), own, lease, dispose of and mortgage industrial development "projects" and to issue revenue bonds to finance the cost of acquisition, construction, enlargement, improvement and expansion of such projects and expenses incidental thereto.

4. Findings of the County Board. By resolution duly adopted on April 7th, 1969, a certified copy of which is submitted herewith as Exhibit 1, the County Board has formally found, determined and declared:

(a) That the Phillips Project, as improved and expanded by the Phillips Project Addition, will continue to constitute a "project"

as said term is referred to and defined in Section 2 (3) of the Act, and that the issuance of the Series 1969 Bonds to finance a portion of the cost of the acquisition and construction of the Phillips Project Addition will subserve the purposes and in all respects conform to the provisions and requirements of the Act;

(b) That neither the Phillips Project Addition nor the Series 1969 Bonds will constitute or give rise to any pecuniary liability of the County or a charge against its general credit or taxing power;

(c) That the issuance of Series 1969 Bonds in the aggregate principal amount of \$1,000,000 will be required to finance the Phillips Project Addition;

(d) That the amount necessary in each year to pay the principal of and interest on the Series 1969 Bonds is presently estimated at approximately \$ 81,000, said amount to be fixed shortly prior to the issuance of the Series 1969 Bonds when the maturities and interest rate or rates shall have been finally determined in accordance with market conditions prevailing at that time, and to be set forth in the proceedings of the County Board authorizing the issuance of said bonds;

(e) That inasmuch as Phillips is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the Series 1969 Bonds is deemed unnecessary by the County Board; and

(f) That the Phillips Project has been leased by the County to Phillips upon terms which (i) require Phillips, at its own expense, to maintain the Phillips Project in good repair and to carry all proper insurance with respect thereto, and (ii) require Phillips to make the payments in lieu of taxes referred to in Section 6 of the Act; and that said requirements will be fully applicable to the Phillips Project Addition in accordance with the terms and provisions of the Lease.

II

Additional Information Furnished Pursuant to Section 14 of the Act

1. Brief Description of the Phillips Project and Phillips

Project Addition. The Phillips Project is located near the Town of Seneca within the corporate limits of the County, and consists of a light textile manufacturing building of approximately 128,000 square feet and an adjoining office building of approximately 2,500 square feet. The Phillips Project is designed for the manufacture of Loktuft^(R), a non-woven carpet backing produced from polypropylene staple fiber. The manufacturing building and office building are situated on a parcel of land consisting of approximately 3.2 acres, which the County acquired from Phillips with a portion of the proceeds of the Series 1968 Bonds, together with a separate, adjacent but non-contiguous parcel of land, consisting of approximately .7 acre, used as a parking lot. Phillips owns approximately 146 additional acres of land surrounding the Phillips Project site, over which land Phillips has granted to the County and the Trustee the perpetual easements and other rights necessary to the operation of the Phillips Project. A portion of this additional land will be acquired by the County from Phillips with a portion of the proceeds of the Series 1969 Bonds, to be used as a site for the Phillips Project Addition, which will consist of a manufacturing building of approximately 75,000 square feet, together with all necessary machinery and equipment in connection therewith.

2. Anticipated Effect of the Project upon Economy of the County and Adjacent Areas. In addition to the employment provided for those engaged in the construction of the Phillips Project Addition, and the stimulation and promotion of existing local industries, including supply and transportation, during such period of construction, it is anticipated that after the Phillips Project Addition shall have been completed and placed in operation, the Phillips Project, as improved and expanded by the Phillips Project Addition, will provide permanent employment for substantial additional numbers of people from the County and elsewhere in said area with a resulting alleviation of

unemployment, and a substantial increase in payrolls and other public benefits flowing from the conducting of industrial operations.

3. Reasonable Estimate of Cost of Phillips Project Addition.

A reasonable estimate of the cost of the Phillips Project Addition is \$ 1,666,000, and Phillips has agreed to provide from other sources all that portion thereof in excess of the proceeds of the Series 1969 Bonds.

4. General Summary of the Terms and Conditions of the Proposed First Supplemental Lease and First Supplemental Indenture (Exhibits 2 and 3).

As stated previously, the petition filed with the State Board by the County Board prior to the issuance of the Series 1968 Bonds sets forth a general summary of the terms and conditions of the Lease and the Indenture, and reference is hereby made to said petition and the exhibits annexed thereto for information with respect to the terms and conditions of said instruments.

The First Supplemental Lease modifies the Lease (1) by increasing the Basic Rent payable by Phillips thereunder by an amount sufficient to pay the principal of and interest on the Series 1969 Bonds, and (ii) recognizes an assignment of the purchase option granted under Section 18.03 of the Lease from Reproco, Inc. to Phillips.

The First Supplemental Indenture creates the new series of bonds, provides the form and details thereof, subjects to the lien of the Indenture the County's interest in the First Supplemental Lease and the additional Basic Rent payable by Phillips thereunder and the real property and improvements constituting a part of the Phillips Project Addition, and provides for the application of the bond proceeds.

In addition, the First Supplemental Indenture provides (§2.01) that no additional bonds may be issued by the County under the Inden-

ture if as a result of the issuance thereof the interest on the Series 1969 Bonds or the Bonds of additional series will not be fully excludable from the gross income of the recipients thereof under Section 103 of the Internal Revenue Code of 1954, as amended, after giving effect to the provisions and limitations set forth in Section 103(c)(6) of the Internal Revenue Code of 1954, as amended.

5. Payments in Lieu of Taxes by Lessee. As is required by Section 6 of the Act, Section 6.02 of the Lease requires Phillips to make payments to the County and to the school district or school districts and other political units wherein the Phillips Project is located, in lieu of taxes, in such amounts as would result from taxes levied if Phillips were the owner of the Phillips Project, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded Phillips if it were the owner of the Phillips Project. These requirements will be fully applicable to the Phillips Project Addition, which will become a part of the Phillips Project for all purposes of the Lease by virtue of the execution and delivery of the First Supplemental Lease.

III

Request for Approval

WHEREFORE, the County Board respectfully prays:

1. That the State Board accept the filing of this petition;
2. That thereafter, as soon as may be practicable, the State Board make such independent investigation as it deems advisable;
3. That, on the basis of such investigation and the information submitted herewith, the State Board make a finding that the Phillips Project, as improved and expanded by the Phillips Project Addition, is intended to promote the purposes of the Act and is reason-

ably anticipated to effect such result, and that the State Board, on the basis of such finding, issue its order approving the Phillips Project Addition and the issuance of the Series 1969 Bonds; and

4. That the State Board cause notice of its approval to be published in the manner specified in Section 14 of the Act.

DATED this 7th day of April, 1969.

Respectfully submitted,
OCONEE COUNTY BOARD OF COMMISSIONERS

By *Thomas A. Hubbard*
Chairman, County Board of
Commissioners

Attest:

Ann A. Orr
Clerk, County Board of Commissioners

(SEAL)

STATE OF SOUTH CAROLINA)
)
COUNTY OF OCONEE)

I, ANN S. ORR, do hereby certify that I am the duly qualified and acting Clerk of the Board of Commissioners of Oconee County, South Carolina.

I further certify that the above and foregoing constitutes a true and correct copy of excerpts from the minutes of a meeting of the County Board of Commissioners of said county held on April 7th, 1969, and of a resolution, together with Exhibit A annexed thereto, adopted at said meeting, as said minutes, resolution and exhibit are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and impressed hereon the official seal of said County Board of Commissioners this 7th day of April, 1969.

Ann S. Orr
Clerk

(AFFIX)
(SEAL)
(HERE)

GP:lr
3/6/69

OCONEE COUNTY, SOUTH CAROLINA

TO

PHILLIPS PETROLEUM COMPANY

FIRST SUPPLEMENTAL LEASE

DATED AS OF FEBRUARY 1, 1969

SUPPLEMENTING LEASE DATED AS OF
FEBRUARY 1, 1968 BY AND BETWEEN
OCONEE COUNTY, SOUTH CAROLINA AND
PHILLIPS PETROLEUM COMPANY

FIRST SUPPLEMENTAL LEASE

This First Supplemental Lease made and entered into as of this 1st day of February, 1969 (the "First Supplemental Lease"), by and between OCONEE COUNTY, SOUTH CAROLINA (hereinafter called "Lessor"), and PHILLIPS PETROLEUM COMPANY, a corporation organized and existing under the laws of the State of Delaware, with a principal office at Bartlesville, Oklahoma, and duly authorized to conduct business in the State of South Carolina (hereinafter called "Lessee"),

W I T N E S S E T H:

WHEREAS Lessor has acquired certain real property in Oconee County, South Carolina, together with a manufacturing plant, machinery, equipment, office facilities and other related facilities and improvements thereon (said manufacturing plant, machinery, equipment, office facilities and other related facilities and improvements hereinafter called the "Facilities", and the Facilities and said real property hereinafter collectively called the "Leased Premises") and has demised and let the Leased Premises to the Lessee under and pursuant to that certain Lease dated as of February 1, 1968 (the "Lease") recorded on April 2, 1968 in Deed Book 10-I, Page 28, in the office of the Clerk of Court of Oconee County, South Carolina; and

WHEREAS Lessor issued \$3,800,000 of its County Industrial Building Revenue Bonds, Series 1968 (Phillips), under Act No. 103 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, 1967, and the Indenture hereinafter described in order to provide funds with which to finance the acquisition and construction of the Leased Premises; and

WHEREAS Lessor, having determined that it will be of substantial public benefit to do so, has agreed to provide for the

improvement and expansion of the Facilities by the acquisition and construction of an addition thereto on the real property in Oconee County, South Carolina, now owned by Lessor and described in Schedule A attached hereto and to enter into this First Supplemental Lease in order to induce Lessee to remain in the State of South Carolina and further the use of its manpower, agricultural products and natural resources for the benefit of the inhabitants of the State of South Carolina and of Lessor, for the increase of their commerce and for the promotion of their welfare and prosperity; and

WHEREAS in order to obtain funds for such purpose Lessor will issue One Million Dollars (\$1,000,000) principal amount of its County Industrial Building Revenue Bonds, Series 1969 (Phillips), dated February 1, 1969 (herein sometimes referred to as the "Series 1969 Bonds"), to be secured by and to contain such terms and provisions as are set forth in that certain Indenture of Mortgage and Deed of Trust dated as of February 1, 1968, between Lessor and Third National Bank in Nashville, as Trustee (the "Trustee") as supplemented by that certain First Supplemental Indenture of Mortgage and Deed of Trust dated as of February 1, 1969 from Lessor to the Trustee (which Indenture of Mortgage and Deed of Trust as supplemented by said First Supplemental Indenture of Mortgage and Deed of Trust is hereinafter collectively referred to as the "Indenture"). The proceeds from the sale of the Series 1969 Bonds shall be deposited with the Trustee and disbursed for the acquisition and construction of the addition to the Facilities and for such other purposes as are set forth in the Indenture, all as more fully provided therein; and

WHEREAS pursuant to Section 11.04 of the Lease, Lessor has been requested to issue its Series 1969 Bonds and can do so within the conditions imposed by said Section 11.04;

NOW, THEREFORE, Lessor, for and in consideration of the payments hereinafter and in the Lease stipulated to be made by Lessee, and the covenants and agreements hereinafter and in the Lease contained to be kept and performed by Lessee, does by these presents demise, lease and let unto Lessee, for the Term and upon the conditions hereinafter and in the Lease stated, the real property described in Schedule A attached hereto, together with an addition to the Facilities and other facilities and improvements erected and to be erected on said real property, including the machinery and equipment therefor described in Schedule B attached hereto, and appurtenances thereto (said addition to the Facilities, machinery, equipment and other facilities and improvements and appurtenances thereto being hereinafter called and included in the definition of "Facilities", and the Facilities and said real property being hereinafter collectively called and included in the definition of "Leased Premises").

1. Section 4.01 of Article IV of the Lease is hereby amended to read in its entirety as follows:

"Section 4.01. Basic Rent. Lessee will pay to the Trustee, in lawful money of the United States of America, for the account of Lessor without notice or demand, the net basic rental (hereinafter called the "Basic Rent") for the periods, in the amounts and at the times set forth in Schedule C to the Lease and in Schedule C to the First Supplemental Lease. The Basic Rent shall be absolutely net to Lessor, free of any taxes, costs, liabilities or other deduction whatsoever with respect to the Leased Premises and the maintenance, repair, rebuilding, use or occupation thereof, or of any portion thereof, so that this Lease shall yield the Basic Rent net to Lessor throughout the Original Term."

2. Lessor and Lessee recognize and acknowledge that Reproco, Inc., formerly a third party beneficiary to the Lease, has heretofore filed with Lessor a written copy of an Assignment dated October 3, 1968 pursuant to the provisions of Section 18.03 of the Lease, assigning to Lessee the option to purchase the Leased Premises contained in said Section 18.03, which Assignment has been duly recorded in the office of the Clerk of Court of Oconee County in Deed Book 10-L, page 189; and it is further recognized and acknowledged that pursuant to such Assignment said option is now vested in Lessee, with the right to make further assignment thereof in accordance with the provisions of said Section 18.03.

3. Lessor does not make any warranty, either express or implied, that the moneys which will be paid into the Series 1969 Construction Fund Account created by the Series 1969 Construction Deposit Agreement (referred to in the Indenture) and which, under the provisions of the Indenture, will be available for payment of the costs of constructing and equipping the addition to the Facilities will be sufficient to pay all the costs which will be incurred by Lessee or others in that connection. Lessee agrees that it will pay all such costs in excess of the amount of money available for the purpose in said Series 1969 Construction Fund Account, and that it shall not be entitled to any reimbursement therefor from Lessor or from the Trustee or from the holders of any of the Bonds issued under the Indenture, nor shall it be entitled to any diminution of the rents payable under Article IV of the Lease, as supplemented by this First Supplemental Lease.

IN WITNESS WHEREOF, OCONEE COUNTY, SOUTH CAROLINA, has executed this First Supplemental Lease by causing its name to be hereunto subscribed by the Chairman of its County Board of Commissioners and its official seal to be impressed hereon and attested by the Clerk of said Board; and PHILLIPS PETROLEUM COMPANY has executed this First Supplemental Lease by causing its corporate name to be hereunto subscribed by its _____ and its corporate seal to be impressed hereon and attested by an Assistant Secretary, all being done as of the day and year first above written.

OCONEE COUNTY, SOUTH CAROLINA

By _____
Chairman, County Board of
Commissioners

(SEAL)

ATTEST:

Clerk, County Board of Commissioners

Signed, sealed and delivered in the presence of:

PHILLIPS PETROLEUM COMPANY

By _____

Title _____

(SEAL)

ATTEST:

Assistant Secretary

Signed, sealed and delivered in the presence of:

STATE OF OKLAHOMA)
) SS
COUNTY OF WASHINGTON)

Personally appeared before me _____,
who, being duly sworn, says that he saw the corporate seal of PHILLIPS
PETROLEUM COMPANY, a Delaware corporation, affixed to the foregoing
instrument (First Supplemental Lease) and that he also saw _____
_____, _____ and _____, Assistant Secretary, of said
PHILLIPS PETROLEUM COMPANY, sign and attest the same, and that he and
_____ witnessed the execution and delivery thereof as
the act and deed of said PHILLIPS PETROLEUM COMPANY.

Witness

Sworn to before me this _____ day of _____, 1969,

_____, Notary Public for _____.

A Notary Public

My commission expires: _____

OCONEE COUNTY, SOUTH CAROLINA

TO

THIRD NATIONAL BANK IN NASHVILLE

TRUSTEE

FIRST SUPPLEMENTAL INDENTURE OF MORTGAGE
AND DEED OF TRUST

DATED AS OF FEBRUARY 1, 1969

RELATING TO COUNTY INDUSTRIAL BUILDING
REVENUE BONDS, SERIES 1969 (PHILLIPS)
OF OCONEE COUNTY, SOUTH CAROLINA

THIS FIRST SUPPLEMENTAL INDENTURE OF MORTGAGE AND DEED OF TRUST (herein called the "First Supplemental Indenture"), made and entered into as of the 1st day of February, 1969 by and between OCONEE COUNTY, a political subdivision of the State of South Carolina (herein called the "County"), party of the first part, and THIRD NATIONAL BANK IN NASHVILLE, a national banking association organized and existing under and by virtue of the laws of the United States of America, being duly qualified to accept and administer the trusts hereby created (herein called the "Trustee"), and having its principal place of business in Nashville, Tennessee, party of the second part;

W I T N E S S E T H:

WHEREAS pursuant to the provisions of Act No. 103 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, 1967, the County has acquired certain real property in Oconee County, South Carolina, together with a manufacturing plant, machinery, equipment, office facilities and other related facilities and improvements thereon (such real property, manufacturing plant, machinery, equipment, office facilities and other related facilities and improvements being herein collectively called the "Project"); and

WHEREAS the County has entered into a Lease dated as of February 1, 1968 (herein called the "Lease") of the Project with Phillips Petroleum Company, a Delaware corporation (herein called "Phillips"), which Lease was recorded on April 2, 1968 in Deed Book 10-I, Page 28, in the office of the Clerk of Court of Oconee County, South Carolina; and

WHEREAS pursuant to resolution duly adopted by the County Board of Commissioners of the County on March 28, 1968 the County has heretofore executed and delivered to the Trustee its Indenture of

Mortgage and Deed of Trust dated as of February 1, 1968 (herein called the "Indenture"), whereby the County granted, bargained, sold, warranted, conveyed, confirmed, assigned, transferred in trust, pledged, mortgaged and set over into the Trustee and to its successors in said trust certain property of the County including the Lease to be held by the Trustee in trust in accordance with the provisions of the Indenture for the equal pro rata benefit and security of all and every of the bonds issued and to be issued thereunder in accordance with the provisions thereof; and

WHEREAS the Indenture was duly recorded as a mortgage on April 2, 1968 in Real Estate Mortgage Book 8-H, Page 146, in the office of the Clerk of Court of Oconee County, South Carolina; and

WHEREAS the County is authorized by law and deems it necessary to borrow additional moneys for the purpose of financing a portion of the cost of improving and expanding the Project by the acquisition or construction and equipping of an addition to the manufacturing building located on the real property in Oconee County, South Carolina, now owned by the County and specifically described in Schedule A attached hereto (which addition, including all necessary machinery and equipment, shall be included within the definition of "Project") and to carry out its obligations under the terms of the Lease as supplemented by the First Supplemental Lease dated as of February 1, 1969 entered into by the County and Phillips (the "First Supplemental Lease") (the Lease as supplemented by said First Supplemental Lease being hereinafter collectively called the "Lease"); and

WHEREAS the Indenture provides that bonds may be issued thereunder in one or more series upon the terms conditions specified therein, and each new series of bonds is to be created by the County Board of Commissioners of the County and the terms, provisions and

characteristics thereof may be set forth in an indenture supplemental to the Indenture, and

WHEREAS the County desires to provide for the issuance under the Indenture of Bonds of a new series designated "County Industrial Building Revenue Bonds, Series 1969 (Phillips)" (herein called the "Series 1969 Bonds"), the Series 1969 Bonds to be dated February 1, 1969 and to mature as provided herein; and

WHEREAS the execution and delivery of this First Supplemental Indenture and the issuance of the Series 1969 Bonds as herein provided have been duly authorized by resolution duly adopted by the County Board of Commissioners of the County on the _____ day of _____, 1969; and

WHEREAS the Series 1969 Bonds, the interest coupons to be attached thereto and the certificate of the Trustee to be endorsed thereon shall be in substantially the following forms, with necessary or appropriate variations, omissions and insertions as permitted or required by the Indenture as supplemented by this First Supplemental Indenture:

(Form of Series 1969 Bond)

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

COUNTY OF OCONEE

COUNTY INDUSTRIAL BUILDING REVENUE BOND

SERIES 1969 (PHILLIPS)

NO. _____ \$5,000

KNOW ALL MEN BY THESE PRESENTS that Oconee County, South Carolina (hereinafter referred to as the "County"), for value received, promises to pay from the source and as hereinafter provided, to bearer, or, if this Bond be registered, to the registered holder hereof, on February 1, 19__, the principal sum of Five Thousand Dollars and to

pay interest on said sum from the date hereof at the rate of _____ per cent per annum payable on August 1, 1969 and semiannually thereafter on February 1 and August 1 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto, both principal of and interest on this Bond being payable in lawful money of the United States of America at the principal office of Third National Bank in Nashville, in the City of Nashville, Tennessee, or its successor in the trust hereinafter described.

This Bond is one of an authorized series of Bonds numbered consecutively from 1 to 200, inclusive, aggregating One Million Dollars principal amount (herein called the "Series 1969 Bonds") issued for the purpose of financing a portion of the cost of improving and expanding an existing manufacturing plant and related facilities now owned by the County by the acquisition of additional land and the acquisition or construction and equipping of an addition to said manufacturing plant and related facilities (said lands, manufacturing plant and related facilities, including said addition, being hereinafter collectively referred to as the "Project"), which Project, pursuant to a Lease dated as of February 1, 1968 as supplemented by a First Supplemental Lease dated as of February 1, 1969 (herein collectively called the "Lease") has been leased to Phillips Petroleum Company, a Delaware corporation (hereinafter referred to as the "Lessee"), and paying necessary expenses incidental thereto so as thereby to secure and develop industry and trade by inducing the location in the County of said manufacturing plant and related facilities. The Series 1969 Bonds rank on a parity with the outstanding County Industrial Building Revenue Bonds, Series 1968 (Phillips), of the County dated February 1, 1968 (herein called the "Series 1968 Bonds"). All of the Series 1968 Bonds and the Series 1969

Bonds are issued under and equally and ratably secured and entitled to protection given by an Indenture of Mortgage and Deed of Trust dated as of February 1, 1968, duly executed and delivered by the County to Third National Bank in Nashville, in the City of Nashville, Tennessee, as Trustee (the term "Trustee" where used herein refers to Third National Bank in Nashville or its successor in said trust), as supplemented by a First Supplemental Indenture of Mortgage and Deed of Trust dated as of February 1, 1969 (herein collectively called the "Indenture"), which Indenture is recorded in the office of the Clerk of Court of Oconee County and reference is hereby made to the Indenture and to all indentures supplemental thereto for a description of the property mortgaged, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the County, the Trustee and the holders of the Bonds and the terms upon which the Bonds are issued and secured, to all of the provisions of which Indenture each holder by the acceptance hereof, assents. As provided in the Indenture, Bonds of other series ranking equally with the Series 1968 Bonds and the Series 1969 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 herein referred to as the "Bonds".

This Bond and appurtenant coupons are to be construed as negotiable instruments under the laws of the State of South Carolina, but this Bond may be registered as to principal on the registration books of the County in the office of the Trustee as Bond Registrar, upon presentation hereof at such office and the notation of such registration endorsed hereon by the Bond Registrar, and this Bond may thereafter be transferred on such books by the registered holder in person or by duly authorized attorney, evidence of such transfer to

to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to the registered holder 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, provided, that if upon registration of this Bond, or at any time thereafter while this Bond is registered in the name of the holder, the unmatured coupons attached evidencing interest to be thereafter paid hereon shall be surrendered to said Bond Registrar a statement to that effect will be endorsed hereon by the Bond Registrar and thereafter interest evidenced by such surrendered coupons will be paid by check or draft of the Bond Registrar at the times provided herein to the registered holder of this Bond by mail to the address shown on the registration books. This Bond when so converted into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered holder and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will again be attached to this Bond and a statement will be endorsed hereon by the Bond Registrar in the registration blank on the back of this Bond whether it is then registered as to principal alone or payable to bearer.

The Series 1969 Bonds are subject to redemption by the County at any time as a whole but not in part (unless called for redemption pursuant to Section 10.05 of the Lease, in which event such Bonds may

also be called in part) in inverse order of maturity and within each maturity by lot in such manner as may be designated by the Trustee, in the event of (1) condemnation of any part of the Project to the extent provided in Section 10.05 of the Lease or (2) exercise by the Lessee of its option to terminate the Lease or purchase the Project in the event of condemnation or casualty as provided in Section 10.04 of the Lease or (3) exercise by the Lessee of its option to purchase the Project as provided in Section 18.01 of the Lease, at a redemption price of 101-1/2% of the principal amount thereof plus accrued interest to the redemption date.

The Series 1969 Bonds are also subject to redemption by the County at any time as a whole, but not in part, in the event of exercise by the Lessee of its option to purchase the Project as provided in Section 18.04 of the Lease, at a redemption price of 104% of the principal amount thereof plus accrued interest to the redemption date if redeemed prior to February 1, 1979 and at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date if redeemed on February 1, 1979 or thereafter.

In addition, the Series 1969 Bonds are subject to redemption prior to maturity on any interest payment date on or after February 1, 1979, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity 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 redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
February 1, 1979 to January 31, 1984	104%
February 1, 1984 to January 31, 1989	103%
February 1, 1989 to January 31, 1992	102%
Thereafter at	101%

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed will be given by publication at least twice in a newspaper or financial journal of general circulation published in the City of New York, New York, the first of which shall be published not less than thirty days prior to the redemption date, and in the case of the redemption of Bonds at the time registered as to principal (except to bearer) or both principal and interest, by mailing a copy of the redemption notice by registered or certified mail at least thirty days prior to the date fixed for redemption to the registered holder of each Bond to be redeemed at the address shown 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 proceeding for the redemption of Bonds. If all of the Bonds to be redeemed are at that time registered as to principal (except to bearer), notice by mailing given by registered or certified mail to the holder or holders thereof not less than thirty days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. All Bonds so called for redemption will cease to bear interest on the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent

suspension of the publication or general circulation of any 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.

The Series 1969 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Act No. 103 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, 1967, and pursuant to resolution of the County Board of Commissioners of the County duly adopted and approved. This Bond and the issue of which it forms a part and the interest coupons appertaining hereto are special obligations and shall never constitute an indebtedness of the County within the meaning of any state constitutional or statutory provision or limitation, but are payable solely out of the revenues and other amounts derived from the leasing of the Project financed through the issuance of the Bonds and which has been leased to the Lessee. The Bonds and the interest coupons appertaining thereto do not now and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. Rental payments sufficient for the prompt payment when due of the interest on and principal of said Bonds are to be paid to the Trustee for the account of the County and deposited in a special account created by the County and have been duly pledged for that purpose. In addition the Bonds are secured by a mortgage on the real property and improvements (but not including Excluded Property as referred to and defined in the Indenture) acquired with the proceeds of the Bonds.

The holder of this Bond shall have no right to enforce the

provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the series of which it forms a part, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation; and that the lease rentals and revenues pledged to the payment of the principal of and interest on this Bond and the series of which it forms a part, as the same become due, will be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, Oconee County has caused this Bond to be executed in its name by the signature of the Chairman of its County Board of Commissioners, and attested by the Clerk of said board and the

corporate seal of said board to be impressed hereon, and has caused the interest coupons attached hereto to be executed by the facsimile signatures of said officers, all as of the first day of February, 1969.

Chairman

ATTEST:

Clerk

(Form of Trustee's Certificate of Authentication)

This Bond is one of the Bonds of the series described in the within mentioned Indenture.

THIRD NATIONAL BANK IN NASHVILLE,
Trustee

By _____
Authorized Officer

(Form of Interest Coupon)

No. _____ \$ _____

On the first day of _____, 19____, Oconee County, South Carolina (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the principal amount thereof, interest accrued thereon to the date of redemption and any redemption premium duly made or provided for) will pay to bearer, but solely from the sources and in the manner provided in the Indenture referred to therein, and upon presentation and surrender of this coupon at the principal office of the Trustee (Third National Bank in Nashville, in the City of Nashville, Tennessee) or its successor in trust the amount shown hereon in lawful money of the United States of America,

being interest then due on its County Industrial Building Revenue Bond, Series 1969 (Phillips), dated February 1, 1969 and numbered ____.

(Facsimile)
Clerk

(Facsimile)
Chairman

(Form of Registration)

Date of Registration	Name of Registered Holder	Manner of Registration	Signature of Bond Registrar
.	.	.	.
.	.	.	.
.	.	.	.
.	.	.	.
.	.	.	.
.	.	.	.

WHEREAS all things necessary to make the Series 1969 Bonds, when duly issued pursuant to the provisions of the Indenture and executed by the County and authenticated and delivered by the Trustee, valid, binding and legal special obligations of the County, and all things necessary to make the Indenture and this First Supplemental Indenture valid, binding and legal instruments for the security thereof have been done and performed;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH, Oconee County, South Carolina, in order better to secure the payment of the principal of, premium, if any, and interest upon all Bonds at any time issued and outstanding under the Indenture, as hereby supplemented, according to their tenor and effect and further to secure the performance and observance of all the covenants and conditions contained in the Indenture, as hereby supplemented, and to declare the terms and conditions upon which the Series 1969 Bonds are or shall be issued, received and held, in consideration of the premises and of the purchase and acceptance of said Series 1969 Bonds by the holders thereof, and

in consideration of the acceptance by the Trustee of the trusts created by the Indenture, as hereby supplemented, and for other good and valuable considerations to it hereunto moving, receipt whereof is hereby acknowledged, the County does hereby grant, bargain, sell, warrant, convey, confirm, assign, transfer in trust, pledge, mortgage and set over unto the Trustee, and to its successors in the trusts created by the Indenture, as hereby supplemented, subject to the rights of Phillips Petroleum Company, its successors and assigns, under the Lease, all and singular the properties, rights, privileges and interests of every kind of the County, real and personal (except Excluded Property), described in the Indenture, including, without in anywise limiting or impairing by the enumeration of the same the scope and intent of any general description contained in the Indenture, the properties, rights, privileges and interests hereinafter described, to wit;

1. The real estate specifically described in Schedule A attached hereto, together with any and all improvements, structures and buildings now or hereafter located thereon.

2. The right, title and interest of the County in and to the Lease, dated as of February 1, 1968, as supplemented by the First Supplemental Lease dated as of February 1, 1969, executed by the County, as Lessor, and Phillips Petroleum Company, as Lessee, which Lease, as supplemented, is described in the second and fifth WHEREAS clauses of this First Supplemental Indenture, and referred to as the Lease; the County, however, to remain liable to observe and perform all of the conditions and covenants in said Lease provided to be observed and performed by it.

3. All of the rents, issues and profits received by the County from the Project, including without limitation all of the rents and the amounts to be paid to the County under the terms of the Lease, as supplemented by the First Supplemental Lease.

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

TO HAVE AND TO HOLD, all and singular all of said property, real, personal and mixed, mortgaged, pledged or conveyed by the County, as aforesaid, or intended so to be, including all additional property which by the terms hereof has or may become subject to the encumbrance of the Indenture, unto the Trustee and its successors and assigns, forever, subject, however to the exclusions, reservations, covenants, conditions, uses and trusts set forth in the Indenture.

IN TRUST, NEVERTHELESS, under and subject to the terms and conditions set forth in the Indenture, for the equal and pro rata benefit and security of each and every person, firm or corporation who may be or become the holders of the Bond or Bonds and coupons issued hereunder, without preference, priority or distinction as to participation in the lien, benefit and protection of the Indenture as supplemented by this First Supplemental Indenture, of one Bond or coupon over or from the others, by reason or 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 such coupons shall have the same right, lien and privilege under the Indenture and shall be equally secured 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 and for securing the observance and performance of all the terms,

provisions and conditions of the Indenture as supplemented by this First Supplemental Indenture.

Provided, nevertheless, and these presents are upon the express condition, that if the County or its successors or assigns shall well and truly pay or cause to be paid the principal of such Bonds with interest and premium, if any, according to the true intent and meaning of such Bonds and each of them or shall provide for the payment or redemption of such Bonds by depositing or causing to be deposited with the Trustee the entire amount requisite for payment or redemption thereof when and as authorized by the Indenture and shall also pay or cause to be paid all other sums payable hereunder by the County, and shall strictly observe and perform all of the terms, provisions and conditions of the Indenture, as supplemented by this First Supplemental Indenture, then these presents and the estate and rights hereby granted shall cease, determine and become void, and thereupon the Trustee, on payment of all lawful charges and disbursements then unpaid, on demand of the County and upon the payment of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the County, such instruments of satisfaction or release in respect of the mortgaged property as may be necessary or proper to discharge the Indenture of record, and if necessary shall grant, reassign and deliver to the County, its successors or assigns, all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of as herein provided; otherwise the Indenture shall be and remain in full force.

ARTICLE I

The Series 1969 Bonds

Section 1.01. There is hereby created and authorized, a

series of bonds to be entitled or known as "County Industrial Building Revenue Bonds, Series 1969 (Phillips)", limited in the aggregate principal amount to One Million Dollars (\$1,000,000). The Series 1969 Bonds are issued under and pursuant to and secured by the Indenture as supplemented by this First Supplemental Indenture.

The Series 1969 Bonds shall be issuable as coupon Bonds, in the denomination of Five Thousand Dollars (\$5,000). The Series 1969 Bonds shall be dated February 1, 1969 and shall bear interest from such date payable semiannually on the first days of August and February of each year with the first interest payment to be made on August 1, 1969. The Series 1969 Bonds shall mature in numerical order on February 1 of each of the years, shall be numbered consecutively from 1 upward, and shall bear interest as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1971	\$20,000	
1972	20,000	
1973	25,000	
1974	25,000	
1975	25,000	
1976	30,000	
1977	30,000	
1978	30,000	
1979	35,000	
1980	35,000	
1981	40,000	
1982	40,000	
1983	45,000	
1984	45,000	
1985	50,000	
1986	50,000	
1987	55,000	
1988	55,000	
1989	60,000	
1990	65,000	
1991	70,000	
1992	75,000	
1993	75,000	

Section 1.02. The text of the Series 1969 Bonds, the interest coupons appertaining to such Bonds and the certificate of the Trustee to be endorsed on all Bonds are to be in substantially the form, and be

of the tenor and purport, respectively, hereinbefore set forth, with appropriate variations, omissions and insertions, as permitted or required by the Indenture as supplemented by this First Supplemental Indenture.

Section 1.03. The Series 1969 Bonds are subject to redemption by the County at any time as a whole, but not in part (unless called for redemption pursuant to Section 10.05 of the Lease, in which event such Bonds may also be called in part) in inverse order of maturity and within each maturity by lot in such manner as may be designated by the Trustee, in the event of (1) condemnation of any part of the Project to the extent provided in Section 10.05 of the Lease or (2) exercise by the Lessee of its option to terminate the Lease or purchase the Project in the event of condemnation or casualty as provided in Section 10.04 of the Lease or (3) exercise by the Lessee of its option to purchase the Project as provided in Section 18.01 of the Lease, at a redemption price of 101-1/2% of the principal amount thereof plus accrued interest to the redemption date.

The Series 1969 Bonds are also subject to redemption by the County at any time as a whole, but not in part, in the event of exercise by the Lessee of its option to purchase the Project as provided in Section 18.04 of the Lease, at a redemption price of 104% of the principal amount thereof plus accrued interest to the redemption date if redeemed prior to February 1, 1979 and at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date if redeemed on February 1, 1979 or thereafter.

In addition, the Series 1969 Bonds are subject to redemption

prior to maturity on any interest payment date on or after February 1, 1979, in whole or in part in the inverse order of their maturity (less than all of such Bonds of a single maturity 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 redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption</u> <u>Price</u>
February 1, 1979 to January 31, 1984	104%
February 1, 1984 to January 31, 1989	103%
February 1, 1989 to January 31, 1992	102%
Thereafter at	101%

Section 1.04. The Trustee forthwith upon the execution and delivery of this First Supplemental Indenture or from time to time thereafter upon the execution and delivery to it by the County of the Series 1969 Bonds, shall authenticate Series 1969 Bonds in the aggregate principal amount of not to exceed One Million Dollars (\$1,000,000) as the County shall direct and shall deliver them to or upon the written request of the County.

The County shall deposit with the Trustee all of the proceeds from the sale of the Series 1969 Bonds (including accrued interest on the Series 1969 Bonds from February 1, 1969 to the date of their delivery to the purchasers) and the Trustee shall out of such proceeds:

- (a) Deposit to the credit of the Interest Account established under Article IV the accrued interest on the Series 1969 Bonds from February 1, 1969 to the date of their delivery to the purchasers. It is understood that the amounts so deposited shall constitute a credit to the Lessee on the next succeeding

payment or payments of Basic Rent due or to become due under the Lease.

- (b) Deposit to the credit of a Series 1969 Expense Account (hereby created) the sum of \$_____ and to pay out of such Expense Account upon the written request of the County and (so long as Phillips is not in default under the Lease as supplemented) of Phillips, any legal and fiscal fees and expenses, recording expenses, trustee's and depository's fees or title insurance costs and other reasonable fees and expenses incurred in connection with the issuance and sale of the Series 1969 Bonds. At such time as the County and Phillips furnish the Trustee with a letter that all such fees and expenses have been paid, the Trustee shall transfer any moneys remaining in such account to the Depository under the Series 1969 Construction Deposit Agreement hereinafter referred to.
- (c) Pay to the Depository under the terms of the Series 1969 Construction Deposit Agreement dated as of February 1, 1969 by and among the County, Phillips and Third National Bank in Nashville, as Depository (herein referred to as the "Series 1969 Construction Deposit Agreement"), the sum of \$_____. It is understood and agreed that the Trustee hereunder shall be entitled to the benefit of the provisions of the Series 1969

Construction Deposit Agreement and that the same will not be altered or changed except in accordance with the terms and conditions thereof.

Section 1.05. No Series 1969 Bonds in excess of One Million Dollars (\$1,000,000) aggregate principal amount shall be authenticated under the Indenture, as hereby supplemented, and the amount of Bonds of said series is limited to such principal amount.

Section 1.06. With respect to the Bond Retirement Account provided in Section 4.04 (b), in the case of the Series 1969 Bonds such dates and amounts shall be as follows:

<u>Date</u>	<u>Amount</u>
1971	\$20,000
1972	20,000
1973	25,000
1974	25,000
1975	25,000
1976	30,000
1977	30,000
1978	30,000
1979	35,000
1980	35,000
1981	40,000
1982	40,000
1983	45,000
1984	45,000
1985	50,000
1986	50,000
1987	55,000
1988	55,000
1989	60,000
1990	65,000
1991	70,000
1992	75,000
1993	75,000

ARTICLE II

Additional Bonds

Section 2.01. So long as no event of default shall be continuing under the Indenture, the County may issue additional Bonds under the Indenture pursuant to the provisions and limitations set forth in Article III, provided, however, that in no event shall the County issue any additional Bonds under the Indenture if as a result of the issuance thereof the interest on the Series 1969 Bonds or the Bonds of additional series will not be fully excludable from the gross income of the recipients thereof under Section 103 of the Internal Revenue Code of 1954, as amended, after giving effect to the provisions and limitations set forth in Section 103(c)(6) of the Internal Revenue Code of 1954, as amended.

ARTICLE III

Miscellaneous

Section 3.01. The Trustee assumes no duties, responsibilities or liabilities by reason of this First Supplemental Indenture other than as set forth in the Indenture, and this First Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions of its acceptance of the trust under the Indenture, as fully as if said terms and conditions were herein set forth at length.

Section 3.02. The defined terms or phrases used in this First Supplemental Indenture unless otherwise defined herein shall have the meanings assigned thereto in the Indenture. Reference by number in this First Supplemental Indenture to Articles or Sections shall be construed as referring to Articles and Sections contained in the Indenture, unless otherwise stated.

Section 3.03. Whenever in this First Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this First Supplemental Indenture contained by or on behalf of the County or by or on behalf of the Trustee shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

Section 3.04. This First Supplemental Indenture shall be construed in connection with and as a part of the Indenture and all terms, conditions and covenants contained in the Indenture, except as herein modified and except as restricted in the Indenture to Bonds of another series shall apply to and be deemed to be for the equal benefit, security and protection of the Series 1969 Bonds.

Section 3.05. This First Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument. The date of actual execution of this First Supplemental Indenture shall be the date of execution by the Trustee.

IN WITNESS WHEREOF, Oconee County, South Carolina, has caused these presents to be signed in its name and behalf by the Chairman of its County Board of Commissioners and its official seal to be hereunto affixed and attested by the Clerk of said board; and to evidence its acceptance of the trusts hereby created, Third National Bank in Nashville

has caused these presents to be signed in its name and behalf by one of its duly authorized Vice Presidents, and its official seal to be hereunto affixed by him and attested by one of its Trust Officers all as of the 1st day of February, 1969, but actually on the dates hereinafter indicated.

OCONEE COUNTY, SOUTH CAROLINA

By _____
Chairman, County Board of Commissioners

(SEAL)

ATTEST:

Clerk, County Board of Commissioners

Executed and delivered in the presence of:

THIRD NATIONAL BANK IN NASHVILLE,
as Trustee

By _____
Vice President

(SEAL)

ATTEST:

Trust Officer

Executed and delivered in the presence of:

STATE OF TENNESSEE)
) SS
COUNTY OF DAVIDSON)

Personally appeared before me _____,
who, being duly sworn, says that he saw the corporate seal of THIRD
NATIONAL BANK IN NASHVILLE, a national banking association organized
and existing under and by virtue of the laws of the United States of
America, affixed to the foregoing instrument (First Supplemental Indenture
of Mortgage and Deed of Trust) and that he also saw _____,
Vice President, and _____, Trust Officer, of said
THIRD NATIONAL BANK IN NASHVILLE, sign and attest the same, and that
he and _____ witnessed the execution and delivery
thereof as the act and deed of said THIRD NATIONAL BANK IN NASHVILLE.

Witness

Sworn to before me this _____ day of _____, 1969,
_____, Notary Public for _____.

A Notary Public

My commission expires: _____

SERIES 1969
CONSTRUCTION DEPOSIT AGREEMENT

THIS AGREEMENT made and entered into as of the 1st day of February, 1969, by and between OCONEE COUNTY, SOUTH CAROLINA, a political subdivision of the State of South Carolina (hereinafter called the "County"), PHILLIPS PETROLEUM COMPANY, a corporation organized and existing under the laws of the State of Delaware, with a principal office at Bartlesville, Oklahoma, duly authorized to conduct business in the State of South Carolina (hereinafter called "Phillips"), and THIRD NATIONAL BANK IN NASHVILLE, a national banking association with trust powers, in Nashville, Tennessee (hereinafter called the "Depositary"),

W I T N E S S E T H:

WHEREAS the County has heretofore issued its County Industrial Building Revenue Bonds, Series 1968 (Phillips) (herein called the "Series 1968 Bonds") in the aggregate principal amount of \$3,800,000 under the provisions of an Indenture of Mortgage and Deed of Trust dated as of February 1, 1968 (herein called the "Indenture") from the County to Third National Bank in Nashville, as Trustee (herein called the "Trustee"), and has acquired out of the proceeds thereof certain real property in the County, together with a manufacturing plant, machinery, equipment, office facilities and other related facilities and improvements thereon (herein collectively called the "Project"); and

WHEREAS the County has leased the Project to Phillips under and pursuant to a Lease dated as of February 1, 1968 (herein called the "Lease"); and

WHEREAS the County and Phillips have prior to the execution and delivery hereof, supplemented the Lease by the execution and delivery of a First Supplemental Lease dated as of February 1, 1969 (herein called the "First Supplemental Lease", the Lease as supplemented by the First Supplemental Lease being hereinafter sometimes collectively referred to as the "Lease"), providing for the acquisition or construction and equipping of an addition (hereinafter called the "Addition") to the Project on real property owned by the County and specifically described in the Lease (hereinafter called the "Leased Premises"); and

WHEREAS the County and the Trustee have, prior to the execution and delivery hereof (but subsequent to the execution and delivery of the Lease), supplemented the Indenture by the execution and delivery of a First Supplemental Indenture of Mortgage and Deed of Trust dated as of February 1, 1969 (the Indenture as supplemented by said First Supplemental Indenture of Mortgage and Deed of Trust being hereinafter collectively referred to as the "Indenture"), providing, among other things, for the sale and issuance of One Million Dollars (\$1,000,000) principal amount of County Industrial Building Revenue Bonds, Series 1969 (Phillips) (herein called the "Series 1969 Bonds", the Series 1968 Bonds and the Series 1969 Bonds being hereinafter sometimes collectively referred to as the "Bonds"); and

WHEREAS the parties understand that the net proceeds of the sale of the Series 1969 Bonds will be used by the County to pay a part of the cost of the acquisition or construction and equipping of the Addition, and desire by this Agreement to provide how the said proceeds will be so used and how the Addition will be so acquired, constructed and equipped:

NOW, THEREFORE, in consideration of the premises and of the agreements hereinafter expressed, the parties do hereby agree each with the other as follows:

Section 1. The Trustee, on behalf of the County, hereby deposits the sum of \$ _____ with the Depositary and the County hereby deposits or will deposit the following documents with the Depositary:

- (1) Plans and Specifications (hereinafter called the "Plans and Specifications") prepared by _____, which provide for the construction of the Addition, as well as additional improvements to be paid for by Phillips. The construction of the Addition provided for by the Plans and Specifications from time to time in effect hereunder including Equipment therefor is hereinafter referred to as the "1969 Improvement Project".
- (2) A list of machinery, equipment and related property to be attached hereto as Schedule A (herein called the "Equipment") to be installed in or about the Leased Premises corresponding to the Equipment described in Schedule B attached to the First Supplemental Lease.
- (3) A construction contract by and between _____ and Phillips, and from time to time during the course of construction, one or more construction contracts with a contractor or contractors approved by Phillips for the construction of the 1969 Improvement Project.

Section 2. Subject to the provisions of Section 5 hereof Phillips agrees that:

- (a) It will cause the Addition to be constructed on the Leased Premises, wholly within the boundary lines thereof.
- (b) The Addition will be constructed in accordance with the Plans and Specifications.
- (c) It will acquire and install in or about the Leased Premises the Equipment described in Schedule A attached hereto, as said schedule may from time to time be amended and supplemented as hereinafter provided.
- (d) Changes in and/or additions to the Plans and Specifications or to Schedule A or the construction contracts shall be made only by the joint written

agreement of the County and Phillips signed by the Authorized Representative of each of them, except that:

- (1) Phillips, or its designee, may, at any time prior to the completion of the Addition, order extra work under any construction contract or make changes therein by altering, adding to or deducting from the work specified by the construction contract (even though the cost of the contract will be adjusted accordingly), provided that such extra work, alteration, addition or deduction shall not damage or materially alter the basic structure of the Addition as planned or materially decrease its value;
- (11) Phillips may, without the prior written consent of the County, as long as it is not in default under the Lease, delete any item of Equipment from Schedule A or supplemental schedules theretofore delivered to the Depositary, provided that such deletion will not interfere with the operation or substantially decrease the use of the Leased Premises for the purposes of the Lease, and it may likewise, without the prior written consent of the County, substitute an item of Equipment for any item or items so deleted from Schedule A or add any item or items of Equipment to said Schedule provided that such substitution or addition shall not interfere with the operation or substantially change the use of the Leased Premises for the purposes of the Lease.
- (e) It will construct the Addition with all reasonable dispatch and use its best efforts to cause the said construction to be completed as soon as may be practicable. No delay in the completion of construction shall result in any diminution in the rental payments required in the Lease, or any of the covenants or agreements contained therein, all as more fully set forth in the Lease.

Section 3. The term "construction costs" as used herein shall mean costs incurred in the construction of the Addition (including the acquisition and installation of the Equipment therefor) and without limiting the generality of the foregoing shall include the following:

- (a) Payment to Phillips or the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse them in full for all advances and payments made and costs incurred by either of them in connection with the acquisition of the Leased Premises, the clearing and improving of the Leased Premises, the preparation of the Plans and Specifications,

the construction of the Addition, the acquisition and installation of the Equipment, and any construction, acquisition or installation necessary to procure utility services or railroad transportation or other facilities;

- (b) Payment to or for the account of any contractor under a construction contract deposited hereunder of such amount or amounts as are at the time due and payable under such contract;
- (c) Payment to or for the account of the supplier (which may be Phillips) of an item of Equipment of the amount stated as owing for sale or delivery of the same on the supplier's invoice if the party hereunder requesting payment shall certify that the said item has been ordered and delivered in accordance with the terms of this Agreement, and, in the case of any item of Equipment furnished by Phillips, if Phillips shall certify in addition that the sale price to the County of said item does not exceed the cost thereof to Phillips, less any depreciation previously taken by Phillips with respect thereto.
- (d) Payment to or for the account of architects, engineers or consultants rendering the service or incurring the expenses or to the party hereunder which shall have previously paid the same of the amount of fees earned and out-of-pocket expenses incurred in connection with architectural, engineering, consulting and supervisory services in relation to the preparation of the Plans and Specifications, the improvement of the Leased Premises, the construction of the Addition, the selection or installation of the Equipment, the procurement of utility services, railroad transportation or other facilities, the inspection of any of the foregoing and the preparation or approval of certificates of inspection, payment or completion, and
- (e) Payment to the insurance company or agent involved, or to the party hereunder which shall have previously paid the same, of the premiums on any insurance required to be taken and maintained under any construction contract or purchase order issued pursuant to this Agreement as evidenced by the invoice or other document of the insurance company or agent approved by Phillips, except such premiums as are required to be paid by the contractor thereunder, with no provision for reimbursement by Phillips.

Section 4. Money deposited hereunder (which money shall be held by the Depository in a Series 1969 Construction Fund Account) shall be paid out from time to time by the Depository to or upon the order of Phillips, in order to pay or as reimbursement for payments made for construction costs as hereinbefore provided, and in the case of costs incurred in connection with the construction of the Addition or the acquisition of the Equipment, in each case upon receipt by the Depository of the following:

- (a) The written order of Phillips countersigned by the County:
- (1) stating that the construction costs of an aggregate amount stated in such order have been made or incurred and were necessary for the construction or equipping of the 1969 Improvement Project, and were made or incurred in accordance with the Plans and Specifications then in effect;
 - (2) stating that the amount paid or to be paid, as set forth in the said order, represents a part of the amount payable for construction costs and that such amount is in accordance with the terms of any contracts applicable thereto;
 - (3) stating that no part of the said construction costs was included in any order previously filed with the Depository under the provisions hereof.
- (b) If money is requested as payment or reimbursement for Equipment, a written order certifying that the County has obtained or will, upon payment by the Depository of the money requested in such order, obtain good title to such Equipment free and clear of liens and encumbrances together with copies or photostatic copies of the invoices or other documents pertaining thereto from the sellers or suppliers thereof.

The written order prepared responsive to subdivision (a) or (b) above shall be signed by an officer or such other agent (the Authorized Representative) as shall be appointed by any duly authorized officer of Phillips and countersigned by an officer or such other agent (the Authorized Representative) as shall be appointed by the Chairman of the County Board of Commissioners.

Section 5. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Series 1969 Construction Fund Account and which, under the provisions of this Agreement, will be available for payment of the costs of the acquisition and construction of the 1969 Improvement Project and other costs related thereto will be sufficient to pay all of the costs which will be incurred in that connection. In the event the moneys in the Series 1969 Construction Fund Account available for payment of such costs should not be sufficient to pay the same in full, Phillips agrees to complete the construction of the Addition, the acquisition and installation of the Equipment and to pay all that portion of the costs in connection therewith as may be in excess of the moneys available therefor in the Series 1969 Construction Fund Account. Phillips further agrees that if after exhaustion of the moneys in the Series 1969 Construction Fund Account, Phillips should pay any portion of the said costs pursuant to the provisions of this Section it shall not be entitled to any reimbursement therefor from the County or from the Trustee under the Indenture or from the holders of any of the Bonds issued thereunder, nor shall it be entitled to any diminution of the rents payable under the Lease, all as more fully provided therein.

Section 6. Within 120 days after the construction of the Addition and the installation of the Equipment is completed in accordance with the Plans and Specifications then in effect Phillips will deliver to the Depository (i) a certificate of the Authorized Representative of Phillips stating that the construction of the Addition and the installation of the Equipment have been fully completed in accordance with the Plans and Specifications then in effect and the date of such completion, and (ii) an opinion of counsel (who may be counsel to Phillips) stating that such counsel has made such investigation of such sources of information as are deemed by him to be necessary, including pertinent records of Phillips, and is of the opinion that the 1969 Improvement Project has been paid for and no claim or claims exist against the County or against its properties out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the County or Phillips intends to contest such claim or claims, in which event such claim or claims shall be described and it shall be further stated that funds are on deposit under this Agreement or will be available by Phillips sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims.

In the event the opinion of counsel filed with the Depository responsive to the preceding provisions of this Section shall state that there are claim or claims in controversy which create or might ripen into a lien, then when and as such claim or claims shall have been fully paid the County or Phillips shall cause a supplemental opinion of counsel to that effect to be promptly filed with the Depository.

Likewise within 120 days after completion as aforesaid, Phillips will deliver to the Depository a supplemental lease containing a description of the Equipment and other properties for which payment has been made from money deposited hereunder but not described in the Lease.

Section 7. Moneys at any time held by the Depository hereunder shall, at the direction of Phillips, be invested or reinvested by the Depository in Qualified Investments as defined in Section 3 of Schedule C to the Lease (provided, however, such phrase for the purposes of this Agreement shall also be deemed to include the capital notes of any bank, trust company or national banking association, including the Depository, which is a member of the Federal Reserve System, having a combined capital and surplus of at least \$20,000,000), maturing at such time or times that the Depository will be able to make the payments from time to time required of it hereunder. In determining when it may need to make payments and what amounts can be theretofore invested or reinvested hereunder, the Depository shall be entitled to rely upon a schedule of anticipated payments of construction costs provided by Phillips and upon a schedule of anticipated payments for Equipment provided by Phillips. Any interest or profit on such investments shall be credited to the Series 1969 Construction Fund Account. The Depository shall not be obligated to invest any funds held by it hereunder except as directed by Phillips and justified by the foregoing schedules of anticipated payments and shall not be obligated to pay interest on any funds not invested pursuant to the terms hereof. The Depository may sell or present for redemption any investment purchased by it whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Depository shall not in the absence of bad faith be liable or responsible for any loss resulting from such investment, sale or redemption.

Section 8. Whenever the Depository shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless the evidence in respect thereof be herein specifically prescribed) may in the absence of bad faith on the part of the Depository be deemed to be conclusively proved and established by a certificate signed by the Chairman or Clerk of the County Board of Commissioners or the Authorized Representative of the County and by an officer, attorney or the Authorized Representative of Phillips; and such certificate shall be full warrant to the Depository for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

Section 9. All moneys held by the Depository hereunder shall be security for the Bonds outstanding under the Indenture, and in the event of a default thereunder shall on demand be paid to the Trustee under the Indenture. If, after payment by the Depository of all amounts which it shall have been directed to pay in accordance with Sections 3 and 4 above and after receipt by the Depository of the certificates required by Section 6 above, there shall remain any balance in the Series 1969 Construction Fund Account not needed to provide for the payment of pending claims, such balance shall be paid to the Trustee and deposited in the Revenue Account created by the Indenture and shall constitute a credit to Phillips against the next succeeding payment or payments of rental due or to become due under the Lease.

Section 10. In the event of default of any contractor or subcontractor under any contract made by it in connection with the construction of the Addition or the installation of Equipment or in the event that any claim should arise against any supplier of Equipment as a result of breach of a product warranty or otherwise, the County will promptly proceed at Phillips' expense (unless Phillips shall advise to the contrary) either separately or in conjunction with others to exhaust the remedies of the County against the contractor or subcontractor or the supplier so in default or against whom a claim shall have arisen and against each surety for the performance of any contract in default. The County shall advise Phillips of the steps it intends to take in connection with any such default or claim. If Phillips shall so notify the County, Phillips or its designee may, in its own name or in the name of the County, prosecute or defend any action or proceeding or take any other action involving any contractor, subcontractor, supplier or surety which Phillips deems reasonably necessary, and in such event the County hereby agrees to cooperate fully with Phillips and to take all action necessary to effect the substitution of Phillips for the County in any such action or proceeding. Any and all amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing prior to the completion of construction of the Addition and acquisition and installation of the Equipment shall be paid into the Series 1969 Construction Fund Account and thereafter shall be paid to the Trustee and deposited in the Revenue Account and shall constitute a credit to Phillips against the next succeeding payment or payments of rental due or to become due under the Lease.

Section 11. Until changed by written notice to the other parties hereto making a change either of substitution or addition, the Authorized Representative of the County for the purposes of this Agreement shall be Reese A. Hubbard, Chairman of the County Board of Commissioners, who may be addressed at County Courthouse, Walhalla, South Carolina 29691, and the Authorized Representative of Phillips shall be D.P. Shaub, who may be addressed at 9 Al PB, Engineering Department, Phillips Petroleum Company, Bartlesville, Oklahoma 74003.

Section 12. The Depository may at any time resign by giving at least 10 days' written notice either personally or by registered or certified mail to the County and to Phillips. In the event of such resignation, the County and Phillips shall jointly appoint a successor who, upon written acceptance filed with the County and Phillips, shall become fully vested with all of the rights, powers, trusts, duties and obligations of its predecessor.

Section 13. Nothing in this Agreement shall be construed to permit either Phillips or the County to obligate the County, pursuant to any construction contract or otherwise, to pay any moneys in connection with the acquisition, construction or installation of the Addition or Equipment other than funds on deposit in the Series 1969 Construction Fund Account and available for such purpose, and neither this agreement nor any construction contract or other agreement executed by Phillips or the County in connection with such acquisition, construction or installation shall (i) be deemed to create or give rise to a general obligation or pecuniary liability of the County or a charge against its general credit or taxing powers, it being expressly understood that except to the extent that Phillips may obligate itself to make up any deficiency thereunder, the source of payment of any sums due or to become due under any such contract or agreement shall be limited to the funds on deposit in the Series 1969 Construction Fund Account and available for such purpose, or (ii) be deemed to create or give rise to any charge or lien upon any assets or property of the County except the 1969 Improvement Project and the funds on deposit in the Series 1969 Construction Fund Account.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in triplicate on and as of the date hereinabove written, by their respective duly authorized officers.

OCONEE COUNTY, SOUTH CAROLINA

By _____
Chairman, County Board of
Commissioners

ATTEST:

Clerk, County Board
of Commissioners

PHILLIPS PETROLEUM COMPANY

By _____

ATTEST:

Assistant Secretary

THIRD NATIONAL BANK IN NASHVILLE

By _____
President

ATTEST:

SCHEDULE A TO SERIES 1969 CONSTRUCTION DEPOSIT AGREEMENT

EQUIPMENT

- 6 Needle punch machines - Hunter Model 21, fiber locker.
- 2 Heat roll machines - Black Clawson 170" two-step heat finishing units with drive, hydraulic and lubrication systems.
- 4 72" wide breaker card machines - Proctor and Schwartz Model 742E with drive.
- 4 96" wide cross lapper - Proctor and Schwartz Model 598.
- 4 72" wide cross lapper - Proctor and Schwartz Model 598.
- 4 15' feed apron, 96" wide - Proctor and Schwartz, located between 72" cross lapper and 96" card.

E N D