

MINUTES OF BUDGET AND CONTROL BOARD MEETING

OCTOBER 17 1973

The Budget and Control Board met in the Conference Room of the Governor's Office at 10:00 a. m. on October 17, 1973 with the following members in attendance.

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

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

The following business was conducted.

RETIREMENT SYSTEM - In a letter dated October 16, 1973, Mr. Purvis W. Collins, Director of the Retirement Division, advised that as of January 1, 1974 his Division would have to vacate the office space which it presently occupies in the Heyward Building. Although conceding that the rental would be slightly higher than at some more remote location, Mr. Collins requested that his Division be premitted to locate in the Bankers Trust Building on the corner of Gervais and Sumter streets. According to Mr. Collins, this location would be more appropriate because of his department's association with the Budget and Control Board, the Finance Division and the Financial Computer Complex.

The Board approved this request.

A copy of Mr. Collins' letter has been retained in these files and is identified as Exhibit I.

FOREIGN TRAVEL - Mr. Don Welch, Director of the State Ports Authority, advised the Budget and Control Board that he and certain other members of his staff would be required to periodically travel to Europe and to the Far East in the normal course of business of the Ports Authority

and requested continuing authority for such travel.

The Board took note of the fact that such travel by officials of the Ports Authority was ordinary and necessary and might be on relatively short notice; and therefore, such continuing authority for foreign travel was authorized.

TRAVEL REGULATIONS - Mr. P. C. Smith advised the Board members that questions had arisen pertaining to the reimbursement for the expense of State employees to and from a local airport and parking fees for automobiles left in the airport parking lot. The Board members agreed that an employee could be reimbursed for mileage to and from the airport from the employee's place of residence or his office, whichever is applicable. The Board also approved parking fees for automobiles left at the airport when such parking is determined to be necessary.

MENTAL RETARDATION - Dr. Charles Barnett, Commissioner of Mental Retardation, appeared before the Board and presented several items for Board consideration.

(1) Budget and Control Board approved the expenditure of \$180,000 from the patient fee sinking fund account for the balance due on the purchase of the Live Oak Nursing Home in Summerville, South Carolina.

(2) The Board approved the expenditure of \$33,000 of appropriated funds, which were originally designated for the Pee Dee Center, for the purchase of the Altrusa Home, a nursing facility in Florence, South Carolina. (A description of the transaction has been retained in these files and is identified as Exhibit II.)

(3) The Board approved a proposed joint arrangement between the Coastal Center of the Mental Retardation Commission and the Medical University for use of sewer facilities at the Coastal Center near Summerville. It was understood that, at some time in the future, these facilities will have to be upgraded and, at that time, the Medical University will be requested to assist in the financial arrangements.

CAPITAL IMPROVEMENT BONDS - As requested in the October 4, 1973 meeting of the Budget and Control Board, Mr. P. C. Smith presented a schedule showing proposed allocations for an additional \$15,000,000 of projects which were funded under the various Capital Improvement Bond Acts. These projects were arranged in \$5,000,000 increments and were, in the opinion of the Finance Division, in priority order according to needs.

Mr. Grady L. Patterson advised the Board that he felt that the cash funds to finance these additional projects, along with the funds necessary for the previously approved projects, could be provided without extending the \$35,000,000 annual limitation which was placed on the issuance of Capital Improvement Bonds by the General Assembly. However, if the cash flow exceeds current expectations, the Board would have the opportunity of requesting an extension of the current \$35,000,000 limit at the next regular session of the Legislature.

The Board approved the additional allocation of \$15,000,000 for the various projects as listed in the report furnished by Mr. Smith and also approved the plan of financing as suggested by Mr. Patterson.

A copy of the report of the Finance Division as submitted by Mr. Smith has been retained in these files and is identified as Exhibit III.

DATE FOR THE NEXT BOARD MEETING - Mr. Smith requested that the Board set a date for its next meeting in order to consider the formal adoption of General Fund Revenue estimates for the fiscal year 1974-75 and also for the consideration of a report of a consulting firm which has been studying the State's classification plan and pay grades. It was agreed that the Board would meet on October 29, 1973, at 11:00 a. m. for the purpose of discussing these items.

CLEMSON UNIVERSITY - Mr. P. C. Smith reported that Clemson University wished to build a camp for retarded children and in order to provide money for such a project, the Commission for Mental Retardation

wished to pay its annual rental for this facility in advance for the next fifteen years. The total of such payment would amount to approximately \$90,000.

The Board members felt that the project was worthy, but requested that Mr. Smith discuss the financing with Mr. Mel Wilson, Vice President for Business Affairs of Clemson University, with respect to the legality of such a payment.

INDUSTRIAL REVENUE BONDS - The Budget and Control Board approved the issuance of the following Industrial Revenue Bonds.

Aiken County	\$ 2 000 000
Emerson Electric Co., lessee	

Greenville County	1 450 000
Conn Organ Corporation, lessee	

Transcripts pertaining to these files have been retained and are identified as Exhibits IV and V, respectively.

Upon a motion by Mr. Grady Patterson and a unanimous vote of the members, the Board declared itself in Executive Session.

EXHIBIT I
OCT. 17, 1973

South Carolina Retirement System

PURVIS W. COLLINS
DIRECTOR



1001 MAIN STREET
P.O. BOX 11960

Columbia
29211

October 16, 1973

Governor John C. West, Chairman
State Budget and Control Board
State House
Columbia, South Carolina

Dear Governor West:

It will be necessary for the Retirement Division to vacate office space in the Heyward Building by January 1, 1974. Since we are utilizing central computer facilities, located in the Hampton Office Building, it is highly desirable that we locate space within this vicinity. This appears to be advisable from an economic and efficiency point of view.

We have been offered adequate space in the Bankers Trust Building. The alternative is to locate several miles from the downtown area, at a slightly reduced rental cost. We feel other direct savings associated with the Bankers Trust Building, will more than offset differences in rent.

We request that the Budget and Control Board give the Retirement Division authorization to occupy office space in the Bankers Trust Building, and offer the attached supporting document as justification.

With appreciation for your consideration of this request, I am

Sincerely yours,

Purvis W. Collins

PWC:cfb

An Analysis of Cost Differences for the Retirement Division to Occupy Office Space in the Bankers Trust Building vs Space Remote From Downtown Vicinity.

Bankers Trust Building

1.) 13916 sq. ft. @ \$6.05 = \$84,192 annual cost

Space Remote From Downtown

2.) 13916 sq. ft. @ \$5.50 = \$76,538 annual cost

3.) Courier requirement 2 trips daily to computer facility

Salary 4 hours/day x \$2.00/hr x 22 da/mo = \$176.00/mo

Travel 20 mi/da x 22 da/mo x .12/mi = \$52.80 mo

4.) Installation of CRT units with communications to Central Computer

2 CRT - \$90.00/mo x 12 = \$2,160.00/yr

Control Unit - \$190.00/mo x 12 = 2,280.00/yr

Line Leave - \$40.00/mo x 12 = 480.00/yr

Annual Cost \$4,920.00

5.) Decrease in programmer productivity 30%

4 programmers x \$1,000/mo x 12 x 30% = \$14,400/yr

Total Estimated Cost \$98,603.60

Space Remote From Downtown \$98,603.60

Space in Bankers Trust Bldg. 84,192.00

\$14,411.60

In addition there are significant costs in terms of management and supervisory time associated with a remote location.

The Retirement Division will need additional funds for relocation and rent during the remainder of fiscal year 1973-74, and additional rental funds for fiscal year 1974-75.

South Carolina Retirement System



PURVIS W. COLLINS
DIRECTOR

1001 MAIN STREET
P. O. BOX 11960 - CAPITOL STATION
COLUMBIA, S. C. 29211

October 16, 1973

C
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Y

Governor John C. West, Chairman
State Budget and Control Board
State House
Columbia, South Carolina

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EXHIBIT II
OCT. 17, 1973

Request By
The South Carolina Department of Mental Retardation
To Purchase A Group Home Facility
In Florence, South Carolina

History of Pee Dee Center Appropriation

Earmarked Appropriation	\$ 500,000
State Share for Construction	129,445
1972 Operations	22,145
1973 Operations	118,237
1974 Operations (Est.)	<u>176,345</u>
Balance	\$ 53,828

Budget and Control Board Action Sought

The South Carolina Department of Mental Retardation requests Budget and Control Board approval to purchase the Altrusa Children's Home, Florence, South Carolina, at a cost of \$33,000. This six year old facility and its adjoining 2 3/4 acres would be utilized as a group home for mentally retarded persons. Source of the purchase price is the balance of funds originally appropriated for the Pee Dee Center. In addition to purchase price, Board approval is sought for the expenditure of up to \$20,828 for clean-up, general renovations, and equipment.

Funds are currently available in the SCDMR's budget for the operation of group homes. Projected annual operating cost for this facility and program, planned to serve 16-20 children and youth, is \$80,000 (i.e., \$40,000 for FY 73-74). The facility would serve as a satellite of the Pee Dee Center, being situated but a few blocks from the Center. Admissions to the group home would consist of (1) waiting list cases from the Pee Dee region and (2) transfers from existing facilities of currently institutionalized residents from the Pee Dee region.

The facility has been approved by the Fire Marshal and has been studied programmatically and structurally by SCDMR staff. Further review by the Engineering Division of the State Auditor's Office would be welcomed.

Significance

The Altrusa facility would comprise the second group home facility being operated by the Pee Dee Center. The initial facility was placed in operation recently in conjunction with HUD in Florence. These units are designed to serve qualifying mentally retarded persons as alternatives to usual residential placement. The projected operating costs approximate those of residential care this year in South Carolina. However, the purchase price of approximately \$3,000.00 per bed, including renovations, is considerably less than comparable residential center construction which is estimated at approximately \$10,000 per bed in the current construction market. Programmatic support to the proposed program would come from Pee Dee Regional Center staff. Selection of admissions would take into account

the potential of group home residents to utilize community resources, i.e., special education, community recreation, churches, etc.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Charles D. Barnett", followed by a large, sweeping flourish that extends to the right.

Charles D. Barnett, Ph.D.
Commissioner
South Carolina Department of
Mental Retardation

1 - CAPITAL IMPROVEMENT BOND FUNDS

Agency	Authorized Balance Not Drawn 8/31/73	Now Available For Allocation		Proposed Additional Allocation			Balance After Allocations Shown
		Under Contract*	Other**	First \$5,000,000	Second \$5,000,000	Third \$5,000,000	
1. Budget and Control Board	11,300,000.00	-0-	-0-	-0-	-0-	-0-	11,300,000.00
2. University of South Carolina	11,697,500.00	4,097,500.00	-0-	-0-	-0-	600,000.00	7,000,000.00
3. Clemson University	12,152,000.00	5,182,394.82	-0-	-0-	-0-	725,000.00	6,244,605.18
4. Medical University	15,497,500.00	750,000.00	-0-	250,000.00	1,000,000.00	-0-	13,497,500.00
5. The Citadel	3,000,000.00	-0-	-0-	-0-	-0-	250,000.00	2,750,000.00
6. Winthrop College	400,000.00	-0-	-0-	-0-	-0-	-0-	400,000.00
7. State College	1,859,257.54	199,257.54	-0-	200,000.00	-0-	-0-	1,460,000.00
8. Francis Marion College	7,280,000.00	4,320,600.00	164,000.00	-0-	-0-	-0-	2,795,400.00
9. College of Charleston	11,664,200.00	5,468,200.00	-0-	-0-	-0-	-0-	6,196,000.00
10. Lander College	2,700,000.00	-0-	250,000.00	120,000.00	-0-	230,000.00	2,100,000.00
11. Dept. of Education--Voc. Education	14,214,000.00	5,864,000.00	-0-	450,000.00	450,000.00	450,000.00	7,000,000.00
12. Technical & Comprehensive Education	8,743,000.00	79,465.00	225,000.00	825,000.00	725,000.00	-0-	6,888,535.00
13. Educational Television Commission	10,174,000.00	-0-	-0-	250,000.00	-0-	860,118.00	9,063,882.00
14. School for the Deaf & the Blind	1,100,000.00	59,249.00	-0-	-0-	-0-	-0-	1,040,751.00
15. Department of Mental Health	8,350,600.00	3,646,887.41	-0-	1,077,500.00	1,350,000.00	500,000.00	1,776,212.59
16. Department of Mental Retardation	8,383,300.00	1,554,095.00	330,000.00	670,980.00	1,393,097.00	1,185,000.00	3,250,128.00
17. John de la Howe School	925,000.00	-0-	300,000.00	-0-	-0-	-0-	625,000.00
18. Commission for the Blind	2,571,000.00	-0-	350,000.00	-0-	-0-	-0-	2,221,000.00
19. Department of Corrections	7,800,000.00	5,299,534.00	-0-	-0-	-0-	-0-	2,500,466.00
20. Department of Youth Services	4,118,250.00	72,250.00	500,000.00	250,000.00	-0-	-0-	3,296,000.00
21. Department of Agriculture	300,000.00	-0-	-0-	300,000.00	-0-	-0-	-0-
22. Wildlife & Marine Resources Dept.	4,010,000.00#	-0-	-0-	600,000.00	-0-	-0-	3,410,000.00
23. Dept. of Parks, Recreation & Tourism	4,079,750.00	400,000.00	-0-	-0-	-0-	-0-	3,679,750.00
24. Aeronautics Commission	1,400,000.00	500,000.00	-0-	-0-	-0-	-0-	900,000.00
25. Public Railways Commission	500,000.00	-0-	300,000.00	-0-	-0-	200,000.00	-0-
26. Employment Security Commission	4,000,000.00#	-0-	-0-	-0-	-0-	-0-	4,000,000.00
27. State Highway Department	500,000.00	-0-	-0-	-0-	-0-	-0-	500,000.00
28. State Ports Authority	17,270,000.00	5,500,369.00	-0-	-0-	-0-	-0-	11,769,631.00
Total	175,989,357.54	42,993,801.77	2,419,000.00	4,993,480.00	4,918,097.00	5,000,118.00	115,664,860.77

ok these projects
EXPANDED PROJECTS
cash needs
OCT 17 1973

* Approved 9-4-73.

** Approved 10-4-73 and 10-11-73.

Includes project not subject to Fiscal Year 1973-74 issue limit.

2 - CAPITAL IMPROVEMENT BOND FUNDS

Agency	Authorized Balance After Allocations Shown	Proposed Additional Allocation			Balance After Allocations Shown
		Fourth \$5,000,000	Fifth \$5,000,000	Sixth \$5,000,000	
1. Budget and Control Board	11,300,000.00	-0-	-0-	2,300,000.00	9,000,000.00
2. University of South Carolina	7,000,000.00	-0-	-0-	-0-	7,000,000.00
3. Clemson University	6,244,605.18	-0-	-0-	-0-	6,244,605.18
4. Medical University	13,497,500.00	500,000.00	-0-	700,000.00	12,297,500.00
5. The Citadel	2,750,000.00	250,000.00	-0-	-0-	2,500,000.00
6. Winthrop College	400,000.00	-0-	400,000.00	-0-	-0-
7. State College	1,460,000.00	-0-	-0-	-0-	1,460,000.00
8. Francis Marion College	2,795,400.00	-0-	-0-	-0-	2,795,400.00
9. College of Charleston	6,196,000.00	-0-	-0-	-0-	6,196,000.00
10. Lander College	2,100,000.00	-0-	-0-	-0-	2,100,000.00
11. Department of Education - Vocational Education	7,000,000.00	-0-	-0-	-0-	7,000,000.00
12. Technical & Comprehensive Education	6,888,535.00	-0-	-0-	-0-	6,888,535.00
13. Educational Television Commission	9,063,882.00	860,118.00	-0-	-0-	8,203,764.00
14. School for the Deaf and the Blind	1,040,751.00	-0-	875,751.00	-0-	165,000.00
15. Department of Mental Health	1,776,212.59	875,000.00	750,000.00	-0-	151,212.59
16. Department of Mental Retardation	3,250,128.00	752,015.00	500,000.00	-0-	1,998,113.00
17. John de la Howe School	625,000.00	-0-	-0-	-0-	625,000.00
18. Commission for the Blind	2,221,000.00	-0-	-0-	-0-	2,221,000.00
19. Department of Corrections	2,500,466.00	-0-	-0-	-0-	2,500,466.00
20. Department of Youth Services	3,296,000.00	-0-	-0-	-0-	3,296,000.00
21. Department of Agriculture	-0-	-0-	-0-	-0-	-0-
22. Wildlife and Marine Resources Department	3,410,000.00#	-0-	-0-	-0-	3,410,000.00
23. Department of Parks, Recreation and Tourism	3,679,750.00	-0-	-0-	-0-	3,679,750.00
24. Aeronautics Commission	900,000.00	-0-	-0-	-0-	900,000.00
25. Public Railways Commission	-0-	-0-	-0-	-0-	-0-
26. Employment Security Commission	4,000,000.00#	-0-	-0-	-0-	4,000,000.00
27. State Highway Department	500,000.00	-0-	-0-	-0-	500,000.00
28. State Ports Authority	11,769,631.00	1,750,000.00	2,450,000.00	2,000,000.00	5,569,631.00
Total	115,664,860.77	4,987,133.00	4,975,751.00	5,000,000.00	100,701,976.77

Includes project not subject to Fiscal Year 1973-74 issue limit.

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

October 9, 1973

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

Dear Pat:

Re: \$2,000,000 Aiken County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1973 (Emerson Electric Co. -
Lessee)

Enclosed you will find a Petition of the Board of Commissioners of Aiken County seeking State Board approval of the project to be financed out of the proceeds of the captioned issue. I believe you have received financial data directly from Pete Mohr at the Robinson-Humphrey Company. Accordingly, I also enclose the original and 10 copies of a Resolution to be considered by the State Board. When adopted, please return 10 certified copies to us.

Very truly yours,

Ready

TBG:mbd
Enclosures

cc: (with enclosures)
Peter C. Mohr, Esq.
The Robinson-Humphrey Company, Inc.
Two Peachtree Street
Atlanta, Georgia 30303

William G. Lynn, Jr., Esq.
County Attorney
Post Office Box 517
Aiken, South Carolina 29801

Charles W. Groennert, Esq.
Assistant Treasurer
Emerson Electric Co.
8100 Florissant
St. Louis, Missouri 63136

cc: (with enclosures)
Thomas P. Connelly, Esq.
Bryan, Cave, McPheeters &
McRoberts
500 North Broadway
St. Louis, Missouri 63102

STATE OF SOUTH CAROLINA
COUNTY OF AIKEN

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of the Board of Commissioners of Aiken County (the County Board), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended, respectfully shows:

1. The County Board is the governing body of Aiken County as established under Article 4.1, Chapter 18, South Carolina Code of Laws, 1962, as amended, and as such it is the "County Board" referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (the Act).

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

3. The County Board has agreed with Emerson Electric Co. a Missouri corporation (the Lessee), that the County Board will undertake to finance the construction and equipping of new manufacturing facilities to be located in Aiken County by the Lessee through the issuance of Industrial Revenue Bonds pursuant to the Act. In this connection the County Board has agreed to accept a conveyance of the 65 acre parcel of

land on which the facilities will be located (said land and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and the County Board has agreed to issue Two Million Dollars (\$2,000,000) Aiken County First Mortgage Industrial Revenue Bonds, Series 1973 (Emerson Electric Co. - Lessee) pursuant to the Act in order to finance the construction and equipping of the Project which, when completed, will constitute a new plant for the manufacture of electrical thermostatic controls.

4. The County Board is advised by the Lessee that the cost of acquiring the said land, is approximately \$100,000; the cost of constructing the said buildings, is approximately \$1,600,000, and the cost of acquiring and installing the necessary machinery and equipment, is approximately \$300,000; and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue Two Million Dollars (\$2,000,000) Aiken County First Mortgage Industrial Revenue Bonds, Series 1973 (Emerson Electric Co. - Lessee) (the Bonds).

5. When the Project is complete, it will employ approximately 400 persons and the construction of the Project will provide additional employment during the period of construction.

6. For the reasons above set forth and hereafter disclosed, the County Board has found:

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

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

3.

(c) The proposed Lease between the County Board and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds which will be dated November 1, 1973, mature November 1, 1993, and bear interest at the rate of 5-3/4% per annum.

(d) The Lessee is a corporation with a well established credit and, therefore, it is unnecessary to establish reserve funds for the payment of such principal and interest.

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

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

(a) The Project to be undertaken consists of land, buildings, equipment, machinery and other improvements which will be necessary for, and part of, facilities for the manufacture of electrical thermostatic controls.

(b) The Project will provide considerable employment during the period of its construction and when completed will provide permanent employment for approximately 400 persons. It is, therefore, believed that the Project will have an extremely beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the Project is approximately Two Million Dollars (\$2,000,000), including construction cost, cost of

land, equipment and machinery, financing costs and all other expenses to be incurred in connection therewith.

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

(a) To finance the cost of the acquisition, construction and equipping of the Project, the County will issue \$2,000,000 of Aiken County First Mortgage Industrial Revenue Bonds, Series 1973 (Emerson Electric Co. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to North Carolina National Bank, as Trustee.

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

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

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

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

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

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

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

The Indenture makes provision for the issuance of Two Million Dollars (\$2,000,000) of Bonds to be secured thereunder. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. It imposes upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

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

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, ~~the Lease Guaranty Agreement~~ and the Trust Indenture, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 14 of the Act.

Respectfully submitted,

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

By

Harold G. [Signature]
Chairman, Board of Commissioners
of Aiken County

Attest:

Charles C. Jolly
Clerk, Board of Commissioners of
Aiken County

OCTOBER 2, 1973



The Robinson-Humphrey Company, Inc.

Member New York, American & Midwest Stock Exchanges

TWO PEACHTREE STREET
Atlanta, Georgia 30303
October 4, 1973

TELEPHONE
(404) 656-1100
TELEX 542155
ROHUM - ATLANTA
CABLE ADDRESS
ROHUM - ATLANTA

Mr. W. T. Putnam
Assistant State Auditor
200 Wade Hampton Office Building
Columbia, South Carolina 29202

RE: Petition by Aiken County for Approval of the Issue of
\$2,000,000 Aiken County, South Carolina First Mortgage
Industrial Revenue Bonds (Therm-O-Disc, Inc., Lessee -
Emerson Electric Co., Guarantor)

Dear Bill:

I certainly enjoyed meeting you yesterday. Thank you for your time and hospitality. Again, my apologies for the delayed delivery of the Aiken County petition in connection with the proposed financing for Tilbury Fabrics.

I am pleased to enclose for your file a copy of the 1972 Annual Report for Emerson Electric Co. As I mentioned in our conversation yesterday, we have been reasonably assured that a Moody's "Aa" rating will be assigned to this issue. We are naturally proud to be serving as investment bankers for Emerson, and congratulate South Carolina in winning such a fine new industry for Aiken. If there is any additional information I can provide, please don't hesitate to contact me.

Thanking you again for your courtesies, and with every best wish to you and Mr. Smith, I am

Very sincerely,

PETER C. MOHR
Vice President & Manager
Industrial Development Finance

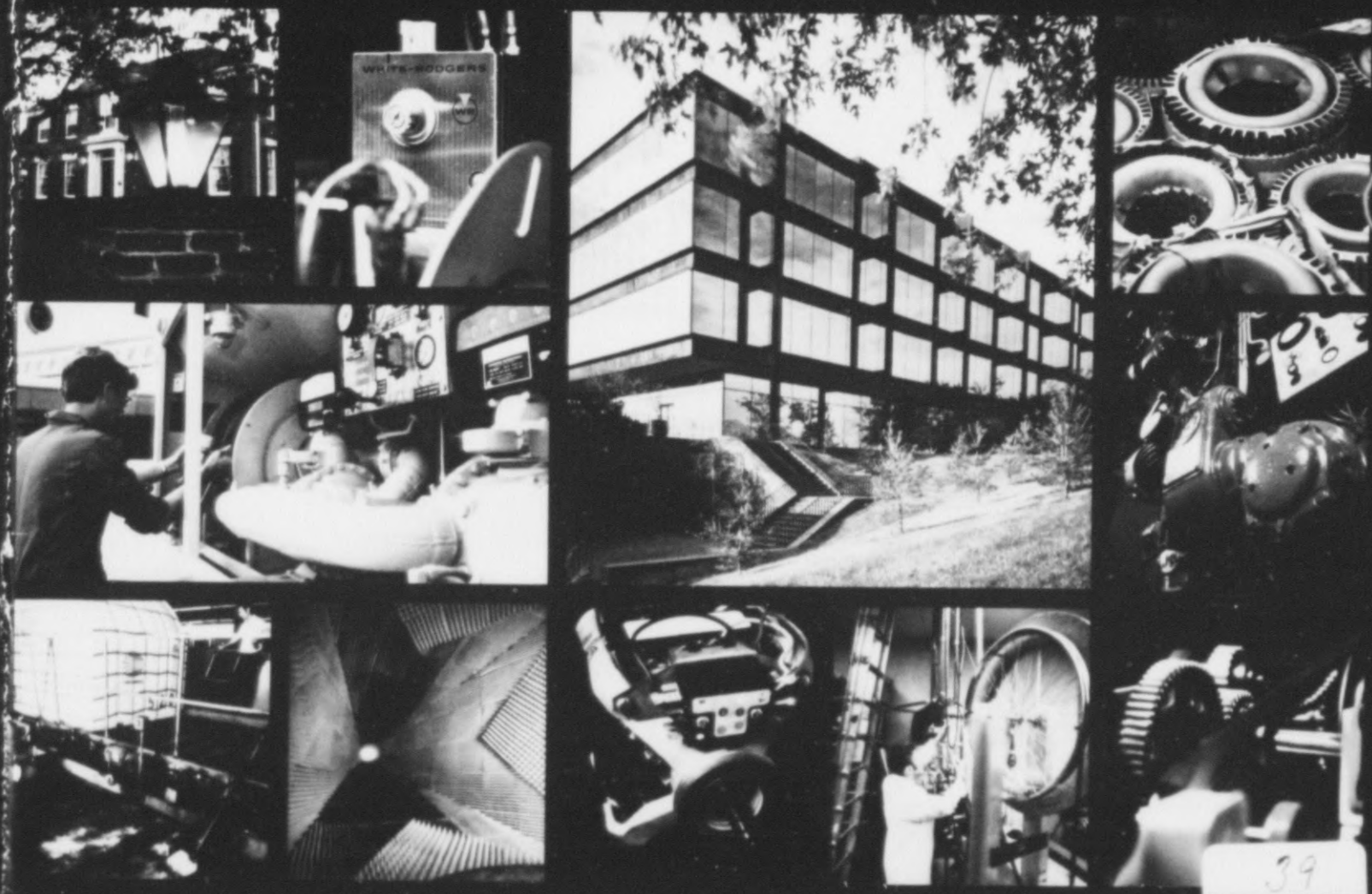
PCM:pa
enclosure

cc: Theodore B. Guerard, Esq.

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

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
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4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.

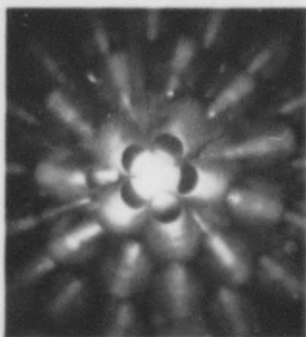
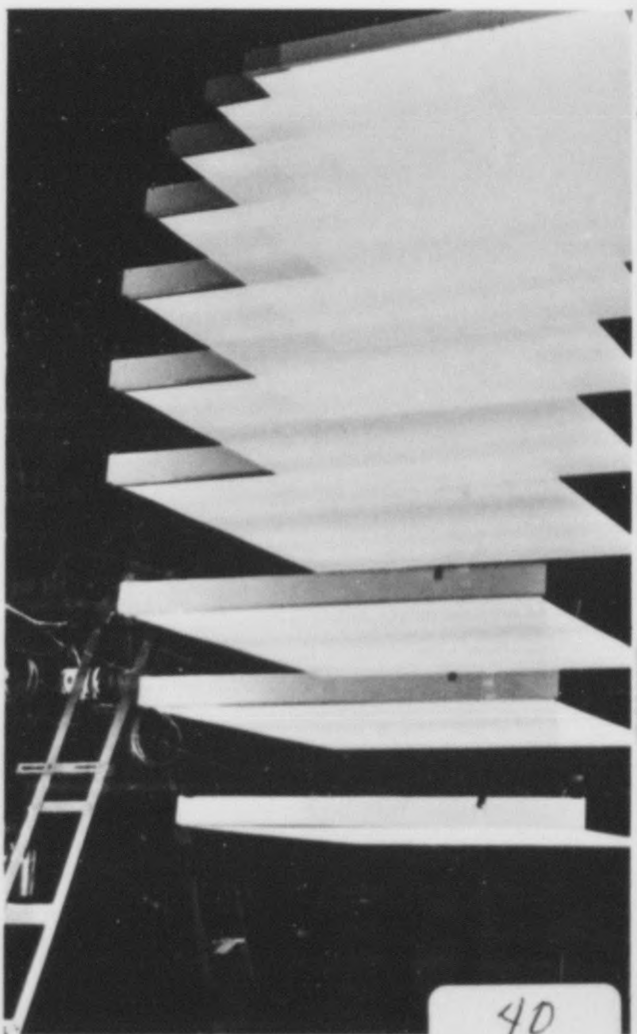
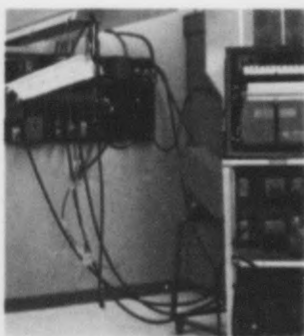
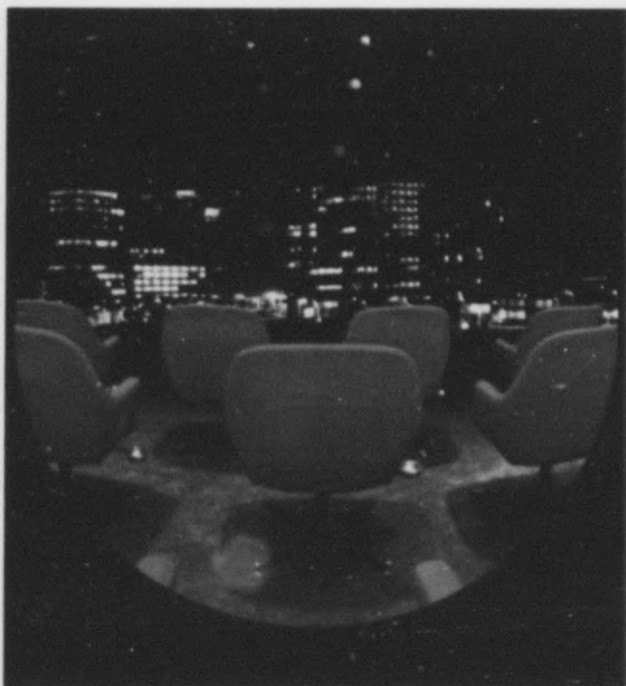
Emerson Electric 1972 Annual Report



Environmental Systems Building

Emerson's new building is proving to be a strong marketing tool for the Company's heating, lighting and environmental systems and products. Since the building was dedicated in November, 1971, more than 8,000 architects, consulting engineers, contractors and others involved in commercial construction have attended the Company's marketing presentations, utilized the various laboratory and mock-up facilities, or participated in training seminars in this unique research and demonstration center.

The demonstration and laboratory areas in the building allow Emerson scientists and engineers to work directly with customers in designing environmental systems to meet heating and lighting challenges in commercial construction.



Emerson Electric Co.

St. Louis, Missouri 63136

82nd Annual Report

For the fiscal year ended September 30, 1972



Stockholders' Annual Meeting

The Annual Meeting of the Stockholders of Emerson Electric Co. will be at 10 a.m., Tuesday, February 6, 1973, in the Auditorium of the Environmental Systems Building at Emerson's Environmental Center, 8100 Florissant Avenue, St. Louis, Missouri. Notice of the meeting and a proxy statement will be sent to stockholders in a separate mailing.

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To Our Stockholders

Sales volume of the Company reached a new record during fiscal 1972 and record profits were achieved for the fifteenth consecutive year.

Emerson is particularly gratified with the earnings record, since record earnings also were reached in fiscal 1971. The Company finished the year strong and expects the momentum to be maintained into the coming year.

Sales volume in commercial controls, building and industrial automation controls were at high levels through most of fiscal 1972 and this trend is expected to continue in 1973. The Company also is encouraged by the upswing in the industrial capital goods market and an increasing number of orders in consumer markets and should benefit as these areas continue to improve during the months ahead. Some progress and improvement has been made in markets related to Emerson's government and defense business.

Emphasis on internal growth will continue in the next year through increased marketing efforts and accelerated new product development programs. It is anticipated that the strong marketing thrust will enable the Company to maintain earnings growth and to cope with the implications of the Federal wage-price controls.

The recently formed Marketing Advisory Council is expected to significantly strengthen the Company's marketing programs. The Marketing Advisory Council will operate in a format similar to Emerson's successful Technical Advisory Council which has proven to be valuable in providing additional technical expertise and capabilities.

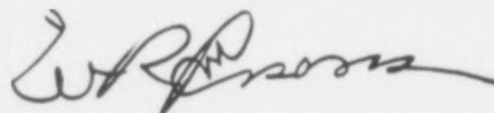
An important ingredient in Emerson's past performance has been its management development programs, and the Company is continuing to strengthen its management and to broaden its management structure. Information on the most recent management development programs and the function of the successful Office of the Chief Executive are contained in this Annual Report.

The Company finished the year in a strong financial position with a ratio of current assets to current liabilities of 4.7 to 1 and with both capital and debt resources available for major opportunities in the future.

Emerson's acquisition policy continues to emphasize those companies which offer advanced technology or new marketing channels.

Appreciation is sincerely expressed to stockholders, directors and employees at all levels for their outstanding support and contributions during the year. The Company again has set strong growth targets for 1973 and we look forward to the year ahead with confidence.

For the Office of the Chief Executive.

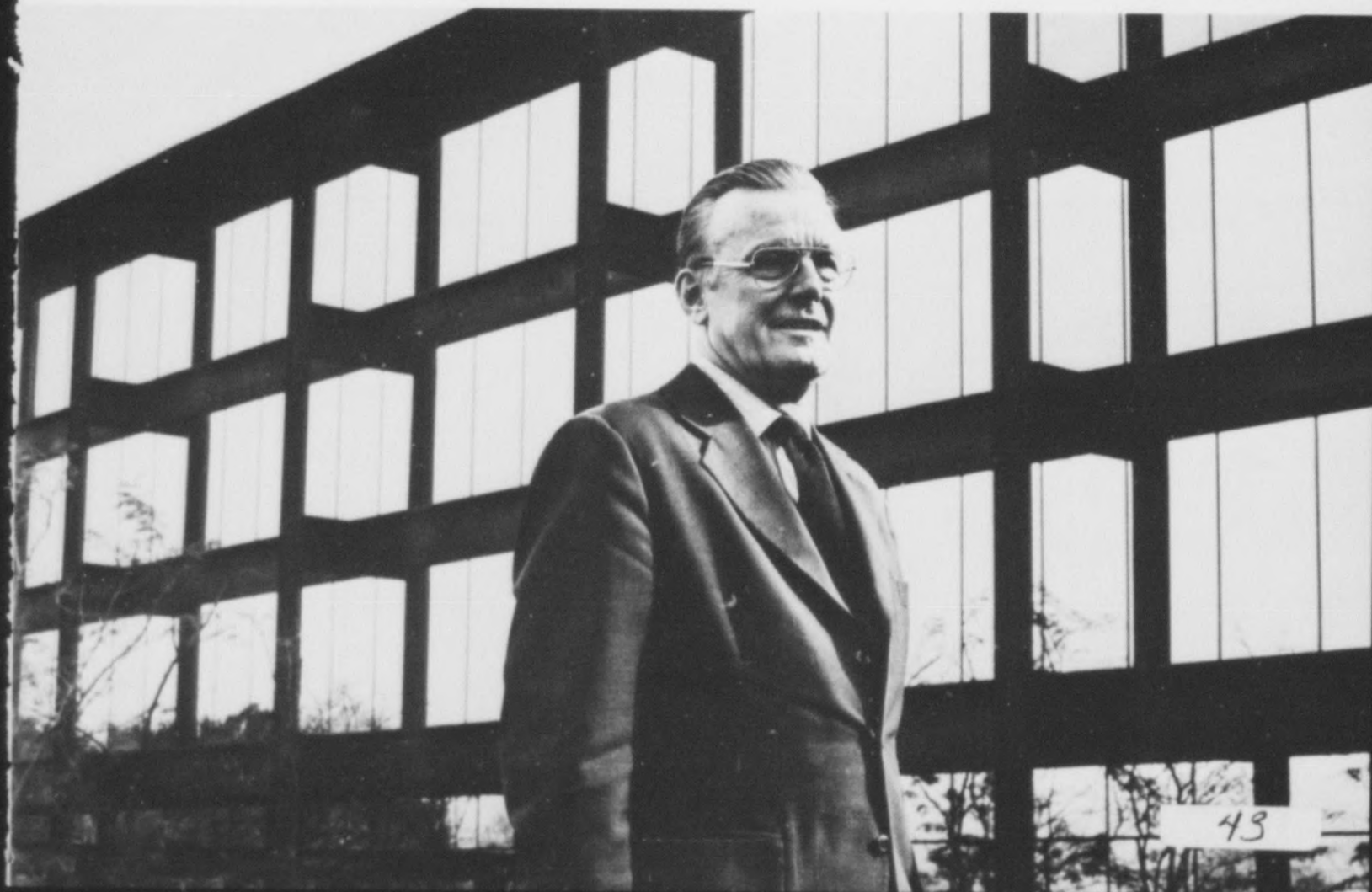


W. R. Persons
Chairman and Chief Executive Officer
November 2, 1972
St. Louis, Missouri

Highlights

Fiscal Years Ended September 30

		1971	
	1972	Restated for Poolings of Interests	Previously Reported
Net sales	\$764,740,000	682,671,000	656,351,000
Earnings before income taxes	\$124,896,000	114,664,000	111,129,000
Percent of net sales	16.3%	16.8%	16.9%
Net earnings	\$ 63,596,000	57,999,000	56,129,000
Percent of net sales	8.3%	8.5%	8.6%
Earnings per common share—after dividends on preferred stock	\$ 2.64	2.40	2.37
Pro forma (fully diluted) earnings per common share—assuming full conversion of preferred stock	\$ 2.51	2.29	2.26



Strengthened Management

Office of the Chief Executive

Emerson's Office of the Chief Executive has successfully directed the policy, administration and operation of the Company for the past three years. The Office has proven to be highly valuable in bringing top level management capabilities and professional expertise to bear in all areas of Emerson's business.

The membership of the Office, which includes the key officers responsible for finance, financial control, operations, and administration, provides a working mechanism for the close coordination and the concentrated pooling of complete information needed in formulating operational decisions, in developing long-range planning, and in determining future directions for the Company.

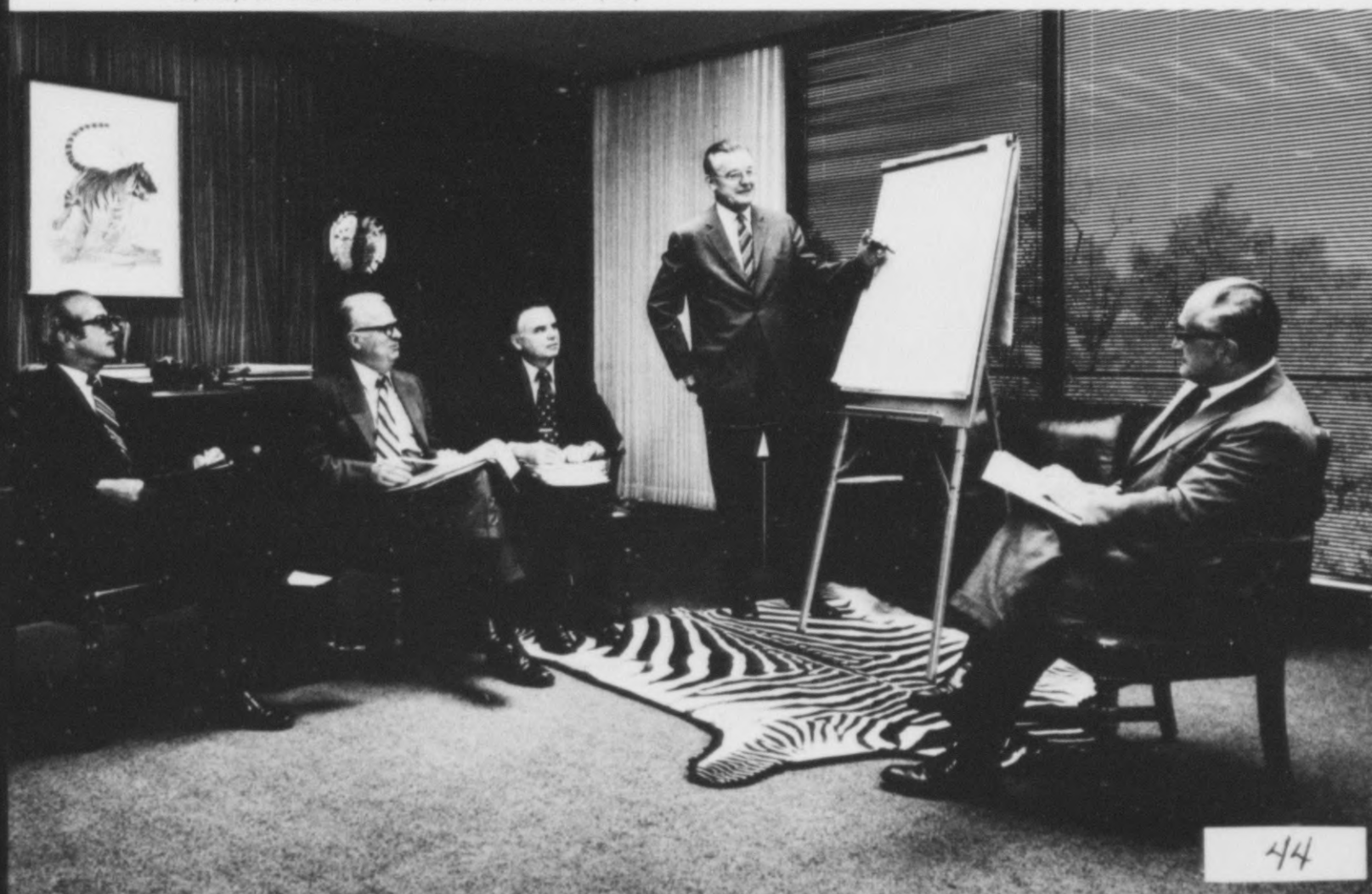
The Office has further provided Emerson the

ability to react quickly to fast-developing situations which affect its business. Problem areas are identified, solutions formulated and plans of action developed in rapid order. At the same time, the Office of the Chief Executive has demonstrated the ability to move quickly and take decisive action as marketing opportunities appear which represent areas of future growth.

The Office allows close key management involvement with the Company's profit centers and a coordinated approach to important policy matters.

While enabling Emerson to maintain immediate contact with all aspects of its business throughout the world, the Office also has provided increased flexibility so necessary in

Members of Emerson's Office of the Chief Executive direct the policy, administration and operation of the Company.



today's competitive atmosphere. The shared responsibility has resulted in Emerson being better equipped to focus the Company's resources to meet technological and marketing challenges and to benefit from these challenges.

As the complexities of Emerson's business continue to increase in the years ahead, the functions of the Office of the Chief Executive will become increasingly more important and more valuable to the future growth of the Company.

Management Techniques

Emerson management techniques have played an essential role in the Company's sustained record of high earnings performance.

Monthly divisional reviews, which provide

detailed reports on marketing, engineering, and manufacturing performances, pinpoint problems in time for corrections to be made.

Emerson managers follow procedures which require them to plan in advance and to provide contingencies for unforeseen circumstances. Each operating unit has a specific plan which is continually reviewed by management to determine if objectives are being met.

"ABC budgeting," which is utilized by each profit center, is a byword at Emerson.

This type of budget planning quickens reaction time to market softness, or strength and provides motivation for achieving demanding objectives. It is a proven system and an important ingredient in the continued growth and progress of the Company.

The performance of all operating units is continually reviewed by key officers.



Increasing Professionalism

Emerson recognizes the importance of continually increasing the professional level among its staff people and throughout its organization.

The Company conducts intensive programs to develop the strength of the executives and employees in the corporate structure and in each operating unit. Future managers are exposed to proven management procedures and techniques. They help plan and implement value analysis, purchasing management, and cost reduction programs.

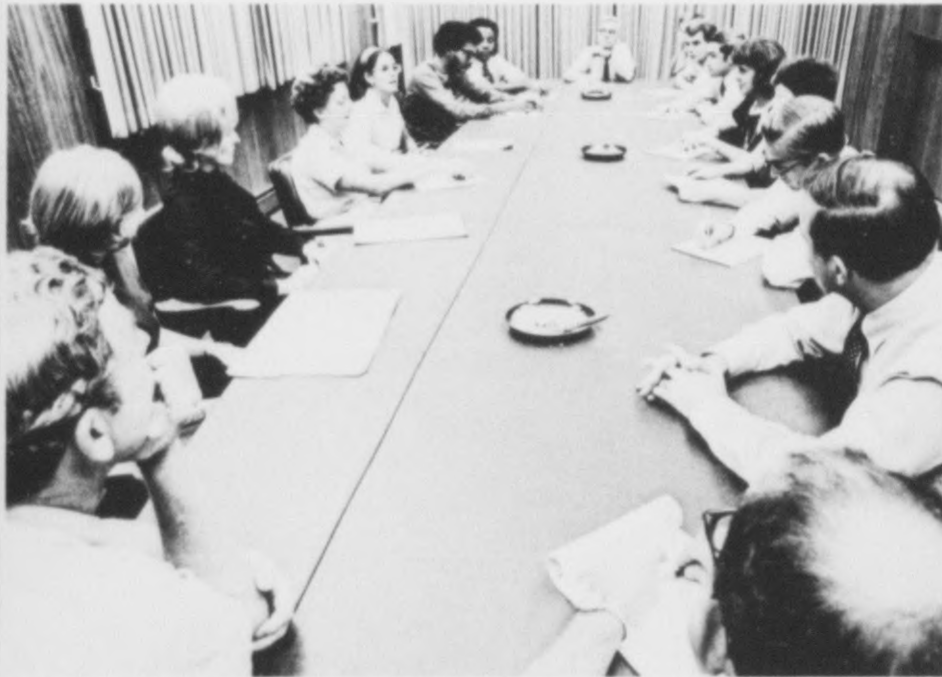
They are involved directly in helping operate and control the enterprise. They attend and participate in comprehensive divisional planning conferences where they help to identify problem areas, opportunity areas and establish new goals. They evaluate marketing

programs, examine product and market trends, and assist in determining the people and facility resources required to reach those goals.

Emerson people also are involved in employee advisory boards, professional conferences, and a multitude of training conferences to insure that all employees are upgraded to meet today's demands for excellence and skill.

Two-way communications are an essential part of the total personnel development program. Employee opinion surveys are conducted on a regularly scheduled basis in most Emerson operating units to obtain employee ideas and suggestions on cost reduction, working conditions, better communications and other subjects. The surveys are carefully reviewed by management and help to structure the Company's personnel programs.

Emerson people at all levels are continually involved in programs to upgrade their professionalism.



Technical Advisory Council

In today's rapidly changing world, technically oriented companies must maintain an advanced level of scientific sophistication and a high degree of technical skill in order to allocate resources and manpower to capitalize on emerging opportunities.

Established three years ago, the Technical Advisory Council is proving to be very beneficial in enabling the Company to keep abreast of technological changes and new developments in a number of areas. It has provided Emerson an increased awareness of the uses of new materials, trends in industrial automation and scientific breakthroughs which have potential application to the Company's markets.

The Council, which consists of seven distinguished scientists, meets regularly with corporate and divisional officers to evaluate the

impact of new scientific concepts and developments and to identify their significance for future Emerson planning.

Council members, each a specialist in a particular area, also work in small ad hoc groups directly with the technical staff in applying new technology to the Company's systems and products. They provide Emerson direct access to a wealth of scientific knowledge and background and a high level of expertise in such areas as mechanical metallurgy, thermodynamics, electromechanics, fluid mechanics, thermal decomposition, and the flammability of polymers.

The Council provides strong impetus to the Company's systems and product development efforts as well as its value analysis programs.

Technical Advisory Council strategy planning session



Accelerated Marketing Programs

Marketing Advisory Council

For many years, Emerson has utilized to good advantage outside consultants in various fields. For example, the Technical Advisory Council has proven very effective in enabling Emerson to maintain its technological leadership.

To further strengthen and accelerate Emerson's marketing thrust for the years ahead, the Company recently established a Marketing Advisory Council, which consists of a distinguished group of marketing experts whose skills and experience are particularly suited to a number of Emerson's key marketing areas.

Building on the pattern established by the Technical Advisory Council, individual Marketing Advisory Council members will work closely with divisional marketing organizations in specific areas. It is expected that the new organization will strengthen divisional marketing

programs by helping to develop new opportunities for marketing synergism among divisions and new marketing channels and distribution systems presently not being fully utilized.

Among its other functions, the Council will advise the Office of the Chief Executive regarding potential new marketing areas and the expansion or curtailment of present activities which might have a vital impact on future growth. It will provide a total overall surveillance of Emerson's multifaceted markets and the outside factors which influence those markets. Part of its job will be to help anticipate changes in the Company's market areas and to assist in developing programs to facilitate quick reactions to those changes.

Marketing Advisory Council members review product exhibits in the Environmental Systems Building.



Marketing of Systems

Emerson is accelerating its program of marketing new systems and new groups of products to provide further support for continued internal growth.

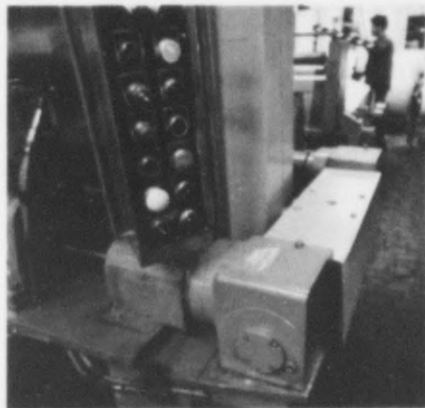
The program is built on a close working relationship between engineering and marketing within a planned framework to facilitate the development of new systems to meet projected specific marketing needs. Its basic thrust is to provide rapid response to social and economic trends and patterns which create new marketing opportunities. Such opportunities initiate the development of new systems and new products.

Immediate trends of opportunity for Emerson include: the need to develop new means of reducing rising construction costs, improving security systems, finding new methods of handling solid wastes, abating pollution, providing adequate water treatment and water control, creating new systems to handle the growing preferential and bulk mail requirements, and the increasing application of automation in a wider and wider range.

Emerson is now developing and marketing new systems and groups of products to meet these challenges and needs in other areas which would be of substantial value to the Company.

A representative group of new systems are shown on the pages that follow.

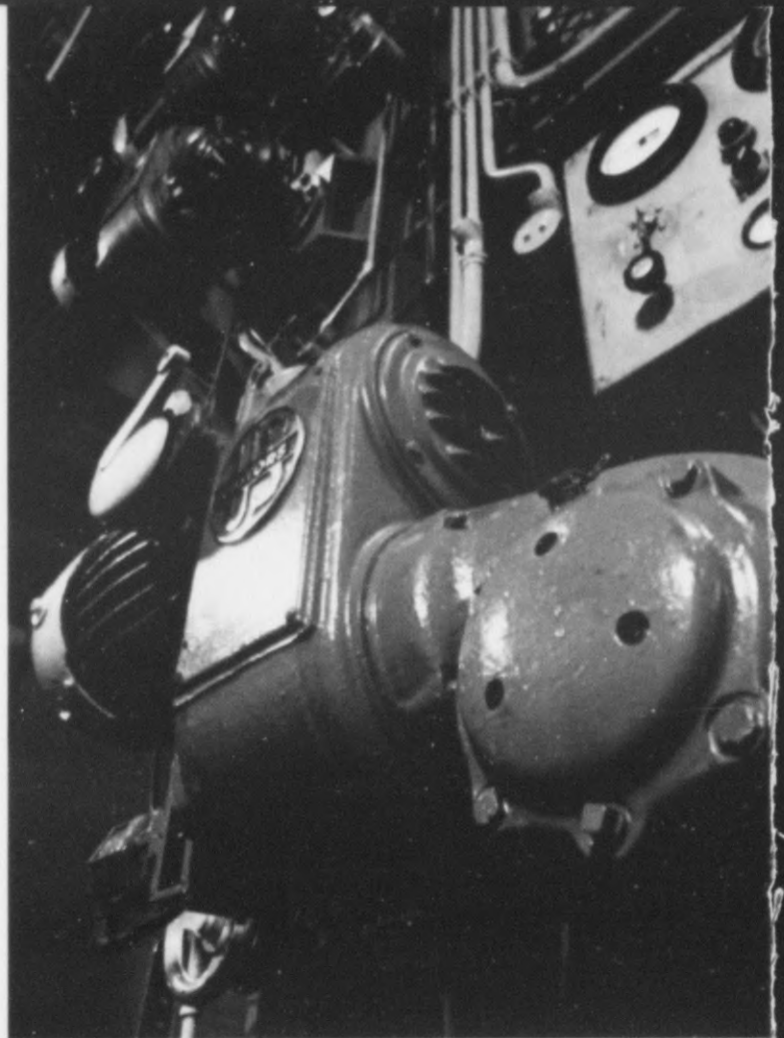
The Company's marketing strategy is designed to provide new systems to meet emerging marketing opportunities which contribute to lower costs and improved performance. Typical new systems are shown on these pages.



Industrial Automation System



Architectural Area Lighting System



Industrial Power Transmission Drive System



Environmental Ceiling System

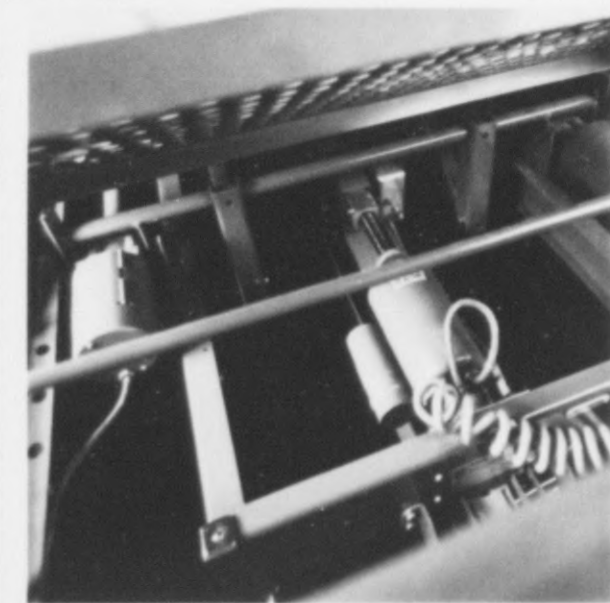
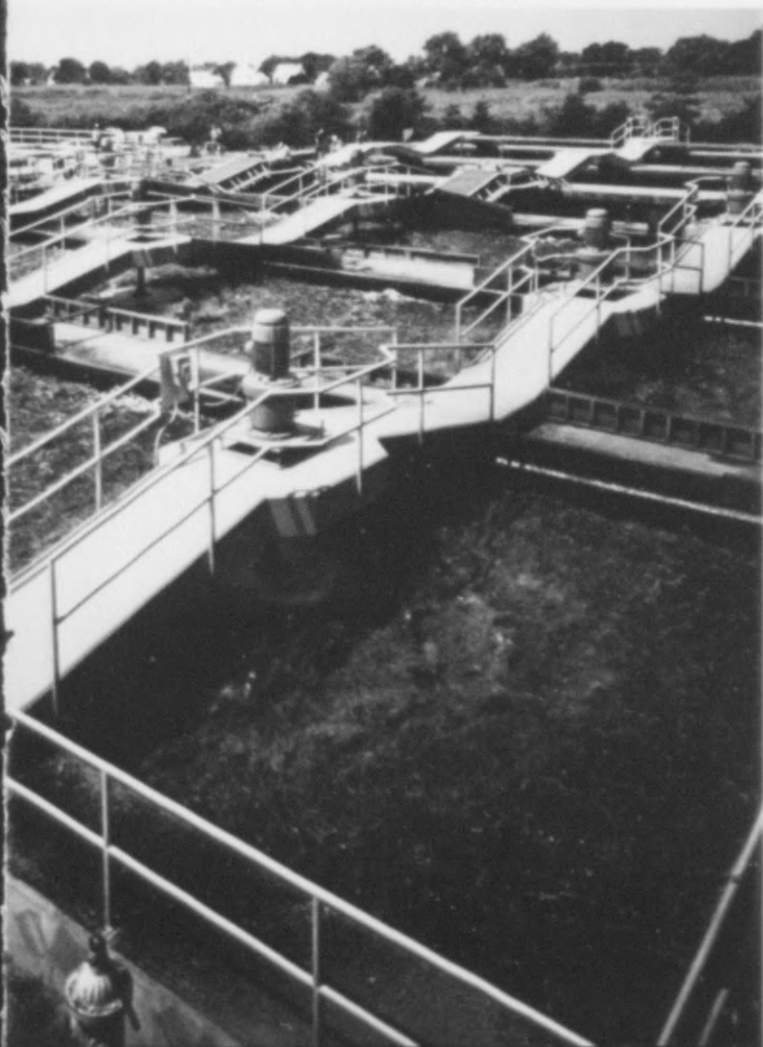




Exterior Decorative Lighting System



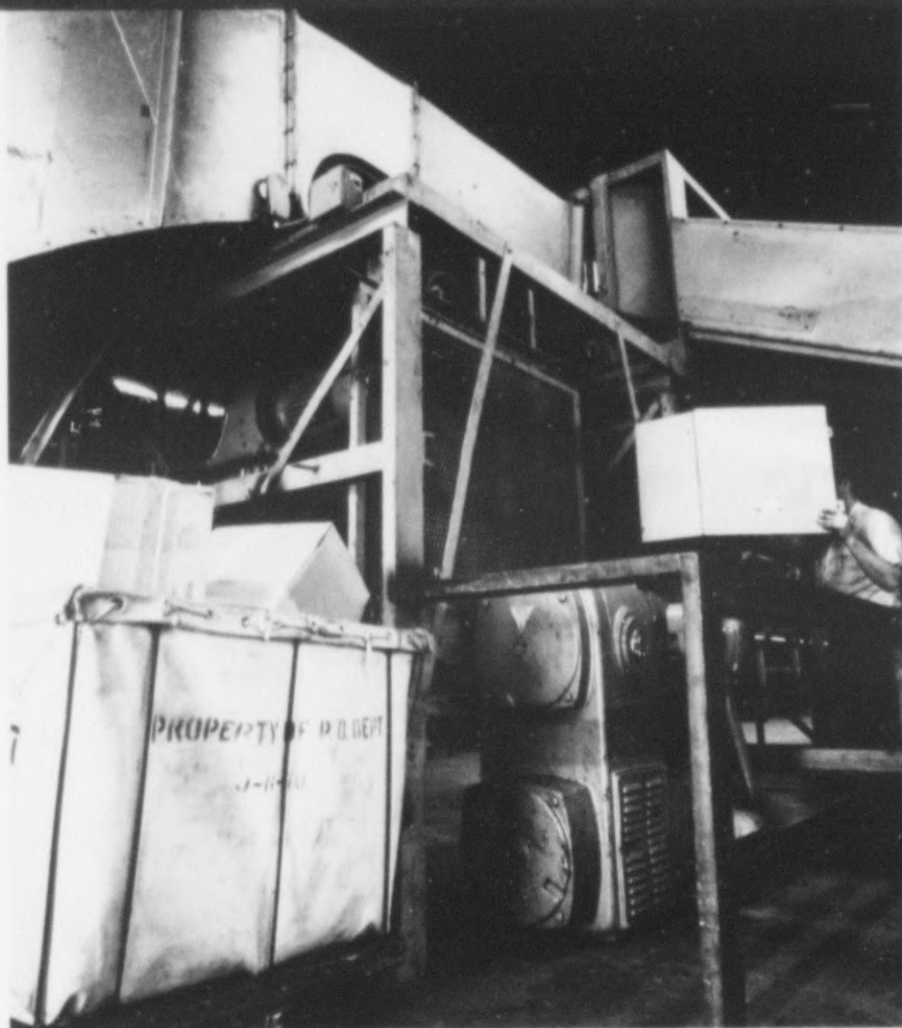
Fuel flow Meter System



Fractional Horsepower Gearmotor System

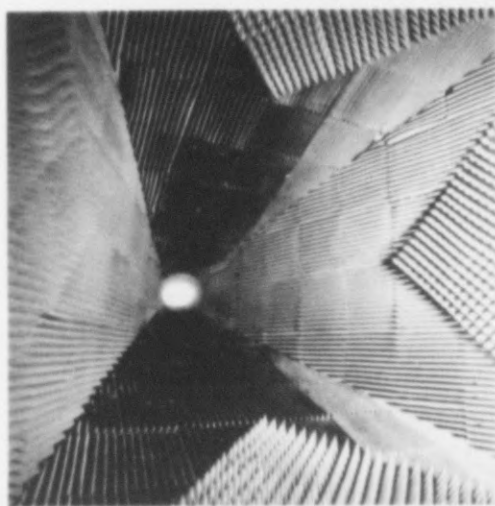
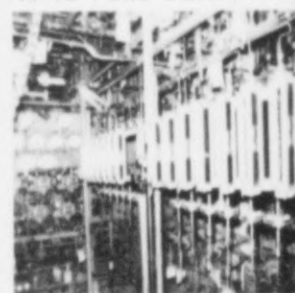
Sewage Treatment System

Typical new
systems are
shown on this
page



Power Handling System

Metering System for
Nuclear Power Stations



Instrumented Anelastic Chamber Testing System



Hydraulic Testing System

Marketing of New Products

The Company is giving increased emphasis to the development of new products and to strengthening its programs for marketing these products.

Emerson is now utilizing new approaches and channels of distribution to increase its share of the market and to achieve greater penetration levels.

The grouping of products by various operating units and the combining of technological resources have led to entry into entire new areas of opportunity.

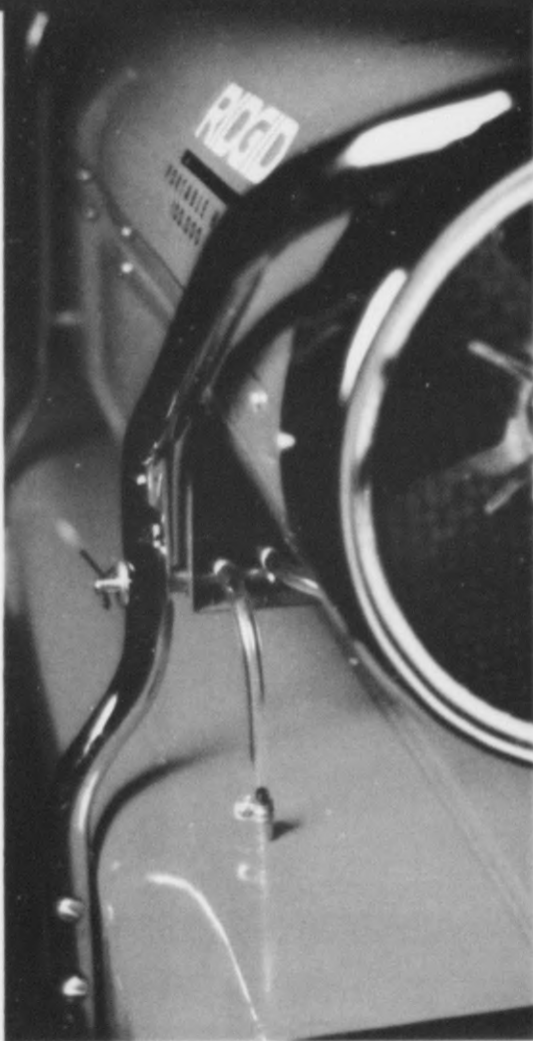
Interdivisional efforts, which utilize the pooling of the technological capabilities and marketing knowledge of as many as four different operating units, are enabling the Company to establish positions of leadership in selected markets which previously were isolated.

A representative group of new products are shown on the pages that follow.

Emerson's technical and marketing leadership is maintained through anticipating change and reacting through the development of new products to meet the opportunities which result from change. Typical new products are shown on these pages:



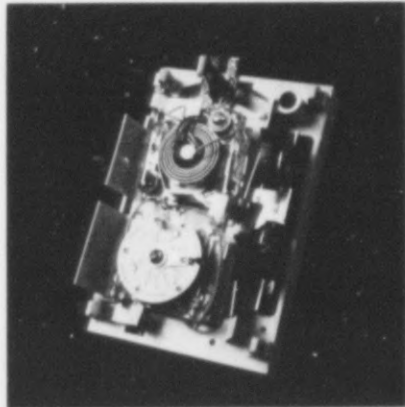
Roller Gear Index Cable



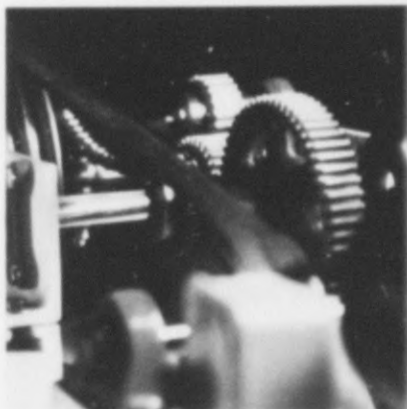
Polyscope Portable Heater



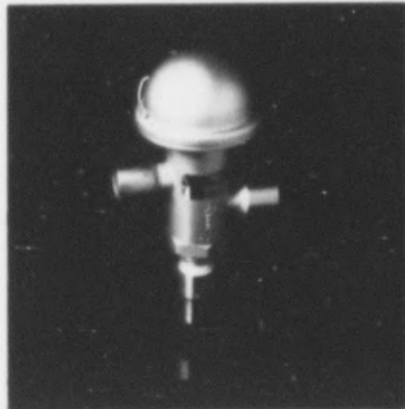
Instant Hot Water Heater



Thermostat



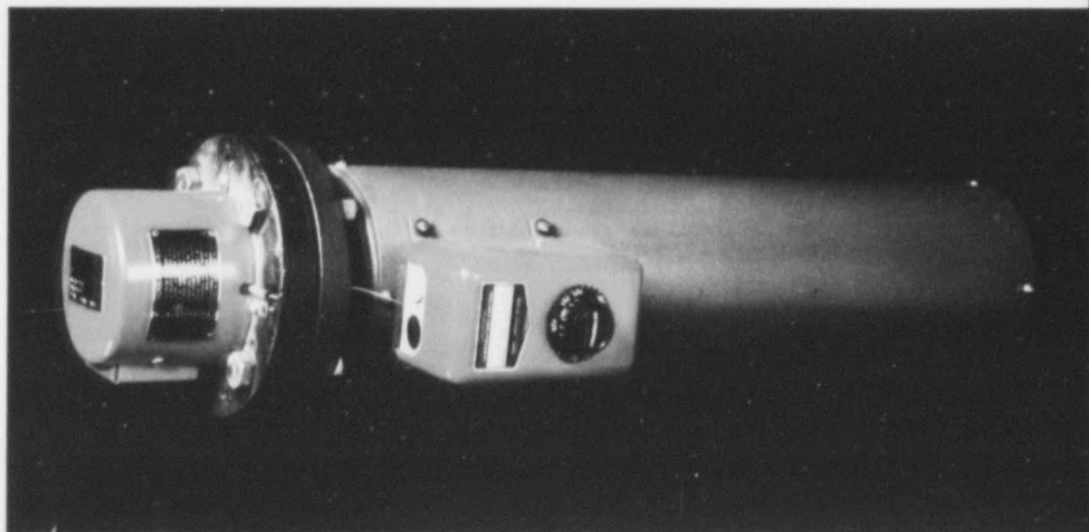
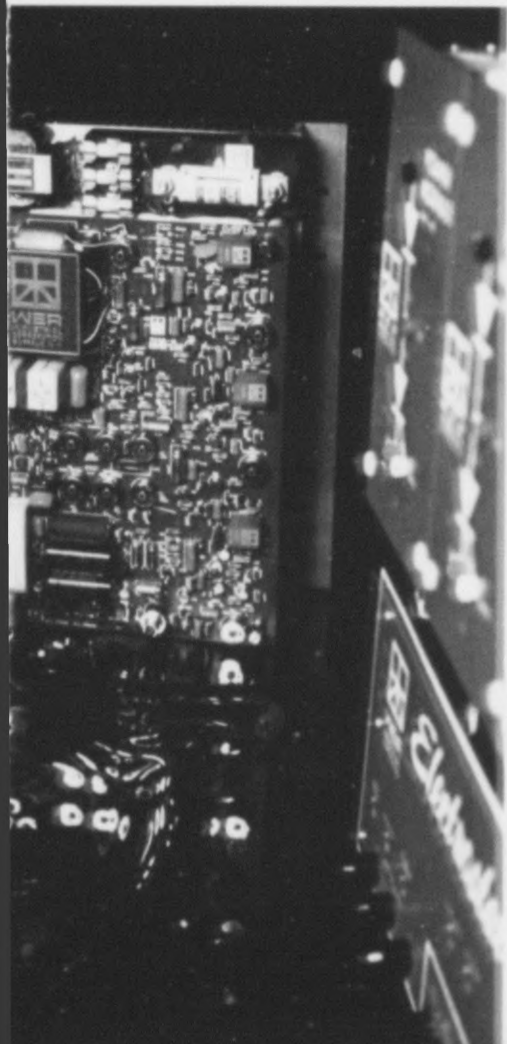
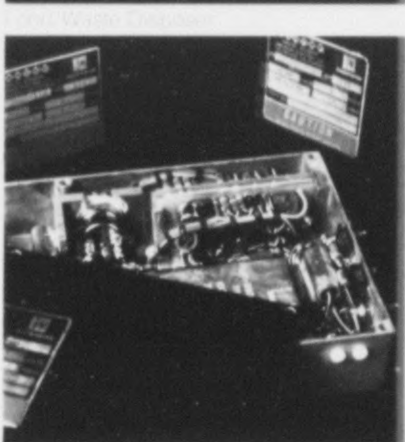
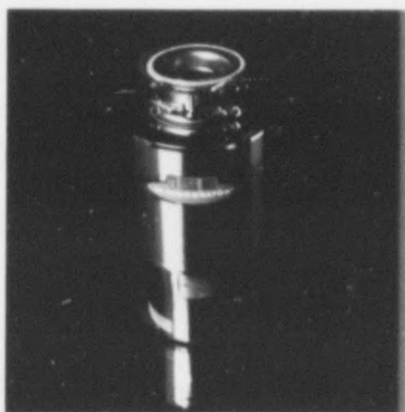
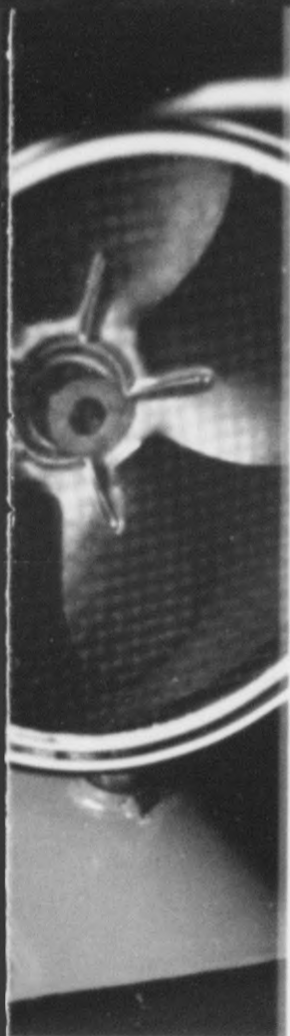
Power Transmission Components



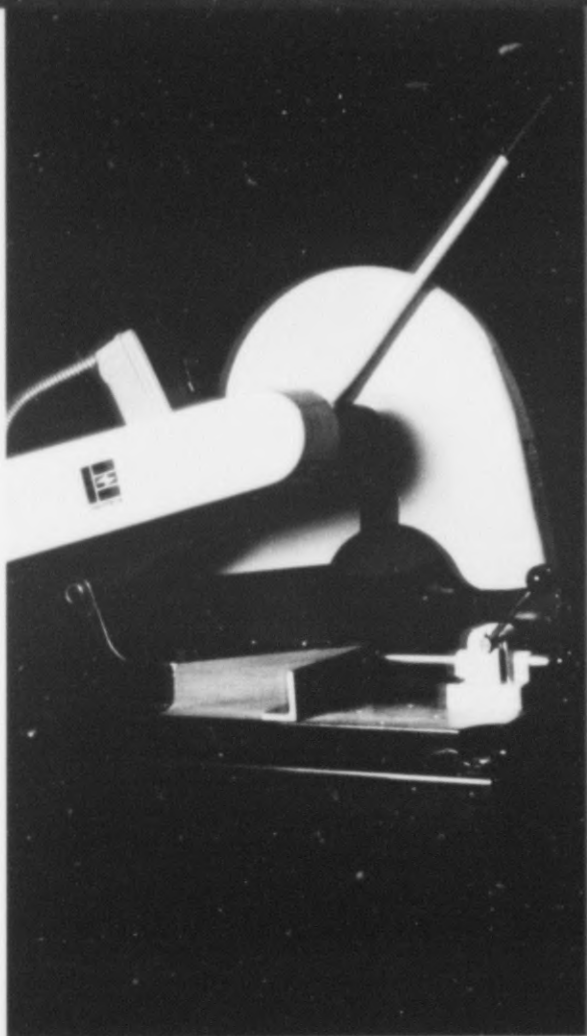
Air Conditioning and Temperature Control



Steel Mill Hydraulic Control



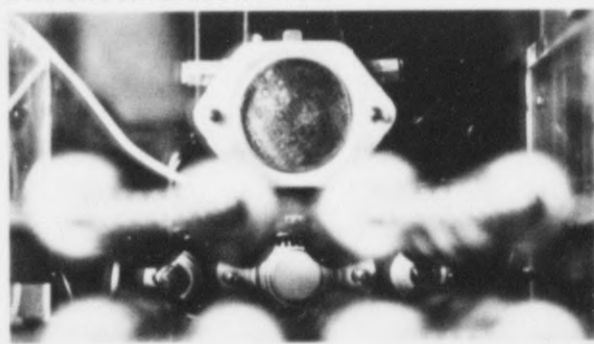
Emerson's future growth is closely related to the marketing of new products. Typical new products are shown on these pages.



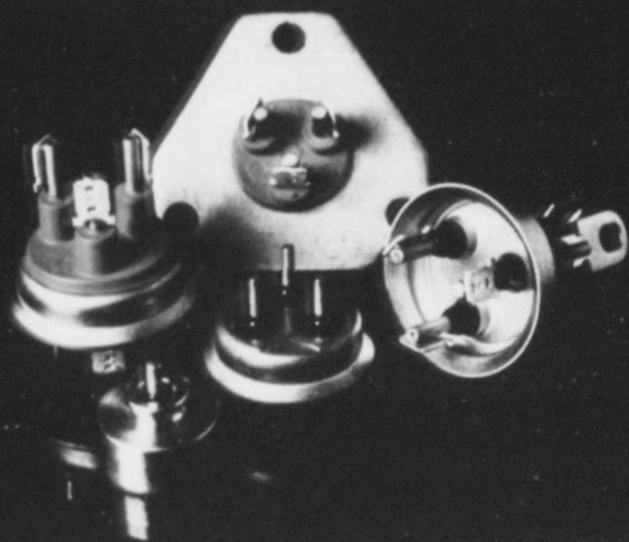
Power Tool



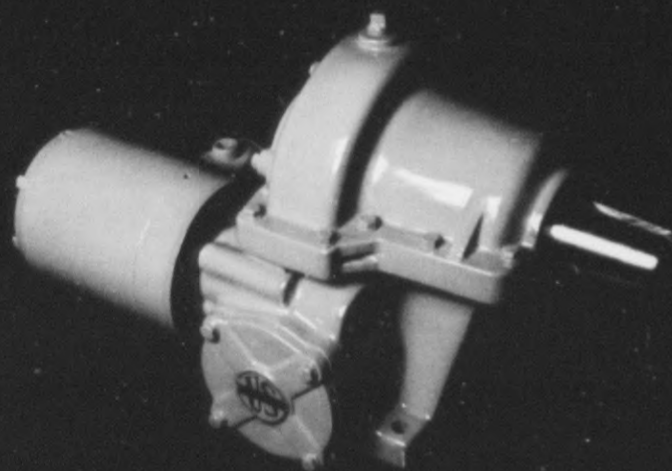
Decorative Stereo Sound Panels



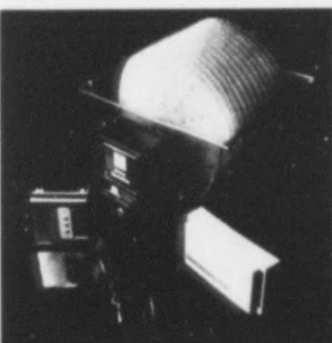
Bimetallic Sensors



Hermetically Sealed Terminals



Integral Gearmotor Wheel Drive



Power Hummer

Growth of Techno-Ventures, Inc.

Adding to Emerson's Technical Capacity

Since it was formed in mid-1970, Techno-Ventures, Inc., Emerson's unique venture capital subsidiary which gives management as well as investment assistance to new technological enterprises, has screened more than 400 individual projects.

Western Digital Corporation

Western Digital Corporation, the initial equity investment of Techno-Ventures, is now producing and marketing components for products and sub-systems utilizing LSI (Large Scale Integration) circuitry and MOS (Metal Oxide Semiconductors) silicon gate custom design technology. Substantial progress has been made by Western Digital in making the transition from a new start-up company to a viable competitor in the dynamic MOS/LSI industry. Emerson's investment in Western Digital provides particular advantages to several divisions in the areas of future product design, performance and pricing.

Foremark Corporation

The most recent Techno-Ventures investment is in Foremark, a new firm which designs, manufactures and markets aircraft passenger loading bridges and air freight handling systems. Foremark's people, baggage, and freight handling systems utilize a number of Emerson products and systems, including integral horsepower motors and controls, mechanical transmission equipment, and lighting, heating and ventilation equipment.

Foremark recently was awarded a contract to design, engineer and build a freight handling system for Dover Air Force Base, which will be one of the largest air cargo handling systems ever installed at any military or commercial facility.

As the demand for increased air transportation grows and as new people handling, freight handling and airline ground support facilities are constructed, the potential market for Foremark will continue to expand in the United States and countries around the world.

Western Digital



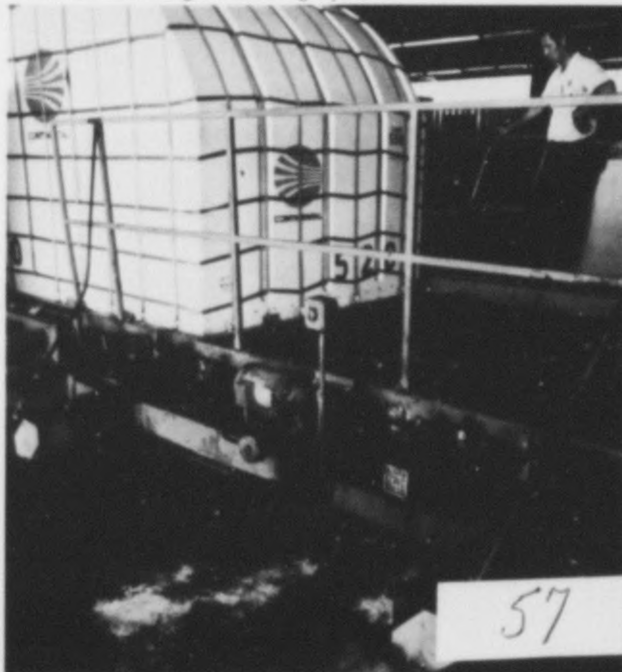
Silicon Gate Technology



Foremark Passenger Loading Bridge



Foremark Air Freight Handling System



Increased Technical Capabilities

Increasing technical capabilities has been top priority at Emerson for many years. The Company's scientists and engineers are continually searching for new technologies, new products and new systems to meet emerging marketing opportunities. Emerson's future growth is closely related to increased technical capabilities and expertise through which opportunities can be exploited.

Much of the research is directed toward specific markets or marketing problems. The close interface between the research, engineering and the marketing functions has proven to be essential in shortening the time span between the concept stage and new product introduction. The ability to move rapidly in the development of new products and new systems is essential in today's environment of accelerating change and rapid obsolescence.

Emerson's continued emphasis on new product and new system engineering is one of the primary ingredients in its expanded marketing program.

The research and development efforts also play an important role in the Company's highly regarded value analysis programs, which are designed to reduce production costs through the introduction of new materials, new methods and new technology.

Major research and development facilities include the Environmental Systems Laboratories, where new heating and lighting systems are developed and tested; Living Effects Laboratory, which is equipped to test all factors important to interior environment and comfort; Manufacturing Research and Development Laboratories, where new mechanical and electrical materials are developed; Microcircuits Laboratory, which concentrates on materials research, component design and component prototype development; and the Plastics Laboratory, where scientists and engineers utilize plastics in new product development and to improve product design.



International Expansion

Emerson continues to build its International Development Program through expansion and extension of established production and marketing bases in selected countries throughout the world.

In many of these countries, total disposable income is increasing, consumer spending levels are rising and new housing development is at an all-time high. As the standard of living goes up, Emerson's potential markets are significantly expanded. The demand for consumer appliance components, motors, commercial heating systems, industrial automation systems, construction tools, irrigation control systems, lighting and sound control systems, machine tool drives, flowmeters and other Emerson products and systems is rapidly increasing in many of the areas where the Company has foreign operations.

Throughout its international network, Emerson is broadening its base by adding new product lines, increasing its distribution channels and giving continued emphasis to the grouping of

products and the marketing of systems.

Emerson's marketing program in selected European countries also is benefiting from the growing maturity and increased effectiveness of the Common Market. The gradual evolution of the Common Market is playing an increasingly important role in enabling the Company to achieve a higher degree of penetration in the markets it serves and to reach new markets in Western Europe.

Growth targets for the International Development Program are to reach \$200 million in 1975 and \$500 million in 1980. The continued expansion of the Program is an integral part of the total Emerson corporate strategy and an important factor in the Company's total growth objectives.

Included in Emerson's International Development Program is the expansion of present Emerson foreign operations in Germany, Italy, France, Mexico, South America, Belgium, Japan, Canada, Puerto Rico, Netherlands, Hong Kong, Denmark and Australia.

Plastic Pipe Welder in Use in Australia



John E. Webb, Executive Vice President—International



Emerson Products in Use Throughout the World



Emerson Electric Co. & Subsidiaries Review of Operations



Emerson is engaged principally in the manufacture and sale of a broad range of electrical-electronic products and systems. Representative products and systems by major market category are as follows:

Consumer

Arc Welders, Band Saws, Ceiling Systems, Decorative Exterior and Interior Lighting, Drain Cleaning Equipment, Drill Presses, Electric Baseboard Heat, Electric Heating and Cooling Systems, Electrostatic Air Cleaners, Hand Pipe Tools, Hot Water Dispensers, Intercom Systems, Lathes, Planers and Shapers, Plastic Pipe Welders, Point Source Illumination, Portable Space Heaters, Power Plumbing Tools, Security Systems, Sound Absorption Panels, Sound Systems, Speakers, Specification Lighting Systems, Stereo Consoles, Stereo Receivers and Amplifiers, Tape Cartridge Players, Tape Cassette Recorders, Turntables, Ventilation and Exhaust Systems, Waste Compactors, Waste Disposers, and Woodworking Bench and Radial Saws.

Commercial and Industrial Components and Systems

Air Conditioning Compressor Motors, Air Conditioning Dryers, Air Conditioning Expansion Valves, Air Conditioning Fan Motors, Air Conditioning Solenoid Control Valves, Appliance Electric Heating Elements and Controls, Automation Systems, Belts and Chains, Bimetallic Control Devices, Cams and Index Equipment, Controlled Speed Drives, Eddy Current Controls and Drives, Electric Boilers, Fluid Flow Instrumentation, Fluid Heat Transfer Systems, Gears, Gearmotors, Heating Blower Motors and Controls, Industrial Electric Heating Elements, Industrial Process Heating, Industrial Process Tubing, Industrial Solenoid Valves, Irrigation Flowmeter/Control Systems, Kitchen Appliance Motors, Laundry Equipment Motors, Machine Tool Drives and Controls, Magnetic Flowmeters, Mechanical Couplings, Metal Stampings, Positive Displacement Meters, Process Control Instrumentation, Refrigeration Compressor Motors, Sealed Terminals, Sheaves, Special Application Motors, Speed Reducers, Thermal Limit Control Devices, Turbine Meters, Ultrasonic Meters, Variable Speed Drives, and Vertical Pump Motors and Drives.

Government and Defense

Airborne and Surface Armament and Control Systems, Airborne Fire Control Radar Missile Guidance and Control Systems, Electronically Scanned Antennas, Anechoic Chambers, Anti-Submarine Warfare Data Processing and Recording Systems, Magnetic Detection Systems, Communications Components, Conceptual Studies and Mail Processing Mechanization Systems for United States Postal Service Modernization Programs, Electronic Test Systems, Low Voltage and High Voltage Modulators and Power Supplies, Reconnaissance and Surveillance Systems, Research and Development, Satellite Communication Antenna Systems, and Telemetry Validation Systems.

Sales and Net Earnings By Major Market Categories

Thousands of Dollars

Fiscal Years Ended September 30

	1972				1971 Restated			
	Sales		Net Earnings		Sales		Net Earnings	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Consumer	\$256,827	34%	19,046	30%	231,205	34%	17,670	30%
Commercial and Industrial Components and Systems	499,024	65%	43,932	69%	445,407	65%	39,777	69%
Government and Defense ..	21,118	3%	618	1%	18,810	3%	552	1%
Sales Eliminations	(12,229)	(2%)	—	—	(12,751)	(2%)	—	—
Total	<u>\$764,740</u>	<u>100%</u>	<u>63,596</u>	<u>100%</u>	<u>682,671</u>	<u>100%</u>	<u>57,999</u>	<u>100%</u>

Sales for each category include sales between categories with appropriate eliminations made under the Sales Eliminations caption. Net Earnings for each category reflect allocation of corporate items.

Financial Review

In the fiscal year ended September 30, 1972, Emerson Electric achieved significant financial gains with consolidated worldwide sales, net earnings and earnings per share reaching all-time record levels. For the first time in the Company's history sales exceeded three quarters of a billion dollars and record earnings were achieved for the fifteenth consecutive year. In addition, the Company's strong financial position showed continued improvement with increases in working capital, current ratio and total assets which now exceed half a billion dollars. Reduction of long-term debt during the year further improved the Company's debt to equity ratio providing Emerson with a sound financial base to support future growth and expansion. Five new partners were added in fiscal 1972 as part of the Company's selective diversification program.

Sales and Earnings

Consolidated net sales for the fiscal year ended September 30, 1972 totaled a record \$764,740,000, an increase of \$82,069,000, or 12% over the prior year sales of \$682,671,000, which have been restated to include companies added in 1972 under the pooling of interests concept. Reported net sales for fiscal 1971 were \$656,351,000. The Company's three major market categories, as detailed on the preceding page, made proportionately equal contributions to this sales growth, with both the Consumer and the Commercial and Industrial Components and Systems markets reaching record levels. Government and Defense remained a small percentage of the Company's overall business.

Consolidated earnings before income taxes rose from \$114,664,000 restated for 1971 to \$124,896,000 in 1972, an increase of \$10,232,000. Reported pre-tax earnings for fiscal 1971 were \$111,129,000. The margin of profitability (the ratio of pre-tax earnings to net sales) declined slightly during the year from 16.8% to 16.3%. This was due primarily to a program to broaden the Company's product base and to increase market penetration, particularly in consumer markets. In addition, the Company was restricted from making necessary price increases in 1972 until approval was obtained from the Price Commission. Net margins were favorably affected by a continued emphasis on budgetary controls and company-wide cost reduction programs.

Consolidated net earnings for fiscal 1972, after taxes and all charges, set a record high of \$63,596,000 representing a 9.7% increase over

the prior year's restated net earnings of \$57,999,000. Reported net earnings for fiscal 1971 were \$56,129,000. The increased net earnings include a reduced effective tax rate resulting from a full year of investment tax credits which amounted to \$935,000 in 1972 as compared to only \$86,000 in 1971.

Earnings per common share, after deducting preferred stock dividends, were \$2.64 based on the average of 22,934,000 shares of common stock outstanding during the year. This compares with fiscal 1971 earnings per share of \$2.40 on a restated basis and \$2.37 as reported.

Pro forma (fully diluted) earnings per common share, assuming conversion of all preferred stock outstanding, were \$2.51 for fiscal 1972 as compared with \$2.29 for fiscal 1971 on a restated basis.

Dividends

Cash dividends have been paid on the common stock of the Company for thirty-two consecutive fiscal years and at successively higher amounts per common share in each of the last sixteen years. The 1972 quarterly payments of 29 cents per share in the first quarter and 30 cents per share for the three succeeding quarters totaled \$1.19 per share, or \$26,975,000 for the year. This compares with \$1.16 per share, or \$25,931,000 for fiscal 1971. The quarterly increase to 30 cents per share in 1972 is the maximum allowable under the present Federal economic guidelines.

Regular quarterly dividends totaling \$3,014,000 were paid on the \$0.90 Cumulative Convertible Preferred Stock, Series B.

Capital Expenditures

During 1972, Emerson made significant improvements in its productive capacity and efficiency through the expansion and modernization of many of its existing plants as well as the construction of new facilities. Capital expenditures in fiscal 1972 totaled \$26,600,000 and were funded entirely with working capital provided from operations without additional debt financing. Future growth will be further implemented with 1973 capital expenditures which are budgeted in excess of 40 million dollars.

At year end, Emerson occupied owned or leased facilities totaling more than 11,600,000 square feet, including 53 domestic and 17 foreign manufacturing plants located in 18 states, Puerto Rico and 9 foreign countries.

The provision for depreciation of property, plant and equipment amounted to \$20,551,000 for fiscal 1972 as compared with \$18,248,000 restated for the prior year. Depreciation is computed principally on the basis of accelerated methods for both financial and income tax reporting purposes.

Financial Position

The Company now holds the strongest financial position in its 82-year history, enabling it to take advantage of the current economic recovery and vigorously pursue its program of growth, both internally and through selective acquisitions. Consolidated working capital (the excess of current assets over current liabilities) was \$289,412,000 at September 30, 1972, an increase of \$26,651,000 over the restated working capital of \$262,761,000 at the end of fiscal 1971. This resulted in a record current ratio of 4.7 to 1 at September 30, 1972 compared with 4.4 to 1, as restated, at September 30, 1971. Cash and short-term investments at year end totaled \$55,962,000, exceeding that of any previous year end.

Working capital provided from operations (net earnings plus depreciation) was \$84,147,000 in 1972, an increase of \$7,900,000 over the \$76,247,000 restated for fiscal 1971. The accompanying Statement of Changes in Financial Position presents a summary of the working capital provided and used as well as an analysis of changes in working capital.

Regularly scheduled payments were made on all long-term loans during the year with no additional financing. This reduced the consolidated long-term debt from \$49,633,000 at September 30, 1971 to \$46,260,000 at September 30, 1972, a decrease of \$3,373,000. The ratio of long-term debt to stockholders' equity also declined at September 30, 1972 to 12.0% compared with 14.1% at the close of the prior fiscal year. A summary of long-term debt is included in the Notes to Consolidated Financial Statements.

Total stockholders' equity increased by \$34,864,000 during the year to total \$386,188,000 at September 30, 1972. The increase is principally attributable to earnings retained for future growth. The return on average stockholders' equity was 17.2% in fiscal 1972. The book value of the common stock, after giving effect to the liquidation value of the Series B Preferred Stock, was \$13.47 per common share for the 22,982,690 shares outstanding at the end of fiscal 1972. This compares with \$11.51 book value per common share reported a year ago. Pro forma book value, assuming full conversion of preferred stock into common, was \$15.26 per share at September 30, 1972.

Capital Stock

At September 30, 1972, the Company had issued 23,082,055 shares of its \$1 par value common stock as compared with 22,497,641 shares reported a year ago. The increase of 584,414 shares during the year resulted from the issuance of 465,180 shares in connection with the addition of new partner companies, 86,631 shares issued upon conversion of 123,761 shares of Series B Preferred Stock and 32,603 shares issued upon exercise of employee qualified stock options.

The Company also holds 99,365 shares of its common stock which are valued at cost as treasury stock, of which 98,968 shares are reserved for issuance of non-qualified stock options.

New Partner Companies

In fiscal 1972, the Company continued its diversification program through carefully selected business combinations. The five new partner companies which have been added to Emerson during the year are as follows:

Gearmaster, Inc., a manufacturer of small gearmotors for industrial use, was acquired on October 5, 1971 in exchange for 54,054 shares of common stock.

Commercial Cam and Machine Co., a designer and manufacturer of a comprehensive line of cam operated index drives and automation accessories, was acquired on November 15, 1971 in exchange for 65,000 shares of common stock.

The Soundlock Corporation, a designer and manufacturer of ceiling panels and ceiling suspension systems, was acquired on December 21, 1971 in exchange for 35,810 shares of common stock.

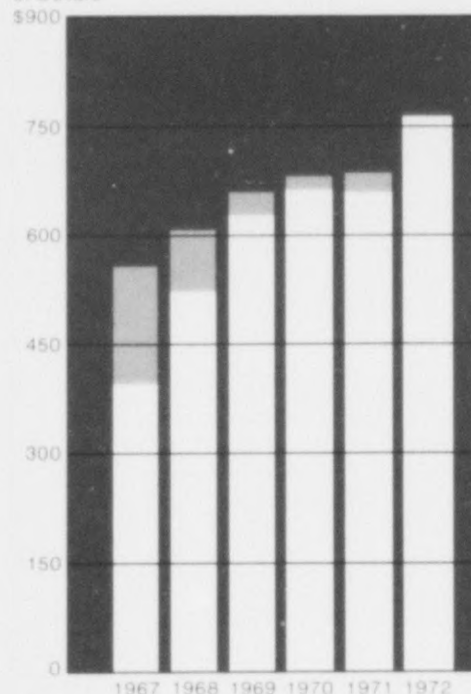
The WER Industrial Corporation, a designer and manufacturer of electronic and electro-mechanical control devices, digital controls, and eddy current drives, was acquired on February 14, 1972 in exchange for 66,666 shares of common stock.

Fusite Corporation, a firm which manufactures and markets glass forms for the electronics industry and sealed terminals and stampings, was acquired on September 26, 1972 in exchange for 243,650 shares of common stock.

These business combinations were accounted for as poolings of interests and their operations have been included in the financial statements for each of the fiscal years 1972 and 1971.

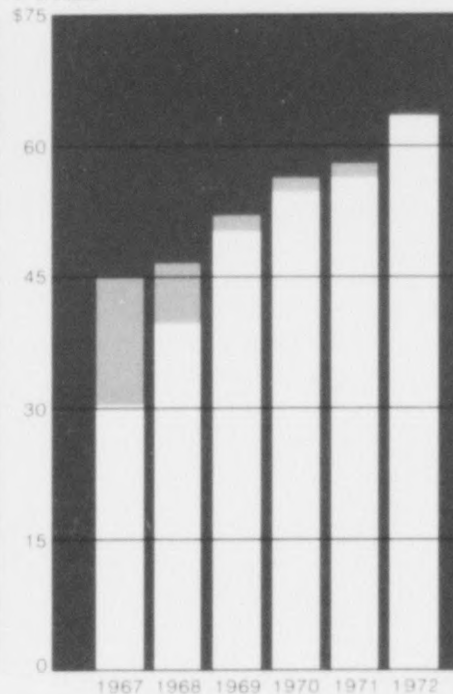
Net Sales

Millions of Dollars



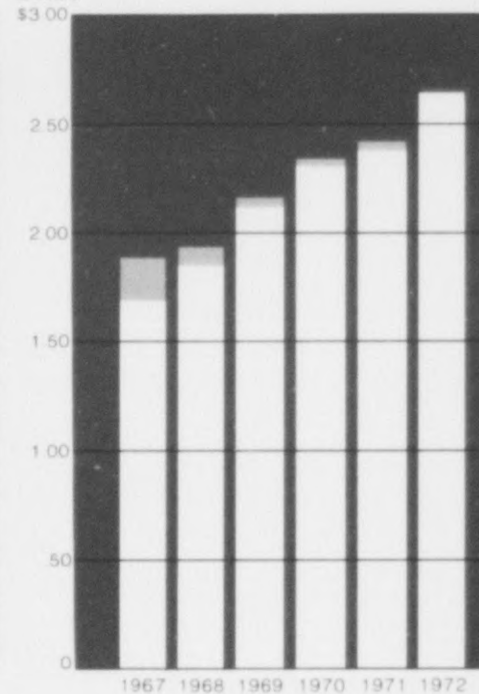
Net Earnings

Millions of Dollars



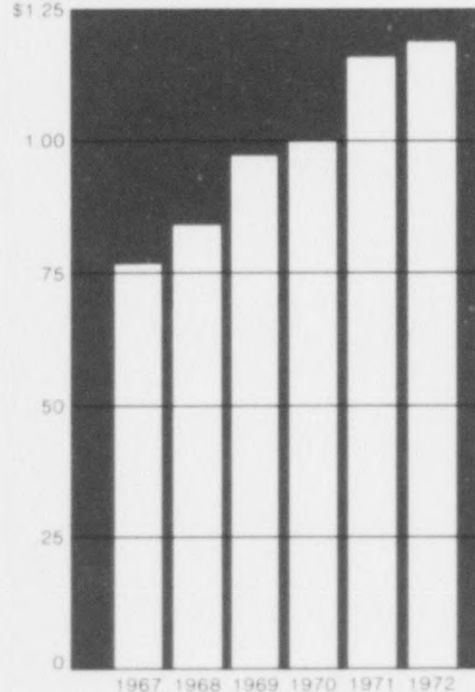
Earnings Per Common Share

Dollars

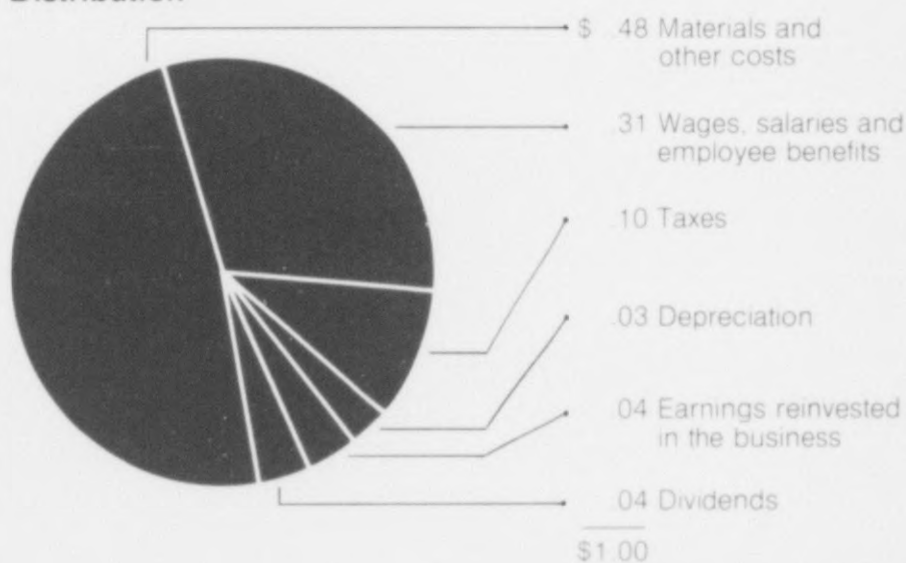


Dividends Per Common Share

Dollars



1972 Sales Dollar Distribution



Restated for companies acquired on a pooling of interests basis for years prior to their affiliation.

As reported in the Company's Annual Reports

Earnings and dividends per common share have been adjusted to reflect the two-for-one stock split in February 1969.

Consolidated Balance Sheet

September 30, 1972 and 1971, as restated

	Assets	
	Thousands of Dollars	
	1972	1971
Current assets		
Cash	\$ 8,575	12,119
Short-term investments, at cost which approximates market	47,387	23,514
Receivables, less allowance for doubtful accounts of \$1,800,000 (1971—\$1,722,000)	124,176	117,063
Unbilled costs and estimated earnings under defense contracts, less progress billings of \$3,491,000 (1971—\$3,689,000)	2,590	3,611
Inventories, at the lower of cost (principally first-in, first-out) or replacement market:		
Finished products	52,305	50,607
Raw materials and work in process	129,164	129,768
Total inventories	181,469	180,375
Prepaid expenses	3,755	3,127
Total current assets	367,952	339,809
Property, plant and equipment, at cost		
Land	9,133	8,746
Buildings	65,473	61,877
Machinery and equipment	169,751	156,739
Construction in progress	5,568	6,387
Total	249,925	233,749
Less accumulated depreciation	115,114	104,074
Net property, plant and equipment	134,811	129,675
Other assets	8,225	8,521
	<u>\$510,988</u>	<u>478,005</u>

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity

	Thousands of Dollars	
	<u>1972</u>	<u>1971</u>
Current liabilities		
Current maturities on long-term debt	\$ 2,921	3,403
Accounts payable	34,770	34,853
Accrued expenses	27,737	26,441
Federal and foreign income taxes	13,112	12,351
Total current liabilities	<u>78,540</u>	<u>77,048</u>
 Long-term debt, less current maturities	 46,260	 49,633
 Stockholders' equity		
Preferred stock of \$2.50 par value per share:		
Authorized 5,400,000 shares; issued 3,309,830		
shares (1971 - 3,433,591 shares); aggregate liquidating		
value of \$76,540,000 (\$23.125 per share)	8,275	8,584
Common stock of \$1 par value per share:		
Authorized 40,000,000 shares; issued 23,082,055 shares		
(1971 - 22,962,821 shares)	23,082	22,963
Additional paid-in capital	35,545	33,741
Retained earnings	324,527	291,324
	<u>391,429</u>	<u>356,612</u>
Less common stock in treasury, 99,365 shares		
(1971 - 100,000 shares), at cost	<u>5,241</u>	<u>5,288</u>
Total stockholders' equity	<u>386,188</u>	<u>351,324</u>
	<u><u>\$510,988</u></u>	<u><u>478,005</u></u>

Consolidated Statement of Earnings

Years ended September 30, 1972 and 1971

	Thousands of Dollars Except per Share Amounts		
	<u>1972</u>	<u>1971</u>	
		Restated for Poolings of Interests	Previously Reported
Income			
Net sales	\$764,740	682,671	656,351
Other income	<u>5,454</u>	<u>3,684</u>	<u>3,379</u>
	<u>770,194</u>	<u>686,355</u>	<u>659,730</u>
Costs and expenses			
Cost of sales	502,096	440,153	422,016
Selling, general and administrative expenses	135,837	123,766	119,130
Interest expense	3,194	3,087	2,931
Other deductions	<u>4,171</u>	<u>4,685</u>	<u>4,524</u>
	<u>645,298</u>	<u>571,691</u>	<u>548,601</u>
Earnings before income taxes	124,896	114,664	111,129
Income taxes	<u>61,300</u>	<u>56,665</u>	<u>55,000</u>
Net earnings	<u>\$ 63,596</u>	<u>57,999</u>	<u>56,129</u>
 Earnings per common share—after dividends on preferred stock	 <u>\$2.64</u>	 <u>2.40</u>	 <u>2.37</u>
 Pro forma (fully diluted) earnings per common share— assuming full conversion of preferred stock	 <u>\$2.51</u>	 <u>2.29</u>	 <u>2.26</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity

Years ended September 30, 1972 and 1971, as restated

Year ended September 30, 1972	Thousands of Dollars					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance at beginning of year	\$8,584	22,963	33,741	291,324	(5,288)	351,324
Add (deduct):						
Net earnings	—	—	—	63,596	—	63,596
Stock options exercised	—	33	1,581	—	55	1,669
Preferred stock conversions	(309)	86	223	—	—	—
Cash dividends:						
Preferred stock—\$.90 per share	—	—	—	(3,014)	—	(3,014)
Common stock—\$1.19 per share	—	—	—	(26,975)	—	(26,975)
By pooled companies prior to combination	—	—	—	(404)	—	(404)
Treasury stock acquired	—	—	—	—	(8)	(8)
Balance at end of year	<u>\$8,275</u>	<u>23,082</u>	<u>35,545</u>	<u>324,527</u>	<u>(5,241)</u>	<u>386,188</u>
Year ended September 30, 1971						
Balance at beginning of year:						
As previously reported	\$9,079	22,342	27,978	255,564	—	314,963
Adjustment for poolings of interests	—	465	4,968	7,107	—	12,540
As restated	9,079	22,807	32,946	262,671	—	327,503
Add (deduct):						
Net earnings	—	—	—	57,999	—	57,999
Stock options exercised	—	15	487	—	—	502
Preferred stock conversions	(495)	139	356	—	—	—
Stock issued to former stockholders of pooled company	—	2	(48)	—	46	—
Cash dividends:						
Preferred stock—\$.90 per share	—	—	—	(3,168)	—	(3,168)
Common stock—\$1.16 per share	—	—	—	(25,931)	—	(25,931)
By pooled companies prior to combination	—	—	—	(247)	—	(247)
Treasury stock acquired	—	—	—	—	(5,334)	(5,334)
Balance at end of year	<u>\$8,584</u>	<u>22,963</u>	<u>33,741</u>	<u>291,324</u>	<u>(5,288)</u>	<u>351,324</u>

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Years ended September 30, 1972 and 1971, as restated

	Thousands of Dollars	
	1972	1971
Working capital provided		
Operations:		
Net earnings	\$63,596	57,999
Add depreciation	20,551	18,248
Working capital provided from operations	84,147	76,247
Issuance of long-term debt	—	9,612
Sale and retirement of property, plant and equipment, net of accumulated depreciation	913	903
Common stock issued:		
Stock options exercised	1,669	502
Acquisition of companies	—	48
Preferred stock conversions	309	495
Decrease (increase) in other assets	296	(593)
	<u>87,334</u>	<u>87,214</u>
Working capital used		
Purchase of property, plant and equipment	26,600	22,595
Cash dividends paid	30,393	29,346
Reduction of long-term debt	3,373	3,564
Noncurrent assets of purchased companies:		
Property, plant and equipment	—	6,364
Other	—	382
Preferred stock converted into common stock	309	495
Acquisition of common stock for treasury	8	5,334
	<u>60,683</u>	<u>68,080</u>
Increase in working capital	<u>\$26,651</u>	<u>19,134</u>
Changes in working capital:		
Increase (decrease) in current assets:		
Cash and short-term investments	\$20,329	(11,966)
Receivables	6,092	1,587
Inventories	1,094	30,024
Prepaid expenses	628	507
	<u>28,143</u>	<u>20,152</u>
Decrease (increase) in current liabilities:		
Current maturities on long-term debt	482	278
Accounts payable and accrued expenses	(1,213)	(1,789)
Federal and foreign income taxes	(761)	493
	<u>(1,492)</u>	<u>(1,018)</u>
	<u>\$26,651</u>	<u>19,134</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

September 30, 1972 and 1971, as restated

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements incorporate the accounts of the Company and all of its subsidiaries. All significant intercompany transactions, profits and balances have been eliminated in consolidation.

Foreign Operations

The accounts of foreign subsidiaries are translated into United States dollars at appropriate rates of exchange. Unrealized gains and losses arising from translation, which are not significant, are included in earnings. Net sales, earnings and the Company's equity in net assets of foreign subsidiaries included in the consolidated financial statements are as follows:

	Thousands of Dollars	
	1972	1971
Net sales	\$49,000	37,500
Net earnings	5,300	4,300
Company's equity in net assets	22,500	16,500

Depreciation

Depreciation is computed principally using accelerated methods over estimated service lives for both financial reporting and income tax purposes. Fully depreciated assets are removed from the accounts. Depreciation expense amounted to \$20,551,000 in 1972 and \$18,248,000 in 1971.

Research and Product Development

Research and product development expenditures are charged to expense in the year incurred.

Start-Up Costs

The costs incurred in connection with the establishment of new plants and other facilities are amortized over a period not exceeding twelve months upon commencement of operation of the respective projects. At September 30, 1972 the unamortized portion of start-up costs included in other assets in the accompanying consolidated balance sheet amounted to \$195,000 (1971—\$675,000).

Income Taxes

The Company's general policy is to use the same accounting principles for the determination of income for both financial reporting and income tax purposes. In those circumstances where tax accounting principles differ from generally accepted accounting principles, appropriate recognition of the timing differences (which are immaterial in the aggregate)

are recorded for financial reporting purposes. Federal income tax returns of the Company have been examined through 1970 resulting in no significant adjustments of taxable income as originally reported.

Long-Term Lease Obligations

Certain of the Company's property, plant and equipment was acquired through use of long-term lease obligations financed by Industrial Revenue Bonds. These leases are considered in substance to be installment purchases. Accordingly, the assets so acquired and the long-term obligations assumed have been recorded at the amount of the related bonds.

In addition to the lease agreements above, the companies operate at 23 locations under lease agreements expiring between 1975 and 1991. The annual rentals under such leases aggregate approximately \$2,320,000 plus maintenance, taxes and insurance.

Pension Plans

The companies have various pension and profit-sharing retirement plans which cover substantially all employees. The Company's policy is to provide for amortization of prior service pension costs principally over thirty-year periods and to fund pension costs accrued. Total expense of the plans amounted to \$7,145,000 in 1972 and \$6,421,000 in 1971. At September 30, 1972 total pension fund assets plus balance sheet accruals exceeded the value of vested pension benefits.

Investment Credit

Investment tax credits are accounted for using the "flow-through" method which recognizes the tax benefit in the year assets are placed in service. Such credits amounted to \$935,000 in 1972 and \$86,000 in 1971.

Earnings Per Common Share

Earnings per common share are computed by dividing net earnings, after deducting dividends on preferred stock, by the weighted average number of common shares outstanding during the year. Pro forma (fully diluted) earnings per common share are computed by dividing net earnings by the weighted average number of common shares which would have been outstanding if conversion of all outstanding preferred stock had taken place at the beginning of the year. Consideration of stock options as common stock equivalents does not reduce per share earnings.

(2) Business Combinations

During the current year the Company issued 465,180 shares of common stock in exchange for the net assets of five companies. These business combinations have been accounted for as poolings of interests; accordingly, the accounts of these companies are included in the consolidated financial statements for each of the years 1972 and 1971. The 1972 sales and net earnings of these pooled companies prior to consummation of the combinations were not significant to the consolidated results of operations. For further information see "New Partner Companies" in the Financial Review section.

In 1971 the Company acquired certain operating assets of several companies in transactions accounted for as purchases. Such acquisitions and the consideration given therefor, in the aggregate, are not material to the consolidated financial statements.

(3) Long-Term Debt

Long-term debt is summarized as follows:

	Thousands of Dollars	
	1972	1971
Emerson Electric Co.:		
5-1/2% promissory notes payable in annual installments of \$1,000,000 through 1985, and balance in 1986	\$14,500	15,500
5-3/4% promissory note payable in annual installments of \$500,000 through 1986, and balance in 1987	8,500	9,000
5% promissory notes payable in semiannual installments of \$275,000 through 1978	3,025	3,575
Obligations under long-term lease agreements payable in varying installments through 1988, at interest rates as follows:		
3.75% to 4.8%	3,195	3,442
5.0% to 5.9%	9,240	9,380
6.0% to 6.25%	3,874	4,184
Other	1,523	2,656
Subsidiaries:		
Promissory notes payable in 1976, interest at 3/4 of 1% above London Interbank prime rate (6-1/4% at September 30, 1972)	4,100	4,100
Other	1,224	1,199
	<u>49,181</u>	<u>53,036</u>
Less current maturities	<u>2,921</u>	<u>3,403</u>
	<u>\$46,260</u>	<u>49,633</u>

The aggregate maturities of long-term debt during each of the five years ending September 30, 1977 are \$2,921,000, \$3,043,000, \$3,023,000, \$7,143,000, and \$3,042,000, respectively.

Certain loan agreements contain restrictions on the purchase, redemption or retirement of the Company's preferred and common stocks, and payment of dividends (except stock dividends) on common stock. Under the most restrictive provisions, approximately \$207,000,000 of retained earnings at September 30, 1972 was free from these restrictions.

(4) Preferred Stock

The Company's preferred stock is issuable in series and has full voting rights. The \$0.90 Cumulative Convertible Preferred Stock, Series B, is convertible at the rate of seven-tenths of a share of common for each share of preferred and is callable after December 31, 1973 at \$24.375 per share with successive reductions of \$0.625 per share annually to \$21.875 per share after December 31, 1977. During the year 123,761 shares (1971 - 197,830 shares) of Series B preferred stock were converted into 86,631 shares (1971 - 138,481 shares) of common stock.

(5) Common Stock

At September 30, 1972, 2,591,622 shares of common stock are reserved for the following purposes:

	Number of Shares	
	Unissued	Treasury
Conversion of preferred stock	2,316,881	—
Stock option plans:		
Granted	110,263	73,968
Not granted	65,510	25,000
	<u>2,492,654</u>	<u>98,968</u>

During 1971 the Company issued 3,040 shares of common stock, including 838 shares of treasury stock, based upon the earnings of a business acquired in a prior year.

Under various qualified stock option plans, certain officers and employees may purchase shares of common stock. Prior to 1964, options were granted generally at 95% of market value and expire in ten years. Subsequent options were granted at market value and expire in five years. All options are exercisable in installments.

In November 1970 the Company purchased 100,000 shares of common stock for the treasury which have been reserved for issuance of non-qualified stock options to certain officers and employees. These options expire ten years from date of grant and are exercisable either one-fifth after fifteen months from date of grant and one-fifth each fifteen months

thereafter or one-sixth each year after the first year. Differences between option prices and market value at date of grant are charged to expense upon exercise of the related options.

Changes in the number of shares reserved for options granted are summarized as follows:

	Qualified Options		Non-Qualified Options	
	Average Price	Number of Shares	Average Price	Number of Shares
October 1, 1970	\$48.48	131,175	\$ —	—
Add (deduct):				
Options granted	70.48	15,100	64.27	54,000
Options exercised	33.17	(15,133)	—	—
Options cancelled	51.16	(5,368)	—	—
September 30, 1971	52.85	125,774	64.27	54,000
Add (deduct):				
Options granted	82.12	20,100	74.70	21,000
Options exercised	49.15	(32,603)	64.27	(1,032)
Options cancelled	50.49	(3,008)	—	—
September 30, 1972	59.34	110,263	67.41	73,968
Shares exercisable at September 30, 1972		46,534		8,623

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

720 OLIVE STREET

ST. LOUIS, MISSOURI 63101

The Board of Directors and Stockholders
Emerson Electric Co.,

We have examined the consolidated balance sheets of Emerson Electric Co. and subsidiaries as of September 30, 1972 and 1971 and the related statements of earnings, stockholders' equity, and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Emerson Electric Co. and subsidiaries at September 30, 1972 and 1971 and the results of their operations, changes in stockholders' equity, and changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

October 31, 1972

Ten-Year Statistical Summary

As Reported in the Company's Annual Reports

Fiscal Years Ended September 30	1972	1971	1970
Sales and Earnings			
Net sales	\$764,740,000	656,351,000	657,018,000
Earnings before income taxes	\$124,896,000	111,129,000	112,435,000
Percent of net sales	16.3%	16.9%	17.1%
Net earnings	\$ 63,596,000	56,129,000	54,605,000
Percent of net sales	8.3%	8.6%	8.3%
Earnings per common share (2) (3)	\$ 2.64	2.37	2.30
Cash dividends paid	\$ 30,393,000	29,099,000	25,601,000
Cash dividends paid per common share (2)	\$ 1.19	1.16	1.00
Financial Position (at year end)			
Working capital	\$289,412,000	252,883,000	234,977,000
Ratio of current assets to current liabilities	4.7 to 1	4.5 to 1	4.3 to 1
Long-term debt	\$ 46,260,000	48,726,000	42,592,000
Stockholders' equity	\$386,188,000	337,161,000	314,963,000
Percent long-term debt to stockholders' equity	12.0%	14.5%	13.5%
Book value per common share (2) (5)	\$ 13.47	11.51	10.34
Other Data			
Expenditures for property, plant and equipment	\$ 26,600,000	21,434,000	30,478,000
Depreciation	\$ 20,551,000	17,569,000	16,187,000
Taxes of all kinds, including income taxes	\$ 77,101,000	68,209,000	70,087,000
Total salaries and wages	\$218,407,000	190,104,000	187,654,000
Average number of employees	25,900	23,600	24,700
Approximate number of stockholders at year end	19,500	18,900	18,700

(1) Figures for companies acquired on a pooling of interests basis have been included above from the beginning of the fiscal year of their affiliation with Emerson. On the basis of including pooled companies for the years prior to their affiliation, comparative sales and earnings for the six preceding years would have been as follows:

	Net Sales	Net Earnings	Earnings Per Common Share (2) (3)	Pro Forma Earnings Per Common Share (2) (4)
1971	\$682,671,000	\$57,999,000	\$2.40	\$2.29
1970	678,870,000	56,533,000	2.34	2.23
1969	655,264,000	51,868,000	2.15	2.06
1968	605,703,000	46,678,000	1.92	1.86
1967	557,477,000	45,005,000	1.86	1.79
1966	506,001,000	41,690,000	1.72	1.66

1969	1968	1967	1966	1965	1964	1963
628,427,000	522,046,000	395,153,000	348,023,000	252,663,000	219,256,000	208,260,000
105,485,000	81,158,000	57,180,000	50,122,000	32,804,000	29,182,000	25,419,000
16.8%	15.5%	14.5%	14.4%	13.0%	13.3%	12.2%
49,935,000	39,458,000	30,230,000	26,442,000	17,646,000	14,974,000	12,993,000
7.9%	7.6%	7.7%	7.6%	7.0%	6.8%	6.2%
2.11	1.84	1.69	1.49	1.18	1.02	.90
24,551,000	19,651,000	13,866,000	10,835,000	8,302,000	7,380,000	5,733,000
97½	.84	.77	.63	.55	.50	.40
224,714,000	182,764,000	143,691,000	110,392,000	76,896,000	71,257,000	63,641,000
4.2 to 1	4.4 to 1	4.3 to 1	3.0 to 1	2.8 to 1	3.5 to 1	3.3 to 1
46,158,000	44,661,000	41,585,000	23,122,000	6,325,000	6,875,000	7,586,000
280,526,000	217,373,000	161,717,000	144,436,000	109,737,000	98,275,000	88,599,000
16.5%	20.5%	25.7%	16.0%	5.8%	7.0%	8.6%
8.79	6.61	8.97	8.00	7.11	6.41	5.84
23,946,000	19,439,000	12,182,000	17,096,000	9,434,000	6,313,000	8,835,000
14,878,000	11,655,000	8,587,000	7,780,000	5,617,000	5,016,000	4,535,000
68,115,000	51,965,000	34,496,000	31,125,000	19,999,000	18,689,000	17,148,000
188,016,000	160,402,000	120,877,000	110,839,000	78,144,000	72,254,000	72,327,000
25.800	22,737	18,147	17,207	12,973	11,960	11,762
18,200	17,400	14,400	15,200	14,000	13,800	12,400

(2) Adjusted for two-for-one stock split as of February 12, 1969.

(3) Earnings per common share have been computed by dividing net earnings, after deducting dividends on preferred stock, by the weighted average number of common shares outstanding during each year.

(4) Pro forma earnings per common share have been computed by dividing net earnings by the weighted average number of common shares outstanding plus the number of common shares that would have been issued if conversion of preferred stock had taken place at the beginning of each year.

(5) Based upon shares outstanding at year end, adjusted for stock split, after giving effect to the liquidation value of preferred stock.

Board of Directors and Advisory Members



W. R. Persons

St. Louis, Missouri
Mr. Persons is Chairman of the Board and Chief Executive Officer of the Company. He has been a Director since 1953, joining the Company as President on January 1, 1954. He is a Director of First National Bank in St. Louis, St. Louis Union Trust Company, First Union, Incorporated, Anheuser-Busch, Inc., Diamond-Shamrock Co., Inforex, Inc., General Dynamics Corporation, and Western Digital Corporation.



Vincent T. Gorguze

St. Louis, Missouri
Mr. Gorguze was elected President and Chief Operating Officer of the Company effective January 1, 1973. He was elected a Director in 1971, after serving as an Advisory Member of the Board from 1967. He joined the Company in 1962 and has served in various executive capacities.



Charles F. Knight

St. Louis, Missouri
Mr. Knight was elected Vice Chairman effective January 1, 1973 and a Director of the Company on December 5, 1972. Formerly he was President and Chief Executive Officer of Lester B. Knight and Associates. He has served as a consultant to Emerson since 1963. He is also a Director of Miner-Enterprises, Inc., and Universal Castings Corporation.



Edward L. O'Neill

St. Louis, Missouri
Mr. O'Neill was elected Vice Chairman of the Company effective January 1, 1973. After serving as an Advisory Member of the Board from 1959, he was elected a Director in 1963 and is a member of the Executive Committee. He has been with the Company since 1954, serving in various executive positions. Mr. O'Neill is also a Director of St. Louis Union Trust Company and Brown Shoe Company.



William L. Davis

St. Louis, Missouri
Mr. Davis was elected Chairman of the Finance Committee effective January 1, 1973. He was elected a Director in 1961 and is a member of the Executive Committee. In the employ of the Company since 1942, he has served in various executive capacities. He is also a Director of Mercantile Trust Company, Mercantile Bancorporation, Inc., Western Digital Corporation, American Cement Corporation, General Steel Industries, Inc., Bemis Company, Inc., and Mallinckrodt Chemical Works.



John C. Wilson

St. Louis, Missouri
Mr. Wilson was elected Vice President of Finance of the Company effective January 1, 1973. He was appointed an Advisory Member of the Board of Directors in 1971. He joined the Company in 1962 and has served in various executive capacities.



Daniel N. Gredys

St. Louis, Missouri
Mr. Gredys was elected Senior Executive Vice President of the Company effective January 1, 1973. He was appointed an Advisory Member of the Board of Directors in 1971. He joined the Company in 1964 and has served in various executive capacities.



Gene K. Beare

St. Louis, Missouri
Mr. Beare was elected a Director in 1972. He is Executive Vice President and a Director of General Dynamics Corporation and President of General Dynamics Commercial Products Company. He is also a Director of American Research and Development Corporation, Westvaco Corporation, and Arkwright-Boston Insurance Company.



L. L. Browning, Jr.

Maysville, Kentucky
Mr. Browning is a Group Vice President of the Company and was elected a Director of the Company in 1969. He had served as Executive Vice President of Browning Manufacturing Company which was merged with Emerson Electric in 1969, and he serves as President of the continuing operating division of the Company. He is also a Director of First National Bank of Cincinnati.



David R. Calhoun

St. Louis, Missouri
Mr. Calhoun has been a Director of the Company since 1940 and is a member of the Executive Committee. He is Chairman of St. Louis Union Trust Company and First Union, Incorporated, and is a Director of American Express Co., Anheuser-Busch, Inc., Equitable Life Assurance Society, First National Bank in St. Louis, Interco Incorporated, Pullman, Incorporated, St. Joe Minerals Corp., and Union Electric Company.



Ernest N. Calhoun

Pittsburgh, Pennsylvania
Mr. Calhoun was elected a Director of the Company in 1968. He had served as President of the Edwin L. Wiegand Company which was merged with Emerson Electric in 1968. He is also a Director of the Pittsburgh National Bank.



M. R. Chambers

St. Louis, Missouri
Mr. Chambers was elected a Director of the Company in 1968. He is a member of the Executive Committee. He is Chairman and Chief Executive Officer of Interco Incorporated and is a Director of Angelica Corporation, Anheuser-Busch, Inc., Dillard's Department Stores, Inc., General American Life Insurance Company, General Steel Industries, Inc., Laclede Gas Company, Mercantile Trust Company, National Steel Corporation, and The Seven-Up Company.



Joseph A. Frates

Palm Beach, Florida
Mr. Frates has been a Director since 1966 and is a member of the Executive Committee. He was Chairman of the Board of the Ridge Tool Company which was merged with Emerson Electric in 1966. Mr. Frates is Chairman of the Board of Frates Properties, Inc. and also a Director of Aircoa, Incorporated, Alsport, Incorporated, Context Industries, Labelon Corporation, National Bank of Tulsa, and U.S. Filter Corporation.



R. H. McRoberts

St. Louis, Missouri
Mr. McRoberts is Secretary and General Counsel of the Company and has been a Director since 1951. He is a member of the Executive Committee of the Board of Directors. He is a senior partner in the law firm of Bryan, Cave, McPheeters & McRoberts and is also a Director of Kearney-National, Inc.



George T. Pfleger

Los Angeles, California
Mr. Pfleger was elected a member of the Board of Directors in 1962 and is retired. He is a member of the Executive Committee. He had served as President and Chief Executive Officer of U. S. Electrical Motors, Inc. from 1942 until its merger with Emerson Electric in 1962, and in executive capacities with the continuing operation.

Other members of the Board
are listed on the following page.



John C. Rohrbaugh

St. Louis, Missouri
Mr. Rohrbaugh was appointed an Advisory Member of the Board of Directors in 1972. He joined the Company in 1965 and has been Vice President—Industrial Relations of the Company since 1967.



Bernard A. Schriever

General, USAF (Ret.), Washington, D.C.
General Schriever became a Director of the Company in 1966. He is Chairman of the Board of Schriever & McKee, Inc., and had been Commander of the Air Force Systems Command. He is also a Director of American Cement Corporation, Combustion Power Corporation, Control Data Corporation, and Eastern Airlines, Inc.



Tribute to Ralph E. Petering
who is retiring December 31, 1972 after 30 years as an officer of Emerson.

Mr. Petering joined the Company in 1942 as Comptroller. Subsequently, he served as Comptroller and Assistant Secretary, Assistant Treasurer, Vice President and Treasurer, and Senior Vice President. He has served as a Director since 1951. He retired as a Director December 5, 1972.

At a meeting of the Emerson Board of Directors on December 5, 1972, the following resolution was unanimously adopted as a tribute to Ralph E. Petering:
For his devotion to this Company for more than three decades . . . for the loyalty and wisdom of his counsel as a fellow director . . . for his talent and abilities in finance, investment, and a variety of legal and contractual matters . . . for his integrity and great personal warmth and friendship . . . the members of this board are privileged to record their heartfelt expression of appreciation to Ralph E. Petering.



John E. Webb

St. Louis, Missouri
Mr. Webb is Executive Vice President—International of the Company and was appointed an Advisory Member of the Board of Directors in 1971. He joined the Company in 1970 as Vice President—International.



Edwin L. Wiegand

Reno, Nevada
Mr. Wiegand was elected a Director in 1968. He was founder and Chairman of the Board of the Edwin L. Wiegand Company, which was merged with Emerson Electric in 1968. He is also Director of Miami Oil Producers, Inc.

Corporate Officers

Effective January 1, 1973

W. R. Persons
Chairman and Chief Executive Officer

V. T. Gorguze
President and Chief Operating Officer

C. F. Knight
Vice Chairman

E. L. O'Neill
Vice Chairman

W. L. Davis
Chairman of Finance Committee

J. C. Wilson
Vice President of Finance

D. N. Gredys
Senior Executive Vice President

J. E. Webb
Executive Vice President—International

L. L. Browning, Jr.
Group Vice President

R. C. Baumgartner
Group Vice President

E. L. Keyes, Jr.
Group Vice President

C. O. Planting
Group Vice President

W. C. Nusbaum
Vice President—Advanced Planning

L. K. Stringham
Vice President—
Research and Development

J. C. Rohrbaugh
Vice President—Industrial Relations

L. W. Wightman
Vice President—
Manufacturing Research and Development

B. M. Teller
Vice President—Corporate Manufacturing

E. L. Clary
Vice President—
Corporate Materials Management

R. H. McRoberts
Secretary

C. W. Groennert
Assistant Treasurer and Assistant Secretary

A. G. Muegler, Jr.
Assistant Secretary

Operating Executives

R. Barnett
Atlanta, Georgia

R. C. Baumgartner
Elyria, Ohio

W. J. Bennetsen
St. Louis, Missouri

H. F. Bolesky
Mansfield, Ohio

L. L. Browning, Jr.
Maysville, Kentucky

J. W. Burge, Jr.
St. Louis, Missouri

W. K. Childress
St. Louis, Missouri

W. H. Davis
Pittsburgh, Pennsylvania

M. K. Douglas
Markham, Ontario Canada

R. J. Fernandez
Monterrey, Mexico

W. N. Gauger
Chicago, Illinois

W. E. Jamison
Cincinnati, Ohio

R. J. Jehling
Garfield, New Jersey

E. L. Keyes
St. Louis, Missouri

B. Lotter
Stuttgart, West Germany

F. Ouweleen
Milford, Connecticut

D. Paul
McHenry, Illinois

C. O. Planting
St. Louis, Missouri

W. G. Potter
St. Louis, Missouri

J. Rishel
Racine, Wisconsin

R. H. Rodriguez
Dorado, Puerto Rico

W. E. Rudisch
Grand Island, New York

R. B. Tilney
St. Louis, Missouri

H. C. Webster
Hatfield, Pennsylvania

Transfer Agents

Common Stock and
Preferred Stock:

St. Louis Union Trust Company
510 Locust Street
St. Louis, Missouri 63101

Marine Midland Bank—New York
140 Broadway
New York, New York 10015

Common Stock Listings

New York Stock Exchange
Midwest Stock Exchange

Registrars

Common Stock and
Preferred Stock:

First National Bank in St. Louis
510 Locust Street
St. Louis, Missouri 63101

First National City Bank
111 Wall Street
New York, New York 10015

Preferred Stock Listings

New York Stock Exchange
Midwest Stock Exchange

Patman

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

TELEPHONE 722-3366
AREA CODE 803

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

October 19, 1973

Pat C. Smith
State Auditor
P. O. Box 11333
Columbia, S.C. 29202

Dear Mr. Smith:

Re: \$2,000,000 Aiken County, South
Carolina, First Mortgage Industrial
Revenue Bonds, Series 1973 (Emerson
Electric Co. - Lessee)

Subsequent to approval by the State Budget
and Control Board of the issuance of the captioned
bonds, the parties have determined to make provision
for the issuance of additional bonds. The additional
bonds' wording should appear in the State Budget and
Control Board's notice, and I am enclosing for your
records a copy of the notice which will be sent to
the Aiken Standard and The State Newspaper.

Very truly yours,

M. William Youngblood, Jr.
M. William Youngblood, Jr.

MWY:mht

Encl.

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

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

The acquisition by the County Board of a parcel of land containing approximately 65 acres in Aiken County, on which the County Board will cause to be constructed and equipped new facilities for the manufacture of electrical thermostatic controls (said 65 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$2,000,000 Aiken County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Emerson Electric Co., a Missouri corporation (the Lessee), under a Lease Agreement and the Bonds of Aiken County will be payable solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition the Lessee has agreed to pay as additional rentals to Aiken County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Aiken County, the said School District, and the

said other political units wherein the Project is situate, if the Project were owned by the Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the Lessee if it were the owner of the Project.

The Lease by which Aiken County will lease the Project to the Lessee will provide that the Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 400 persons.

The proceedings authorizing the above described Bonds permit the issuance of additional bonds in the amount of not exceeding \$2,500,000 on a parity with the above described Bonds.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1973

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RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 65 acres of land located in Aiken County, on which the County Board will finance the acquisition, construction and equipping of new facilities for the manufacture of electrical thermostatic controls (said 65 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and which Project will be leased to Emerson Electric Co., a Missouri corporation (the Lessee); and

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

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$2,000,000 Aiken County First Mortgage Industrial Revenue Bonds payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Aiken County and North Carolina National Bank, as Trustee; and

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

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

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

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

(c) That the Project will provide employment for approximately 400 persons and will be of benefit to Aiken County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, to finance the construction thereon of the buildings and improvements and the acquisition and installation therein of the manufacturing equipment and machinery included in the Project, to lease the Project to the Lessee and to finance the cost of acquiring, constructing and equipping the Project through the issuance of \$2,000,000 Aiken County First Mortgage Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken of the State Board in giving approval to the undertaking of Aiken County above described in paragraph 2, supra, shall be published in THE STATE and in THE AIKEN STANDARD, both of which are newspapers having general circulation in Aiken County.

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

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

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

The acquisition by the County Board of a parcel of land containing approximately 65 acres in Aiken County, on which the County Board will cause to be constructed and equipped new facilities for the manufacture of electrical thermostatic controls (said 65 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$2,000,000 Aiken County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Emerson Electric Co., a Missouri corporation (the Lessee), under a Lease Agreement and the Bonds of Aiken County will be payable solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project.

In addition the Lessee has agreed to pay as additional rentals to Aiken County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Aiken County, the said School District, and the

A-2.

said other political units wherein the Project is situate, if the Project were owned by the Lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the Lessee if it were the owner of the Project.

The Lease by which Aiken County will lease the Project to the Lessee will provide that the Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 400 persons.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1973

STATE OF SOUTH CAROLINA,
COUNTY OF RICHLAND.

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

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

His Excellency, John C. West, Governor of South
Carolina and Chairman of the Board;

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

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

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

The Honorable Robert James Aycock, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at 10 A. M.,
OCTOBER 17, 1973, was given to all members in writing,
and at least four (4) days prior to said meeting; that all
members of said Board were present at said meeting, with the
exception of:

NONE

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

- 2 -

FOR MOTION

5

AGAINST MOTION

0

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

Secretary

OCTOBER 17, 1973.

STATE OF SOUTH CAROLINA

COUNTY OF GREENVILLE

TO THE STATE BUDGET AND CONTROL)

BOARD OF SOUTH CAROLINA)

P E T I T I O N

The Petition of the County Council of Greenville County (the County Board), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended, respectfully shows:

1. The County Board is the governing body of Greenville County as constituted by Act No. 573 of the 1967 Acts and Joint Resolutions of the South Carolina General Assembly, as amended, and as such it is the "County Board" referred to in Act No. 103 of the South Carolina General Assembly enacted at its 1967 Session, as amended (the Act).

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

3. The County Board has agreed with Conn Organ Corporation, an Indiana corporation (the Lessee), that the County Board will undertake to finance the acquisition, construction and equipping of a plant for the manufacture of musical instruments to be located in Greenville County by the Lessee through the issuance of Industrial Revenue Bonds pursuant to the Act.

In this connection the County Board has agreed to accept a conveyance of a 16 acre parcel of land on which the facilities will be located (said land and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and the County Board has agreed to issue One Million Four Hundred Fifty Thousand Dollars (\$1,450,000) Greenville County First Mortgage Industrial Revenue Bonds, Series 1973 (Conn Organ Corporation - Lessee) pursuant to the Act in order to finance the acquisition, construction and equipping of the Project which, when completed, will constitute a new manufacturing facility.

4. The County Board is advised by the Lessee that the cost of acquiring the said land, including land improvements, is approximately \$112,000, the cost of constructing the said buildings, is approximately \$675,000, and the cost of acquiring and installing the necessary machinery and equipment, is approximately \$220,000, and the financing and miscellaneous costs are approximately \$200,000 and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Four Hundred Fifty Thousand Dollars (\$1,450,000) Greenville County First Mortgage Industrial Revenue Bonds, Series 1973 (Conn Organ Corporation - Lessee) (the Bonds).

5. When the Project is complete, it will employ approximately 200 persons.

6. For the reasons above set forth and hereafter disclosed, the County Board has found:

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

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

(c) The proposed Lease between the County Board and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds which mature and bear interest all at the rate of 7-1/2% as follows:

<u>October 1 of the Year</u>	<u>Sinking Fund Amount</u>	<u>October 1 of the Year</u>	<u>Sinking Fund Amount</u>
1975	\$ 25,000	1987	\$ 55,000
1976	25,000	1988	60,000
1977	25,000	1989	65,000
1978	30,000	1990	65,000
1979	30,000	1991	75,000
1980	35,000	1992	80,000
1981	35,000	1993	85,000
1982	40,000	1994	95,000
1983	40,000	1995	95,000
1984	45,000	1996	110,000
1985	45,000	1997	110,000
1986	55,000		

(d) Macmillan, Inc. the parent corporation of Lessee will, by way of a Lease Guaranty Agreement, guarantee all of the obligations of the Lessee under the Lease Agreement.

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

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

(a) The Project to be undertaken consists of land, buildings, equipment, machinery and other improvements which will be necessary for, and part of, a plant for the manufacture of musical instruments.

(b) The Project will provide considerable employment during the period of its construction and when completed will provide permanent employment for approximately 200 persons.

It is, therefore, believed that the Project will have an extremely beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the Project is approximately One Million Four Hundred Fifty Thousand Dollars (\$1,450,000), including construction cost, cost of land, equipment and machinery, financing costs and all other expenses to be incurred in connection therewith.

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

(a) To finance the cost of the acquisition, construction and equipping of the Project, the County will issue \$1,450,000 of Greenville County First Mortgage Industrial Revenue Bonds, Series 1973 (Conn Organ Corporation - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to The South Carolina National Bank, as Trustee, and the obligations of the Lessee under the said lease will be unconditionally guaranteed by the Guarantor.

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

(c) The Lease will contain a specific provision by which the Lessee will unconditionally agree to make payments to Greenville County, to any School District in Greenville County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Greenville County, by

any such School District, and by said political units if the Project were owned by the Lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the Lessee were it the owner of the Project.

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

(e) The Guarantor will enter into an Agreement (the Lease Guaranty Agreement) with the County which will be attached to the said Lease and pursuant to which the Guarantor will unconditionally guarantee the performance of all of the obligations of the Lessee under the said Lease, including the payment of all rentals and other amounts to become due.

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

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

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

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

The Indenture makes provision for the issuance of One Million Four Hundred Fifty Thousand Dollars (\$1,450,000) of Bonds to be secured thereunder. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. It imposes upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the

principal and interest of the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

10. The proposed Lease, Lease Guaranty Agreement, and Trust Indenture are enclosed in draft form. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

11. The County Board proposes to elect to have the provisions of Section 103(c)(6)(D) of the Internal Revenue Code of 1954 apply to the Bonds so that interest thereon will not be subject to Federal Income Taxes.

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease and the Trust Indenture, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project, and give published notice of its approval in the manner set forth in Section 14 of the Act.

_____, 1973.

Respectfully submitted,

GREENVILLE COUNTY, SOUTH CAROLINA

(SEAL)

By

Larry M. Calk
Chairman, County Council of
Greenville County

Attest:

Cecil D. Buchanan
Secretary, County Council of
Greenville County

EXHIBIT V

OCT 17, 1923

EXHIBIT V

OCT 17, 1923

Patnam

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

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POST OFFICE BOX 340

THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.

October 8, 1973

Honorable Pat C. Smith
State Auditor
P. O. Box 11333
Columbia, S. C. 29202

Dear Mr. Smith:

Re: Industrial Bond Issue
Conn Organ Corporation
\$1,450,000

I enclose herewith the original Petition of the
County Council of Greenville County in regard to the
captioned matter.

Yours very truly,

M. William Youngblood, Jr.
M. William Youngblood, Jr.

MWY, JR:mht

Encl.

Macmillan, Inc. Annual Report 1972



Macmillan, Inc. Annual Report 1972

1972 in brief

	1972	1971	1972	
(dollars in thousands except per share statistics)			Increase Amount	(Decrease) Percent
Sales and revenues	\$393,893	\$386,611	\$ 7,282	2
Profit from operations	31,976	23,887	8,089	34
Less: Interest on notes and debentures	4,441	5,875	(1,434)	(24)
Profit before other expenses (income)—net and income taxes	27,535	18,012	9,523	53
Other expenses (income)—net	214	(553)	767	
Income before income taxes	27,321	18,565	8,756	47
Income taxes	12,431	8,216	4,215	51
Net income	14,890	10,349	4,541	44
Earnings per common share	1.00	.68*	.32	47
Working capital	141,469	151,124	(9,655)	(6)
Current ratio	2.4:1	2.5:1		
Notes and debentures	63,963	76,847	(12,884)	(17)
Shareholders' equity	233,624	228,537	5,087	2
Equity per share of common stock	16.10	14.85*	1.25	8
Dividends per common share	4% stock	4% stock		
Preferred dividends paid (\$1.20 and \$2.50 series)	473†	473†		
Number of common shares outstanding at year end	13,788,080	14,042,781		

*Adjusted for the 4% stock dividend distribution in 1972.

†Entire dividend requirement.

To our shareholders:

We are pleased to report another year of substantial progress. Net income for 1972 rose 44 percent to \$14.9 million, surpassing the dollar and percentage gain recorded in 1971. Earnings per share for 1972 increased 47 percent to \$1.00, as compared with 68 cents in 1971.

Profit from operations showed a significant upturn, increasing to \$32.0 million, a gain of 34 percent over the 1971 level of \$23.9 million. Sales rose modestly to \$393.9 million in 1972 from \$386.6 million the previous year.

The year represented a significant milestone for the corporation: \$370.0 million, or 94 percent of our sales and virtually all of our income in 1972, were derived from businesses we entered during the past dozen years. The changes in the nature and relative proportions of our operations contributed to a stronger balance sheet as well as an improved income statement.

Publishing and printing led: With sales of \$188.0 million in 1972, contributing over half our corporate income, publishing and printing continued to represent our major business activity.

Publishing of all kinds, exclusive of home reference materials, recorded a modest sales gain to \$108.2 million. Our general (trade) book division had a strong year. JONATHAN LIVINGSTON SEAGULL, an allegory for adults, headed most best seller lists. Sales of textbooks and related instructional materials approximated \$67 million, about the same as in 1971.

Our growth in specialty publishing continued. A new series of Berlitz travel publications and our forthcoming English translation of the 30-volume GREAT SOVIET ENCYCLOPEDIA, two publishing ventures inaugurated in 1972, promise significant commercial success in the future.

Standard Rate and Data Service, our business services division, improved in sales and profits.

Sales of home reference materials declined to \$24.2 million from \$32.2 million in 1971. The division was profitable and has shown signs of improved performance in 1973.

Printing volume from the rotogravure plants of Alco-Gravure and the music printing facilities of G. Schirmer reached record levels, accounting for \$55.6 million in sales. Margins at Alco-Gravure rebounded sharply from the depressed levels of 1970 and 1971; the absence of start-up expenses at the Hoboken plant and an improved mix and level of advertising volume were significant factors in the gain. Commercial printing continued to represent an increased percentage of sales.

Gains in instruction divisions: Instruction volume grew from \$74.0 million to a new high of \$75.2 million, in all likelihood making us the largest proprietary school organization in the world. Income also achieved record levels despite accelerated expenditures on new programs and facilities.

Our home study schools, principally La Salle Extension University in the U.S. and Crowell Collier and Macmillan Schools Ltd., in Britain recorded volume of \$47.8 million, a slight reduction from 1971 sales but profits were modestly higher. This principally reflected an emphasis on higher quality, though lower volume, business.

Classroom instruction rose in volume to \$27.4 million. Berlitz and Katharine Gibbs, names long synonymous with their respective fields of language and secretarial training, continued to expand their operating bases. Berlitz finished 1972 with the largest number of company-owned schools and the most diversified base in its history. Over a dozen new schools are planned for the current year. Curriculum

expansion has placed Gibbs in the forefront of management training for women. Construction should begin soon on a sixth Gibbs school, our first in Connecticut.

Organs set pace for musical instrument division: Musical instrument sales rose over 14 percent to \$44.0 million. Electronic organs continued to outpace overall divisional growth. A three-year program to restructure band instrument production was completed and operating margins showed improvement toward year-end.

Distribution: These businesses accounted for \$77.3 million in volume. This slight reduction from 1971 levels reflected the discontinuance of certain marginal product lines and the elimination of unprofitable sales. Our retail stores had a successful year. Brentano's, Gump's, Roten Galleries, G. Schirmer in the United States, and Claude Gill in London achieved combined sales of \$28.9 million, a 7.4 percent increase over 1971.

Our book clubs and film divisions completed their most successful year, showing record profits on sales of \$21.5 million. We continue to expand our audiovisual activities, adding significantly to our film catalogs. Two new specialized book clubs were introduced in 1973, bringing our total to 14.

Progress overseas: Sales abroad rose 7.8 percent to \$64.6 million. This amounted to 16.4 percent of our total volume in 1972 as compared with 15.5 percent in 1971. Profits improved over 1971. Net income from overseas branches and subsidiaries reached \$4.4 million, an increase of \$.5 million.

Balance sheet strides: The company continued to strengthen its financial position. Notes and debentures at 1972 year-end were reduced 16.8 percent to \$64.0 million from \$76.8 mil-

lion the previous year. During the year we instituted new domestic credit agreements permitting borrowings of up to \$40.0 million at the prime interest rate for the first two years of the three-year agreements. These replaced previous agreements for borrowings of up to \$90.0 million which were in effect at 1971 year-end.

Accounts receivable-net were reduced by \$8.6 million to \$140.2 million. Installment accounts represented just under half of total receivables, the smallest proportion in over a decade.

Stock purchases: During 1972, 816,412 shares of common stock were purchased for the corporate treasury at prices averaging \$11.43. In January 1973, an additional 1.2 million shares were purchased at \$13.00 a share under terms of a tender offer. The company's equity per common share at the end of 1972 was \$16.10. Purchases were financed by cash generated internally and existing credit agreements. The number of outstanding shares as of January 31, 1973 was 12,588,080. This compared with 14,604,492 as of December 31, 1971 (adjusted for the 4 percent stock dividend paid in 1972), a reduction of 13.8 percent.

Cash dividend: On March 13, 1973, a cash dividend of five cents per share was declared payable April 23, 1973 to common shareholders of record at the close of business on March 30, 1973. The Board of Directors indicated its present intention to declare regular quarterly cash dividends during 1973 at the annual rate of twenty cents per common share. The company last paid a cash dividend in 1952. From 1959 through 1972, it had paid an annual stock dividend of four percent.

Corporate objectives: This report is the first under the name of Macmillan, Inc. Our new corporate title became effective the first of the year. Although shorter, this new designation represents not so much a change as an affirmation, giving appropriate emphasis to the educational thrust of our business and the future of publishing in which Macmillan has long been prominent.

As we start this new era, it seems appropriate to review our corporate philosophy. We regard education as a way of life. We believe that in today's world, as well as in the future, continuing lifetime education is both an economic necessity and a social imperative. Our orientation is humanistic; we consider the student and the student's requirements to be at the center of the educational process. Our definition of education is broad; it takes into account not only the demands of formal academic instruction, but also the training and retraining of adults in a constantly changing economic milieu; people's need to learn to cope with accelerating change; and, no less important, their need to find relief from the tension and boredom of an increasingly mechanized society.

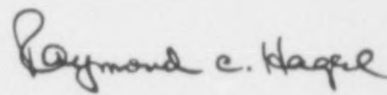
Our overall corporate goal is to provide the products and services required to fill the broadest possible range of educational needs throughout the world. Our operations are geared to perceiving and anticipating the needs of our educational markets, which include individuals as well as institutions, industry and government as well as academicians and other professionals. The company is organized to make our products and services easily available to our customers. Our sales organizations include specialists in school, library, and other institutional marketing, and wholesale forces which sell to jobbers and dealers. We operate our own retail stores, sell directly to the consumer at home, and by mail.

We regard ourselves as specialists in the production, organization, and distribution of ideas, information, and instruction, without limitation to any particular media. In an industry whose main constancy is change, we prize the flexibility which has enabled us to survive and prosper in a business field which never stands still.

Market outlook: We believe we have been successful in achieving a product, services, and market balance which places us firmly in the mainstream of cultural and educational endeavors, deriving substantial commercial support from individual consumers and business customers. To the extent that government financial support affects our sales to institutional customers, it is overwhelmingly at state and local levels.

Our marketing capability and financial resources far exceed our outlook of a dozen years ago. In the early sixties we contemplated what seemed to be a promising domestic market. Today our business is worldwide, existing wherever there are people of any age who want to be instructed, informed, and entertained. The opening up of international markets for instructional materials, home study, and other instruction services represents a major and virtually untapped opportunity.

The needs for new products and services within our area of competence are growing and consistent. Our present business mix is substantially the result of conscious planning. We believe we are among the best prepared companies to answer the educational challenges of the future. In so doing we will be serving the interests of society, the intellectual and artistic community, and our shareholders.



Chairman

Ten-year summary of sales and income

Year ended December 31	1963	1964	1965*
(dollars in thousands except per share statistics)			
Sales and revenues	\$108,900	\$122,100	\$169,900
Profit from operations	11,500	15,400	22,500
Less: Interest on notes and debentures	1,900	1,300	1,300
Profit before other expenses (income)—net and income taxes	9,600	14,100	21,200
Other expenses (income)—net	400	200	800
Income before income taxes	9,200	13,900	20,400
Income taxes	4,700	6,700	9,800
Income from continuing operations	4,500	7,200	10,600
Loss from discontinued operations			
Income before extraordinary items	4,500	7,200	10,600
Extraordinary items, net of applicable income taxes			
Net income	4,500	7,200	10,600
Earnings per common share and common equivalent share†			
Income from continuing operations	.43**	.65**	.83
Loss from discontinued operations			
Income before extraordinary items	.43**	.65**	.83
Extraordinary items, net of applicable income taxes			
Net income	.43**	.65**	.83

* Gives effect retroactively to the acquisitions in 1967, 1968, and 1969, accounted for as poolings of interests.

** Gives effect to the 1964 debenture conversion. Related interest expense, less applicable income taxes, has been eliminated.

† Adjusted for 4% stock dividends in each of the years 1963 through 1972 and for the 2 for 1 stock split in 1968.

Operating results by lines of business

Sales and revenues

Year ended December 31	1968*		1969*		1970		1971		1972	
(dollars in thousands)										
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Publishing and printing	\$160,700	53.9	\$200,800	51.4	\$198,200	49.5	\$186,500	48.2	\$188,000	47.7
Instruction	57,900	19.4	67,900	17.4	70,800	17.7	74,000	19.1	75,200	19.1
Distribution	43,400	14.6	78,900	20.2	86,500	21.6	78,500	20.3	77,300	19.6
Musical instruments	26,800	9.0	31,100	8.0	33,200	8.3	38,400	10.0	44,000	11.2
Other activities	9,600	3.2	12,100	3.1	12,100	3.0	12,300	3.2	12,400	3.1
Intercompany sales	(500)	(0.1)	(500)	(0.1)	(500)	(0.1)	(3,100)	(0.8)	(3,000)	(0.7)
Total	\$297,900	100.0	\$390,300	100.0	\$400,300	100.0	\$386,600	100.0	\$393,900	100.0

* Gives effect retroactively to the acquisitions in 1968 and 1969 accounted for as poolings of interests.

For the purpose of the above table, common charges were allocated in accordance with the following:

1) Corporate general and administrative expenses on the basis of sales and revenues

1966*	1967*	1968*	1969*	1970	1971	1972
\$196,700	\$219,900	\$297,900	\$390,300	\$400,300	\$386,600	\$393,900
26,000	23,500	33,500	42,800	23,000	23,900	32,000
1,700	1,500	2,100	4,700	8,300	5,900	4,500
24,300	22,000	31,400	38,100	14,700	18,000	27,500
500	(500)	(1,700)	(300)	500	(500)	200
23,800	22,500	33,100	38,400	14,200	18,500	27,300
11,200	10,400	16,600	19,400	6,400	8,200	12,400
12,600	12,100	16,500	19,000	7,800	10,300	14,900
(200)	(400)	(900)	(900)			
12,400	11,700	15,600	18,100	7,800	10,300	14,900
7,000	4,200	14,000	(1,200)			
19,400	15,900	29,600	16,900	7,800	10,300	14,900
.99	.90	1.14	1.25	.50	.68	1.00
(.01)	(.03)	(.06)	(.06)			
.98	.87	1.08	1.19	.50	.68	1.00
.56	.32	.99	(.08)			
1.54	1.19	2.07	1.11	.50	.68	1.00

Income from continuing operations

Year ended December 31	1968*		1969*		1970		1971		1972	
(dollars in thousands)										
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Publishing and printing	\$11,200	67.9	\$11,200	58.9	\$ 5,900	75.6	\$ 4,800	46.6	\$ 7,900	53.0
Instruction	3,800	23.0	5,600	29.5	4,100	52.6	5,100	49.5	5,600	37.6
Distribution	800	4.9	1,500	7.9	(2,200)	(28.2)	200	1.9	700	4.7
Musical instruments	—	—	700	3.7	200	2.6	100	1.0	500	3.4
Other activities	700	4.2	—	—	(200)	(2.6)	100	1.0	200	1.3
Intercompany sales										
Total	\$16,500	100.0	\$19,000	100.0	\$ 7,800	100.0	\$10,300	100.0	\$14,900	100.0

2) Corporate interest on the basis of net borrowings from the parent company, and

3) United States and foreign income taxes on the basis of the effective consolidated tax rate.

Macmillan, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheet December 31, 1972 and 1971

ASSETS	1972	1971
Current assets		
Cash	\$ 15,721,000	\$ 16,507,000
Accounts receivable, including installment contracts (Note 2) (less reserves, 1972—\$23,423,000; 1971—\$26,654,000)	140,219,000	148,854,000
Inventories (Note 3)	74,929,000	75,376,000
Prepaid expenses and miscellaneous	12,144,000	9,845,000
Total current assets	243,013,000	250,582,000
Published works		
Editorial and related expenditures, unamortized balance	16,617,000	17,638,000
Advances to authors	3,068,000	2,102,000
Total published works	19,685,000	19,740,000
Unpublished works		
Editorial and related expenditures	4,648,000	3,385,000
Advances to authors	4,568,000	4,754,000
Total unpublished works	9,216,000	8,139,000
Property at cost, less accumulated depreciation and amortization (Note 4)	57,258,000	58,710,000
Investments in securities, principally at cost	2,299,000	2,187,000
Cost of businesses acquired in excess of value assigned to net tangible assets	66,825,000	66,666,000
Other assets	3,529,000	4,006,000
Total	\$401,825,000	\$410,030,000

See notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY
1972
1971
Current liabilities

Accounts payable	\$ 41,273,000	\$ 36,823,000
Notes payable	5,605,000	4,006,000
Income taxes		
United States—current	6,883,000	8,310,000
United States—deferred	25,855,000	32,080,000
Foreign	4,121,000	2,683,000
Payrolls and commissions	6,515,000	6,218,000
Accrued royalties	6,527,000	5,489,000
Taxes, other than United States and foreign income	4,765,000	3,849,000
Total current liabilities	101,544,000	99,458,000

Noncurrent liabilities

Notes payable (Note 6)	39,189,000	50,722,000
Miscellaneous	3,523,000	4,149,000
4% convertible subordinated debentures—due June 1, 1992 (Note 7)	19,169,000	22,119,000
Total noncurrent liabilities	61,881,000	76,990,000

Preferred stock of subsidiary (Note 8)
4,776,000 5,045,000
Shareholders' equity

Preferred stock par value \$1 per share;		
authorized—5,000,000 shares issuable in series;		
outstanding:		
\$1.20 series convertible (Note 9)	6,322,000	6,322,000
\$2.50 series convertible (Note 9)	5,609,000	5,609,000
Common stock par value \$1 per share; (Notes 10 and 11)		
authorized—25,000,000 shares;		
issued	167,662,000	160,169,000
Retained earnings (Note 6)	65,128,000	58,204,000
Less common stock held in treasury, at cost	(11,097,000)	(1,767,000)
Total shareholders' equity	233,624,000	228,537,000

Total \$401,825,000 \$410,030,000

Macmillan, Inc. and Consolidated Subsidiaries

Statement of Consolidated Income for the years ended December 31, 1972 and 1971

	1972	1971
Sales and revenues	\$393,893,000	\$386,611,000
Costs and expenses		
Editorial, production, and delivery	206,182,000	203,939,000
Selling, general, and administrative	137,412,000	136,494,000
Provision for cancellations and doubtful accounts	18,323,000	22,291,000
Interest on notes and debentures	4,441,000	5,875,000
Other expenses (income)—net (Note 7)	214,000	(553,000)
Total costs and expenses	366,572,000	368,046,000
Income before income taxes	27,321,000	18,565,000
Income taxes (Note 5)	12,431,000	8,216,000
Net income	\$ 14,890,000	\$ 10,349,000
Earnings per common share*	\$1.00	\$.68

*Based on earnings applicable to the weighted average number of common shares and common equivalent shares outstanding during each year, after giving retroactive effect to the 4% stock dividends paid through 1972. Common equivalent shares include the number of common shares issuable for the \$1.20 series convertible preferred stock where applicable and appropriate adjustments for outstanding common stock options.

Fully diluted earnings per common and common equivalent share are not shown since the dilutive effect is not significant.

See notes to financial statements.

Macmillan, Inc. and Consolidated Subsidiaries

Statement of Consolidated Changes in Financial Position for the years ended December 31, 1972 and 1971

	1972	1971
Source of funds		
Operations		
Net income	\$14,890,000	\$10,349,000
Charges to income not requiring working capital		
Depreciation of property and amortization of published works	10,608,000	9,668,000
Other (primarily advances earned by authors during year)	1,730,000	2,314,000
Working capital provided from operations	27,228,000	22,331,000
Proceeds from foreign bank loans	2,500,000	
Proceeds from disposition of property, net of gains or losses included in net income	480,000	1,105,000
Total	30,208,000	23,436,000
Application of funds		
Reduction of domestic bank loans and commercial paper	13,625,000	11,500,000
Acquisition of Company's common stock	9,330,000	9,000
Acquisition of 4% convertible subordinated debentures (Note 7)	2,950,000	1,800,000
Reduction of other noncurrent liabilities	1,363,000	2,486,000
Cost of businesses acquired in excess of value assigned to net tangible assets	282,000	847,000
Acquisitions of property	3,328,000	6,714,000
Additions to published and unpublished works	7,628,000	7,873,000
Cash dividends paid on preferred stocks	473,000	473,000
Redemption of preferred stock of subsidiary (Note 8)	269,000	
Other—net	615,000	(1,204,000)
Total	39,863,000	30,498,000
(Decrease) in working capital	\$ (9,655,000)	\$ (7,062,000)
Changes in working capital		
(Decrease) increase in current assets		
Accounts receivable, including installment contracts	\$ (8,635,000)	\$ (8,864,000)
Inventories	(447,000)	2,265,000
Other	1,513,000	(740,000)
Total (decrease) in current assets	(7,569,000)	(7,339,000)
Decrease (increase) in current liabilities	(2,086,000)	277,000
(Decrease) in working capital	\$ (9,655,000)	\$ (7,062,000)

See notes to financial statements.

Macmillan, Inc. and Consolidated Subsidiaries

Statement of Consolidated Shareholders' Equity for the years ended December 31, 1972 and 1971

	1972		1971	
	Shares	Amount	Shares	Amount
Common stock (Notes 10 and 11)				
Beginning of period	14,126,760	\$160,169,000	13,576,529	\$152,105,000
Add:				
4% stock dividend*	561,711	7,493,000	539,733	7,977,000
Conversion of preferred stock			144	4,000
Exercise of stock options			10,354	83,000
End of period	14,688,471	\$167,662,000	14,126,760	\$160,169,000
Retained earnings (Note 6)				
Beginning of period		\$ 58,204,000		\$ 56,305,000
Net income		14,890,000		10,349,000
Total		73,094,000		66,654,000
Less:				
4% stock dividend*		7,493,000		7,977,000
Cash dividends paid on preferred stocks		473,000		473,000
Total		7,966,000		8,450,000
End of period		\$ 65,128,000		\$ 58,204,000
Common stock in treasury				
Beginning of period	83,979	\$ 1,767,000	83,202	\$ 1,758,000
Add:				
Acquired by purchase	816,412	9,330,000	777	9,000
End of period	900,391	\$ 11,097,000	83,979	\$ 1,767,000

At December 31, 1972 and 1971 there were 160,564 shares of \$1.20 series convertible preferred stock outstanding (Note 9). During 1971, 96 shares for an aggregate amount of \$4,000 were converted into 144 shares of common stock.

At December 31, 1972 and 1971 there were 112,183 shares of \$2.50 series convertible preferred stock outstanding (Note 9). There were no conversions during 1971.

*Market value per share 1972-\$13.34; 1971-\$14.78.

See notes to financial statements.

Notes to financial statements

1. Accounting principles and practices: The accompanying financial statements conform to generally accepted accounting principles and to industry practice applied on a consistent basis. The following are the significant accounting principles and practices applied:

Consolidation: The consolidated financial statements include the accounts of all subsidiaries and eliminate all material intercompany items. Assets, liabilities, and operations of consolidated subsidiaries and branches operating outside the United States are translated into United States dollars at appropriate rates of exchange.

The excess of cost over the value assigned to net tangible assets relating to 1972 acquisitions accounted for as purchases amounted to \$282,000. This amount is being amortized on a straight-line basis over 40 years. The cost of businesses acquired in excess of value assigned to net tangible assets relating to businesses acquired prior to November 1, 1970 is not being amortized because in management's opinion there has been no loss in the value of these intangibles.

Accounts receivable, including installment contracts: Receivables shown in the accompanying consolidated balance sheet include installment contracts. In accordance with trade practice, the installments on these contracts due after one year are included in current assets. Sales and related costs, including a provision for doubtful accounts, are accounted for in income when such sales are made.

Inventories: Inventories are stated at the lower of cost (generally actual or average) or market.

Depreciation and amortization: Depreciation of property is provided at rates based upon estimated useful lives, generally on the straight-line method. Leasehold improvements are amortized over the terms of the various leases, using the straight-line method. Maintenance and repairs are charged to income. Renewals and betterments are capitalized. Cost of property sold or otherwise disposed of and accumulated depreciation thereon are eliminated from property accounts and related depreciation reserves, and gain or loss is reflected in income. Editorial and related expenditures of

published works are amortized at rates based upon estimated lives, using principally either the unit-of-sale or the sum-of-the-years digits method.

Income taxes: The Company fully provides on a current basis for income taxes due on reported income. Several of the Company's subsidiaries sell products or services on an installment sales basis, and the payment of income taxes applicable to such installment income is postponed. Such future tax payments are shown as deferred taxes in the accompanying financial statements. The investment tax credit is recorded as a reduction of the current year's income tax provision. Foreign income taxes are provided by foreign subsidiaries reflecting the income tax in the particular countries in which they operate; however, in those instances where it is not intended permanently to reinvest earnings, appropriate adjustments of United States income taxes are made. Unremitted earnings of foreign subsidiaries permanently reinvested on which applicable adjustments of United States income taxes have not been made amounted to \$6,000,000 at December 31, 1972.

2. Accounts receivable, including installment contracts: Gross receivables include installment contracts which amounted to \$75,853,000 and \$92,006,000 at December 31, 1972 and 1971 respectively.

3. Inventories:

	1972	1971
Finished goods	\$54,346,000	\$54,771,000
Work in process	13,078,000	14,497,000
Paper, supplies, etc.	7,505,000	6,108,000
Total	\$74,929,000	\$75,376,000

4. Property:

	1972	1971
Land	\$ 3,698,000	\$ 3,655,000
Buildings and leasehold improvements	39,590,000	38,575,000
Equipment	64,514,000	63,353,000
Total	107,802,000	105,583,000
Less accumulated depreciation and amortization	50,544,000	46,873,000
Property—net	\$ 57,258,000	\$ 58,710,000

5. **Income taxes:** Investment tax credits applied to reduce income taxes amounted to \$190,000 in 1972 and \$170,000 in 1971. The Company has several Domestic International Sales Corporations (DISC) for the distribution of certain products to overseas markets. The portion of the DISC income permanently invested in such companies resulted in a reduction in 1972 income taxes of \$300,000. The provision for income taxes for the years ended December 31, 1972 and 1971 is represented as follows:

	1972	1971
United States—current	\$14,800,000	\$12,043,000
United States—deferred	(5,610,000)	(6,585,000)
Foreign	3,241,000	2,758,000
Total	\$12,431,000	\$ 8,216,000

6. Noncurrent notes payable; dividend restriction:

	1972	1971
Indebtedness under domestic bank credit agreements and through issuance of commercial paper		
Bank notes payable	\$ 4,000,000	\$11,700,000
5 $\frac{3}{8}$ %—5 $\frac{3}{4}$ % (1971, 4 $\frac{3}{4}$ %—5 $\frac{1}{8}$ %) short-term commercial paper (to be refunded by issuance of additional paper or through borrowings under credit agreements)	10,975,000	16,900,000
Total	14,975,000	28,600,000
6 $\frac{1}{8}$ %—6 $\frac{1}{2}$ % (1971, 7 $\frac{1}{4}$ %—9 $\frac{1}{8}$ %) notes payable to foreign banks under revolving credit agreements	19,400,000	16,900,000
6.1% notes to an insurance company payable annually to 1978	2,000,000	2,400,000
6% secured note to an insurance company payable quarterly to 1983 (certain property mortgaged under the terms of the note)	1,844,000	1,994,000
Other—including mortgage notes, 1972—\$439,000; 1971—\$347,000	970,000	828,000
Total	\$39,189,000	\$50,722,000

The notes payable to foreign banks were issued under revolving credit agreements whereby the banks have agreed to make loans to the Company of up to \$20,000,000 until July 1, 1974. The loans shall bear interest at $\frac{3}{4}$ of 1% per annum above the rate at which United States dollar deposits of similar amount and maturity are offered to the banks at their foreign offices on date of borrowing.

The notes payable to domestic banks at December 31, 1972 were issued under credit agreements whereby certain banks agreed to make loans to the Company until January 5, 1976. The agreements provide that indebtedness under the agreements and indebtedness evidenced by commercial paper of the Company are not to exceed a maximum aggregate amount of \$40,000,000, that the

loans shall bear interest at the minimum bank commercial lending rate on the date of the loan (increasing early in 1975 by $\frac{1}{4}\%$), and that there shall be a commitment fee of $\frac{1}{2}\%$ on the unused credit. The agreements further provide that after October 31, 1972 the Company will not declare or pay any cash dividends or acquire its stock for amounts which in the aggregate will exceed \$10,000,000 plus 50% of consolidated net income earned on or after January 1, 1972 plus the net proceeds from the sale on or after January 1, 1972 of stock of the Company or indebtedness of the Company which has subsequently been converted into or cancelled in exchange for stock in the Company. Accordingly, \$48,000,000 of consolidated retained earnings at December 31, 1972 was not available for cash dividends or acquisition of stock. In January 1973, the restricted amount increased by approximately \$16,000,000 as a result of the acquisition of common shares pursuant to a tender offer (see Note 15). The amount available for cash dividends and stock acquisitions will be increased by 50% of consolidated net income earned subsequent to December 31, 1972.

7. 4% convertible subordinated debentures—due June 1, 1992: Under the terms of the indenture the debentures are redeemable at the option of the Company at any time with proper notice at 103.0% of principal amount up to and including June 1, 1973 and at lower prices thereafter, plus accrued interest. The debentures are convertible into common stock of the Company at the rate of one share of common stock for each \$24.69 principal amount of debentures (adjusted for the 1972 and prior years' stock dividends).

The indenture requires the Company to retire \$1,250,000 principal amount of debentures in each of the years 1977-91 through the operation of a sinking fund subject to credits for debentures acquired, converted, or redeemed. Prior to January 1, 1971, \$1,081,000 principal amount of debentures had been converted into 36,213 shares of common stock of the Company. There were no conversions during 1972 or 1971. In 1972 the Company acquired \$2,950,000 principal amount of debentures at an average price of \$68 per \$100 principal amount. (During 1971 the Company acquired \$1,800,000 principal amount of debentures at an average price of \$62 per \$100 principal

amount.) The difference between principal amount and cost is included in other expenses (income)—net.

The debentures are subordinate, subject to appropriate waiver, in right of payment to liabilities, whether existing at the time of execution of the indenture or thereafter created, for money borrowed by the Company or borrowed by a subsidiary and guaranteed by the Company. The indenture also contains restrictions on the payment of dividends which are not as restrictive as those in the bank credit agreements (see Note 6).

8. Preferred stock of subsidiary: Preferred stock of subsidiary represents shares of \$4.50 cumulative preferred stock of Macmillan Science Co., Inc. held by others. At December 31, 1972, 47,756 shares of this stock were outstanding; these shares are redeemable at various times and under certain conditions at \$100 per share. During 1972, 2,694 shares were redeemed for an aggregate amount of \$269,400. Subject to prior redemption, 24,758 shares of the preferred shares became exchangeable for common stock of the Company at the rate of 3.91 shares for each preferred share commencing in October 1972. As of December 31, 1972 no shares were exchanged. The remainder will be exchangeable for such common stock, commencing in April 1973 at a price equal to 120% of the then market price (as defined) of the common stock of the Company (preferred shares being valued for such exchange purpose at \$100 per share). The Company has agreed to furnish sufficient funds to the subsidiary to enable the subsidiary to pay all dividends and to make all necessary redemptions.

9. Convertible preferred stocks: \$1.20 series: This series is convertible into common stock of the Company at the rate of 1.5 shares of common for each share of preferred. The preferred shares may be redeemed at the option of the Company at any time on or after May 31, 1973 at \$37.50 per share plus accrued dividends. At December 31, 1972 the aggregate redemption and liquidation value was \$6,021,000.

\$2.50 series: This series is convertible into common stock of the Company at the rate of 1.16 shares of common (adjusted for the 1972 and prior years' stock dividends) for each share of preferred. The preferred shares may be redeemed at the option of the Company at any time on or after May 19, 1974 at \$52.50 per share plus accrued dividends. At December 31, 1972 the aggregate redemption and liquidation values were \$5,890,000 and \$5,609,000, respectively.

10. *Common shares reserved for future issuance:* At December 31, 1972 a total of 1,462,389 shares were reserved for issuance—776,387 shares upon conversion of the 4% convertible subordinated debentures (see Note 7), 259,910 shares upon exchange of preferred stock of subsidiary (see Note 8), 55,114 shares upon exercise of stock options (see Note 11), and 370,978 shares upon conversion of \$1.20 and \$2.50 series convertible preferred stocks (see Note 9).

11. Stock option plans:

	1972	1971	
	1966 Plan	1961 Plan	1966 Plan
Shares under option, January 1	73,043	37,727	259,837
Shares for options			
Exercised		(10,354)	
Canceled or expired	(20,747)	(28,878)	(197,029)
Increase in shares under option due to 4% stock dividends	2,818	1,505	10,235
Shares under option, December 31	55,114	None	73,043
Total option price, December 31	\$1,620,000	None	\$2,170,000

Options granted under the 1966 Plan are exercisable in varying amounts over three-year periods, beginning two years after dates of grant. The term of any option may not exceed five years from date of grant. Options were

granted at a price equivalent to 100% of the fair market value on the date the options were granted. No additional options may be granted under this plan.

12. *Pension plans:* The Company and its subsidiaries have several pension plans covering substantially all of their employees. The total pension expense was \$2,074,000 in 1972 and \$1,971,000 in 1971 which included as to the major plans amortization of prior service costs over 40-year periods. The Company's policy is to fund pension costs accrued.

The total of the pension funds' assets at December 31, 1972 exceeded the actuarially computed value of vested benefits for all plans as of the most recent valuation dates.

13. *Commitments, contingent liabilities, and other matters:* The companies have long-term leases expiring at various dates through 2003. Annual rentals, which are subject to escalation under certain circumstances, aggregate \$5,700,000.

In February 1972, the Federal Trade Commission notified the Company that it intended to institute a proceeding against the Company and its book services and encyclopedia subsidiaries for an order prohibiting certain alleged direct mail, billing, and hiring practices of such sub-

sidiaries. The Company has submitted a proposed consent order which, if accepted by the Federal Trade Commission, would dispose of this matter.

In February 1970, the United States brought an action against the Company alleging that its acquisitions of C. G. Conn, Ltd. and CCM Ostwald, Inc. violate the antitrust laws and seeking divestiture. Trial in this matter has been completed and the case is awaiting judgment by the Court. It is the opinion of the Company's counsel that neither acquisition adversely affects competition in the markets involved and that the Company has asserted meritorious defenses to the action.

The companies are also involved in other legal proceedings whereby claims for damages in various amounts are being brought against them.

In the opinion of Company officials, the outcome of the various pending claims, actions, agreements, and proceedings will not have a material adverse effect upon the business or financial position of the companies.

14. Foreign operations: The assets and liabilities of consolidated subsidiaries and branches operating outside the United States were \$59,700,000 and \$27,300,000 at December 31, 1972 and \$51,000,000 and \$21,900,000 at December 31, 1971. The net income of these units was \$4,400,000 in 1972 and \$3,900,000 in 1971. Inter-company items have not been excluded from the aforementioned amounts.

15. Tender offer: On January 31, 1973 the Company purchased 1.2 million common shares for an aggregate amount of approximately \$16,000,000 pursuant to its tender offer of January 15, 1973. An effect of this stock acquisition will be to reduce the average number of shares to be used in computing earnings per share.

Accountants' opinion

To the shareholders of Macmillan, Inc.:

We have examined the consolidated balance sheet of Macmillan, Inc. (formerly Crowell Collier and Macmillan, Inc.) and consolidated subsidiaries as of December 31, 1972 and 1971 and the related statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of the companies at December 31, 1972 and 1971 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

New York,
February 5, 1973

Macmillan, Inc.
Administrative Offices:
866 Third Avenue, New York, N.Y. 10022

Lines of business

Publishing and Printing

Alco-Gravure, Inc.
Benziger Bruce & Glencoe, Inc.
Benziger
Bruce
Glencoe Press
Berlitz Publications
P. F. Collier, Inc.
Crowell International
Hagstrom Company, Inc.
P. J. Kenedy & Sons
Lexington Andrews, Inc.
Macmillan Educational Corporation
Macmillan Professional Magazines, Inc.
Macmillan Publishing Co., Inc.
Aquarius Press
Collier Books
Crowell-Collier Press
The Free Press
Hafner Press
Macmillan Educational Services
Macmillan Information
Macmillan Library Service
Teachers Publishing
Threshold Learning
Merit Students Encyclopedia, Inc.
G. Schirmer, Inc.
Associated Music Publishers, Inc.
Schroeder and Gunther
Standard Rate & Data Service, Inc.
National Register Publishing Company, Inc.

UNITED KINGDOM

Cassell & Company Limited
Crowell Collier and Macmillan Publishers Ltd.
Baillière Tindall
Collier Macmillan
Geoffrey Chapman
Studio Vista
G. Schirmer, Inc.
J. Curwen & Sons

SWITZERLAND

Editions Berlitz S.A.

Instruction

The Berlitz Schools of Languages of America, Inc.
Katharine Gibbs School (Incorporated)
LaSalle Extension University
Wayne School

U.S. School of Music, Inc.
Washington School of Art

UNITED KINGDOM

Berlitz-Europe
Crowell Collier and Macmillan Schools Ltd.
Aldermaston College
British Institute of Engineering Technology
School of Careers
London Educational Association
Bennett College
London School of Accountancy
Metropolitan College

FRANCE

Société Internationale des Ecoles Berlitz, S.A.

Distribution

Association-Sterling Films
Brentano's, Inc.
Continental Music
Ferdinand Roten Galleries, Inc.
Gump's
Macmillan Audio Brandon
Macmillan Book Clubs, Inc.
Macmillan Films, Inc.
Macmillan School Supplies, Inc.
Macmillan Science Co., Inc.
Stechert-Hafner, Inc.

UNITED KINGDOM

Crowell Collier and Macmillan Distribution Services Ltd.
Blunts
Claude Gill Books
Woolstons

Musical Instruments

Artley, Inc.
C. G. Conn, Ltd.
Scherl & Roth, Inc.
Slingerland Drum Co.

Other Activities

Activities Apparel

Macmillan Ward, Inc.
Uniforms by Ostwald, Inc.

Travel

Berlitz Travel Services, Inc.

Directors

Robert A. Barton
Jacques Barzun
Joseph F. Bond
Sir Patrick Dean
Abraham L. Gitlow
Raymond C. Hagel*
Eric M. Hart
Jeremiah Kaplan
J. Patrick Lannan*
James H. McIlhenny
Carl M. Mueller*
John H. G. Pell*
Mina S. Rees
Joseph Schwartz*
Warren B. Smith
W. Allen Wallis*

*Members of the Executive Committee.

Transfer Agents:

Bankers Trust Company, New York, N.Y. The First National Bank of Chicago, Chicago, Ill.

Registrars:

Chemical Bank, New York, N.Y. Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.

Officers

Chairman of the Board and President

Raymond C. Hagel

Executive Vice Presidents

Robert A. Barton
Joseph F. Bond
Jeremiah Kaplan
James H. McIlhenny
Warren B. Smith

Senior Vice Presidents

Alan L. Baker
C. Laury Botthof
William D. Halsey
Norman Pomerance

Vice Presidents

Joseph G. Chappelle
Warren L. DuFour
Leo P. Mabel
G. Eric Magness
William W. Rayner
Fred H. Stapleford

Controller and Assistant Vice President

James P. Kressler

Treasurer and Assistant Secretary

Carl A. Wallen

Assistant Vice Presidents

Nathalie H. Bonsal
Stanley L. Juroff
Alma Triner

Assistant Secretary

Charles G. Daley



Loeb, Rhoades & Co.
Forty Two Wall Street, New York, N.Y. 10005
Telephone 212 530-4000

LOEB
RHOADES

Continued

September 21, 1973

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

Re: Greenville County, South Carolina
Industrial Development Bond Issue
G. C. Conn Ltd.

Dear Mr. Smith:

Attached for your file on the above financing is an annual report of MacMillan, Inc. G. C. Conn Ltd. is a wholly owned subsidiary and therefore, they will guarantee the lease payments.

Very truly yours,


John P. Annicelli

JPA/jmp

Attach.

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

TELEPHONE 722-3368
AREA CODE 803

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

September 28, 1973

Honorable Pat C. Smith
State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Re: \$1,450,000 Greenville County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1973, (Conn Organ Corporation - Lessee)

Dear Mr. Smith:

In regard to the captioned bond issue, I am enclosing a proposed Resolution of the State Budget and Control Board. It is my understanding that the Greenville County Council is meeting Tuesday, October 2, and that Senator Ted Riley will be forwarding the County Board's Resolution and Petition at that time. I would request that the State Budget and Control Board consider the enclosed Resolution at its next meeting and if acceptable, forward the executed copies to us.

I also enclose working drafts of the Trust Indenture and Lease Agreement. We do not anticipate any substantive changes in the basic documents.

Sincerely yours,

M. William Youngblood, Jr.
M. William Youngblood, Jr.

MWY, JR:mht

Enclosures

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

ORIGINAL

WHEREAS, heretofore the County Council of Greenville County (the County Board) did, pursuant to Act No. 103 of the General Assembly of the State of South Carolina for the year 1967, as amended (the Act), petition the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act; and

ORIGINAL

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 16 acres of land located in Greenville County, on which the County Board will finance the acquisition, construction and equipping of a plant for the manufacture of musical instruments (said 16 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and which Project will be leased to Conn Organ Corporation, an Indiana corporation (the Lessee); and

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

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$1,450,000 Greenville County First Mortgage Industrial Revenue Bonds payable from the rentals derived from the Lessee and additionally secured by a Trust Indenture between Greenville County and The South Carolina National Bank, as Trustee; and

ORIGINAL

WHEREAS, the performance of all of the obligations of the Lessee under the Lease hereinabove referred to, including

the payment of rentals and other amounts due thereunder, will be unconditionally guaranteed by Macmillan, Inc., a Delaware corporation (the Guarantor) under a Lease Guaranty Agreement; and

WHEREAS, the form of the Lease Agreement between Greenville County and the Lessee, of the Lease Guaranty Agreement, and of the Trust Indenture have been considered by this Board.

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

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

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

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

(c) That the Project when complete will provide employment for approximately 200 persons, and will be of benefit to Greenville County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, to finance the construction thereon of the buildings and improvements and the acquisition and installation therein of the manufacturing and assembly equipment and machinery included in the Project, to lease the Project to the Lessee and to finance the cost of acquiring, constructing and equipping the Project through the issuance of \$1,450,000

Greenville County First Mortgage Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken of the State Board in giving approval to the undertaking of Greenville County above described in paragraph 2, supra, shall be published in THE STATE and in THE GREENVILLE NEWS, both of which are newspapers having general circulation in Greenville County.

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

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

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

The acquisition by the County Board of a parcel of land containing approximately 16 acres in Greenville County, on which the County Board will cause to be constructed and equipped a plant for the manufacture of musical instruments (said 16 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$1,450,000 of Greenville County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967, as amended. The County Board will lease the Project to Conn Organ Corporation, an Indiana corporation (the Lessee), under a Lease Agreement and the Bonds of Greenville County will be payable solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust Indenture which will constitute a forecloseable lien upon the Project. The performance of the obligations of the Lessee under the Lease Agreement, including the payment of rentals and other amounts due thereunder, will be unconditionally guaranteed

by Macmillan, Inc., a Delaware corporation.

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

The Lease by which Greenville County will lease the Project to the Lessee will provide that the Lessee shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 200 persons.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

STATE OF SOUTH CAROLINA,
COUNTY OF RICHLAND.

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

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

His Excellency, John C. West, Governor of South
Carolina and Chairman of the Board;

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

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

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

The Honorable Robert James Aycock, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at 10 A. M.,
OCTOBER 12, 1973, was given to all members in writing,
and at least four (4) days prior to said meeting; that all
members of said Board were present at said meeting, with the
exception of:

NONE

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

FOR MOTION

5

AGAINST MOTION

0

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

Secretary

OCTOBER 17, 1973.

STATE OF SOUTH CAROLINA,
COUNTY OF ORANGEBURG.

We, the undersigned, DO HEREBY CERTIFY:

1. That we are respectively the duly elected and qualified members of the County Council of Greenville County, and as such constitute the County's "County Board" as such term is defined in Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967.

2. That EDWARD P. RILEY, SR. is County Attorney, for a term which expires _____, and as such serves as legal adviser to the said County Board; and that the signature appearing opposite his name below is a true and correct specimen of his genuine signatue, viz:

EDWARD P. RILEY, SR. _____

3. That LARRY H. McCALLA is the duly elected and acting Chairman of the said County Board with a term as such which commenced on _____ and will expire _____ and that CECIL D. BUCHANAN is the duly appointed and acting Secretary of said County Board for a term as such which commenced on _____ and will expire _____ and that a true and correct specimen of the genuine signatures of each appears opposite his/her name, viz:

LARRY H. McCALLA _____

CECIL D. BUCHANAN _____

4. That THE GREENVILLE NEWS is a daily newspaper published in the City of Greenville, and has general circulation throughout Greenville County; and THE STATE is a daily newspaper published in the City of Columbia, and has general circulation throughout Greenville County.

5. That the Official Seal of the said County Board is impressed upon this Certificate.

DONE at Greenville, South Carolina, this ____ day of
A. D. 1973.

Chairman

(SEAL)

Constituting the County Council of
Greenville County

I hereby certify that the signatures of EDWARD P. RILEY, SR.,
LARRY H. McCALLA, CECIL D. BUCHANAN, MACK A. ASHMORE, THOMAS S.
BRUCE, JR., THOMAS B. HUGUENIN, W. SHANNON LINNING, MIKE DUFFIE,
ELIZABETH H. McPHERSON, JOHN C. JARRARD AND CHARLES E. McCULLOUGH
above subscribed are true and genuine.

_____ OF
_____ BANK

THE STATE OF SOUTH CAROLINA.

I, the undersigned, Clerk of the Court of Common Pleas and General Sessions for Greenville County, South Carolina, DO HEREBY CERTIFY:

That the following constitute the members of the County Council of Greenville County, established pursuant to Act No. 573 of the 1967 Acts and Joint Resolutions of the South Carolina General Assembly, as amended, and the dates of qualification and expiration of terms of said members are as follows:

NAME	DATE OF QUALIFICATION	EXPIRATION OF TERM
LARRY H. McCALLA Chairman	_____	_____
MACK A. ASHMORE	_____	_____
THOMAS S. BRUCE, JR.	_____	_____
THOMAS B. HUGUENIN	_____	_____
W. SHANNON LINNING	_____	_____
MIKE DUFFIE	_____	_____
ELIZABETH H. McPHERSON	_____	_____
JOHN C. JARRARD	_____	_____
CHARLES E. McCULLOUGH	_____	_____

I DO FURTHER CERTIFY that I am the duly elected and qualified Clerk of the Court of Common Pleas and General Sessions for Greenville County, having been elected for a term to begin _____, 197 , and to end _____, 197 .

IN WITNESS WHEREOF, I have hereunto set my Hand and Official Seal, this ____ day of _____, A.D. 1973.

(SEAL)

Clerk of the Court of Common Pleas
and General Sessions for Greenville
County, South Carolina

MASTER

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of October, 1973, by and between GREENVILLE COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and *South Carolina National Bank*, a national banking association duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, as amended, (the "Act") to acquire, own, lease, dispose of, and mortgage the properties hereinafter described in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate and remain in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, the County is further authorized by the Act to issue revenue bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings, improvements, machinery and equipment so acquired; and

WHEREAS, the County has made the necessary arrangements with CONN ORGAN CORPORATION, a corporation organized and existing under the laws of the State of Indiana (hereinafter sometimes referred to as the "Lessee") for the acquisition of a plant for the manufacture of musical instruments, including the necessary land,

buildings, machinery and equipment in connection therewith (hereinafter sometimes referred to as the "Project") which will be of the character and accomplish the purpose provided by the Act, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing of the same to the Lessee, and the payment of the Bonds hereinafter referred to and the performance of obligations of the Lessee under the Lease Agreement have been unconditionally guaranteed by Macmillan, Inc., a Delaware corporation; and

WHEREAS, the parties hereto desire that provision be made, not only for the issuance of bonds necessary to finance the initial cost of the Project, but for the issuance of additional bonds under the conditions herein set forth to finance improvements to the Project; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture") have been authorized by Resolutions duly adopted by the County Council of Greenville County (hereinafter sometimes referred to as the "County Board"), as established pursuant to Act No. 573 of 1967, as amended, and the County in accordance with the requirements of Section 14 of the Act has submitted its Petition to the State Budget and Control Board of South Carolina, including a general summary of the terms and conditions of the Indenture, and the State Budget and Control Board of South Carolina has duly approved the Project in accordance with the provisions of the Act and thereby authorized the County Board to proceed with the acquisition and financing of the Project. Notice of the approval was duly published in a newspaper having general circulation in the County and notwithstanding more than twenty days have elapsed from the date of the publication of such notice, no challenge was made to the validity of such approval as provided in the Act; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project will require the initial issuance, sale and delivery of Bonds designated as GREENVILLE COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1973 (CONN ORGAN CORPORATION - LESSEE) in the aggregate principal amount of \$1,450,000 as hereinafter provided; and

WHEREAS, the issuance of such Bonds under the Act has been in all respects duly and validly authorized by resolutions duly passed and approved by the County Board; and

WHEREAS, the \$1,450,000 aggregate principal amount of Bonds first to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, are all to be in substantially the form hereto attached as Exhibit C, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the County according to the import thereof, and to constitute this Indenture a valid lien on the properties mortgaged and a valid pledge of the lease rentals, revenues and receipts herein made to the payment of the principal of, premium, if any, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS TRUST INDENTURE WITNESSETH:

That the County in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners

thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby, subject to the terms and provisions of the Lease Agreement, grant, bargain, sell, convey, mortgage, pledge and assign unto
as Trustee, and unto its successors in trust, and to its assigns forever, for the securing of the performance of the obligations of the County hereinafter set forth, the following:

I

The real property situated in Greenville County, State of South Carolina, described in Exhibit A attached hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

The machinery, equipment or other property described in Exhibit B attached hereto, and substitutions or replacements therefor; all machinery, equipment or other property acquired by the County with the proceeds from the Bonds issued and secured by this Indenture, and substitutions or replacements therefor; all machinery, equipment or other property which under the terms of the Lease Agreement is to become the property of the County or subjected to the lien of this Indenture; and, without limiting the foregoing, all of the property of the County at any time

installed or located on the land described in Exhibit A attached hereto.

III

All right, title and interest of the County in and to the Lease Agreement, dated as of October 1, 1973, between the County and CONN ORGAN CORPORATION and all Lease Rentals, (as hereinafter in this Indenture defined) received or to be received under said Lease Agreement.

IV

All right, title and interest of the County in and to the Guaranty Agreement, dated as of October 1, 1973, among the County, the Lessee and the Trustee, and all Lease Rentals and other payments received or to be received under the said Guaranty Agreement.

V

All Lease Rentals arising out of or in connection with the ownership of the Project.

VI

Any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the County or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds and interest coupons thereto appertaining issued under and secured by this Indenture without privilege, priority or distinction as to the

lien or otherwise of any of the Bonds or interest coupons appertaining over any of the others of the Bonds or interest coupons;

PROVIDED, HOWEVER, that if the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of interest coupons, the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds; otherwise this Indenture to be and remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said

Bonds and the bearers of the interest coupons thereto appertaining, or any part thereof, as follows, that is

ARTICLE I

DEFINITIONS

SECTION 101. The terms defined in this Section 101 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 101.

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, as amended.

"ADDITIONAL BONDS" means the Bonds of the County issued under Section 210 of this Indenture.

"BOND" or "BONDS" means the bonds of the County from time to time issued and outstanding hereunder.

"BOND FUND" or "GREENVILLE COUNTY INDUSTRIAL REVENUE BOND FUND - CONN ORGAN CORPORATION PROJECT" means the fund created in Section 502 hereof.

"BONDHOLDER" or "HOLDER" or "OWNER OF THE BONDS" means the bearer of any coupon Bond which is not registered or is registered to bearer, and the registered owner of any Bond registered otherwise than to bearer.

"BOND REGISTRAR" means the trustee acting in the capacity of keeper of the books upon which is noted the registration of any bond.

"CHAIRMAN" means the chief executive officer of the County Board. The term shall also include the Vice Chairman of the County Board whenever, by reason of absence, illness, or other reason, the person who is the Chairman is unable to act.

"CONSTRUCTION FUND" or "GREENVILLE COUNTY INDUSTRIAL CONSTRUCTION FUND - CONN ORGAN CORPORATION PROJECT" means the fund created by Section 602 hereof.

"COUNTY" means Greenville County, South Carolina, a body politic and corporate and a political subdivision of the State of

South Carolina, and its successors and assigns.

"COUNTY BOARD" means the County Council of Greenville County as the governing body of Greenville County, and any successor body.

The term "DEFAULT" means any of those defaults specified in and defined by Section 1001 hereof.

"EXTRAORDINARY SERVICES" and "EXTRAORDINARY EXPENSES" means all services rendered and all expenses incurred under the Indenture other than Ordinary Services and Ordinary Expenses.

"FIRST SERIES BONDS" shall mean the \$1,450,000 Greenville County First Mortgage Industrial Revenue Bonds, Series 1973 (CONN ORGAN CORPORATION - Lessee) of the County to be issued pursuant to the Indenture.

"GUARANTOR" means Macmillan, Inc., a Delaware corporation.

"GUARANTY AGREEMENT" means the Guaranty Agreement executed by and among the Guarantor, the County and the Trustee dated as of October 1, 1973.

"INDENTURE" means these presents and other indentures supplemental hereto with the Trustee in pursuance hereof.

"LEASE AGREEMENT" means the Lease Agreement executed by and between the County and the Lessee dated as of October 1, 1973, and any amendments or supplements thereto.

"LEASE RENTALS" means all of the revenues, rents and receipts derived directly or indirectly from the leasing or sale of the Project including all moneys received under the Lease Agreement (excepting only amounts paid pursuant to Sections 5.4, 5.5, 6.3, 8.7 or 10.4 thereof.)

"LESSEE" means CONN ORGAN CORPORATION, an Indiana corporation, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 8.3 of the Lease Agreement.

"MORTGAGED PROPERTY" means the properties conveyed as security hereunder in paragraphs I, II, III, IV, V and VI of the

granting clause preceding this Article.

"ORDINARY SERVICES" and "ORDINARY EXPENSES" mean those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Indenture.

The term "OUTSTANDING" or "BONDS OUTSTANDING" means all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(b) Bonds in lieu of which others have been authenticated under Section 207 hereof, unless proof satisfactory to the Trustee is presented to the Trustee that any such Bonds are held by bona fide purchasers as that term is defined in Article 8 of the South Carolina Uniform Commercial Code, as amended, in which case the Bond or Bonds so replaced and the Bond or Bonds authenticated and delivered therefor shall be deemed outstanding; and

(c) Bonds deemed to have been paid within the meaning of Section 901 hereof.

"PENALTY RATE" shall mean interest at the rate of 8% per annum.

"PERSON" means natural persons, firms, associations, corporations and public bodies.

"PROJECT" means the land, buildings, machinery, equipment and other facilities leased under the Lease Agreement.

"SECRETARY" means the Secretary of the County Board. This term shall also include a person whose title is Clerk, and the Assistant or Acting Secretary or Clerk of the County Board whenever by reason of absence, illness or other reason, the person who is the Secretary of Clerk is unable to act.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means _____, the
party of the second part hereto, and any successor trustee pur-
suant to Sections 1105 or 1108 hereof at the time serving as
successor trustee hereunder.

ARTICLE II

THE BONDS

SECTION 201. Restriction on Issuance of Bonds. No Bonds may be issued under provisions of this Indenture except in accordance with this Article.

The total principal amount of Bonds that may be issued is hereby expressly limited to \$ _____.

SECTION 202. Issuance of First Series Bonds. The First Series Bonds in the aggregate principal amount of \$1,450,000 dated as of October 1, 1973, shall be designated "First Mortgage Industrial Revenue Bonds, Series 1973 (CONN ORGAN CORPORATION - Lessee)." They shall bear interest from October 1, 1973 at the rate of 7-1/2% per annum, payable April 1, 1974, and semiannually thereafter on October 1 and April 1 of each year. They shall mature on October 1, 1998.

The interest on the Bonds, shall be evidenced by coupons. The principal of, premium, if any, and interest on the Bonds, except as otherwise provided in the case of registration of Bonds as provided in Section 208 hereof, shall be payable to bearer upon presentation and surrender of the Bonds or coupons as they respectively become due at the principal office of the Trustee,

, in the City of _____,

State of _____. Payments of interest made in respect of the registered Bond provided for in Section 208 shall be by check or draft mailed by the Trustee to the registered owner at the address shown on the registration book. The Trustee shall keep a record of all such payments. Payments of principal and premium, if any, made in respect of any registered Bond shall be made to or upon the order of the registered owner or his legal representative upon presentation or surrender of such Bond for cancellation at the principal office of the Trustee in the City of _____, or, at the option of the holder, at the _____.

principal office of _____, in the
City of _____ for cancellation.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County by the Chairman of the County Board and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Secretary of the County Board, provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds shall be executed by the facsimiles of the official signatures of said Chairman and Secretary and such facsimiles shall have the same force and effect as if said Chairman and Secretary had manually signed each of the coupons. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds or coupons shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds, together with interest thereon, shall be limited obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against such fund and the Lease Rentals from the leasing or sale of the Project pledged to such fund (but in addition shall be secured by the lien of the Indenture on the Project), which Lease Rentals are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purposes than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and coupons do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

SECTION 204. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signature of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. Before authenticating or delivering any Bonds, the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto, and such cancelled coupons shall be cremated by the Trustee.

SECTION 205. Form of Series 1973 Bonds. The Series 1973 Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the form set forth as Exhibit C hereto, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

The form of the Bonds of any other series shall be as prescribed by the Supplemental Indenture providing for the issuance thereof.

SECTION 206. Delivery of First Series Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate the First Series Bonds in the aggregate principal amount of \$1,450,000 and deliver them to the purchaser as may be directed by the County as hereinafter in this Section 206 provided.

Prior to the authentication by the Trustee of any of the First Series Bonds there shall be filed with the Trustee:

1. A copy, duly certified by the Secretary of the County Board, of the resolution of the County Board authorizing the execution and delivery of the Lease Agreement and Guaranty Agreement.

2. An original executed counterpart of the Lease Agreement and Guaranty Agreement.

3. A copy, duly certified by the Secretary of the County Board, of the resolution of the County Board authorizing the execution and delivery of this Indenture and the issuance of the \$1,450,000 aggregate principal amount of the First Series Bonds.

4. The written opinion of counsel for the County, or other counsel satisfactory to the Trustee, expressing the conclusion that upon payment of the purchase price of the land described in Exhibit A attached hereto and acceptance of the instruments of conveyance, all as theretofore agreed upon, the County will have title free and clear of liens and encumbrances upon said land (except for Permitted Encumbrances as defined in the Lease Agreement).

5. A title insurance policy (or an appropriate binder) meeting the requirements of Section 3.3 of the Lease Agreement.

6. A request and authorization to the Trustee on behalf of the County Board and signed by the Chairman and Secretary of the County Board to authenticate and deliver the First Series Bonds in the aggregate principal amount of \$1,450,000 to the purchasers therein identified upon payment to the Trustee but for account of the County of a sum specified in such request and authorization plus accrued interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

SECTION 207. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that

mutilated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those (if any) on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the County, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the County and the Trustee evidence of such loss, theft or destruction satisfactory to the County and the Trustee, together with indemnity satisfactory to them. In the event any such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the County may pay the same without surrender thereof. The County and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection.

SECTION 208. Registration of Bonds; Persons Treated As Owners. Each of the Bonds issued hereunder shall be fully negotiable and pass by delivery but shall be subject to registration (as hereinafter provided) as to principal or as to both principal and interest in the name of the holder on registration books to be provided for that purpose by the County at said principal office of the Trustee, as Bond Registrar. Upon presentation at said office any of the Bonds may be registered as to principal only and such registration shall be evidenced by notation to that effect by the Bond Registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered holder or his duly authorized attorney on said registration books and similarly endorsed thereon. Such registered Bonds may be thus transferred to bearer whereupon transferability by delivery shall be restored but the Bonds may again, from time to time, be registered or transferred to bearer as before. Such registration of any of the Bonds shall not affect the transferability by delivery only of the coupons thereunto appertaining,

provided that if upon registration of any such Bond, or at any time thereafter while registered in the name of the holder, the unmatured coupons attached evidencing interest to be thereafter paid thereon shall be surrendered to said Bond Registrar, a statement to that effect will be endorsed thereon and thereafter interest evidenced by such surrendered coupons will be paid by check or draft at the times provided therein to the registered holder by mail to the address shown on the registration books. Each of the Bonds when converted as aforesaid 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 or his duly authorized attorney 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 be attached to the Bond and a statement will be endorsed thereon by said Bond Registrar in the registration blank on the back of the Bond as to whether it is then registered as to principal alone or payable to bearer. No charge shall be made to any Bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered holder thereof, or his duly authorized attorney, and neither the County, the Trustee, any paying agent nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The County,

the Trustee, the Bond Registrar and any paying agent may deem and treat the bearer of any Bond which shall not at the time be registered as to principal (except to bearer), and the bearer of any coupon appertaining to any Bond, whether such Bond be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the County, the Bond Registrar, any paying agent nor the Trustee shall be affected by any notice to the contrary.

SECTION 209. Denominations; Medium of Payment. The Bonds shall be in denomination of \$5,000 each and shall be numbered from 1 consecutively upwards. The Bonds shall be payable with respect to principal, interest, and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Trustee shall be required (a) to register, transfer or exchange Bonds for a period of ten days next preceding an interest payment date on the Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the first publication or mailing of any notice or redemption or (b) to register, transfer or exchange any Bonds called for redemption.

SECTION 210. Issuance of Additional Bonds. The County, subject to the limitations of Section 201 at the request of the Lessee and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing additional moneys, to be used for the purpose of providing for the acquisition of additional land or interests therein within the County which shall become part of the Leased Land (as defined in the Lease Agreement), or for the acquisition, construction or improvement of buildings, structures, facilities, machinery or equipment, all to become part of the Project and to be located on the Leased Land

(as defined in the Lease Agreement) on a parity with the First Series Bonds and any Additional Bonds theretofore or thereafter issued and payable from the Bond Fund; provided, that no Additional Bonds shall be issued either prior to the expiration of three years from the date of delivery of the First Series Bonds or thereafter, if by reason of such issuance any covenant made by the Lessee in Section 8.9 of the Lease Agreement is violated. The proceeds of any Additional Bonds shall be used solely to pay the costs of improvement to the Project and to pay the costs incident to the issuance of the Additional Bonds, in accordance with Section 8.10 of the Lease Agreement.

Such Additional Bonds shall be issued in such series and principal amounts, within the limitations herein provided, shall be dated, shall bear interest at such rate or rates, shall be subject to redemption at such times and prices, and shall mature in such years as the indenture supplemental hereto authorizing the issuance thereof shall fix and determine and, when so issued, shall be deposited with the Trustee for authentication and delivery.

SECTION 211. Delivery of Additional Bonds. Upon the execution and delivery in each instance of an appropriate indenture supplemental hereto, the County shall execute and deliver to the Trustee, and the Trustee shall authenticate such Additional Bonds and deliver them to the purchaser or purchasers as may be directed by the County, as hereinafter in this Section 211 provided. Prior to the delivery by the Trustee of any such Bonds there shall be filed with the Trustee:

1. A valid and effective amendment to the Lease Agreement, pursuant to Section 8.10 thereof, extending the Lease Term, where required, to the extent permitted by Section 8.10 providing for the inclusion within the Project (as defined in the Lease Agreement) of any real estate and interest therein and any buildings,

structures, facilities, machinery, equipment and related property to be acquired by purchase or construction from the proceeds of the Additional Bonds, and providing for an increase in the obligations of the County and the Lessee in accordance with Section 5.3 of the Lease Agreement.

2. A valid and effective supplemental indenture providing for the issuance of such new series of Additional Bonds and subjecting to the lien of this Indenture any and all real estate and interest therein, and any building, structures, facilities, machinery, equipment and related property acquired by purchase or construction from the proceeds of such Additional Bonds, and pledging and assigning the additional rentals to the payment of the Bonds, subject to the rights of the Lessee under the Lease Agreement.

3. A copy, duly certified by the Secretary of the County Board, of the Resolutions theretofore adopted and approved authorizing the execution and delivery of such supplemental indenture, such amendments to the Lease Agreement, and the issuance of such Bonds.

4. A request and authorization to the Trustee, on behalf of the County and signed by the Chairman and Secretary of the County Board to deliver such Bonds to the purchaser or purchasers therein identified, upon payment to the Trustee, for the account of the County, of a specified sum plus any interest. The proceeds of such Bonds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

5. A certificate of independent certified public accountants stating that by the issuance of such Additional Bonds there will be no violation of any covenant of the Lessee made pursuant to Section 8.9 of the Lease Agreement.

6. A written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds, to the effect that the issuance of such Bonds and the execution thereof

have been duly authorized, the conditions precedent to the delivery thereof have been fulfilled, and that the tax exempt status of the interest on the First Series Bonds is not affected by the issuance of such Additional Bonds.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices for Bonds. The First Series Bonds are noncallable for redemption prior to October 1, 1983, except in the event of (1) exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, or (2) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in any of such events, the First Series Bonds shall be subject to redemption by the County at any time after notice as provided in this Indenture, whether or not such date is an interest payment date, in whole and not in part, at the principal amount thereof, plus accrued interest to the redemption date and, but only in the event of redemption as a result of the mandatory purchase of the Project pursuant to Section 12.2 of the Lease Agreement, a redemption premium (in lieu of all other redemption premiums) in an amount equal to the aggregate of the premiums computed on each First Series Bond outstanding on the date as of which interest on the First Series Bond becomes (or is determined to be as provided in Section 12.2 of the Lease Agreement) taxable, (such date being hereinafter in this Section 301 referred to as the "taxable date"), as follows: the sum of (a) 8% of the principal amount of each such Bond and (b) an additional amount determined by multiplying 1% of the principal amount of each such Bond by the number of 180 day periods, or fraction thereof, between the taxable date and the date of redemption, but in no event to exceed 12% of the principal amount of each Bond redeemed and, in case of First Series Bonds previously paid (whether at maturity or by redemption) subsequent to the taxable date and prior to the redemption date, the redemption premium prescribed by this paragraph shall be calculated from the taxable date to the date as of which such Bonds were paid, but shall be reduced by the amount of any optional redemption premium previously paid on any such Bond.

The First Series Bonds are also subject to redemption by the County prior to maturity on any interest payment date on or after October 1, 1983, in whole or in part, (less than all of such First Series Bonds to be selected by lot by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
October 1, 1983 and April 1, 1984	104%
October 1, 1984 and April 1, 1985	103%
October 1, 1985 and April 1, 1986	102%
October 1, 1986 and April 1, 1987	101%
October 1, 1987 and thereafter	100%

SECTION 302. SINKING FUND FOR FIRST SERIES BONDS. As and for a sinking fund for the retirement of the First Series Bonds, the payments specified under the Lease Agreement which are to be deposited in the Bond Fund on or prior to the third day prior to October 1, 1975, and on or before the third day prior to each October 1 thereafter, to and including October 1, 1997 (each such October 1 being hereafter referred to as a "sinking fund payment date") shall be sufficient to redeem (after credit as provided below) the following principal amount of such First Series Bonds on the dates specified:

<u>October 1</u> <u>of the Year</u>	<u>Sinking Fund</u> <u>Amount</u>	<u>October 1</u> <u>of the Year</u>	<u>Sinking Fund</u> <u>Amount</u>
1975	\$ 25,000	1987	\$ 55,000
1976	25,000	1988	60,000
1977	25,000	1989	65,000
1978	30,000	1990	65,000
1979	30,000	1991	75,000
1980	35,000	1992	80,000
1981	35,000	1993	85,000
1982	40,000	1994	95,000
1983	40,000	1995	95,000
1984	45,000	1996	110,000
1985	45,000	1997	110,000
1986	55,000		

At its option, to be exercised on or before the forty-fifth day next preceding any sinking fund payment date, the County may deliver to the Trustee for cancellation any principal amount of

First Series Bonds, with unmatured coupons attached, or receive a credit in respect of its sinking fund payment for any such First Series Bonds which prior to said sinking fund payment date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund payment. Each First Series Bond so delivered or previously purchased or redeemed shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the County on such sinking fund payment date and any excess shall be credited on future sinking fund redemption obligations in chronological order, and the principal amount of such sinking fund shall be accordingly reduced.

The County shall on or before the forty-fifth day next preceeding each sinking fund payment date furnish the Trustee and the Lessee with its certificate indicating whether or not and to what extent the provisions of the preceding paragraph are to be availed of with respect to such sinking fund payment and confirm that such funds for the balance of the next succeeding prescribed sinking fund payment will be paid on or before the next succeeding sinking fund payment date.

The Trustee shall redeem, in the manner provided in Section 307 hereof, such an aggregate principal amount of such First Series Bonds at 100% of the principal amount thereof plus accrued interest to the redemption date as will exhaust as nearly as practicable each cash sinking fund payment.

SECTION 303. Notice of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable and the numbers of such bonds so to be redeemed. Such notice shall be given by publication at least once not less than 30 days nor more

than 60 days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, New York, and in the case of the redemption of Bonds registered as to principal, upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each such 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 proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are Bonds registered as to principal, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient and published notice of the call for redemption need not be given and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any such Bond designated for redemption shall not affect the validity of any proceedings for the redemption of any other Bond. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee 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 impracticable 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.

SECTION 304. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated or destroyed by the Trustee together with the unmatured coupons appertaining thereto and shall

not be reissued and a counterpart of the certificate of cremation or destruction evidencing such cremation or destruction shall be furnished by the Trustee to the County and the Lessee.

SECTION 305. Unpaid Coupons. All unpaid coupons which appertain to Bonds which have been called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons.

SECTION 306. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the County upon request of the Lessee at such time, in such manner and at such price as may be specified by the Lessee. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds; provided, that any limitations or restrictions on such redemption or purchase contained in the Lease Agreement or this Indenture shall be complied with. The expenses of such purchase shall be deemed an expense of the Trustee under Section 1102.

SECTION 307. Selection of First Series Bonds to be Redeemed. In the event of redemption of less than all of the First Series Bonds, the First Series Bonds to be redeemed shall be selected by lot by the Trustee. If, on the redemption date, moneys for the redemption of all the First Series Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the First Series Bonds so called for redemption shall cease to accrue and become payable, and the coupons for interest appertaining thereto maturing subsequent to the redemption date shall be void. If said moneys shall not be so available on the redemption date, such First Series

Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE IV

GENERAL COVENANTS

SECTION 401. Condition of County's Obligation; Payment of Principal and Interest. Each and every covenant herein made, including all covenants made by the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the Lease Rentals, which are required to be set apart and transferred to the Bond Fund, and which Lease Rentals are hereby specifically pledged to the payment thereof in the manner and to the extent in this Indenture specified and nothing in the Bonds or coupons or in this Indenture shall be considered as pledging any other funds or assets of the County.

The County covenants that it will promptly pay (but solely from, and only to the extent of, the Lease Rentals), the principal of, including any applicable redemption premiums, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds, and in the coupons appertaining thereto according to the true intent and meaning thereof.

SECTION 402. Performance of Covenants; Authority of County. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The County covenants

that it is duly authorized under the Constitution and laws of the State of South Carolina, to issue the Bonds authorized hereby and to execute this Indenture, to convey the property described in and conveyed hereby and to pledge the Lease Rentals hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and enforceable obligations of the County according to the import thereof.

SECTION 403. Ownership; Instruments of Further Assurance.

The County covenants that it lawfully owns and is lawfully possessed of the Project and that it has good and indefeasible title and estate therein, except for Permitted Encumbrances as defined in the Lease Agreement (or, in the case of any property included in the Project and not yet acquired, that the same will be acquired by the County from the moneys in the Construction Fund or from moneys furnished by the Lessee pursuant to the Lease Agreement), and that it will defend the title to the Project and every part thereof to the Trustee, for the benefit of the holders and owners of the Bonds and the bearers of the coupons appertaining thereto against the claims and demands of all persons whomsoever. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably

require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property herein described and the Lease Rentals pledged hereby to the payment of the principal of and interest and premium, if any, on the Bonds. Any and all property hereafter acquired which is of the kind or nature herein provided to be and become subject to the lien hereof shall ipso facto, and without any further conveyance, assignment or act on the part of the County or the Trustee, become and be subject to the lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the County under this Section 403. The County covenants and agrees that, except as herein and in the Lease Agreement provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project or the Lease Rentals therefrom or of its rights under the Lease Agreement.

SECTION 404. Payment of Taxes, Charges, Etc. Pursuant to the provisions of the Lease Agreement the Lessee has agreed to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Project, or any part thereof, failure to pay which might impair or prejudice the lien and priority of this Indenture; provided, however, that nothing contained in this Section 404 shall require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of the Lease Agreement.

SECTION 405. Maintenance and Repair. Pursuant to the provisions of the Lease Agreement the Lessee has agreed at its own expense to cause the Project to be kept in as reasonably safe condition as its operations shall permit, and that it will from time to time cause to be made all needed repairs so that the Project shall at all times be kept in good repair and in good operating condition, and that the Lessee may, at its own expense, make from time to time additions, modifications and improvements to the Project under the terms and conditions set forth in the Lease Agreement.

SECTION 406. Inspection of Project Books. The County covenants and agrees that all books and documents in its possession relating to the Project and the Lease Rentals derived from the Project shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

SECTION 407. Rights Under Lease Agreement. The Lease Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the County and the Lessee including a provision that subsequent to the issuance of the Bonds and prior to their payment in full, or provision for the payment thereof in accordance with the provisions hereof, the Lease Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and reference is hereby made to the Lease Agreement for a detailed statement of said covenants and obligations of the Lessee under the Lease Agreement, and the County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Lessee under and pursuant to the Lease Agree-

ment and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 408. List of Bondholders. To the extent that such information shall be made known to the County under the terms of this Section 408, it will keep on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. Any Bondholder may request that his name and address be placed on said list by filing a written request with the County or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copies by the Lessee or by holders and/or owners (or a designated representative thereof) of twenty-five percent or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

SECTION 409. Recording and Filing. This Indenture shall be recorded and indexed as mortgage of real estate in the office in the County wherein are recorded mortgages of real estate, or in such other office as may be at the time provided by law as the proper place for the recordation thereof. The security interest of the Trustee created by this Indenture in any personal property and fixtures which are to be part of the Project, shall be perfected by the filing in the office in the County wherein financing statements are filed, and in the office

of the Secretary of State of South Carolina, in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions. Such financing or continuation statements shall be filed from time to time by the Trustee in said offices of the County and of the Secretary of State of South Carolina as in the opinion of counsel, as provided in Section 13.5(a) (4) of the Lease Agreement or otherwise, are necessary to preserve the lien of this Indenture.

ARTICLE V

REVENUES AND FUNDS

SECTION 501. Source of Payment of Bonds. The Bonds herein authorized and all payments by the County hereunder are not general obligations of the County but are limited obligations payable solely from the Lease Rentals derived from the Project and as authorized and provided in this Indenture.

The Project has been leased under the Lease Agreement and the payments provided for in Section 5.3 of the Lease Agreement are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. Such payments are sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the Lease Rentals are pledged to the payment of the principal of, premium, if any, and interest on the Bonds. The County hereby covenants and agrees that it will not create any lien upon said Lease Rentals or the Project other than the lien hereby created.

SECTION 502. Creation of the Bond Fund. There is hereby created by the County and ordered established with the Trustee a trust fund to bear the designation set forth in the definition of "Bond Fund" in Section 101.

SECTION 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund all accrued interest derived from the sale of the Bonds. In addition, there shall be deposited into the Bond Fund, as and when received (a) any amount remaining in the Construction Fund to the extent provided in Section 4.3 of the Lease Agreement except as otherwise directed

pursuant to said Section 4.3; (b) all payments prescribed by Section 5.3 of the Lease Agreement; and (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement when the Lease Agreement provides for their deposit in the Bond Fund when accompanied by directions by Lessee that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited (but solely from, and only to the extent of, the Lease Rentals), in the Bond Fund for its account sufficient sums from Lease Rentals promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable and to this end the County covenants and agrees, so long as any Bonds issued hereunder are outstanding, that, should there be a default under the Lease Agreement with the result that the right of possession of the Project under the Lease Agreement is returned to the County, the County shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of coupons appertaining to the Bonds and shall diligently proceed in good faith and use its best effort to secure another tenant for the premises to the end that at all times sufficient Lease Rentals will be derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable, and to defray the cost of maintaining and insuring the Project. Nothing herein

shall be construed as requiring the County to operate the Project or to use any funds or revenues from any source other than Lease Rentals.

SECTION 504. Use of Moneys in the Bond Fund. Except as provided in Section 510 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, interest on, and premium, if any, on the Bonds and for the redemption of the Bonds at or prior to maturity. Except as provided in Article III, no moneys in the Bond Fund shall be used to redeem, prior to maturity, a part of the Bonds outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the County covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund resulting from payments made pursuant to Section 9.5 of the Lease Agreement may be used at the request of the County to redeem a part of the Bonds outstanding on the next succeeding redemption date for which the required notice of redemption may be given, so long as the Lessee is not in default under the Lease Agreement, and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment.

SECTION 505. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the County and the County hereby authorizes and directs the

Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest and premium, if any, on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and to the paying agent or agents for the purpose of paying said principal and interest, and premium, if any, which authorization and direction the Trustee hereby accepts.

SECTION 506. Non-presentment of Bonds or Coupons.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bonds or coupons shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the County to the holder thereof for the payment of such Bond or coupon, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bond, or the bearer of such coupon, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or coupon.

SECTION 507. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Lease Agreement the Lessee has agreed to pay the Trustee, until the principal of, interest and premium, if any, on the Bonds shall have

been fully paid: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, as trustee, and its Ordinary Expenses incurred, as trustee, under this Indenture, as and when the same becomes due, (ii) the reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as and when the same become due, and (iii) the reasonable fees and charges for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due. The Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

SECTION 508. Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 509. Insurance and Condemnation Proceeds. Reference is hereby made to Article VII of the Lease Agreement whereunder it is provided that under certain circumstances the net proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited in separate trust accounts and to be disbursed and paid out as therein provided.

The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified. Any moneys held by the Trustee pursuant to the provisions of this Section may be invested and reinvested, with the approval of the Lessee, in investments authorized by Section 702 hereof for the investment of moneys held as a part of the Bond Fund.

SECTION 5.10. Repayment to the Lessee from the Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the principal of, interest and premium, if any, on Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease Agreement as provided in the Lease Agreement.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 601. Deposits in the Bond Fund. From the proceeds of the issuance and delivery of Bonds there shall be deposited in the Bond Fund all accrued interest received upon the sale of the Bonds.

SECTION 602. Construction Fund; Disbursement. There is hereby created and established with the Trustee a Trust fund in the name of the County to bear the designation set forth in the definition of "Construction Fund" in Section 101. The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

The Trustee is hereby authorized and directed to issue its checks for each disbursement required by the aforesaid provisions of the Lease Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and after the Project shall have been completed and a certificate of payment of all costs filed as provided in Section 603 hereof, the Trustee shall, if requested by the Lessee, file an accounting thereof with the County and with the Lessee.

SECTION 603. Completion of the Project. The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of the certificate of the Authorized Lessee Representative

(as defined in the Lease Agreement) required by the provisions of the Lease Agreement. As soon as practicable and in any event within sixty days from the date of the said certificate any balance remaining in the Construction Fund (other than the amounts retained by the Trustee referred to in the preceding sentence) shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the County and to the Lessee of such action unless the Lessee shall have directed the Trustee to purchase Bonds in the open market for the purpose of cancellation in accordance with Section 4.3 of the Lease Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. Investment of Construction Fund Moneys.

Any moneys held as part of the Construction Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested and reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease Agreement. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

SECTION 702. Investment of Bond Fund Moneys.

Any moneys held as part of the Bond Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested or reinvested by the Trustee in any bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America, having maturities consonant with the need to apply moneys in the Bond Fund to the payment of principal, interest and premium, if any, to come due on the Bonds. Any such investment shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments under the provisions of this

Section 702 whenever the cash balance in the Bond Fund is insufficient to pay the current interest and principal requirements.

SECTION 703. Limitation on Investments. The Trustee shall not invest any of the moneys in the Construction Fund or the Bond Fund if to do so would be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to arbitrage and the effect of which would be to cause the loss of the exemption of the interest on the Bonds from Federal Income Taxes.

SECTION 704. Trustee's Own Bond Department. The Trustee may make any and all investments permitted under Section 701 and Section 702 through its own Bond Department.

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF LEASED PROPERTY

SECTION 801. Subordination to Rights of the Lessee.

This Indenture and the rights and privileges hereunder of the Trustee and the holders of the Bonds and bearers of coupons appertaining thereto are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease Agreement. So long as not otherwise provided in this Indenture the County shall be suffered and permitted to possess, use and enjoy the Mortgaged Property and appurtenances so as to carry out its obligations under the Lease Agreement.

SECTION 802. Release of Leased Land. Reference is made to the provisions of the Lease Agreement, including without limitation Sections 8.5 and 11.3 thereof, whereby the County and the Lessee have reserved the right to withdraw certain portions of the Leased Land (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such land upon compliance with the provisions of the Lease Agreement.

SECTION 803. Granting of Easements. Reference is made to the provisions of the Lease Agreement, including, without limitation Section 8.6 thereof, whereby the Lessee may grant easements and take other action upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights of way and other rights and privileges permitted by Section 8.6 thereof upon compliance with the provisions of the Lease Agreement.

SECTION 804. Release of Leased Equipment. Reference is made to the provisions of the Lease Agreement, including without limitation Section 6.2 thereof, whereby the Lessee may withdraw certain items of equipment constituting Leased Equipment (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such item of equipment upon compliance with the provisions of the Lease Agreement.

ARTICLE IX

DISCHARGE OF LIEN

SECTION 901. Discharge of Lien of the Indenture.

If the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein, and shall have paid all fees and expenses of the Trustee and each paying agent, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and re-convey to the County the estate hereby conveyed, and assign and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except funds, or securities in which such funds are invested, held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds.

Bonds and coupons shall be deemed to be paid within the meaning of this Article when there shall have been deposited with the Trustee for the payment or redemption of Bonds and coupons (i) moneys, (ii) obligations of the sort permitted by Section 702 hereof, or (iii) any combination of "(i)" or "(ii)", the principal of and interest on will, as payable, provide sufficient moneys

whether upon or prior to maturity or the redemption date of such Bonds, to pay and redeem all the Bonds on the earliest redemption date; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

If, through lapse of time or otherwise, the holder of any bond or coupon shall no longer be able to enforce payment of the principal of, premium, if any, and interest on such bond or coupon against the County, then in such event the Trustee shall (upon indemnification satisfactory to the Trustee) pay to the Lessee the sum or sums paid to the Trustee by the Lessee therefor.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal of any Bond (and premium, if any), whether at the stated maturity thereof, or upon proceedings for mandatory redemption thereof, or upon the maturity thereof by declaration; or

(c) Subject to the provisions of Section 1013, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County in this Indenture or in the Bonds contained; or

(d) The occurrence of an "event of default" under the Lease Agreement.

SECTION 1002. Acceleration. Upon the occurrence of an event of default the Trustee may, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the County, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession; Other Remedies. Upon the occurrence of an event of default, it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the County pertaining thereto, and including the rights and the position of the County under the Lease Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Project or any part thereof in the name and for account of the County and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the County; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the County and the Lessee and also to the Bondholders, at their addresses set forth in the list required by Section 408 hereof and to the holders of all Bonds then

registered as to principal (except to bearer) at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of an event of default the lien on the Project created and vested by this Indenture may be foreclosed either by sale at public outcry or by proceedings in equity and the Trustee or the holder or holders of any of the Bonds then outstanding, whether or not then in default of payment of principal or interest, may become the purchaser at any foreclosure sale if the highest bidder.

Upon the occurrence of an event of default, Trustee shall have the power to proceed with any right or remedy granted by the Constitution and laws of the State of South Carolina, as it may deem best, including any suit, action or special proceeding in equity or at law for the specific performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, and the right to appointment, as a matter of right and without regard to the sufficiency of the security afforded by the Mortgaged Property, of a receiver for all or any part of the Mortgaged Property and the earnings, rents and income thereof; the rights here specified are to be cumulative to all other available rights, remedies or powers and shall not exclude any such rights, remedies or powers.

SECTION 1004. Rights of Bondholders. If an event of default shall have occurred, and if requested so to do by the holders of not less than twenty-five per cent in the aggregate principal amount of Bonds then outstanding and if indemnified as provided in Section 1101(1) hereof, the Trustee

shall be obliged to exercise such one or more of the rights and powers conferred by this Article X as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default shall impair any rights or remedies consequent thereon.

SECTION 1005. Rights of Bondholders to Direct Proceedings

Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then outstanding (determined in accordance with the provisions of Section 401 hereof) shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection

with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 1006. Appointment of Receivers. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders or the bearers of the coupons under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 1007. Foreclosure of Indenture. Upon the occurrence of an event of default, to the extent that such right may then lawfully be waived, neither the County, nor anyone claiming through or under it, shall set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of the Indenture or the foreclosure of the Indenture, and the County, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and redemption to which it may be entitled under the laws of South Carolina.

SECTION 1008. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment

of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full principal of and premium if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and premium, if any, due

on such date, to the persons entitled thereto without any discrimination or privilege; and

Third--To the payment to the persons entitled thereto of interest at the penalty rate on all past due installments of principal and interest from their respective due dates and, if the amount available shall not be sufficient to pay in full the whole amount of interest so due, then to the payment ratably, according to the amount of interest then due, to the persons entitled thereto without any discrimination or privilege and without any distinction between interest on past due interest and interest on past due principal.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become

due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of such moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts so to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1008 and all expenses and charges of the Trustee shall have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 510 hereof.

SECTION 1009. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or

other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

SECTION 1010. Rights and Remedies of Bondholders.

No holder or bearer of any Bond or coupon, as the case may be, shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder, unless also a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default and the holders of at least twenty-five per cent in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101(1) nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers

and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds and the bearers of all coupons then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest of any Bond at and after the maturity thereof, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof and to the bearers of the coupons at the time, place, from the source and in the manner in said Bonds and the coupons expressed.

SECTION 1011. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the County and the Trustee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Property herein conveyed, and all rights and remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 1012. Waivers of Events of Default. The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority in aggregate principal amount of all Bonds then outstanding; provided, however, that there shall not be waived

(a) any default in the payment of

(i) the principal of any outstanding Bond (and premium, if any) whether at the stated maturity thereof, or upon proceedings for redemption thereof; or

(ii) any interest when due on any Bond,

unless prior to such waiver or rescission, all arrears of payments of principal then due (whether at the stated maturity thereof or upon proceedings for redemption) and premium, if any, and interest on all such arrears at the rate prescribed by the last paragraph 5.3 of the Lease Agreement on such arrears, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, Trustee and Bondholders and bearers of coupons shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon;

(b) any default under Section 10.1(b) of the Lease Agreement.

SECTION 1013. . Notice of Defaults; Opportunity of the County and Lessee to Cure Defaults. No default under Section 1001(c) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five per cent of the aggregate principal amount of Bonds then outstanding to the Lessee and the County, and the County and the Lessee shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted by the Lessee or the County as the case may be, within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Lessee under the provisions of this Section 1013, the County hereby grants the Lessee full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name of the County with full power to do any and all things and acts to the same extent that the County could do and perform any such things and acts and with power of substitution.

In the event that the Trustee fails to receive any payment required by Section 5.3 of the Lease Agreement on the occasion prescribed therein, the Trustee shall forthwith give notice by telegram, or if telegraphic service is not available then by mail to the Lessee specifying such failure.

SECTION 1014. Powers of Trustee upon Event of Default under Lease Agreement or in Payment of Bonds. If any payment required to be paid under Section 5.3 of the Lease Agreement

is not paid on the occasion therein prescribed, or in case of an event of default, as defined in Section 1001 hereof in the payment of principal of, premium, if any, or interest on any Bonds shall occur and be continuing, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under the Lease Agreement or the Bonds, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any obligor under the Lease Agreement under the National Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of any such obligor, or in case any other judicial proceedings relative to any obligor under the Lease Agreement, or to the creditors or property of any such obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation

to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to the Lessee or any other obligor under the Lease Agreement or to the creditors or property of the Lessee, or any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Bondholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Bondholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or enforceable by the Trustee by reason of this Indenture, or in aid of the exercise of any power or right granted by this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

ARTICLE XI

THE TRUSTEE

SECTION 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the County or the Lessee). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for insuring the property conveyed hereby, or for collecting any insurance moneys, or for the validity of the execution by the County of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the property conveyed hereby or

otherwise as to the maintenance of the security hereof; except that in the event the Trustee enters into possession of a part or all of the property conveyed hereby pursuant to any provision of this Indenture it shall use due diligence in preserving such property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the County or on the part of the Lessee under the Lease Agreement, except as herein expressly set forth; but the Trustee may require of the County or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property conveyed hereby. Except as otherwise provided in Section 1003 hereof, the Trustee shall have no obligation to perform any of the duties or obligations of the County, as lessor, under the Lease Agreement.

(c) The Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed in accordance with the provisions of Section 4.2 and 4.3 of the Lease Agreement. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person

who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof, regardless of whether or not any notation of making such request or giving such authority or consent is made on any such Bond.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the County Board by its Chairman and attested by its Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary of the County Board under its seal to the effect that a resolution in the form therein set forth has been adopted by the County Board as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except (i) failure by the County to cause to be made any of the payments to the Trustee required to be made by Article V hereof, and (ii) failure by the Lessee to make any of the payments to the Trustee required to be made by Section 5.3 of the Lease Agreement, unless the Trustee shall be specifically notified in writing of such default by the County or by the holders of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(h) The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the Mortgaged Property as in this Indenture provided.

(i) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Project, including all books, papers and records of the County pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired; subject to the limitations imposed upon such

rights of inspection pursuant to Section 8.2 of the Lease Agreement.

(j) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other

funds except to the extent required by law or by this Indenture. Neither the Trustee nor paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

SECTION 1102. Fees, Charges and Expenses of Trustee.

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder, and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Bond Registrar and paying agent for the Bonds and coupons as hereinabove provided. The Trustee shall have a lien with right of payment prior to payment on account of interest or principal of any Bond upon the Project for the foregoing advances, fees, costs and expenses incurred.

SECTION 1103. Notice to Bondholders If Default Occurs.

If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give such notice to the Lessee and the County as is specified in Section 1013 hereof, and such notice to the Lessee as is specified in Section 10.1 of the Lease Agreement, in order to have such default mature as an event of default upon the passage of the period of time, if any, therein specified

and shall give written notice thereof by mail to the last known holders or owners of all Bonds then outstanding shown by the list of Bondholders required by the terms of Section 408 hereof to be kept at the office of the Trustee and by the registration books maintained by the Trustee pursuant to Section 208 hereof.

SECTION 1104. Intervention by Trustee. In any judicial proceeding to which the County is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding, and if indemnified as provided in Section 1101(1) hereof. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 1105. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 1106. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice

to the County, to the Lessee and by registered or certified mail to each registered owner of Bonds then outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 408 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County. Such notice to the County and to the Lessee may be served personally or sent by registered mail.

SECTION 1107. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the County, and signed by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 1108. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of vacancy the County by an instrument executed and signed by the Chairman of the County Board and attested by the Secretary of the County Board under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner

above provided; and any such temporary Trustee so appointed by the County shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State of South Carolina, having a reported capital and surplus of not less than \$20,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts due such predecessor pursuant to Section 1102 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and

all such instruments in writing, shall, on request, be executed, acknowledged and delivered by the County. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

SECTION 1110. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the property herein conveyed is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the Penalty Rate, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the revenues herein pledged to the payment of the Bonds if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least twenty-five per cent in the aggregate principal amount of all Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 1111. Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts

and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1112. Successor Trustee as Trustee of Bond Fund and Construction Fund, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or has been removed shall cease to be trustee of the Bond Fund and the Construction Fund, and paying agent for principal of and interest and premium, if any, on the Bonds and Bond Registrar, and the successor Trustee shall become such Trustee, paying agent and Bond Registrar.

SECTION 1113. Trust Estate May Be Vested in Separate or Co-Trustee. It is the intent of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of South Carolina) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Mortgaged Property, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 1113 are provided for this purpose.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee (and

the Trustee is hereby expressly granted such power), each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the County be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged and delivered by the County. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 1201. Supplemental Indentures Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law;

(e) to make provision for the issuance of Additional Bonds to the extent permitted by Article II hereof; and
The County and the Trustee shall without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Indenture (i) to the extent necessary with respect to any real or personal property forming a part of the Project and generally described in the Lease Agreement, so as to more precisely identify the same or to

substitute or add additional land or interests in land, buildings, machinery and equipment, (ii) with respect to any changes required to be made in the description of the Mortgaged Property in order to conform with similar changes made in the Lease Agreement as permitted by Section 1301.

SECTION 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting

(a) an extension of the stated maturity or reduction of any premium payable on the redemption of, any Bonds, or

(b) the creation of any lien (other than any Permitted Encumbrances as defined in the Lease Agreement), prior to or on a parity with the lien of this Indenture, or

(c) the issuance of Bonds hereunder in excess of the limitations imposed by the provisions of Article II, or

(d) a reduction in the principal amount of any Bonds required to be paid or redeemed by the provisions of this Indenture, or any alteration of the order in which Bonds shall be redeemed pursuant to this Indenture, or

(e) a reduction in the amount, or extension of the time, of any payment required for the Bond Fund, or

(f) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, or

(g) any amendment of this Section 1202 or Section 1302, without consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, or

(h) the modification of the rights, duties or immunities of the Trustee,

without the written consent of the Trustee.

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York, and shall also cause a similar notice to be mailed, postage prepaid, to all registered Bondholders; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to

(e) a reduction in the amount, or extension of the time, of any payment required for the Bond Fund, or

(f) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, or

(g) any amendment of this Section 1202 or Section 1302, without consent of the holders of all the Bonds at the time outstanding which would be affected by the action to be taken, or

(h) the modification of the rights, duties or immunities of the Trustee,

without the written consent of the Trustee.

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York, and shall also cause a similar notice to be mailed, postage prepaid, to all registered Bondholders; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to

and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Lessee at least fifteen days prior to the proposed date of execution and delivery of any supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 2:30 o'clock P. M., (Trustee's time) of the fifteenth day after mailing of said notice and a copy of the proposed supplemental indenture. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENT OF LEASE AGREEMENT

SECTION 1301. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any real or personal property forming a part of the Project and described in the Lease Agreement so as to identify more precisely the same or substitute or add additional land or interests in land, buildings, machinery and equipment, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders of the Bonds.

SECTION 1302. Amendments, etc., to Lease Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, and subject to the special limitation contained in the sentence of this Section 1302 immediately following this sentence, the County and the Trustee may consent to other amendments, changes or modifications of the Lease Agreement after notice to and upon the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1202 hereof provided. Provided, always, that nothing in this Section contained shall permit, or shall be construed as permitting, any amendment, change or modification of

(i) the Lessee's unconditional obligation to make payments sufficient to pay the principal, interest and premium, if any, due at any time on the Bonds, or

(ii) the provisions of Sections 5.3, 5.6, 8.9 or Article XII of the Lease Agreement,

without the consent of the holders of all the Bonds at the time outstanding. If at any time the County and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 1202 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from consenting to the execution thereof or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment as in this Section permitted and provided, the Lease Agreement shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. Consents, etc., of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument authorized or permitted by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent authorized in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The amount of Bonds, transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Bondholder, and the

distinguishing numbers of the Bonds held by such person, and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker, or other depository (wherever situated), showing that at the date therein mentioned such person had on deposit with such depository, or exhibited to it, the Bonds therein described, or such facts may be proved by the certificate or affidavit of the person executing such request, consent or other instrument or writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the County may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent, or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) The ownership of registered Bonds shall be proved by the register of such Bonds.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, regardless of the lack of any notation thereon to such effect, in respect of anything done or suffered to be done by the Trustee or the County in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds have

concurring in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the County, by the Lessee, or by any other obligor under the Lease Agreement or on the Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, the Lessee, or any other obligor under the Lease Agreement or on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 1401 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the County, the Lessee or any other obligor under the Lease Agreement or on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1402. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto,

any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided.

SECTION 1403. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

SECTION 1404. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as a paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1405. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday, Sunday or shall be in the state in which the Trustee maintains its principal office a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or

principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 1406. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1407. Laws Governing Indenture and Situs and Administration of Trust. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trust created by this Indenture to be in the state in which is located the corporate trust officer of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to Section 1113 of this Indenture. It is the further intention of the County that the Trustee administer said trust in the state in which is located, from time to time, the situs of said trust.

SECTION 1408. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the _____ County Council, _____ County Courthouse, _____, South Carolina; if to the Lessee at _____ Attention:

President; if to the Guarantor, at _____

_____, Attention: _____ ;

if to the Trustee, at _____

Attention: _____ . The

County, the Lessee, and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

IN WITNESS WHEREOF, _____ COUNTY has cause these presents to be signed in its name and behalf by the Chairman of the _____ County Council, and its corporate seal to be hereunto affixed and attested by the _____ Secretary of the _____ County Council and to evidence its acceptance of the trusts hereby created, _____ has caused these presents to be signed in its name and behalf by one of its Trust Officers, its official seal to be hereunto affixed, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first hereinabove written.

(SEAL)

By _____
Chairman

Attest:

Secretary

In the presence of:

212

as Trustee

(SEAL)

By _____
Trust Officer

Attest:

Assistant Trust Officer

In the presence of:

STATE OF SOUTH CAROLINA,
COUNTY OF _____

PERSONALLY appeared before me _____
who being duly sworn, says that he saw the corporate seal of
_____ County, S. C. affixed to the foregoing Trust Indenture,
and that he also saw _____, as Chairman
of the County Council of _____ County, and _____
_____ as Secretary of the County Council of
_____ County, sign and attest the same and that he with _____
_____ witnessed the execution and delivery
thereof as the act and deed of the said _____ County, S. C.

SWORN to before me this _____
_____ day of _____, 1973.

_____(L.S.)
Notary Public for the State of South Carolina
My Commission Expires _____.

STATE OF SOUTH CAROLINA,

COUNTY OF _____

PERSONALLY appeared before me _____
who being duly sworn says that he saw the corporate seal of
_____, as Trustee, affixed to the
foregoing Trust Indenture, and that he also saw _____
_____, as Trust Officer, and _____
as an Assistant Trust Officer, of
_____, as Trustee, sign and attest the same, and that he
with _____ witnessed the execution
and delivery thereof as the act and deed of the said
_____, as Trustee.

SWORN to before me this

_____ day of _____, 1973.

(L.S.)

Notary Public for State of South Carolina

My Commission Expires _____.

EXHIBIT "A"

DESCRIPTION OF LEASED LAND

(Attached to Trust Indenture dated as of 1973, between
County, South Carolina, and
Company, as Trustee)

A - 1

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to Trust Indenture dated as of _____, 1973, between
County, South Carolina, and
Company, as Trustee)

B - 1

MASTER

THIS LEASE AGREEMENT, dated as of ^{10/2/73} SEPTEMBER-1, 1973 between GREENVILLE COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through its *County Council*, which is the governing body of said County as constituted by- *act no. 573 of 1967* as amended, party of the first part, and CONN ORGAN CORPORATION, a corporation organized and existing under the laws of the State of *Indiana*, duly qualified to conduct business in the State of South Carolina, party of the second part,

W I T N E S S E T H:

In consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or against its taxing powers but shall be payable solely out of the proceeds derived from this Lease Agreement, the sale of the Bonds referred to in Section 2.1 hereof, the insurance proceeds, and proceeds from released property and condemnation awards as herein provided):

ARTICLE I

DEFINITIONS

SECTION 1.1. Certain terms used in this Lease Agreement are defined herein. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise.

SECTION 1.2. The following terms are defined terms under this Lease Agreement:

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended.

"ADDITIONS or ALTERATIONS" means improvements, replacements, alterations, additions, enlargements or expansions in, on or to the Project including any and all machinery and equipment therefor.

"AGREEMENT" or "LEASE AGREEMENT" means the within Lease Agreement between the County and the Lessee as the same may be amended from time to time in accordance with the provisions hereof.

"AUTHORIZED COUNTY REPRESENTATIVE" means the person at the time designated to act in behalf of the County by written certificate furnished to the Lessee and the Trustee, containing the specimen signature of such person and signed on behalf of the County by the Chairman of the County Board. Such certificate may designate an alternate or alternates.

"AUTHORIZED LESSEE REPRESENTATIVE" means the person at the time designated to act in behalf of the Lessee by written certificate furnished to the County and the Trustee, containing the specimen signature of such person and signed on behalf of the Lessee by its President, any of its Vice Presidents, or its Treasurer or by the Chairman of its Board of Directors. Such certificates may designate an alternate or alternates.

"BONDS" means all bonds of the County from time to time issued and outstanding under the Indenture.

"BOND FUND" means the Bond Fund created in Section 502 of the Indenture and referred to herein.

"BUILDING" means the buildings and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which, as set out in Section 4.1(a) hereof, are to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures).

"CHAIRMAN" means the chief executive officer of the County Board. The term shall also include the Vice Chairman of the

County Board whenever, by reason of absence, illness, or other reason, the person who is the Chairman is unable to act.

"COMPLETION DATE" means the date of completion of the construction of the Building and the installation therein of the Leased Equipment and all other facilities in connection with the Project as that date shall be certified as provided in Section 4.5 hereof.

"CONSTRUCTION FUND" means the Construction Fund created in Section 602 of the Indenture and referred to herein.

"CONSTRUCTION PERIOD" means the period between the beginning of construction or the date on which Bonds are first delivered to the purchaser thereof (whichever is earlier) and the Completion Date.

"COUNTY" means Greenville County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"COUNTY BOARD" means the County Council of Greenville County, and any successor body.

"FIRST SERIES BONDS" shall mean the \$1,450,000 Greenville County First Mortgage Industrial Revenue Bonds, Series 1973 (Conn Organ Corporation - Lessee) of the County to be issued pursuant to the Indenture.

"GUARANTOR" means Macmillan, Inc., a Delaware corporation, which has unconditionally guaranteed the performance of all of the obligations of the Lessee under this Agreement, including the payment of all rentals and other amounts to become due, as is more fully set forth in the Lease Guaranty Agreement of even date between the Guarantor and the County.

"INDENTURE" means the Trust Indenture between the County and South Carolina National Bank, as Trustee, of even date herewith, providing for the terms, conditions and provisions under which the Bonds will be issued, pursuant to which the County's interest in this Agreement and in the Lease Guaranty

Agreement, and the Lease Rentals received by the County from the Project are pledged, and pursuant to which the Project is mortgaged as security for the payment of principal, premium, if any, and interest on the Bonds, including any indenture supplemental thereto.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not a full time employer of either the County, the Lessee or the Guarantor.

"INDEPENDENT ENGINEER" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of South Carolina and who or which is not a full time employee of either the County, the Lessee or the Guarantor.

"LEASE GUARANTY AGREEMENT" means the agreement between the Guarantor and the County of even date herewith, whereby the Guarantor unconditionally guarantees the performance of all obligations of the Lessee under the Lease Agreement.

"LEASE RENTALS" means all of the revenues, rents and receipts derived directly or indirectly from the leasing or sale of the Project including all moneys received under the Lease Agreement (excepting only amounts paid pursuant to Sections 5.4, 5.5, 6.3, 8.7 or 10.4 thereof.)

"LEASE TERM" means the duration of the leasehold estate created in this Agreement as specified in Section 5.1 hereof.

"LEASED EQUIPMENT" means those items of machinery, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Land with proceeds from the sale of the First Series Bonds, or the proceeds of any payment by Lessee pursuant to Section 4.6 hereof and any item of machinery, equipment and related property acquired and installed in the Building or elsewhere on the Leased Land in substitution therefor and renewals and replacements thereof

pursuant to the provisions of Sections 4.1(b), 6.2, 6.2(a), 7.1 and 7.2 hereof and is further defined as all property owned by the County and hereby leased to the Lessee which is not included in the definition of Leased Land or Building, but not including Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof. Leased Equipment is more particularly described in Exhibit "B" attached hereto which, by this reference thereto, is incorporated herein.

"LEASED LAND" means the real property described in Exhibit "A" attached hereto which, by this reference thereto, is incorporated herein.

"LESSEE" means (i) the party of the second part hereto and its successors and assigns and (ii) any surviving, resulting or transferee corporation as provided in Section 8.3 hereof.

"NET PROCEEDS", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

3 "PENALTY RATE" shall mean interest at the rate of 8 % per annum.

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, encroachments, leases, restrictions and exceptions that an Independent Engineer and the Authorized Lessee Representative certify will not interfere with or impair the operations being conducted in the Building (or if the Building is not yet complete, the operations to be conducted) in the Building, or, if the Building has been completed and no operations are being conducted therein, the operations for which the Building was last designed or last modified),

(iv) such minor defects, irregularities, encumbrances, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the title to the Project for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5, Title 45, Code of Laws of South Carolina, 1962, as now or hereafter amended.

"PROJECT" means the Leased Land, the Building and the Leased Equipment.

"SECRETARY" means the Secretary of the County Board. The term shall also include a person whose title is Clerk, and the Assistant or Acting Secretary or Clerk of the County Board whenever by reason of absence, illness or other reason, the person who is the Secretary of Clerk is unable to act.

"TRUSTEE" means the trustee and/or the co-trustee at the time serving as such under the Indenture.

SECTION 1.3. The words "hereof", "herein", "hereunder", and other words of similar import refer to this Lease Agreement as a whole.

SECTION 1.4. References to Articles, Sections and other subdivisions of this Lease Agreement are to the designated Articles, Sections, and other subdivisions of this Lease Agreement.

SECTION 1.5. The headings of this Lease Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

SECTION 2.1. Representations by the County. The

County makes the following representations as the basis for the undertakings on its part herein contained:

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. The Project constitutes and will constitute a "project" within the meaning of the Act. By proper action by the County Board and the State Budget and Control Board of South Carolina, the County has been duly authorized to execute and deliver this Agreement.

(b) The County has acquired the Leased Land, upon which the Building is being constructed by the Lessee and has authorized, and does hereby authorize, the Lessee to complete the construction of the Building thereon, to acquire and install the Leased Equipment in the Building or on the Leased Land and to acquire, install and construct all other things deemed necessary in connection with the Project, and the County proposes to lease the Project to the Lessee and to sell the Project to the Lessee at the expiration or earlier termination of the Lease Term, all for the purposes of promoting and employing the manpower and natural resources of South Carolina.

(c) Heretofore, and before construction of the Building was begun, the County and the Lessee did agree that the County would finance the cost of acquiring, constructing and equipping the Project. The Lessee has estimated that such cost will not exceed \$1,450,000 and

on that basis the County now proposes to issue the First Series Bonds in the aggregate principal amount of \$1,450,000, which will be dated, mature and bear interest as set forth in Article II of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Article III of the Indenture, in order to finance the cost of acquiring, constructing and equipping the Project.

SECTION 2.2. Representations by the Lessee. The Lessee makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Lessee is a corporation duly incorporated under the laws of the State of its incorporation, is in good standing under its Charter and the laws of the State of its incorporation and of the State of South Carolina, and has power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement.

(b) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Lessee is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee under the terms of any instrument or agreement.

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project as aforesaid, the Lessee has heretofore ac-

quired the Leased Land, has begun construction of the Building on the Leased Land.

(d) The Lessee intends to continue to operate the Project, from the Completion Date to the expiration or earlier termination of the Lease Term as provided herein as a plant for the manufacture of musical instruments, and for the manufacture of such other products as the Lessee may deem appropriate.

(e) The acquiring of the Project by the County through the issuance of the First Series Bonds and the leasing of the Project to the Lessee has induced the Lessee to establish this industrial enterprise in the County.

(f) This Lease Agreement, under which the County acquires the Project, leases and hereafter conveys the Project to the Lessee, is the method employed by the Lessee in financing the acquisition of the Project and in effecting the payment of the Bonds.

ARTICLE III

DEMISING CLAUSE, WARRANTY OF TITLE, TITLE INSURANCE

SECTION 3.1. Demise of the Leased Land, Building and the Leased Equipment. The County demises and leases to the Lessee, and the Lessee leases from the County, the Leased Land, the Building and the Leased Equipment at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Agreement.

SECTION 3.2. Warranty of Title. The County warrants that it has acquired a good and marketable fee simple title to the Leased Land, free from all encumbrances other than Permitted Encumbrances, and the County will furnish, at the time of the delivery of the First Series Bonds, a written opinion of Independent Counsel that it has good and marketable fee simple title to the Leased Land, subject to Permitted Encumbrances.

SECTION 3.3. Title Insurance. At the time of the delivery of the First Series Bonds, the County will provide a Mortgagee Title Insurance Policy (or appropriate Binder) upon the Leased Land and Building issued by a Company approved by the Trustee insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount specified in Exhibit A to this Agreement.

ARTICLE IV

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE FIRST SERIES BONDS;
CONSTRUCTION FUND

SECTION 4.1. Agreement to Construct and Equip the Building on the Leased Land. The County has acquired the Leased Land by deed duly recorded. The Lessee agrees that it will exercise the authorizations given to it by the County in Section 2.1(b) and:

(a) It will cause the Building to be constructed on the Leased Land wholly within the boundary lines thereof (the Building to contain the square footage as set forth in Exhibit "A" hereto, and to be used for the purposes set forth in Article II hereof); all of which will be constructed in accordance with a general description heretofore furnished to the County by the Lessee.

(b) It will cause to be acquired and installed in the Building or on the Leased Land for use of Lessee the Leased Equipment, to consist of the machinery, equipment and related property described in the general list thereof in Exhibit "B", and such other items of machinery and equipment, and any transportation facility and equipment used as an integral part of the Project, which in Lessee's judgment may be necessary for the operation of the Project.

The Lessee agrees to complete the construction of the Building as promptly as practicable after receipt of proceeds from the sale of First Series Bonds and to continue the said construction with all reasonable dispatch, and to effect the acquisition and installation of the Leased Equipment as promptly as practicable.

SECTION 4.2. Agreement to Issue First Series Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will, on

(w/initials)
(w/initials)
date

or before the 1st day of January 1974, sell and cause to be delivered to the initial purchaser the First Series Bonds in the aggregate principal amount of \$1,450,000.00 and will thereupon (i) deposit in the Bond Fund all accrued interest received on the sale of the First Series Bonds and (ii) deposit in the Construction Fund the balance of the proceeds received from said sale.

SECTION 4.3. Disbursements from the Construction Fund.

The County shall in the Indenture authorize and direct the Trustee to use the moneys in the Construction Fund and to pay out the same to the persons entitled thereto for the following purposes (but, subject to the provisions of Section 4.9 hereof, for no other purposes):

(a) Payment of the initial or acceptance fee of the Trustee; the fees for recording the deed whereby the Leased Land has been conveyed to the County, this Agreement, the Indenture, financing statements and any title curative documents that either the Trustee, the Lessee or Independent Counsel may deem desirable to file for record in order to perfect or protect the lien or security interest of the Indenture on the Project; and the fees and expenses in connection with any actions or proceedings that either the Trustee, the Lessee or Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the Project or to perfect or protect the lien or security interest of the Indenture on the Project.

(b) Payment of such amounts, if any, as shall be necessary to make reimbursement in full for all advances and payments made prior to or after the delivery of the First Series Bonds for expenditures in connection with (i) the acquisition by the County of title to the Leased

Land, including the cost of the Leased Land and the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), (ii) clearing the Leased Land, the construction of the Building, the acquisition and installation of the Leased Equipment, and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing), and (iii) any other costs and expenses relating to the Project.

(c) Payment of the cost of legal and accounting fees and expenses, title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the *First Series* Bonds, the preparation of this Agreement, the Indenture, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land, Building and Leased Equipment.

(d) Payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the Building, payment for all costs incident to the acquisition and installation of the Leased Equipment, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property^x deemed necessary in connection with the Project and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond.

(e) Payment of the fees, or out-of-pocket expenses, if any, for architectural, engineering and supervisory services with respect to the Project.

Amended:
r * "including machinery, tooling, and equipment"

(f) Payment to the Trustee as such payments become due, of the fees and expenses of the Trustee (as Trustee, Bond Registrar and paying agent) and of any paying agent properly incurred under the Indenture that may become due during the Construction Period.

(g) To such extent as they shall not have been paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the Construction Period under this Agreement.

(h) Payment of the taxes, assessments and other charges, if any, referred to in Section 6.3 hereof that may become payable during the Construction Period and, payment of such sum which, together with the accrued interest received on the occasion of their delivery will be required to pay the first two installments of interest to become due on the First Series Bonds.

(i) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Project.

(j) Payment of any other costs and expenses relating to the Project.

(k) All moneys remaining in the Construction Fund after completion of the construction of the Building and acquisition and installation of the Leased Equipment and payment in full of the costs thereof, and after payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Section, shall at the direction of the Lessee be (i) used by the Trustee for the purchase of *First Series* Bonds for the purpose of cancellation, at prices not exceeding the principal amount

thereof plus accrued interest thereon to the date of delivery, or (ii) paid into the Bond Fund, except for amounts retained by the Trustee with the approval of the Authorized Lessee Representative for payment of Project costs not then due and payable; any balance remaining of such retained funds after full payment of all such Project costs to be used by the Trustee as directed by the Lessee in the manner specified in clauses (i) and (ii) of this subsection.

Provided that:

(1) Each of the payments made pursuant to the preceding subsections (a), (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Lessee Representative and by the Authorized County Representative which shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund and (ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project.

(2) In the case of any contract providing for retention by the Lessee of a portion of the contract price, there shall be paid from the Construction Fund only the net amount remaining after deduction of any such portion, until such retainage becomes due in accordance with the terms of such contract.

x cancelled
L: payment of interest on the bonds to and including September, 1974.

^{(L) *}
SECTION 4.4. Trustee May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Trustee may rely on any such orders and certifications delivered to is pursuant to Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certifi-

cate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient operation of the Project for the purposes specified in Section 4.1(a) hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

SECTION 4.6. Lessee Required to Pay Construction Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Project shall not be sufficient to pay the costs thereof in full, the Lessee agrees to complete, or cause to be completed, the Project and to pay all that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Fund. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the

provisions of this Agreement, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which will be incurred in that connection. The Lessee agrees that if after exhaustion of the moneys in the Construction Fund the Lessee shall pay any portion of the said costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the County or from the Trustee or from the holders of any of the *First Series* Bonds, nor shall it be entitled to any diminution of the rents payable under Section 5.3 hereof. The obligation of the Lessee to complete the Project shall survive any termination of this Agreement.

SECTION 4.7. Authorized Lessee and County Representatives and Successors. The Lessee and the County Board, respectively, shall designate, in the manner prescribed in Section 1.2, the Authorized Lessee Representative and the Authorized County Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

SECTION 4.8. Enforcement of Remedies Against Contractors and Subcontractors and Their Sureties. The Lessee covenants that it will take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts, including, without limitation, the correcting of any defective work, with all expenses incurred by Lessee in connection with the performance of its obligations under this Section 4.8 to be considered part of the Project costs referred to in Section 4.3(j), and the County agrees that the Lessee may, from time to time, in its own name, or in the name of the County, take such action as may be necessary or advisable, as determined by Lessee,

to insure the construction of the Project in accordance with the terms of such construction contracts, to insure the peaceable and quiet enjoyment of the Project for the Lease Term, and to insure the performance by the County of all covenants and obligations of the County under this Agreement, with all costs and expenses incurred by the Lessee in connection therewith to be considered as part of the Project costs referred to in Section 4.3(j). Any amounts recovered by way of damage, refunds, adjustments or otherwise in connection with the foregoing, less any unreimbursed legal expenses incurred in order to collect the same, shall be paid into the Construction Fund and after the Completion Date shall be paid into the Bond Fund.

SECTION 4.9. Investment of Construction Fund Moneys Permitted - Limitation on Investments. Any moneys held as part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or re-invested by the Trustee to the extent permitted by law in the manner set forth below but with maturities consonant for anticipated expenditures to be made from the Construction Fund:

- (i) obligations of the United States and agencies thereof;
- (ii) general obligations of the State of South Carolina or any of its political units;
- (iii) Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; or
- (iv) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest.

Such investments shall be as specified by the Authorized Lessee Representative.

The Lessee further covenants and agrees:

- (a) That it will not direct the Trustee to invest any moneys held as a part of the Construction Fund in a manner which shall be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" within the meaning of Section 103(d) (2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder and as in effect on the occasion of the delivery of the First Series Bonds (the Regulations); and
- (b) It will furnish to the County accurate information to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the Regulations.

ARTICLE V

EFFECTIVE DATE OF THE AGREEMENT; DURATION OF LEASE TERM;
RENTAL PROVISIONS; PAYMENTS IN LIEU OF TAXES AND
UNCONDITIONAL OBLIGATIONS OF LESSEE

SECTION 5.1. Effective Date of this Agreement;

Duration of Lease Term. This Agreement shall become effective upon its delivery and the leasehold estate created by this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Section 8.10, Articles X, XI and Sections 12.1 and 12.2), shall expire on *September 1, 1998*.

* Annucelli
wants
Oct 1, 1998

SECTION 5.2. Delivery and Acceptance of Possession.

The County agrees to deliver to the Lessee sole and exclusive possession of the Leased Land upon the execution and delivery of this Agreement and Lessee thereupon and thereafter shall have sole and exclusive possession of the Project during the Lease Term (subject to the right of the County and Trustee to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof).

SECTION 5.3. Rents and Other Amounts Payable. At least

three days before *March 1, 1974*, and at least three days before each *September 1* and *March 1* thereafter until the principal of, premium, if any, and interest on the First Series Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee as rent for the Project (i) if such date is *September 1*, a sum equal to the amount payable on such date as principal (whether at maturity or by sinking fund redemption as provided in the Indenture) and interest upon the First Series Bonds and (ii) if such date is *March 1*, a sum equal to the amount payable on such date as interest upon the First Series Bonds, as provided in the Indenture.

* Annucelli
wants April 1, 1925
because of one
year capitalized
interest.
Oct 1, 1998
April 1, 1998

Oct.

April

In the event additional Bonds shall be issued pursuant to Article II of the Indenture, thereafter at least three days before any date on which the principal or interest on any such Bonds shall be due, until the principal of, premium, if any, and interest on all such Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee a sum equal to the amount payable on such date as principal (whether at maturity or by such sinking fund redemption as may be provided in the Indenture) and/or interest upon such Bonds, as provided in the Indenture.

In any event each rental payment under this Section shall be sufficient to pay the total amount of interest or interest and principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, payable on the next succeeding interest payment date, and if on any interest payment date the balance in the Bond Fund is insufficient to make the required payments of principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, and interest on such date, the Lessee shall forthwith pay any such deficiency; provided that any amount at any time held by the Trustee in the Bond Fund shall be credited against the next rental payment to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment; and provided further, that if the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of, premium, if any, and interest on the Bonds then remaining unpaid, the Lessee shall not be obligated to make any further rental payments under the foregoing provisions of this Section.

The Lessee recognizes that the County's interest under this Agreement, including the right to receive the Lease Rentals has been assigned simultaneously with the execution of this Agreement to the Trustee pursuant to the terms of the Indenture; and, in order to additionally secure the payment of the principal of, premium, if any, and interest on the Bonds on the occasions when the same are expressed to become due and payable, and in consideration of the County having made available to the Lessee this method of acquiring and financing the Project, Lessee unconditionally guarantees to the County for the benefit of the persons who shall from time to time be the holders of the Bonds and the coupons appertaining thereto, its successors and assigns, the payment in full of an amount equal to the amount of the principal of, premium, if any, and interest on the Bonds as and when the same are expressed to become due and payable, either upon maturity or acceleration or declaration as provided in the Indenture.

In the event the Lessee shall fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until paid. The provisions of this Section shall be subject to the provisions of Section 9.6 hereof.

SECTION 5.4. Payment of Trustee's Fees and Expenses.

In addition to other payments herein prescribed, the Lessee agrees to pay to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, as Trustee, rendered and its ordinary expenses, as Trustee, incurred under the Indenture, as and when the same become due, (ii) reasonable

fees and charges of the Trustee as Bond Registrar and paying agent, and any other paying agents on the Bonds, for acting as paying agents as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and reasonableness of any such fees, charges or expenses.

In the event the Lessee shall fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until paid.

SECTION 5.5. Payments in Lieu of Taxes. It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the project by such county, school district or school districts, and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Lessee to comply with the aforesaid obligation, it is agreed that the County in cooperation with the Lessee (i) shall cause the Project to be valued as if privately owned as aforesaid for purposes of the said taxes by the State Tax Commission of South

Carolina or such other appropriate officer or officers as may from time to time be charged with responsibility for making such valuations; (ii) shall cause to be appropriately applied to the valuation or valuations so determined the respective rate or rates of such taxes, that would be applicable to the Project if so privately owned; (iii) shall cause the respective appropriate officer or officers charged with the duty of levying and collecting taxes to submit to the Lessee, when the respective levies are made upon property privately owned as aforesaid, a statement specifying the amount and due date of such taxes which the County, school district and other political units having taxing powers would receive if the Project were so privately owned; and Lessee shall file any accounts or tax returns required with the appropriate officer or officers. The Lessee shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the Act to be paid to the aforesaid taxing authorities, subject in each case to the Lessee's right to obtain exemptions (and discounts), if any, therefrom which would be afforded to a private owner of the Project and to seek to obtain a refund of any such payments made, and to contest the same in the manner and to the extent provided in Section 6.3 in the case of taxes and other governmental charges. The Lessee's obligation to make such additional payments shall continue only so long as and to the extent the Lessee is required by law to pay the aforesaid amounts in lieu of taxes. Once having paid the amounts required by this Section 5.5 to be paid by it in lieu of taxes, the Lessee shall not be required to pay any such taxes for which a payment in lieu thereof has been made to the State or to any city, county, town, school district or other political unit. In the event the Lessee shall fail to make any of the payments required by this Section 5.5, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon at the Penalty Rate until paid.

SECTION 5.6. Obligations of Lessee Hereunder Unconditional. Subject to the provisions of this Section and Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and until such time as the principal of, and interest and premium, if any, on the Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement, and (iii) except as provided in Section 11.1 hereof will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure of the Lessee to complete the Project, the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or South Carolina or any political subdivision of either thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the County from the performance of any of the agreements on its part herein contained; and in the event the County should fail to perform any such agreement on its part, the Lessee may institute such action against the County as the Lessee may deem necessary to compel performance so long as such action does not abrogate the Lessee's obligations con-

tained in the first sentence of this Section 5.6. The Lessee may, however, at its own costs and expense and in its own name or in the name of the County, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the County hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the County in any such action or proceeding if the Lessee shall so request.

SECTION 5.7. Place of Rental Payments. The payments provided for in Section 5.3 hereof shall be paid directly to the Trustee for the account of the County and shall be deposited in the Bond Fund. The payments to be made to the Trustee under Section 5.4 hereof shall be paid directly to the Trustee for its own use or for disbursement to the paying agents, as the case may be.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project

by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. Subject to the provisions of Section 8.9, the Lessee may, also at its own expense, make from time to time any Additions or Alterations to the Project it may deem desirable for its business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified). Subject to the provisions of Section 9.7 hereof, such Additions and Alterations so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items, the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged

all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Removal of Leased Equipment. The County shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Leased Equipment. If no event of default under this Agreement shall have happened and be continuing, in any instance where the Lessee in its discretion determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, subject to the provisions of Section 8.9 hereof, the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and (on behalf of the County) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the County or the Trustee therefor, provided that the Lessee shall either:

(a) Substitute (either by direct payment of the cost thereof or by advancing to the County the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery, equipment or related property having equal or greater utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended, provided such removal and substitution shall not impair operating unity, all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Leased Equipment; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such Leased Equipment to anyone other than itself or in the

case of the scrapping thereof, (ii) that in the case of the trade-in of such Leased Equipment for other machinery, equipment or related property not to be installed in the Building or on the Leased Land, and (iii) that in the case of the sale of any such Leased Equipment to the Lessee or in the case of any other disposition thereof, the Lessee shall pay into the Bond Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practices. The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

3 The Lessee shall promptly report to the Trustee each such removal, substitution, sale and other disposition and shall pay to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid into the Bond Fund promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins or other dispositions not previously reported aggregates at least \$50,000. The Lessee shall not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

SECTION 6.3. Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina,

and (ii) that these factors, among others, have induced the Lessee to enter into this Agreement.

However, the Lessee will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the Lease Rentals of the County from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the Lease Rentals therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, and including all ad valorem taxes lawfully assessed upon the leasehold estate hereby granted and conveyed to the Lessee in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

If the Lessee shall first notify the Trustee of its intention so to do, the Lessee may, at its expense and in its own name and behalf or in the name and behalf of the County, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such

items the lien of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The County will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the County or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date thereof until paid, the Lessee agrees to pay.

The County agrees that any investment tax credit with respect to the Project shall be made available to the Lessee and the County will fully cooperate with the Lessee in any effort by the Lessee to avail itself of any such investment tax credit.

SECTION 6.4. Insurance Required. Throughout the Lease Term, the Lessee shall keep the Project continuously insured as hereinafter provided, paying (except as provided in Section 4.3 hereof) as the same become due all premiums in respect thereto. Such insurance shall include but not necessarily be limited to:

(a) Insurance upon the repair or replacement basis if available, and otherwise to the full insurable cash value of the Project as determined by an insurer selected by the Lessee or as otherwise agreed to by the County and Lessee, against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in South Carolina; provided that the insurance required by this subsection may contain a deductible provision of not in excess of \$ 10,000 direct damage applicable

to each separate instance of loss or damage insured against. In time of war in which the United States is a belligerent, such insurance to the extent of the full insurable cash value of the Project as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in South Carolina.

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(b) Boiler and pressure vessel (including pressure pipes) explosion insurance in an amount at least equal to \$ ^{500,000} (with deductible provisions not to exceed \$ ^{10,000}) with respect to all boilers and pressure vessels and pressure pipes installed in the Project.

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3
(c) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks, and passageways, such insurance to afford protection of not less than \$ ^{500,000} with respect to bodily injury to any one person, not less than \$ ^{1,000,000} with respect to bodily injury to two or more persons in any one accident, and the policies evidencing such insurance may provide that the Lessee shall be self insured to the extent of \$ ⁵⁰⁰ in connection with each separate claim insured against. Such self insurance may, at the Lessee's option, be taken directly as a deductible or indirectly under any type of retrospective rating arrangement between the Lessee and such insurer as it may select.

(d) Insurance (or authorization by the appropriate officials of the State of South Carolina to self insure) covering any liability under the Workmen's Compensation laws of South Carolina for deaths of or injuries to persons arising out of any act or omission during the Lease Term.

SECTION 6.5. Application of Net Proceeds of Insurance.

The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows:

(i) the Net Proceeds of the insurance required in Section 6.4(a) and (b) hereof shall be applied as provided in Section 7.1 hereof, and (ii) the Net Proceeds of the insurance required in Section 6.4(c) and (d) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6. Additional Provisions Respecting Insurance.

All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee. All policies evidencing such insurance shall provide for payment of the losses to the County, the Lessee and the Trustee as their respective interests may appear, and the policies required by Section 6.4(a) and (b) shall contain standard mortgagee clauses requiring that all Net Proceeds of insurance resulting from any claim in excess of \$100,000 for loss or damage covered thereby be paid to the Trustee; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to settlement of any claim in excess of \$50,000. The insurance hereby required may be contained in blanket policies now or hereafter maintained by the Lessee.

All such policies or a certificate or certificates of the insurers that such insurance is in force and effect shall be deposited with the Trustee and shall contain a provision that any such policy may not be cancelled unless the Trustee is notified at least 15 days prior to cancellation; and at least 15 days prior to expiration of any such policy, the Lessee shall furnish the Trustee with evidence satisfactory to the latter, that the policy has been renewed or replaced or is no longer required by this Lease.

SECTION 6.7. Advances by County or Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease or shall fail to keep the Pro-

ject in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition, the County or the Trustee, after written notice to the Lessee of their intent to take such action, may (but unless satisfactorily indemnified shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date hereof, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) Unless the

Project shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such destruction or damage is not greater than \$100,000, the Lessee (i) shall promptly repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a plant for the manufacture of the products described in Section 2.2(d) hereof or such other products as the Lessee may deem appropriate, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from such claims for losses. — All Net Proceeds of insurance resulting from such claims for losses [not in excess of \$100,000] shall be paid to the Lessee, [subject to the provisions of Section 7.1(e)].

(b) Unless the Project shall be destroyed or damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is damaged (in whole or in part) by fire or other casualty

to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) and Section 6.4(b) hereof resulting from such destruction or damages is in excess of \$^{200,000}, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance resulting from such claims for losses in excess of \$^{200,000} shall be paid to and held by the Trustee in a separate trust account whereupon the Lessee shall proceed promptly to repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a plant for the manufacture of the products referred to in Section 2.2(d) or such other products as the Lessee may deem appropriate, whereupon the Trustee shall apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

(c) In the event the Net Proceeds are not sufficient to pay in full the costs of any such repair, rebuilding or restoration, the Lessee shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(d) The Lessee shall not, by reason of the payment of such excess costs be entitled to any reimbursement from the County, the Trustee or the holders or owners of the Bonds or any abatement or diminution of the rents payable under Section 5.3 hereof.

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration shall be paid [into the Bond Fund]. If the Bonds have been fully paid (or provision therefor has been made in accordance with

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"to the Lessee"*

the Indenture), all Net Proceeds shall be paid to the Lessee.

(f) Notwithstanding any other provision of this Section, in any event of damage or destruction when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of the Lessee to restore the Project.

SECTION 7.2. Condemnation. Unless title to, or temporary use of, all or substantially all, or any material portion, of the Project shall have been taken by condemnation and the Lessee shall elect to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof. The County, the Lessee and the Trustee shall cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings, to be paid to and held by the Trustee in a separate trust account, to be applied in one or more of the following ways as shall be directed in writing by the Lessee:

(a) To the restoration of the Project to substantially the same condition thereof as existed prior to the exercise of the said power of eminent domain.

(b) To the acquisition, by construction or otherwise, in the name of the County of improvements consisting of a building or buildings, facilities, machinery, equipment or other properties suitable for the Lessee's operations at the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than as herein provided to the same extent as if such other improvements were specifically described

herein and demised hereby); provided, that such improvements shall be acquired by the County subject to no liens or encumbrances prior to or on a parity with the lien of the Indenture, other than Permitted Encumbrances.

(c) For deposit into the Bond Fund, provided that the Lessee shall furnish to the County and the Trustee a certificate of an Independent Engineer acceptable to the County and the Trustee stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (iii) that improvements have been acquired which are suitable for the Lessee's operations at the Project as contemplated by the foregoing subsection (b) of this Section.

Unless the lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof within ninety days from the date of entry of a final order in any eminent domain proceedings granting condemnation, the Lessee shall direct the County and the Trustee in writing as to which of the ways specified in this Section the Lessee elects to have the condemnation award applied.

Any balance of the Net Proceeds of the award in such eminent domain proceedings shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), all Net Proceeds shall be paid to the Lessee.

The County shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and shall, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and

behalf of the County. In no event shall the County voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

Notwithstanding any other provision of this Section, in any event of condemnation when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of Lessee to restore or repair the Project.

SECTION 7.3. Condemnation of Lessee-Owned Property.

The Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or takings of its own property not included in the Project (except for damages for the value of its leasehold estate under this Agreement which shall be disposed of pursuant to Section 7.2 hereof).

ARTICLE VIII

SPECIAL COVENANTS, IMPROVEMENT BONDS

SECTION 8.1. No Warranty of Condition or Suitability by the County. The County makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Lessee's purposes or needs.

SECTION 8.2. County's and Trustee's Right of Access to the Project. The Lessee agrees that the County, the Trustee and the duly authorized agents of each of them shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Project, including such rights of access to the Project as may be reasonably necessary for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The rights of access hereby reserved to the County and the Trustee may be exercised only after any such agent shall have executed release of liability and secrecy agreements in the form then currently used by the Lessee. However, nothing contained in this Section 8.2 or in any other provision of this Agreement shall be construed to entitle the County or the Trustee to any information or inspection involving the confidential know-how of the Lessee.

SECTION 8.3. Lessee to Maintain its Corporate Existence, Conditions Under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another corporation organized under the laws of one of the States of the United States, to consolidate with or merge into it, or

sell or otherwise transfer to another such corporation, all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of the Lessee under this Agreement; in which event the County shall release in writing, concurrently with and contingent upon such assumption, the Lessee from all liability hereunder, and provided that prior to such sale, transfer, consolidation or merger the Trustee shall be furnished a certificate from the chief financial officer of Lessee or his deputy stating that in the opinion of such officer none of the covenants contained in this Agreement will be violated as a result of such sale, transfer, consolidation or merger.

SECTION 8.4. Qualification in South Carolina. The Lessee warrants that it is, and throughout the Lease Term it will continue to be duly qualified to do business in South Carolina.

SECTION 8.5. Release of Certain Land. In addition to the rights granted by Section 11.3 hereof, the parties hereto reserve the right at any time and from time to time to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created hereby of (i) any unimproved part of the Leased Land (on which neither the Building nor any Leased Equipment is situated, but upon which transportation or utility facilities may be situated) on which the County then proposes to construct, or cause to be constructed, improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof under another and different lease agreement or (ii) any part (or interest in such part) of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid there shall be deposited with the Trustee the following:

(a) A copy of the said amendment as executed.

(b) A resolution of the County Board (i) stating that the County is not in default under any of the provisions of the Indenture and the Lessee is not to the knowledge of the County in default under any of the provisions of this Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the Leased Land to be released, (iii) stating the purpose for which the County desires the release, (iv) stating that the said improvements which will be so constructed will be such as will promote the continued industrial development of South Carolina, and (v) requesting such release.

(c) A resolution of the board of directors of the Lessee approving such amendment and a certificate of the president, any vice president or treasurer of the Lessee stating that the Lessee is not in default under any of the provisions of this Agreement.

(d) A copy of any agreement wherein the County agrees to construct, or cause to be constructed, improvements on the portion of the Leased Land so requested to be released and to lease the same, or a copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.

(e) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purposes hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness

of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

And, provided further, if such release relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a manufacturing plant.

If all of the conditions of this Section 8.5 are met, the Trustee shall be authorized to release any such property from the lien of the Indenture.

No release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, free from the lien of the Indenture, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the County agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release, (ii) a written application signed by the president or a vice president or the treasurer of the Lessee requesting such instrument, and (iii) a certificate executed by the president or a vice president or the treasurer of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that

such grant or release will not impair the effective use or interfere with the operation of the Project and will not weaken, diminish or impair the security intended to be given by or under the Indenture. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.7. Indemnification Covenants. (a) Lessee shall and agrees to indemnify and save the County and the Trustee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Lease Term, and, Lessee further, shall indemnify and save the County and the Trustee harmless against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act of negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act of negligence of any assignee or sublessee of Lessee, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of Lessee. Lessee shall indemnify and save the County and the Trustee harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid or in connection with any action or proceeding brought thereon, and upon notice from the County, or the Trustee, Lessee shall defend them or either of them in any such action or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested

of it by the Lessee, or by reason of the County's ownership of the Project or the operation of the Project by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability, then in such event the Lessee shall indemnify and hold harmless the County against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Lessee shall defend the County in any such action or proceeding.

SECTION 8.8. Financial Statements of Guarantor. Lessee is a wholly owned subsidiary of the Guarantor and in and by the Lease Guaranty Agreement, the Guarantor agrees to furnish the County such information respecting the business affairs, operation and financial condition of the Guarantor and its consolidated subsidiaries as may be reasonably requested; and without any request to furnish to the Trustee, and upon request, to the holder of any Bond (a) as soon as available, and in any event at the time the same are made available to the stockholders of the Guarantor, copies of all quarterly and other interim financial statements as the Guarantor shall furnish to its stockholders, and (b) as soon as available, and in any event within one hundred fifty (150) days after closing of each fiscal year of the Guarantor, a copy of the annual audit report (including balance sheets, profit and loss, and surplus statements) of the Guarantor and its consolidated subsidiaries for such fiscal year, all as prepared and certified by independent public accountants of recognized standing; provided, however, that if the annual report of Guarantor to its stockholders shall contain financial statements of

substantially similar detail and similarly prepared and certified, copies of such annual report may be delivered in lieu of the copies of the annual reports referred to herein.

SECTION 8.9. Covenants of Lessee with Respect to Capital Expenditures. The County is issuing the First Series Bonds pursuant to an election made under Section 103(c)(6)(D) of the Internal Revenue Code of 1954, as amended. In order to insure that interest on the First Series Bonds will not become subject to Federal Income Taxes as a result of a violation of the capital expenditures limitation prescribed in said Section 103(c)(6)(D), the Lessee covenants with the County, the Trustee, and with each of the future holders of any First Series Bonds or interest coupons appertaining thereto as follows:

(1) That all rights and privileges granted to the Lessee hereunder shall be exercised in such manner that the covenants made by this Section 8.9 shall be observed, and if any conflict between Section 8.9 and any other provisions in this Agreement shall arise, then in such case, Section 8.9 shall control;

(2) That the Lessee will not commit nor permit the commission of any act which (a) would cause the First Series Bonds not to qualify as, or not to continue to be, an exempt small issue under the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, and (b) would cause interest on the First Series Bonds to become subject to Federal Income Taxes by virtue of the provisions of Section 103(c)(1) of the Internal Revenue Code of 1954, as amended; nor will Lessee fail to take any action necessary to be taken in order that (a) the First Series Bonds shall qualify as, and continue to be, an exempt small issue under the provisions of said Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, and (b) interest on the First Series Bonds will continue to be exempt from Federal Income

*South Carolina
National Bank*
Taxes by virtue of the provisions of Section 103(a)(1) of the
Internal Revenue Code of 1954, as amended; *(Amended)
(October 1, 1973)*

October 1, 1973
October 1, 1973
October 1, 1973
(3) That within 60 days following (i) *January 1, 1974*, and
(ii) the first day of each *January* thereafter to and including
January 1, 1977, the Lessee will furnish to the Trustee a
certificate signed by the Chief Financial officer of the
Lessee or his deputy stating that during the period beginning
July 1, 1973 to such *January 1* (or, in the case of the
January 1, 1977 certificate, to the 3rd anniversary of the
date of the delivery of the First Series Bonds), capital expen-
ditures (including the \$ *1,450,000* principal amount of the First
Series Bonds) in excess of the greater of (a) \$5,000,000, or
(b) the capital expenditures limitation prescribed by said
Section 103(c)(6)(D) if hereafter amended so as to increase
the limitation, have not been paid or incurred with respect to
"facilities" described in Section 103(c)(6)(E) of the Internal
Revenue Code of 1954, in *Greenville* County, South Carolina, of
which the Lessee or a related person as defined in Section
103(c)(6)(C) of the Internal Revenue Code of 1954 is the
principal user; and

(4) That it will comply with the governing regulations
applicable to Section 103 of the Internal Revenue Code of
1954 to the extent that compliance therewith is necessary in
order that interest on the First Series Bonds shall remain
exempt from Federal Income Taxes.

Nothing herein contained shall create any obligation upon
the Lessee as a result of interest on any First Series Bond
become taxable by virtue of the provisions of Section 103(c)
(7) of the Internal Revenue Code of 1954, as amended, or as
a result of the enactment hereafter of legislation which
subjects such interest to Federal Income Taxes.

SECTION 8.10. Improvement Bonds. Subject to the obli-
gations of the County under the Indenture and in particular
Article II thereof, and subject to the provisions of Section
8.9 hereof, the County and the Lessee may hereafter negotiate

one or more amendments to this Agreement pertaining to an increase in the obligations of the County and the Lessee upon an undertaking of the County to provide Additions or Alterations for the Project through the issuance of additional Bonds pursuant to the Indenture and in such instance the Lease Term provided in Section 5.1 may be extended until the maturity date of the last maturing Additional Bonds; provided that no obligation is imposed on County by this Section 8.10 to enter into any such amendment and no such amendment is permitted hereunder which would result either in the breach of the County's agreements pursuant to the Indenture or in the reduction of Lessee's obligations pursuant to this Agreement.

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING; REDEMPTION;
RENT PREPAYMENT AND ABATEMENT; INSTALLATION OF LESSEE'S OWN
MACHINERY AND EQUIPMENT

SECTION 9.1. Assignment and Subleasing. This Agreement may be assigned, and the Project may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of either the County or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 8.3 hereof) or subleasing shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment or subleasing, the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 hereof and for the payment, performance and observance of the other obligations and agreements on its part herein provided to be performed and observed by it.

(b) The assignee or sublessee shall assume in writing the obligations of the Lessee hereunder to the extent of the interest assigned or subleased.

(c) The Lessee shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the County and to the Trustee a true and complete copy of each such assignment or sublease, as the case may be, accompanied by a certificate of an independent certified public accountant and an opinion of Independent Counsel that nothing in the transaction so done has violated any covenant of Section 8.9.

SECTION 9.2. Mortgage of Property by County. The County will mortgage the Project by the Indenture, and assign its interest in and pledge the Lease Rentals pursuant to the Indenture, to the Trustee as security for payment of the principal, premium, if any, and interest on the Bonds, but each such mortgage, assignment or pledge shall be subject and subordinate to this Agreement.

SECTION 9.3. Restrictions on Sale of Project by County.

The County agrees that, except as set forth in Section 9.2 hereof or other provisions of this Agreement or the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project during the Lease Term.

SECTION 9.4. Redemption of Bonds. The County at the

request at any time of the Lessee and, if the same are then subject to redemption, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Lessee, on the earliest redemption date on which such redemption may be made under such applicable provisions.

SECTION 9.5. Prepayment of Rents. There is expressly

reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the County agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments due by reason of the provisions of Section 5.3 hereof.

SECTION 9.6. Lessee Entitled to Certain Rent Abatements

If First Series Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the *First Series* Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the *First Series* Bonds due or to become due through the date on which the last of the *First Series* Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including the last maturity of any bonds, with no obligation to make the rental payments

specified in Section 5.3 hereof during that interval (but otherwise on the terms and conditions hereof).

SECTION 9.7. Installation of Lessee's Own Machinery and Equipment. Subject always to the provisions of Section 8.9, the Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property which may be attached or affixed to the Project. All such machinery, equipment and other personal property shall remain the sole property of the Lessee and the Lessee may remove the same from the Project at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property provided that the same will not diminish or impair the security intended to be given by or under the Indenture. Neither the County nor the Trustee shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 9.7 and all such machinery, equipment and personal property shall be and remain identified as the property of the Lessee by appropriate tags or other markings.

SECTION 9.8. Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, all reference in this Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested. For the purpose of this Agreement the Bonds shall be deemed fully paid:

(a) If there is no default under Section 8.9 and there is on deposit in the Bond Fund a sum sufficient to pay the principal of all the then outstanding Bonds plus the interest due thereon until and at their respective maturities and provision for payment of all Trustee's and paying agents' fees, accrued and to accrue, has been made in a manner satisfactory to the Trustee and such paying agents,

(b) If all of the outstanding Bonds and coupons appertaining thereto shall be deemed to have been paid within the meaning of Section 901 of the Indenture.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure of the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement which are applicable to the payment of the principal of, premium, if any, and interest on the Bonds, at the times specified therein after one day's notice by the Trustee or three days after the due date thereof, whichever date first occurs.

(b) Failure of the Lessee to fulfill its obligation to purchase the Project as provided in Section 12.2 hereof, as a consequence of the violation by the Lessee of any of the covenants set forth in 8.9(2) and 8.9(4) hereof.

(c) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsections (a) and (b) of this Section, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the County or the Trustee, (or in the case of any such default, which cannot with due diligence be cured within such 30-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter to prosecute the curing of such default with due diligence.)

(d) The dissolution or liquidation of the Lessee or the Guarantor or the filing by the Lessee or Guarantor of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability

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of the Lessee to carry on its operations at the Project, or the commission by the Lessee or Guarantor of any act of bankruptcy, or adjudication of the Lessee or Guarantor as a bankrupt, or assignment by the Lessee or Guarantor for the benefit of its creditors, or the entry by the Lessee or Guarantor into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee or Guarantor in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee or Guarantor" as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been met.

The provisions of paragraph (c) of this Section are subject to the following limitations: if by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements of the Lessee on its part herein contained (other than the obligations on the part of the Lessee contained in Article V and Sections 6.3, 6.4, 8.7, 8.9 and 12.2 hereof, to which this paragraph shall have no application), the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United

States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee, it being agreed that the settlement of strikes, lockouts, and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Lessee, unfavorable to the Lessee.

SECTION 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be subsisting, the County may take any one or more of the following remedial steps:

(a) The County or the Trustee as provided in the Indenture may, at its option, declare all installments of rent payable under Section 5.3 hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts Lessee hereby agrees to pay.

(b) The County, with the prior written consent of the Trustee, may re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

(c) The County, with the prior written consent of the Trustee may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other amounts payable by the Lessee hereunder.

(d) In the event any of the Bonds shall at the time be outstanding and unpaid, the County may have access to and inspect, examine and make copies of the books and records and any and all accounts, similar data and income tax and other tax returns of the Lessee.

(e) The County may take whatever action at law or in equity may appear necessary or desirable to collect the rent and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the Lessee is then in good standing with respect to the payment of rent hereunder and shall have paid the County and the Trustee all other sums due and owing hereunder, to the Lessee.

No action taken pursuant to this Section (including repossession of the Project or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Section 5.3, Section 10.2(a) and Section 12.2 hereof, all of which shall survive any such action, and the Lessor may taken whatever action at law or in equity as may appear necessary and desirable to collect the rent and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligation, agreement or covenant of the Lessee hereunder.

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SECTION 10.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 10.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of this Agreement and the County or the Trustee should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the County or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the County or the Trustee.

SECTION 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived, and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS IN FAVOR OF THE LESSEE

SECTION 11.1. Options to Terminate. The Lessee shall have, and is hereby granted, the following options to terminate the Lease Term:

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the Lease Term (i) by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption and Trustee's and paying agents' fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, (ii) by paying to the County any and all sums then due to the County under this Agreement, and (iii) by giving the County notice in writing of such termination, and such termination shall forthwith become effective.

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of any and all sums then due to the County under this Agreement, the Lessee may terminate the Lease Term by giving the County notice in writing of such termination and such termination shall forthwith become effective.

SECTION 11.2. Option to Purchase Project Prior to Payment of the Bonds. The Lessee shall have, and is hereby granted, the option to purchase the Project prior to the full

payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) if any of the events set forth in the following clauses shall have occurred:

(a) The Building or the Leased Equipment shall have been damaged or destroyed (i) to such extent that it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of six months, or (iii) to such extent that the cost of restoration thereof would exceed by \$ 100,000 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4(a) and Section 6.4(b) hereof, plus the deductible amounts for which the Lessee is self-insured with respect to the Project.

(b) Title to, or the temporary use of, all or substantially all the Project, or such part thereof as shall materially interfere, in Lessee's judgment, with the operation of the Project for the purpose for which the Project is designed, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of six months).

(c) As a result of any changes in the Constitution of South Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest

thereof by the Lessee in good faith, this Agreement shall have become void or unenforceable or impossible in accordance with the intent and purposes of the parties as expressed in this Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the County or the Lessee in respect to the Project including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement.

To exercise such option, the Lessee shall, within ninety days following the event authorizing the exercise of such option, give written notice to the County, and to the Trustee if any of the Bonds shall then be unpaid, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture, shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be the sum of the following:

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to retire and redeem all the then outstanding Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, including without limitation, principal, all interest to accrue to said redemption date and redemption expense, plus

(2) An amount of money equal to the Trustee's and paying agent's fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus

(3) The sum of one dollar, and any and all other sums then due to the County under this Agreement.

In the event of the exercise of the option granted in this Section any Net Proceeds of insurance or condemnation shall be paid to the Lessee simultaneously with the conveyance prescribed by Section 11.4 hereof.

SECTION 11.3. Option to Purchase Unimproved Land. If no event of default under this Agreement shall have happened and then be continuing, the Lessee shall have, and is hereby granted the option to purchase any part of the Leased Land on which neither the Building nor any Leased Equipment is located, but upon which transportation or utility facilities may be located, at any time and from time to time at and for the purchase price set forth in Exhibit A to this Agreement provided that it furnishes the County with the following;

(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Land with respect to which such option is to be exercised, (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Land on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice and (iii) a statement that the use to which the Lessee intends to devote such portion of the Leased Land will promote the continued industrial development of South Carolina.

(b) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the pur-

poses hereinabove stated, and (ii) the purchase will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in Exhibit A to this Agreement.

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the County will promptly deliver such money to the Trustee for deposit in the Bond Fund, and secure from the Trustee a release from the lien of the Indenture of such portion of the Leased Land with respect to which the Lessee shall have exercised the option granted to it in this Section. In the event the Lessee shall exercise the option granted to it under this Section, the Lessee shall not be entitled to any abatement or diminution of the rents payable under Section 5.3, and if such option relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project.

SECTION 11.4. Conveyance on Exercise of Option to Purchase. At the closing of any purchase pursuant to any option to purchase granted herein, the County shall upon receipt of the purchase price deliver to the Lessee the following:

(a) If necessary, a release from the Trustee of the property with respect to which the option was exercised from the lien of the Indenture.

(b) Documents conveying to the Lessee good and marketable title to the property being purchased as such property then exists, subject to the following:

(i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County; (ii) those liens and encumbrances created by

the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (iv) Permitted Encumbrances other than the Indenture and this Agreement; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

SECTION 11.5. Relative Position of Options and

Indenture. The options respectively granted to the Lessee in this Article except under Section 11.3 hereof shall be and remain prior and superior to the Indenture and may be exercised whether or not the Lessee is in default hereunder, provided that no such default will result in non-fulfillment of any condition to the right of the Lessee to obtain a conveyance of the Project by making the payments required hereunder.

ARTICLE XII

ADDITIONAL OBLIGATIONS OF LESSEE AND COUNTY

SECTION 12.1. Obligation to Purchase Project. The

Lessee hereby agrees to purchase, and the County hereby agrees to sell, the Project for one dollar, and any and all sums then due to the County under this Agreement, at the expiration or sooner termination of the Lease Term following full payment of the Bonds, or provision for payment thereof having been made, in accordance with the provisions of the Indenture. At the closing of the foregoing purchase, the County shall deliver to the Lessee the documents referred to in Section 11.4 hereof. The right to purchase granted in this Section shall be and remain prior and superior to the Indenture and may be exercised whether or not the Lessee is in default hereunder provided that no such default will result in nonfulfillment of any condition to this right.

SECTION 12.2. Lessee's Obligation to Purchase Project Under Certain Circumstances.

(a) Should Lessee be unable to provide the certificate and opinion required by Section 8.9(3), or

(b) Should, subject to the proviso in the paragraph following (b) of this Section 12.2, by reason of any actual or claimed violation of any covenant set forth in Section 8.9 (2) or Section 8.9(4) (whether through act of the Lessee or circumstances not under Lessee's control or otherwise) interest on the First Series Bonds be determined by:

(i) the National Office of the Internal Revenue Service of the United States Treasury Department, or

(ii) the District Director of Internal Revenue for the District in which the lessee files the statements required by the governing regulations referred to in Section 8.9(4) hereof, or

(iii) any court of competent jurisdiction,

(such determination by (i), (ii), or (iii) being hereafter referred to in this Section 12.2 as the "official determination")

to be subject to Federal Income Tax by reason of a violation (actual or claimed) of the capital expenditure limitation prescribed in Section 103(c)(6)(D) of the Internal Revenue Code of 1954, then in the event of the occurrence of either (a) or (b), the Lessee agrees to purchase, in full discharge of all liability hereunder, the Project within thirty days after such official determination at a purchase price equal to the principal amount of all First Series Bonds then outstanding, plus accrued interest to the redemption date and a redemption premium computed in the manner prescribed in Section 12.4, plus any expenses of redemption and the Trustee's and paying agents' fees and charges, but after the deduction of the amount, if any, then in the Bond Fund. The obligation of the Lessee under this Section 12.2 shall survive any termination of the Lease Term.

Provided, that the Lessee may in good faith to the extent permitted by law, contest, at Lessee's expense, any such official determination, in which event, at Lessee's option the performance of its obligation to purchase pursuant to the foregoing provisions of this Section 12.2 as a result of such official determination may be postponed for two years from the date of Lessee's receipt of written notice regarding such official determination, but in no event shall the performance of Lessee's obligation to purchase be postponed beyond the expiration of such two year period, even though any such litigation or contest shall not then be completed or terminated. If such official determination is reversed or withdrawn by competent authority within such two year period, Lessee shall be relieved of such obligation to purchase.

At the closing of any such purchase of the Project pursuant to this Section, the County shall deliver to the Lessee the documents referred to in Section 11.4. The purchase price shall be applied, together with other available moneys in the Bond Fund, to the redemption of the Bonds on the earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, and to

the payment of any redemption premium required by Section 12.4 on account of previously paid First Series Bonds.

SECTION 12.3. Obligation of Lessee Further Defined.

The parties recognize that the First Series Bonds are being issued as tax free obligations by virtue of an election made under Section 103(c)(6)(D) of the Internal Revenue Code of 1954, and that circumstances (not now contemplated or anticipated) may hereafter result in a determination as provided in Section 12.2 (which may be disputed) that interest on the First Series Bonds is subject to Federal Income Tax by reason of a violation (actual or claimed) of the capital expenditures limitation prescribed in Section 103(c)(6)(D) of the Internal Revenue Code of 1954. It is the intention of the parties hereto that subject to the proviso in the paragraph following (b) of Section 12.2, the Lessee, in the event of such a determination, shall provide each person who is a holder of a *First Series* Bond on the occasion as of which interest on the *First Series* Bonds becomes (or is determined as provided in Section 12.2 to be) taxable, as a result of any actual or claimed violation of Section 103(c)(6)(D) of the Internal Revenue Code of 1954, with the relief prescribed in Section 12.2 and Section 12.4 hereof, without regard to the final outcome of any dispute, and such determination as prescribed in Section 12.2 shall be conclusive even though it might be thereafter determined by Court order, ruling or otherwise that interest on the *First Series* Bonds was, in fact, not subject to Federal Income Taxes.

SECTION 12.4. Computation of Additional Redemption

Premium. In the event the Lessee is required to purchase the Project by virtue of the provisions of Section 12.2, the redemption premium payable shall be the aggregate of the premiums computed on each *First Series* Bond outstanding on the date as of which interest on the *First Series* Bonds becomes taxable, (or is determined in accordance with Section 12.2 hereof, to be taxable) such date being hereafter referred to

in this Section 12.4 as the "taxable date", as follows: the sum of (a) a redemption premium in the amount of 8% of the principal amount and (b) an additional redemption premium determined by multiplying one per cent (1%) of the principal amount of such First Series Bond by the number of 180-day periods, or fraction thereof, between the taxable date and the date of redemption or the earlier payment date of any First Series Bond which shall have been paid (whether at maturity or by redemption) subsequent to the taxable date and prior to the redemption date; provided, however, that the additional redemption premium computed under this clause shall not exceed, in the case of any *First Series* Bond, 8% of the principal amount thereof and shall be reduced by the amount of any optional redemption premium previously paid on any First Series Bond. On the occasion of the purchase of the Project pursuant to the requirements of Section 12.2 the purchase price paid by Lessee shall include the premium above prescribed so that each person who is the holder of any *First Series* Bond on the occasion when the same was paid (whether at maturity or by redemption) prior to the redemption date but subsequent to the taxable date shall receive a premium on each such Bond computed according to the provisions of this Section 12.4.

in this Section 12.4 as the "taxable date", as follows: the sum of (a) a redemption premium in the amount of 8% of the principal amount and (b) an additional redemption premium determined by multiplying one per cent (1%) of the principal amount of such First Series Bond by the number of 180-day periods, or fraction thereof, between the taxable date and the date of redemption or the earlier payment date of any First Series Bond which shall have been paid (whether at maturity or by redemption) subsequent to the taxable date and prior to the redemption date; provided, however, that the additional redemption premium computed under this clause shall not exceed, in the case of any *First Series* Bond, 8% of the principal amount thereof and shall be reduced by the amount of any optional redemption premium previously paid on any First Series Bond. On the occasion of the purchase of the Project pursuant to the requirements of Section 12.2 the purchase price paid by Lessee shall include the premium above prescribed so that each person who is the holder of any *First Series* Bond on the occasion when the same was paid (whether at maturity or by redemption) prior to the redemption date but subsequent to the taxable date shall receive a premium on each such Bond computed according to the provisions of this Section 12.4.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Quiet Enjoyment. The County agrees so long as the Lessee shall fully and punctually pay all of the rents and other amounts provided to be paid hereunder by the Lessee, and shall fully and punctually perform all of its other covenants and agreements hereunder, that the Lessee shall peaceably and quietly have, hold and enjoy the Project during the Lease Term.

SECTION 13.2. Surrender of Project. Except as otherwise provided in this Agreement at the expiration or sooner termination of the Lease Term, the Lessee agrees to surrender possession of the Project peaceably and promptly to the County in as good condition as at the commencement of the Lease Term, ordinary wear, tear and obsolescence only excepted.

SECTION 13.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows: if to the County, to the *Chairman of the County Council*
Greenville, S.C. ; if to the Lessee, at

, Attention: ;

if to the Trustee, at ,

Attention: Corporate Trust Officer; if to the Guarantor,
at , Attention:

. The County, the Lessee, the Guarantor and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 13.4. Recording and Filing.

(a) This Agreement as originally executed shall be recorded prior to the recordation of the Indenture. It shall be recorded and indexed as a miscellaneous conveyance and as a security agreement in

the appropriate office of the County in which the Project is located or in such other office as may at the time be provided by law as the proper place for recordation thereof. The security interest of the County created herein as to any personal property, equipment and fixtures forming a part of the Project shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions, in the appropriate office of the County in which the Project is located, and in the Office of the Secretary of State in the City of Columbia, South Carolina. The parties further agree that all necessary continuation statements shall be filed within the time prescribed by the South Carolina Uniform Commercial Code--Secured Transactions in order to continue the security interests created by this Agreement, to the end that the rights of the holders of the *First Series* Bonds and the Trustee in the Project shall be fully preserved as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The deed conveying the Leased Land to the County, this Agreement and the Indenture may be recorded prior to the delivery of the *First Series* Bonds. If subsequent to such recording the *First Series* Bonds shall not be delivered on or before the date prescribed in Section 4.2 hereof, or such later date as the Lessee may agree upon in writing, then the said deed, this Agreement and the Indenture shall be of no force and effect and in such event the County and the Lessee do hereby mutually release and discharge each other from any and all claims of any character which either may have against the other by reason of or arising from a failure to deliver the *First Series* Bonds; and all properties conveyed to the County by the said deed and for the same consideration paid by the County less any

advances made therefor or on behalf of the Lessee. All parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

(a) The Lessee covenants to deliver to the County and the Trustee within 60 days after *January 1, 1974*, after each *January 1* thereafter until the Completion Date, after the Completion Date and after the close of each fiscal year of the Lessee following the Completion Date, a description of the Project on such *January 1*, Completion Date or such last day of a fiscal year, as appropriate, if the Project is not adequately described in the granting clauses of the Indenture as then supplemented, and in the demising clauses of this Agreement as then amended. Such description shall be sufficiently detailed so as to enable counsel to render the opinion referred to in clause (4) of the next succeeding sentence. Within 30 days after delivery of such description the Lessee covenants that it will:

(1) prepare a supplement to the Indenture and an amendment to this Agreement, each containing an adequate and full description of the Project;

(2) deliver the supplement to the Indenture to the Trustee and the County and the supplement to this Agreement to the County for execution;

(3) deliver the fully executed supplement to the Indenture and the fully executed supplement to this Agreement to the Trustee for recording and filing or re-recording or re-filing in all places required by the opinion of counsel referred to in Clause (4) of this subsection (a) of this Section 13.4; and

(4) deliver to the Trustee a written opinion of counsel (who may be counsel for the County or

the Lessee), addressed to the Trustee that the description of the Mortgaged Property (as defined in Article I of the Indenture) contained in the granting clauses of the Indenture, as supplemented, and the description of the Project contained in the demising clauses of this Agreement, as supplemented, are adequate for all purposes thereof and hereof and in the opinion given with respect to the Completion Date, that such descriptions include descriptions of the entire Project; that the Indenture, as supplemented, constitutes a valid first mortgage lien on the interest of the County in the said Mortgaged Property, subject only to Permitted Encumbrances other than the Indenture; that the Indenture, as supplemented, this Agreement, as supplemented and all financing statements, continuation statements, notices and other instruments required by applicable law have been recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the holders or owners of the First Series Bonds and the Trustee in the Project (and in the assignment to the Trustee of Lease Rentals payable under this Agreement) as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The Lessee, the County and the Trustee shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable by such counsel in order to enable him to render the opinion referred to in subsection (a)(4) of this Section 13.5. The Trustee shall file and record and re-record or cause to be filed and recorded and re-recorded all instruments required to be filed and recorded and re-recorded pursuant

to the opinion of such counsel and shall continue or cause to be continued the liens of such instruments for so long as the First Series Bonds shall be outstanding, except as otherwise in this Agreement required.

SECTION 13.6. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Lessee and their respective successors and assigns, subject, however, to the provisions of Sections 8.3, 9.1, 9.2 and 9.3 hereof.

SECTION 13.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 13.8. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

SECTION 13.9. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Trustee.

SECTION 13.10. Net Lease. This Agreement shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those herein expressly provided.

SECTION 13.11. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which

shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.12. Law Governing Construction of Agreement.

This Agreement is prepared and entered into with the intention that the laws of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, *Greenville* COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of its *County Council* and the official seal of said County Board to be impressed hereon and attested by the Secretary of said County Board; and *Conn Organ Corp.* has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done as of the day and year first above written.

Greenville COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman,

Attest:

Signed, Sealed and Delivered in the
Presence of:

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and Delivered in
the Presence of:

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STATE OF SOUTH CAROLINA

COUNTY OF

PERSONALLY appeared before me _____
who being duly sworn, deposes and says that (s)he saw the corporate seal of *Greenville* County, South Carolina, affixed to the foregoing Lease Agreement, and that (s)he also saw _____ as Chairman and _____ as Secretary of the *County Council*, sign and attest the same and that (s)he with _____ witnessed the execution and delivery thereof as the act and deed of the said *Greenville* County, South Carolina.

SWORN to before me this

_____ day of _____ A.D., 197 .

_____(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA.
My Commission expires:_____.

STATE OF
COUNTY OF

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal of
Conn Organ Corporation affixed to the foregoing Lease
Agreement, and that (s)he also saw _____ as
President and _____ as Secretary of said Corpo-
ration, sign and attest the same, and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said

SWORN to before me this

_____ day of _____, A. D., 197 .

(LS)
NOTARY PUBLIC FOR STATE OF
My Commission expires: _____.

EXHIBIT "A"

(Attached to Lease Agreement between Greenville County, South Carolina, and Conn Organ Corporation, dated as of 1, 1973.)

DESCRIPTION OF LEASED LAND

ALL that piece, parcel or tract of land, consisting of 16.11 acres, situate, lying and being on the southwestern side of Buncombe Road and the southeastern side of Suber Mill Road, near the City of Greer, in the County of Greenville, State of South Carolina, as shown on a plat entitled "Property of Benjamin F. Few, Jr. and Elizabeth F. Penfield near Greer, S. C.," made by C. O. Riddle, RLS, March 30, 1973 (revised May 14, 1973) and recorded in the RMC Office for Greenville County in Plat Book 5A at page 46, and having according to said plat the following metes and bounds:

BEGINNING at an iron pin on the southeastern side of the right of way of Suber Mill Road, corner of property of Walter W. Dillard, and running thence with the southeastern side of Suber Mill Road N. 58-40 E. 854.1 feet to its intersection with the southwestern side of Buncombe Road; thence with the southwestern side of Buncombe Road S. 33-25 E. 879.5 feet to the corner of property of Mildred S. Dillard; thence with the line of property of Mildred S. Dillard S. 35-01 W. 563 feet to an iron pin, corner of property of Walter W. Dillard; thence with the line of property of Walter W. Dillard N. 49-51 W. 1165 feet to an iron pin on the southeastern side of Suber Mill Road, the point of beginning.

BEING the identical property conveyed to Conn Organ Corporation by deed from Benjamin F. Few, Jr. and Elizabeth Few Penfield, dated May 17, 1973, recorded June 8, 1973, in Deed Book 976, page 319, RMC Office for Greenville County, S. C.

SIZE OF BUILDING TO BE CONSTRUCTED ON LEASED LAND IN TERMS OF SQUARE FOOTAGE: _____.

AMOUNT OF TITLE INSURANCE TO BE OBTAINED PURSUANT TO SECTION 3.3.
\$779,481.00.

RELEASE PAYMENT TO BE MADE FOR RELEASE OF LEASED LAND PURSUANT TO SECTION 11.3: \$7,000 per acre.

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to Lease Agreement between _____ County, South
Carolina, and _____, dated as of _____ 1, 197 .

ASSIGNMENT OF LEASE AGREEMENT
AND LEASE GUARANTY AGREEMENT

STATE OF SOUTH CAROLINA

COUNTY OF

KNOW ALL MEN BY THESE PRESENTS, that *Greenville* County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through *the County Council of Greenville County* in consideration of the sum of One Dollar (\$1.00) to it in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, has assigned, transferred and set over unto _____

✓
_____, as Trustee under that certain Trust Indenture dated as of 1, 1973, between *Greenville* County and said _____, as Trustee, and its successors in trust:

(a) All of the right, title and interest of said *Greenville* County in and to the foregoing Lease Agreement dated as of 1, 1973, between said *Greenville* County, as Lessor, and *Comm. Organ Corporation*, as Lessee.

(b) All of the right, title and interest of said *Greenville* County in and to the foregoing Lease Guaranty Agreement dated as of 1, 1973, between the said _____, and *Greenville* County, South Carolina.

This Assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of 1, 1973, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein, the Trust Indenture being intended to be duly recorded immediately.

IN WITNESS WHEREOF, *Greenville* County, South Carolina, has executed this Assignment by causing its name to be hereunto

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subscribed by the Chairman of the County Council of Greenville County
and the official seal of said Greenville County to
be impressed hereon and attested by the Secretary of the said
County Council all being done as of the
day of _____, 1973.

COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman

Attest:

Secretary

Signed, Sealed and Delivered
In the Presence of:

STATE OF SOUTH CAROLINA
COUNTY OF

PERSONALLY appeared before me _____ who
being duly sworn, says that (s)he saw the corporate seal of
Greenville County, South Carolina, affixed to the foregoing
Assignment of Lease Agreement and Lease Guaranty Agreement,
and that (s)he also saw _____, as Chairman, and
_____, as Secretary of the *County Council of*
Greenville County, sign and attest the same, and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said *Greenville* County,
South Carolina.

SWORN to before me this

___ day of _____, A. D., 197 .

_____(LS)

NOTARY PUBLIC FOR SOUTH CAROLINA.

My Commission expires:_____.

MASTER
1

GUARANTY AGREEMENT

By And Among

Macmillan, Inc.

And

South Carolina National Bank

as Trustee

Dated as of October 1, 1973

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT made and entered into as of the first day of October, 1973, by and among Greenville COUNTY (hereinafter referred to as the "County"), acting by and through its County Council, the governing body of the County (hereinafter referred to as the "County Board") and Macmillan, Inc., a Delaware corporation (hereinafter referred to as the "Guarantor") and South Carolina National Bank, as trustee, a bank organized and existing under the laws of South Carolina together with any successor trustee, at the time serving as such under the Trust Indenture referred to below ("Trustee"):

WITNESSETH:

WHEREAS, arrangements have been made for sale by the County, of \$ 1,450,000 principal amount of its First Mortgage Internal Revenue Bonds, Series 1973, (Conn Organ Corp. - Lessee) (hereinafter referred to as the "BONDS"); and

WHEREAS, the Bonds are to be issued under and pursuant to a Trust Indenture dated as of the date hereof by and between the County and the Trustee ("Indenture"); and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be applied to the acquisition and construction of certain industrial facilities ("Project"), located in the County for lease to Conn Organ Corporation ("Lessee") pursuant to a Lease Agreement dated as of the date hereof ("Lease"); and

WHEREAS, the County may, pursuant to the Indenture, issue in the future additional bonds for the purpose of defraying the costs of completing, improving or expanding such industrial facilities; and

WHEREAS, the Guarantor desires that the County issue the Bonds and apply the proceeds for the purposes described above and is willing to enter into this Guaranty Agreement in order to provide an inducement to the purchase of the Bonds and interest coupons appertaining thereto by all who shall at any time become holders thereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the Guarantor does hereby covenant and agree with the County and the Trustee as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF GUARANTOR

SECTION 1.1. Guarantor does hereby represent and warrant that it is a corporation duly incorporated in the State of its incorporation and is in good standing under the laws of the State of South Carolina, has power to enter into and perform this Guaranty Agreement, has duly authorized the execution and delivery of this Guaranty Agreement by proper corporate action and that such execution and delivery does not contravene or constitute a default under any agreement, instrument or indenture or any provision of its certificate of incorporation or any other requirement of law.

ARTICLE II

COVENANT AND AGREEMENTS

SECTION 2.1. The Guarantor hereby unconditionally guarantees to the County and Trustee (a) the full and prompt payment of the principal of and premium, if any, on each Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption

or otherwise, and (b) the full and prompt payment of interest on each Bond as and when the same shall become due, and agree, in the event of any failure of the County to make such payments of principal, interest and premium, if any, when due, to make such payments to the Trustee. All payments by the Guarantor shall be paid in lawful money of the United States of America. Each and every default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

SECTION 2.2. The Guarantor hereby unconditionally guarantees to the County and the Trustee the full and prompt performance and observance of each and all of the covenants and agreements required to be performed and observed by the Lessee under the terms of the Lease. Each and every default under the Lease shall give rise to a separate cause of action hereunder as each cause of action arises.

SECTION 2.3. The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid, or duly provided for, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to, or the consent of the Guarantor:

(a) the waiver, compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the County contained in the Indenture, or of the payment, performance or observance thereof;

(b) the failure to give notice to the Guarantor

of the occurrence of an event of default under the terms and provisions of this Guaranty Agreement.

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the County in the Project referred to in the Lease or any failure of title with respect to the County's interest in the Project or the invalidity, unenforceability or termination of the Lease;

(d) the waiver, compromise, settlement, release or termination of any of the obligations, covenants or agreements of the Lessee under the Lease or of any other lessee under the Lease, or of the payment, performance or observance thereof;

(e) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond owing or payable on such Bond or of the time for performance of any obligations, covenants, or agreements under or arising out of the Lease or the Indenture or the extension or the renewal of either thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Lease or the Indenture;

(g) the taking or the omission of any of the actions referred to in the Lease or the Indenture or of any actions under this Guaranty Agreement;

(h) any failure, omission, delay or lack on the part of the County or Trustee to enforce, assert or exercise any right, power or remedy conferred on the County or the Trustee in this Guaranty Agreement

or the Lease or the Indenture, or any other act or acts on the part of the County, the Trustee or any of the holders from time to time of the Bonds or of the interest coupons appertaining thereto;

(i) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement under bankruptcy or similar laws, composition with creditors or readjustment of, or other similar procedures affecting the Guarantor, or the Lessee, or the County or any of the assets of any of them, or any allegation or contest of the validity of this Guaranty Agreement, or the Lease, or the disaffirmance of the Lease or the Guaranty agreement in any such proceeding;

(j) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement;

(k) the invalidity or unenforceability of the obligations of the Guarantor under this Guaranty Agreement, the absence of any action to enforce such obligations of the Guarantor, any waiver or consent by the Guarantor with respect to any of the provisions hereof or any other circumstances which might otherwise constitute a discharge or defense by the Guarantor, including, without limitation, any failure

or delay in the enforcement of the obligations of the Guarantor with respect to this Guaranty Agreement or of notice thereof; or

(1) the default or failure of the Guarantor fully to perform any of its obligations set forth in this Guaranty Agreement.

SECTION 2.4. No set-off counterclaim, reduction, or diminution of an obligation, or any defense of any kind or nature which the Guarantor has or may have against the County or the Trustee shall be available hereunder to the Guarantor against the Trustee.

SECTION 2.5. In the event of a default in payment of principal of, or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may, and if requested so to do by the holders of 25% in aggregate principal amount of the Bonds then outstanding shall be obligated to, proceed to enforce its rights hereunder and the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the County or the Trustee. All moneys recovered pursuant to this Guaranty Agreement shall be applied in accordance with the Indenture.

As a condition to its taking any action hereunder, the Trustee may require that a satisfactory indemnity be furnished by or at the instance of the Bondholders for the reimbursement of all expenses and to protect it against all liability, except liability which is adjudicated to have

resulted from its negligence or wilful default, by reason of any action so taken.

SECTION 2.6. The Guarantor hereby expressly waives notice from the Trustee or the holders from time to time of any of the Bonds or of the interest coupons appertaining thereto of their acceptance and reliance on this Guaranty Agreement. The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee or the County in enforcing or attempting to enforce this Guaranty Agreement or protecting the rights of the Trustee or the holders of Bonds or coupons appertaining thereto following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 2.7. The Guarantor will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another corporation [or permit one or more other corporations to consolidate with or merge into it,] provided, that the Guarantor may, without violating the agreement contained in this Section, consolidate with or merge into another corporation or partnership, or permit one or more other corporations to consolidate with or merge into another corporation or partnership, [or permit one or more other corporations to consolidate with or merge into it,] or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of the Guarantor in an instrument satisfactory in form and content to the Trustee.

SECTION 2.8. This Guaranty Agreement shall not be deemed to create any right in, or to be in whole or in part for the benefit of any person other than the County, the Trustee, the Guarantor, the holders from time to time of the Bonds and of the coupons appertaining thereto, and their successors and assigns. This Guaranty Agreement may be enforced by or on behalf of the holders of the Bonds or such coupons only by the Trustee in accordance with the provisions of the Indenture.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the issue, sale and delivery of any Bonds by the County. The execution and delivery of this Guaranty Agreement shall not impair or diminish in any respect the obligations of the Lessee under the Lease.

SECTION 3.2. No remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required herein or in the Indenture. In the event any provision contained

SECTION 2.8. This Guaranty Agreement shall not be deemed to create any right in, or to be in whole or in part for the benefit of any person other than the County, the Trustee, the Guarantor, the holders from time to time of the Bonds and of the coupons appertaining thereto, and their successors and assigns. This Guaranty Agreement may be enforced by or on behalf of the holders of the Bonds or such coupons only by the Trustee in accordance with the provisions of the Indenture.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. The obligations of the Guarantor hereunder shall arise absolutely and unconditionally upon the issue, sale and delivery of any Bonds by the County. The execution and delivery of this Guaranty Agreement shall not impair or diminish in any respect the obligations of the Lessee under the Lease.

SECTION 3.2. No remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required herein or in the Indenture. In the event any provision contained

in this Guaranty Agreement should be breached by any party and thereafter duly waived by any other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Guaranty Agreement shall be established by conduct, custom or course of dealing, but solely by an instrument in writing duly executed by the parties to this Guaranty Agreement and only in accordance with the provisions of the Indenture.

SECTION 3.3. This Guaranty Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

SECTION 3.4. The invalidity or unenforceability of any one or more phrases, sentences, clauses or sections in this Guaranty Agreement contained, shall not affect the validity or enforceability of the remaining portions of the Guaranty Agreement, or any part thereof.

SECTION 3.5. For such time as any of the Bonds shall be outstanding, the Guarantor irrevocably designates the Secretary of State of South Carolina, Columbia, South Carolina, as the agent to accept and acknowledge in its behalf service of any and all process in any such suit, action or other legal proceeding brought in any such court, and agrees and consents that in any such suit, action or other legal proceeding service upon the Guarantor, whether or not the Guarantor shall then be doing, or any time shall have done, business

within the State of South Carolina, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and the requirements, of such service in such state.

SECTION 3.6. This Guaranty Agreement is prepared and entered into with the intention that the law of South Carolina shall govern its construction.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be executed in its name and behalf and its corporate seal to be affixed hereto and attested by its duly authorized officers as of the date first above written.

(INSERT NAME OF GUARANTOR)

(SEAL)

By _____

Attest:

Accepted this _____ day of _____,
197_, by _____, as Trustee

By _____
Its

(SEAL)

Attest:

Accepted this _____ day of _____ 1973

By _____ County

(SEAL)

By _____
Chairman

Attest:

Secretary

Accepted this _____ day of _____ 1973

By _____ County

(SEAL)

By _____
Chairman

Attest:

Secretary