

MINUTES OF BUDGET AND CONTROL BOARD MEETING

DECEMBER 23 1975

The Budget and Control Board met on December 23, 1975, at 10:00 a. m. in the Conference Room of the Governor's office with the following members in attendance.

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

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

The following business was conducted.

MINUTES OF THE BUDGET AND CONTROL BOARD MEETING - All members of the Budget and Control Board had previously been furnished with copies of the minutes of the meeting of December 2, 1975. Upon a motion by Mr. Patterson, seconded by Senator Dennis, these minutes were approved as written.

UNIVERSITY OF SOUTH CAROLINA - SPARTANBURG - Senator Paul Moore of Spartanburg, South Carolina appeared before the Budget and Control Board to discuss the situation which presently exists with respect to the construction of library/classroom at the University of South Carolina campus at Spartanburg. Senator Moore advised that if some relief were not given with respect to the capital improvement bond funds for the University of South Carolina - Spartanburg, this Institution would probably lose Federal funds in the amount of \$500,000 which have been allocated for the construction of the library/classroom building by the Department of Health, Education and Welfare and by the Appalachian Commission. He further asked for authority to enter into a contract for the construction of this building and for the Budget and Control Board to then endorse legislation authorizing the issuance of the bonds in question.

Governor Edwards advised Senator Moore that an item of business to be discussed later in the present meeting would probably answer the needs for funds to construct the library/classroom building at the University of South Carolina - Spartanburg and Board members agreed to simply accept this matter as information pending consideration of the capital improvement bond funding which was pending as a later agenda item.

ATTORNEY GENERAL - CHILD SUPPORT PROGRAM - In a letter dated October 31, 1975, Mr. Daniel R. McLeod, Attorney General, advised that his office had been requested by the Department of Social Services to provide the necessary legal services to comply with certain aspects of the Child Support Program. At that time, Mr. McLeod indicated that the establishment of the program would require three regional offices and would call for ten attorneys, three investigators, six legal secretaries and three administrative personnel. At a previous meeting, Budget and Control Board members, after considering this matter, agreed that additional information was needed as to the ultimate cost of the program and the actual benefits to be derived. Therefore, the matter was carried over and the Attorney General's office was requested to furnish further information.

At the present meeting Mr. Raymond Halford, Assistant Attorney General, appeared before the Budget and Control Board to discuss this matter further.

Mr. Halford indicated that after further consideration of this matter, it was agreed that the initial unit for providing these legal services would be based in the Columbia office and that district offices would not be considered until such time as the program had been firmly established and the future staffing needs determined. It was decided that personnel for this unit would be acquired slowly and only to the extent that increased duties demanded.

Mr. Halford stated that it was his understanding that the original

contract for this service would amount to approximately \$250,000 per year but that no new State money would be required by the Department of Social Services. Of the total contract price, the State would bear only twenty-five percent with the balance being furnished by the Federal Government. If the enforcement project is not undertaken, Child Care funds will be reduced by five percent effective January 1, 1977. This reduction would exceed \$1,600,000 based upon 1974-75 receipts.

Board members unanimously approved a motion by Mr. LeaMond, seconded by Mr. Mills, authorizing the Office of the Attorney General to establish the necessary unit for providing legal services for the Department of Social Services under the Child Support Program. The Board also authorized the establishment of new positions as might be needed to staff this unit.

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

GENERAL SERVICES DIVISION - Mr. Furman McEachern, Director of the General Services Division, appeared before the Budget and Control Board to discuss the following items of business.

CRIMINAL JUSTICE ACADEMY - SELECTION OF ARCHITECT -

Acting on behalf of the Criminal Justice Academy Board, Mr. McEachern requested permission to hire the architectural firm of Lyles, Bissett, Carlisle and Wolff for the construction of a four-phase facility which will include a dormitory addition, Hall of Fame, classroom building for driver training and miscellaneous administrative space.

After being assured that all legal requirements for the selection of architects had been met, Budget and Control Board members unanimously approved a motion by Mr. Mills, seconded by Mr. Patterson, authorizing the retaining of the firm of Lyles, Bissett, Carlisle and Wolff for the construction of

the facility at the Criminal Justice Academy.

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

TELEPHONE AND PRINT SHOP REVOLVING FUND - Mr. McEachern reported that for a number of years, his office had maintained a revolving fund for telephone and print shop operations. This fund now has an excess of \$34,000 and he requested permission to spend \$18,000 to purchase a collator for the print shop and authority to return \$16,000 to the General Fund of the State.

Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. Mills, authorizing this request.

DUPLICATING EQUIPMENT - COLLEGE OF CHARLESTON - Mr. McEachern recommended that the College of Charleston be permitted to purchase a table top duplicator. He also stated that the purchase of this piece of equipment would in no way conflict with the printing equipment which was previously authorized by the Budget and Control Board for purchase by the Citadel.

Board members unanimously agreed that this type of equipment was not the type of printing equipment which called for Budget and Control Board approval. Therefore, the matter was simply received as information.

ESTABLISHMENT OF NEW POSITION - RESIDENT ENGINEER - Mr. McEachern reported that, in the past, it has been customary for an architect on any given project to assign a resident engineer to follow the construction. The Division of General Services has found that this is not satisfactory and has employed its own resident engineers who are paid directly out of the project funds. There are currently three engineers on projects under construction and a fourth engineer, Mr. William H. Sample, has been employed

on a temporary basis. Mr. McEachern has now requested permission to employ Mr. Sample on a permanent basis for the life of the contract at a salary of approximately \$15,000 to \$20,000 per year. It is understood that his first assignment would be to the laboratory project at the State Park Health Center and that his salary would be paid from the fees of that project.

Board members unanimously approved a motion by Mr. Leamond, seconded by Mr. Patterson, authorizing this position.

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

PUBLIC SERVICE COMMISSION - RADIO TOWER SITE - The Public Service Commission is in the process of developing a Statewide radio system and the Division of General Services has been asked to handle the engineering and construction of towers which can serve this department as well as other agencies in State Government. A site will be required in Bamberg County and Mr. McEachern requested permission to enter into a twenty-five year lease for a small area for the tower in question. He indicated that this lease would probably cost approximately \$400 per year.

Board members unanimously agreed that a radio system, which could be used by numerous State agencies, was very desirable but felt that more information was necessary with respect to the development of this cooperative effort.

The matter of the tower site in Bamberg County was accepted as information and Mr. McEachern was directed to assemble more data pertaining to the entire project.

BARRIER FREE DESIGN BOARD - During the year 1974, the

General Assembly created a Barrier Free Design Board to work in conjunction with the General Services Division to develop plans to do away with barriers for handicapped individuals in public and private buildings. This Board has now requested permission from the Budget and Control Board to hire the architectural firm of Lyles, Bissett, Carlisle and Wolff as consultants to develop rules and regulations pertaining to this matter. A Federal grant has been obtained to pay the entire cost of this study. It is proposed that the contract with Lyles, Bissett, Carlisle and Wolff would be approximately \$15,500.

Board members unanimously approved a motion by Mr. LeaMond, seconded by Mr. Patterson, authorizing the hiring of the firm of Lyles, Bissett, Carlisle and Wolff for development of rules and regulations pertaining to barrier free designs.

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

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

PROPOSED LEGISLATION - Dr. Mullins reported that proposed legislation has been drafted by the Personnel Division for submission to the Committee on State Employees and Their Employment. The following topics are covered in the legislation and copies of the proposed bills were enclosed for study of the Budget and Control Board members.

- Grievance Law Amendments
- Holiday Law Amendments
- Nepotism
- Sick Leave Amendments

Board members unanimously agreed that they needed further time to study these proposed amendments and asked that they be held until the next meeting. Board members also instructed

Dr. Mullins not to give the proposed legislation to the Committee on State Employees and Their Employment until the Board has had time to give full consideration to this matter.

Copies of the proposed legislation have been retained in these files and are collectively identified as Exhibit V.

REQUEST FOR CIVIL CONTINGENT FUNDS - The Budget and Control Board had previously agreed that a portion of the cost of the salary survey of agency heads, conducted by Hay Associates, would be paid from the Civil Contingent Fund. At the present meeting, Dr. Mullins reported that the total payment due to Hay Associates is \$27,500 and that only \$14,000 can be made available from monies appropriated to his Division. He, therefore, requested that a transfer of \$13,500 be made from the Civil Contingent Fund to the Personnel Division for the purpose of paying Hay Associates.

Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, authorizing this transfer.

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

PUBLIC RAILWAYS COMMISSION - PETITION TO ACQUIRE THE EAST COOPER AND BERKELEY RAILROAD - The South Carolina Public Railways Commission submitted a formal Petition to the Budget and Control Board to approve the acquisition, construction, maintenance and operation of a railroad to be known as the East Cooper and Berkeley Railroad and to enter into an agreement with the Amoco Corporation for the financing of this project.

At the present meeting Mr. Wayne Corley, of the law firm of McNair, Conduros and Corley, appeared before the Budget and Control Board to discuss this matter.

Mr. Corley advised that the law calls for the Budget and Control Board to make three determinations prior to approving the construction of

a railroad. He indicated that first the Board must determine an actual need for a railroad, second all commercial railroads licensed to do business in South Carolina must be given an opportunity to construct this particular line and finally it must be determined that the new line will be self supporting and that no tax money will be used in its construction or operation. Mr. Corley advised that each of these requirements had been fulfilled.

It is estimated that the total cost of this railroad will be approximately \$8,500,000 but the final amount cannot be absolutely determined at this time. In order to begin construction and to acquire the necessary equipment, Amoco has agreed to advance to the Commission funds needed from time to time to provide for the full and prompt payment of any and all debts, charges and expenses incurred by the Commission in connection with the acquisition and construction of the East Cooper and Berkeley Railroad until the project is completed or permanent financing is arranged.

Also, Mr. Corley stated that Amoco will underwrite the operations of the railroad after its completion. However, he admitted that he did not think that the underwriting agreement had been reduced to writing.

Mr. Daniel McLeod, Attorney General for the State of South Carolina appeared before the Budget and Control Board to indicate that, although the documents which had been furnished in this matter had been reviewed by his office, there had not been sufficient time to give these documents adequate study.

Board members unanimously approved a motion by Senator Dennis, seconded by Mr. Mills, to give tentative approval to the Petition of the South Carolina Public Railways Commission contingent upon the development of an agreement, in writing, between the Amoco Corporation and the Public Railways Commission whereby the underwriting of the operations of the East Cooper and Berkeley Railroad by the Amoco Corporation are clearly

set forth. The motion also called for final approval by the Office of the Attorney General of the documents and the agreement.

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

INDUSTRIAL REVENUE BONDS - SPARTANBURG COUNTY - The Budget and Control Board received a Petition from Spartanburg County for authority to issue \$1,000,000 of Industrial Revenue Bonds on behalf of the South Carolina Container Corporation.

After being assured that the documents had been reviewed by the Office of the Attorney General for legal accuracy and the financial statements had been examined by personnel of the State Auditor's office and had been found to be in order, Board members unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, approving this Petition.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA - HOSPITAL RENOVATION PROJECT - The Medical University of South Carolina is presently engaged in a project of hospital renovations at an estimated cost of \$1,150,000. In a letter dated October 15, 1975, Dr. William M. McCord, President of the Medical University, requested authority to increase the project to \$2,164,000 with the additional funds to be provided from the operating monies of the hospital.

Both the new Clinical Sciences Building and the Eye Clinic Building at the Medical University will be completed in the near future and extensive space which is presently occupied by offices and clinics in the hospital building can be made available for patient usage. Administration officials feel that this space should be immediately converted to income producing facilities to forestall any temptation to once again use this space for offices of staff members.

Budget and Control Board members took note of the fact that the Medical University had achieved its eight percent cut, as requested, and felt that it was very desirable that this area be converted to income producing space. The Board, therefore, unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, authorizing the increasing of the hospital renovations project from \$1,150,000 to \$2,164,000 and further approved the use of hospital operating funds for this purpose.

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

DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL - REQUEST TO CONSTRUCT X-RAY BUILDING - On December 20, 1974, the Budget and Control Board gave approval to the Department of Health and Environmental Control for the renovation of the X-Ray Department of the Farmer Building at the State Park Health Center. In a letter dated December 12, 1975, Dr. Kenneth Aycock indicated that it was now deemed advisable to construct a new facility at a cost of \$590,850 rather than to renovate the old X-Ray department. He asked for Board authority to construct this new facility and also to pay for this construction from funds which have been collected from Medicare and Medicaid payments.

Board members unanimously agreed that before approving the construction of this new facility that Dr. Aycock should be asked to appear to furnish information pertaining to the current operations of the State Park Health Center and as to plans for its long range usage. The matter was, therefore, carried over to a subsequent meeting.

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

CIVIL CONTINGENT FUND - INTERPRETER - Section 10-1211 of the SOUTH CAROLINA CODE OF LAWS authorizes the court to retain an interpreter for a deaf individual who might have to appear for a hearing. This law also provides for a decision for the court as to whether the County or the

State must bear the cost of this interpreter.

Judge Wallace Dickerson of the Probate Court of Spartanburg County has directed the State of South Carolina to pay the amount of \$150 to Mr. Patrick Dowling for interpretive services which he performed for Tearle Douglas Rogers.

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

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

MANDATORY RETIREMENT AGE OF SIXTY-FIVE - At its meeting of December 2, 1975, the Budget and Control Board discussed the possibility of lowering the retirement age from seventy to sixty-five and directed Dr. Jack S. Mullins to contact Mr. Purvis Collins of the South Carolina Retirement System to determine what fiscal impact, if any, would be felt by the various Retirement Systems of State Government if the mandatory retirement age for State employees were lowered.

In a letter dated December 8, 1975, Mr. Collins indicated that this reduction of age of retirement would have no significant financial implications with respect to the retirement systems and Dr. Jack Mullins has drafted a proposed bill to accomplish this reduction.

In a discussion of the proposed legislation, Dr. Mullins pointed out that the bill would have the effect of reducing the retirement age from seventy years to sixty-five years. Under the present law, an employee must retire at seventy years of age but can be continued on a yearly basis to the age of seventy-two with approval of his employer and the Budget and Control Board. Under the proposed act the employee must retire at age sixty-five but his employment could be continued on an annual basis to seventy with the approval of his employer and the Budget and Control Board.

Board members unanimously agreed that any change in the retirement law should be considered by the Committee on Retirement Systems.

They, therefore, passed a motion by Senator Dennis, seconded by Mr. Patterson, to accept this matter as information but authorized Dr. Mullins to transmit the proposed legislation to the Committee on Retirement Systems.

A copy of the letter from Mr. Purvis Collins and a copy of the proposed bill have been retained in these files and are collectively identified as Exhibit XII.

CENTRAL PERSONNEL AND PAYROLL SYSTEM FOR STATE GOVERNMENT - At its meeting of November 17, 1975, the Budget and Control Board approved a motion favoring a strong central personnel and payroll system and called for steps to be taken to move as fast as practicable to accomplish this goal. At the present meeting, Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, to establish a committee of the following individuals to develop and implement a Statewide Personnel/ Payroll System.

Phillip L. Latham - State Auditor's Office - Chairman
Joseph Mack - State Personnel Division
William T. Putnam - State Auditor's Office
L. K. Walton - Comptroller General's Office
J. H. Windham - State Treasurer's Office

DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL - HEALTH CARE EXTENSION FUNDS - In a letter dated December 12, 1975, Dr. Kenneth Aycock stated that authority to expend funds for the Health Care Extension Projects should be extended beyond the fiscal year 1975-76. He further indicated that a one year extension of time should be sufficient for this purpose.

Board members agreed that the extension of time should be granted and unanimously approved a motion by Mr. Patterson, seconded by Mr. Leamond, to endorse legislation authorizing this extension.

A copy of Dr. Aycock's letter has been retained in these files and is identified as Exhibit XIII.

MOTOR VEHICLE MANAGEMENT DIVISION - Mr. Allan J. Spence, Director of the Motor Vehicle Management Division, appeared before the Budget and Control Board to discuss the following items.

MOTOR VEHICLE MANAGEMENT MANUAL - At its meeting of December 2, 1975, the Budget and Control Board gave provisional approval to the first draft of the Motor Vehicle Management Manual. Mr. Spence asked that he be given final approval as some agencies were delaying implementation of motor vehicle plans awaiting this action by the Budget and Control Board.

Board members unanimously approved this request and authorized Mr. Spence to implement the actions as set forth in the preliminary draft of the manual.

NEW VEHICLE - EMPLOYMENT SECURITY COMMISSION - Officials of the Employment Security Commission have requested permission to purchase a van which will carry twelve passengers to be used as a mobile office to provide services to migrant and seasonal farm workers. It was further indicated that this vehicle was needed to carry out the directives which were handed down by Judge Richey as a result of a civil action.

Board members requested that this matter be carried over to a subsequent meeting and that information be furnished as to how the van would be used and that some details be provided as to the directive handed down by Judge Richey.

Data pertaining to these matters has been retained in these files and is identified as Exhibit XIV.

WADE QUATTLEBAUM - SALVAGE OPERATIONS - Mr. Wade Quattlebaum appeared before the Budget and Control Board to request permission to conduct salvage operations in the Cooper River to collect sharks' teeth for sale. He agreed that if he were granted a license for the salvaging of fossils that he would furnish to the Budget and Control Board all fossils other than sharks' teeth and that he would pay to the State of South Carolina one-half of the value of any minerals which he brought up. He further agreed that he would not salvage archeological artifacts as he is

now involved in a court action over the revocation of his license for this purpose.

Mr. William Scheele, Director of the South Carolina Museum Commission, was in the audience and Mr. Quattlebaum called upon him to verify the fact that he, Wade Quattlebaum, has cooperated with the Museum Commission and in fact had contributed much to the State of South Carolina. Mr. Scheele confirmed the fact that Mr. Quattlebaum had made contributions to the State Museum from his salvage operations and further endorsed the other statements which had been made by Mr. Quattlebaum. Senator Dennis pointed out that the fact that Mr. Quattlebaum was involved in litigation over his license for the salvaging of archeological artifacts would call for some legal advice from the Office of the Attorney General prior to the Board's granting of authority for further salvage operations of any kind. Board members, therefore, unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, to seek the advice of the Attorney General prior to taking action upon Mr. Quattlebaum's request.

PROGRESS REPORT 1976-77 BUDGET - Mr. P. C. Smith gave a preliminary report of tentative budget recommendations for the fiscal year 1976-77. This report showed estimated available revenue to be \$1,096,422,121 with proposed expenditures of \$1,095,458,400. Mr. Smith pointed out that a balanced budget could be reached by maintaining 1975-76 appropriations after the Budget and Control Board reductions and then by adding only those items which were absolutely essential. He further indicated that to maintain a balance budget there apparently could be no blanket increases for teachers or State employees and that merit raises for State employees would have to be abandoned for the fiscal year 1976-77.

Mr. Smith suggested that it might be possible to include a provision in the law whereby the financial status of State Government could be reviewed at the end of the first six months of the fiscal year 1976-77 and, if the fiscal situation warranted a raise could be give to State

employees and teachers at that time.

Board members unanimously approved a motion by Senator Dennis, seconded by Mr. LeaMond, to accept the tentative budget recommendations for the fiscal year 1976-77 as presented by Mr. Smith.

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

BUDGET REDUCTION - 1975-76 - Mr. P. C. Smith reported that final budget reductions for the fiscal year 1975-76, as ordered by the Budget and Control Board had been accomplished and that proposed expenditures had been reduced by \$61,224,321. He furnished statements outlining all reductions including the individual departments and the amount and percentage of reduction of each.

Board members unanimously accepted this final report and adopted the individual reductions as indicated.

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

FINANCING OF CAPITAL IMPROVEMENT PROJECTS - Mr. P. C. Smith advised Budget and Control Board members that as of June 6, 1975, the State Treasurer had on hand \$23,371,043.48 which represented remaining proceeds from previous capital improvement bond issues. Mr. Smith further indicated that he and Mr. Grady Patterson were of the opinion that these funds might be used for urgent capital improvement projects and that such usage would not be contrary to the law or the court decisions.

A list was furnished to Budget and Control Board members upon which it was recommended that some twenty-eight different projects be funded at a cost of \$23,188,121.61. It was pointed out that approximately \$15,000,000 was recommended for projects which were actually now under contract but these agreements were signed after June 6, 1975. The balance was recommended for projects which are considered to be urgent and are well advanced in the planning stage.

Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. Leamond, authorizing the use of these funds for the recommended projects. However, it was also unanimously agreed that the Budget and Control Board might wish to reconsider the priority of certain projects provided that such reconsideration came before contractual commitments were made.

Data pertaining to this matter, including the list of recommended projects, has been retained in these files and is identified as Exhibit XVII.

SOUTH CAROLINA MUSEUM COMMISSION - CALHOUN PORTRAIT - At a previous Budget and Control Board meeting Mr. William Scheele, Director of the South Carolina Museum Commission, appeared to discuss a possible purchase of a portrait of John C. Calhoun as a young man. No final action was taken by the Board at that time and Mr. Scheele asked to be heard once again on this matter.

Although Mr. Scheele had not been previously scheduled to appear, Budget and Control Board members gave unanimous consent to consider the matter of the Calhoun Portrait at this particular meeting.

Mr. Scheele advised that the Bicentennial Commission had agreed to provide a grant of \$8,000 for the purchase of the portrait of John C. Calhoun provided this money could be matched from other sources. He further indicated that he would need a statement for the Bicentennial Commission as to the amount of matching funds and as to the source from which such funds would be derived.

In answer to a direct question from Mr. Patterson as to the authenticity of the portrait, Mr. Scheele stated that several experts had agreed that the subject was John C. Calhoun and that the artist was Charles Bird King.

He also stated that the Museum Commission could provide \$2,000 from its operating funds which, along with the \$8,000 to be furnished by the Bicentennial Commission, would be enough for the

initial installment on the purchase price of the painting. A balance of \$10,000 would have to be provided during the calendar year 1976.

After further discussion Board members unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, (1) authorizing the Museum Commission to use \$2,000 of its operating expenses toward the purchase of the portrait of John C. Calhoun, (2) urging the Bicentennial Commission to solicit private donations toward the purchase of this portrait, (3) agreeing to endorse a bill in the 1976 General Assembly for the providing of \$10,000 for the purchase of the painting, provided the funds cannot be raised from private donations.

RETIREMENT DIVISION - RESPONSIBILITIES - Board members were advised that at times certain confusion existed as to whether the Retirement Division or the Personnel Division was responsible for the monitoring of records of individual employees for determining facts pertaining to their retirement. This problem is particularly prevalent concerning who has the responsibility of determining age of an employee and official notification to his employer.

Board members took note of the fact that the Retirement System covers more than simply State employees and members unanimously agreed that the Budget and Control Board should look to Mr. Collins as the individual primarily responsible for data pertaining to potential retirees and for the policing of the Retirement System.

CLEMSON UNIVERSITY - INSTITUTION BOND ANTICIPATION NOTE - Mr. Patterson reported that Clemson University had received previous approval for the issuance of approximately \$2,400,000 of State Institution Bonds but would presently like to issue \$1,500,000 in Bond Anticipation Notes. He further indicated that the Institution had demonstrated its ability to finance this obligation and had met all legal tests.

The Budget and Control Board unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, authorizing Clemson University

to issue a State Institution Bond Anticipation Note in the amount of \$1,500,000.

AGENCY PUBLICATIONS - Governor Edwards reported that it had come to his attention that many State agencies are producing and distributing departmental publications, some of which are very elaborate and obviously costly. Board members unanimously agreed that a study should be made of these publications and Governor Edwards appointed a subcommittee composed of Mr. Patterson, Mr. Mills and Mr. LeaMond to work with Mr. Furman McEachern to study the matter and to bring back a report to the full Budget and Control Board.

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION - Governor Edwards reported that a letter had been received from officials of the Horry - Georgetown TEC Board which indicated that that agency intended to defy the rule of the State Board For Technical Education, the State Budget and Control Board and the Attorney General of the State of South Carolina with respect to the payment of salaries to the Director and an Assistant Director of that agency. Governor Edwards further indicated that he wished, on behalf of the Budget and Control Board, to write a letter to the Horry - Georgetown TEC Board to ask that they obey the previous rulings. He also stated that he felt that the Budget and Control Board should initiate court action if this request is ignored.

Governor Edwards furnished a draft of a letter which he proposed to mail to the Horry - Georgetown TEC Board if he received Budget and Control Board approval.

Board members unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, authorizing the Governor to contact the Horry - Georgetown TEC Board with respect to this matter and further, to initiate court action if compliance with the previous Budget and Control Board directive is not obtained.

A copy of the suggested letter has been retained in these files

and is identified as Exhibit XVIII.

BUDGET AND CONTROL BOARD MEETING - Board members unanimously agreed to hold the next regular Budget and Control Board meeting at 10:00 a. m. on the morning of January 6, 1976.

SECRETARY'S NOTE: Budget and Control Board members had been invited to lunch in the Office of the Comptroller General. At this point it was agreed that the Board would adjourn and return at 2:00 p. m. to continue the present meeting.

SECRETARY'S NOTE: The Board meeting was again called to order by Governor Edwards at 2:00 p. m. Members were advised that the additional items of business pertained to personnel matters; and they, therefore, declared themselves in Executive Session by unanimous vote.

EXHIBIT I
DEC 23, 1975

The State of South Carolina



Attorney General
DANIEL R. MCLEOD

Attorney General
Columbia

December 9, 1975

Mr. P. C. Smith, Executive Secretary
Budget and Control Board
State of South Carolina
P. O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

In support of the request from this Office for approval of the staff positions necessary for creation of a Division of Child Support Enforcement, I have requested the Department of Social Services to prepare for us a brief summary detailing the consequences of a failure by the State of South Carolina to have a plan approved by the Department of Health, Education and Welfare (HEW) implementing Title IV-D of the Social Security Act. A copy of this summary, in the form of a letter from Mr. Roy T. Loyd, Chief of the Division of Public Assistance, Department of Social Services, to Mr. Joseph Isaacs of this Office, is attached.

Additionally, I am enclosing an article entitled "Cost--Effectiveness of A Child Support Enforcement Program" which is being distributed by the National District Attorneys Association. This article substantiates the argument that child support enforcement programs can collect more than they spend.

In reviewing my request for approval of the staff positions necessary for creation of a Division of Child Support Enforcement, I urge you to consider the following points. First, the establishment of a child support enforcement agency, either on the state or local level, is prerequisite to approval by HEW of a state plan implementing Title IV-D of the Social Security Act. Second, curtailment of the Aid to Families with Dependent Children (AFDC) Program in South Carolina, now among the lowest in the nation in level of benefits, would be necessitated by any cut in Federal financial participation unless such a cut is avoided through submission of a plan acceptable to HEW. Third, approval of the staff positions necessary for the creation of a Division of Child Support Enforcement involves the expenditure of no unappropriated funds during this fiscal year.

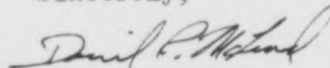
Mr. P. C. Smith

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December 9, 1975

The creation of a Division of Child Support Enforcement within this Office would represent a major step towards transferring responsibility for support of families receiving AFDC benefits from the State to the absent parent. The irresponsibility some parents have shown in the past in regard to the support of their children mandates the creation of such a Division. It will be the avowed purpose of this Division to keep those parents who are capable of supporting their families responsible for doing so.

Sincerely,



Daniel R. McLeod
Attorney General

DRM:pjp

Enclosures

The State of South Carolina



Attorney General
DANIEL R. MCLEOD

Attorney General
Columbia

December 16, 1975

Mr. P. C. Smith, Executive Director
Budget and Control Board
P. O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

Since my first letter to you in regard to the creation of a Division of Child Support Enforcement within this Office, my staff and I have been in the process of re-evaluating various operational aspects of the proposed Division. As a result of this re-evaluation, we have made certain changes in the plan I earlier submitted to you.

We have concluded that it would be impractical to begin operations of the Division with three regional offices as originally planned. Instead, the Division will conduct its statewide operations from one central office in Columbia. This Office will be responsible for the establishment and enforcement of child support obligations throughout the State.

In regard to the staffing of the proposed Division, the figures set forth in my first letter to you represent the maximum personnel estimates for the Division once the child support program has become fully operational throughout the State. The initial staff will be substantially below these estimates. I believe it to be of vital importance, however, that we have some degree of flexibility in adjusting the size of the staff of the Division according to need as the program expands throughout the State. While there can be no doubt that the Division will have a substantial workload, precision in estimating the potential workload of individual attorneys in the Division is impossible at this time. With this in mind, I am requesting authorization for personnel at a level which will provide some degree of flexibility in the orderly growth of the Division.

Mr. P. C. Smith
December 16, 1975
Page Two

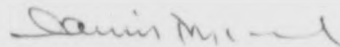
Questions have been raised as to why the child support program is going to be under this Office rather than under the individual circuit solicitors. Without doubt, there would be great merit to placing the program, under the solicitors rather than this Office. However, since the vast majority of the work of the Division will be civil litigation, the solicitors cannot be compelled to handle the program. Moreover, the solicitors are occupied in nearly every instance with heavy criminal dockets and this workload will increase in the future. Most of them are engaged full-time in criminal prosecution and ultimately all of them will be exclusively concerned with criminal matters.

Consideration will be made where possible, for subcontracting with the solicitors, if feasible. No commitment, however, can be made on this question at this time.

In conclusion, allow me again to call your attention to the fact that the federal government will be providing seventy-five per cent (75%) of the funds necessary for operating the child support enforcement program. No additional appropriations to this Office is necessary for this program. The State's twenty-five per cent (25%) matching funds are being provided by existing Department of Social Services funds. While no one can give an absolute assurance of continued federal funding for any program, I am confident that the federal government will continue to provide funding at the current level for the foreseeable future. Let me emphasize to you that these federal funds are not "seed" money but part of a continuing grant of funds to the State under the Social Security Act.

Mr. Raymond G. Halford and Mr. W. Joseph Isaacs of this Office will be available during the meeting of the Budget and Control Board on December 23, 1975, to provide any additional information that may be necessary.

Sincerely,



Daniel R. McLeod
Attorney General

DRM:pjp

Mr. P. C. Smith
December 16, 1975
Page Two

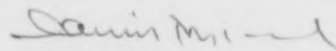
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Sincerely,



Daniel R. McLeod
Attorney General

DRM:pjp

R. Archie Ellis
Commissioner

South Carolina
Department of Social Services
December 4, 1975



Mr. Joseph Isaacs
Office of the Attorney General
Post Office Box 11549
Columbia, South Carolina 29211

Dear Mr. Isaacs:

In reply to your inquiry of November 25, 1975, we have prepared the following statistics:

1. The Department of Social Services conducted a study of cases receiving Aid to Families with Dependent Children (AFDC). It was found that 7.8% of those cases receiving assistance also receive support from one or more absent parents with an average child support payment of \$22.81 per child.
2. Departmental statistics show that there is an average of 3.21 persons per AFDC case with 2.38 of these being children. Therefore, an average amount of child support would be \$54.29 per case ($\22.81×2.38).
3. Present AFDC standards provide that a family of 3.21 with a \$54.29 child support payment would receive an assistance payment of \$71.28 per month.

Under the State plan for Title IV-D, that same family would receive an assistance payment of \$100.54 per month with the State retaining the \$54.29 child support payment.

4. The State would distribute the \$54.81 as follows:

- a. Until September 30, 1976,
40% of first \$50.00 to family
45 CFR 302.51(b)(1) \$20.00
- b. State and Federal Retention
45 CFR 302.51(b)(2) \$34.29
 - (1) State share approximately 33% \$11.31
 - (2) Federal share approximately 67% \$22.98



P.O. Box 1520 / Columbia, South Carolina 29202 / (803) 758-3244

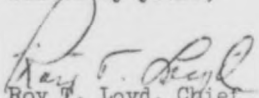
December 4, 1975

Page two

5. If the State enforces and collects the present 7.8% figure referred to in Item 1 and based on 46,000 AFDC cases, the State would receive \$486,963.36 per year.
6. The budget for the Title IV-D program in South Carolina for FY 76 is \$509,838.00 of which \$150,911.00 is State funds. The State will net \$336,052.36 or \$3.22 for each \$1.00 spent.
7. The State plan under Title IV-D also provides that the political subdivisions of the State receive 25% of the amount retained to reimburse the State and Federal government for present or past assistance payments received. Under this plan the several political subdivisions would qualify for approximately \$369,076.32. 45 CFR 302.52.
8. Section 402(a)(28) of Public Law 94-88 may alter the amount of State retention outlined above. Since Federal Regulations have not been written regarding this provision of the law, we are not in a position to provide you with specific information concerning its effect at this time.
9. Effects of 5% reduction in Federal Financial Participation (FFP) in the Aid to Families with Dependent Children (AFDC) program if a Child Support Program is not operational will be:
 - a. Estimated 1975-76 FFP loss \$ 905,998.00
 - b. Estimated 1976-77 FFP loss \$2,279,987.00
 - c. 1975-76 average payment per AFDC case \$ 87.79
 - d. Average payment if 5% FFP is lost \$ 83.40
 - e. Average loss per case \$ 4.39
 - f. Payment level will decrease from 54% to 51% of need standard.
 - g. There is the possibility of loss in benefits to certain segments of the AFDC population currently receiving assistance. Benefits to unborn children and children in school who are between the ages of 18 and 21 may be eliminated.

If we can be of further assistance or provide you with additional data, please contact Vernon Drew or me.

Sincerely yours,


Roy T. Loyd, Chief
Division of Public Assistance

RTL:TVD:lp

COST - EFFECTIVENESS OF
A CHILD SUPPORT ENFORCEMENT PROGRAM

This material is distributed for information purposes only by the National District Attorneys Association. It has not been approved by the Office of Child Support Enforcement, Department of Health, Education and Welfare.

CHILD SUPPORT ENFORCEMENT:*
DOES IT REALLY PAY?

Over the past several years, a major issue within and without child support enforcement programs has been the question of "cost-effectiveness." In short, does it pay to identify, locate, establish paternity, bring to settlement, and otherwise enforce an absent parent's obligation to support his or her dependent children?

The answer given below is an unequivocal "Yes!" This response is derived from the initial findings of a recently conducted three-State, five program cost/benefit analysis of child support enforcement programs. In all of the programs studied, collections exceeded direct and indirect costs by substantial margins. There simply were no cost-ineffective programs -- only varying degrees of cost-effectiveness.

That child support enforcement collections are on the upswing is evident from the three program collection histories presented on the following page. The question we wish to answer, however, is not "Do such programs collect money?" but rather "Do they collect it faster than they spend it?" This is an extremely important question, for what does a State or County gain by creating new bureaucratic structures, burdening the courts with additional cases, increasing governmental spending and hence taxes, if for every dollar spent, fifty cents is collected. Should this be the case, it might still be argued that enforcement has preventative effects, but such arguments are currently more hypothetical than substantive. Besides, they are unnecessary. Child support enforcement programs can collect more than they spend -- enough to cover their direct costs and all additional indirect costs to the State or County administrative, judicial, and legislative processes.

Now, let's get down to substantiating this claim. Since similar patterns were evidenced in all those programs reviewed, we will limit our discussion here to one "typical" program. The information presented is not hypothetical. All figures are real and based upon data for Fiscal Year 1973-74.

* This paper was written by members of Arthur Young & Company based upon information compiled during the conduct of a cost/benefit analysis of child support enforcement programs for DHEW/SRS.

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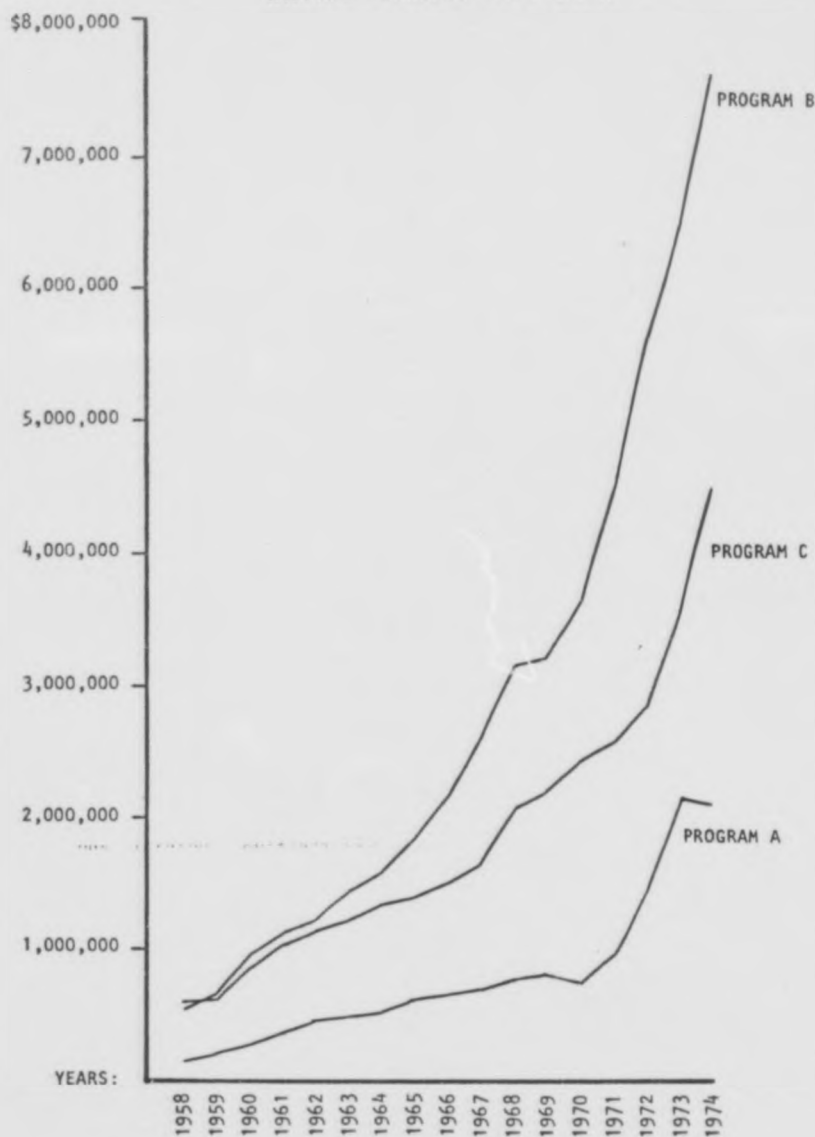
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FIGURE ONE

CHILD SUPPORT ENFORCEMENT COLLECTIONS
(ACTUAL FIGURES: 1958-1974)



To start with, let's make sure we have an accurate picture of what "cost" means. Most program administrators consider "cost" to be those expenditures which are directly attributable to their program. Should the program be a separate budgeting unit, then budgeted expenditures only are considered. Insofar as these expenditures are those for which program administrators are accountable, this limited definition is quite understandable. Figures for this limited definition, or what we will call "Direct Costs", are presented for our example program in Figure Two on the following page.

"Direct Costs", however, are far from the "total costs" of operating a child support enforcement program. They are just the most visible. The "real" costs are all costs to the taxpayer -- whether that taxpayer be County, State or Federal. Realizing that "Direct Operating Costs" are only part of the picture, DHEW has issued OASC-8 entitled, "A Guide for Local Government Agencies: Establishing Cost Allocation Plans and Indirect Cost Proposals for Grants and Contracts with the Federal Government". According to OASC-8 and OMB Circular A-87, "The Indirect Costs of a program are those costs not readily identifiable with the program itself but nevertheless incurred by the locality for the joint benefit of the program and of other activities carried on by the organization." In theory all such costs might be charged directly. Practical difficulties, however, often preclude such an approach. Therefore, OASC-8 and Circular A-87 provide for the consideration of these costs through the mechanism of one or more allocation procedures.

As a result of these guidelines, incentives exist for computing "Indirect Expenditures". Yet in spite of these incentives, not all programs have taken advantage of this increased potential for reimbursement and calculated these "Indirect Costs." Our example program did, however, and this gives us a good picture of the relative size of "allocable indirect expenditures" to "direct expenditures": (See detailed table of expenditures in Figure Three.)

<u>Cost Distribution</u>		
Direct Costs:	\$486,967	89%
Allocable Indirect Costs:	\$ 53,497	11%
<hr/>		
Total Reimbursable Expenditures	\$544,219	100%

FIGURE TWO

DIRECT COSTS
Example Program: FY 1973-74

	<u>Actual Expenditures</u>
A. Salaries and Employee Benefits	
1. Regular Salary	329,850.78
2. Extra Help	2,729.57
3. Overtime	323.28
4. General Members	30,539.01
5. Safety Members	2,384.50
6. OASDI	16,842.53
7. Employee Group Insurance	9,397.36
8. Workmens Compensation Insurance	554.61
Subtotal:	<u>\$392,621.64</u>
B. Services and Supplies	
1. Communications	8,758.14
2. Maintenance of Equipment	1,396.72
3. Office Expenses	23,521.11
4. Professional and Special Services	7,858.96
5. Rent and Equipment Leases	0.0*
6. Transportation and Travel	571.98
7. Data Processing	52,236.58
Subtotal:	<u>\$94,345.76</u>
Grand Total for Direct Expenditures:	<u><u>\$486,967.40</u></u>

* Not directly billed. See "Building Services" in Figure Three.

FIGURE THREE

ALLOCABLE INDIRECT COSTS
Example Program: FY 1973-74

<u>DEPARTMENT OR AGENCY</u>	<u>ACTUAL EXPENDITURES</u>
1. Personnel	3,797
2. Auditor - Controller	2,332
3. Equipment	2,189
4. Treasurer - Tax Collector	367
5. Data Processing	1,607
6. Project Development	2,435
7. Central Stores	448
8. Health Insurance Administration	552
9. Central Reproduction	345
10. County Communication	4,051
11. Insurance	1,111
12. Employee Benefits	121
13. Purchasing Agent - Warehouse	766
14. Purchasing Agent	577
15. Building Services	9,889
16. Utilities	2,815
17. Real Property	2,400
18. Board of Retirement	386
19. Grand Jury	17,309
Total Allocable Indirect Costs:	<u><u>\$53,497</u></u>

We have used the term "allocable indirect costs" for a particular reason. Not all indirect costs incurred by child support enforcement programs are "allocable," i.e., reimbursable. General governmental services provided to the citizenry are excluded. Examples are the administrative costs of the judiciary system, and certain law enforcement activities. This is often due to the fact that these activities are reimbursable under other grant arrangements.

Our concern in this particular analysis, however, is not with reimbursements or incentive funds. For our limited purposes this is merely passing the buck around the table. Somebody must bear the cost and its that eventual cost we must consider before implementing or expanding child support enforcement programs. Insofar as our example program is structured around court processes, a large segment of the costs of running the program is borne by non-allocable agencies and departments. These "non-allocable Indirect Costs" are summarized in Figure Four on the following page.

It is rather evident by now that our original direct costs are becoming a less significant part of the total picture. In fact, the puzzle has one more piece. There are still those costs "external" to the governmental unit under consideration. Most of these "external" costs are associated with the location process. For State programs these consist of the costs of the Postmaster, I.R.S., Military instalations, etc., and for Local programs, they consist of the costs associated with Central Registry, the Department of Motor Vehicles, the State Employment Security office, etc. Where information on these costs were available they averaged approximately \$0.56 per case. When this figure is applied to our example program's FY73-74 caseload we arrive at an "external" cost estimate of \$8,128.40.

So our final estimate of child support program "cost" is as follows:

<u>Type of Expenditure</u>	<u>Actual Costs</u>	<u>Cost Distribution</u>
Direct Costs:	486,967	54%
Allocable Indirect Costs	53,497	6%
Non-Allocable Indirect Cost	349,387	39%
External Costs	8,128	1%
Total Program Costs	<u>\$ 897,979</u>	<u>100%</u>

NON-ALLOCABLE INDIRECT COSTS
Example Program: FY 1973-74

<u>DEPARTMENT OR AGENCY</u>	<u>EXPENDITURES</u>
1. Board of Supervisors	1,026
2. Clerk of the Board	302
3. County Counsel	6,043
4. Administrative Office	690
5. Superior Court	15,571
6. Municipal Court	10,025
7. Sheriff	111,704
8. DA Office Administration	1,589
9. County Clerk - Recorder	54,809
10. Marshal	1,715
11. Probation Department	77,575
12. Public Defender	166
13. Health Department	142
14. Welfare	68,030
Total Non-Allocatable Indirect Costs:	<u>\$349,387</u>

Collections (including "URES A In") for this same period totaled \$4,444,538. So despite a rather extensive attempt to include all program - associated costs, the example program realized a return of \$5.05 for every dollar expended -- by anyone! Return on direct expenditures (should that be your concern) was \$9.13 per dollar expended. Both figures are healthy returns on investment.

Finally, it's worth noting that when "total program costs" were computed for the last ten years, the resulting figures show a marked increase in collections over expenditures. (See Column 5 in Figure Five) In addition, when we factor out all Non-AFDC collections to obtain a more accurate picture of actual income to the program itself, we find that AFDC collections alone were capable of paying for total AFDC and Non-AFDC program operations during all of the ten years surveyed. (See Column 6 in Figure Five) When all factors are taken into consideration, no matter how you look at it, Child Support Enforcement Programs can and do pay.

PROGRAM COSTS v.s. COLLECTIONS
Example Program: FY 1965 - 1974

	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year	Estimated "Total" Costs	Actual Collections			Total Collections Minus Costs (4) - (1)	AFDC Collections Minus Costs (2) - (1)
		AFDC	Non-AFDC	Total (2) + (3)		
1964/65	159,917	718,325	694,242	1,412,567	+1,252,650	+558,408
1965/66	180,820	575,353	938,589	1,558,942	+1,378,122	+394,533
1966/67	216,835	663,893	1,133,515	1,797,408	+1,580,573	+447,058
1967/68	225,622	739,481	1,273,206	2,012,687	+1,787,065	+513,859
1968/69	265,407	875,530	1,436,609	2,318,139	+2,046,732	+610,123
1969/70	283,343	1,019,281	1,544,393	2,563,674	+2,280,331	+735,938
1970/71	353,719	1,251,097	1,476,092	2,727,189	+2,373,470	+897,378
1971/72	479,563	1,281,443	1,611,876	2,893,319	+2,418,756	+806,880
1972/73	696,896	1,401,247	2,202,160	3,603,407	+2,906,511	+704,351
1973/74	897,974	1,635,926	2,808,611	4,444,538	+3,546,559	+577,547

FIGURE FIVE



FURMAN E. McEACHERN, JR.
DIRECTOR

STATE OF SOUTH CAROLINA
DIVISION OF GENERAL SERVICES
BUDGET AND CONTROL BOARD
300 GERVAIS STREET
COLUMBIA, S. C. 29201

R. D. COUNTS
ASSISTANT DIRECTOR
PHONE: (803) 758-3214

December 9, 1975

Mr. P. C. Smith
State Auditor
State Auditor's Office
P.O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

I have been informed that a position classification request has been rejected by State Personnel for not having prior funding source approval from your office. This came as a surprise in that the position request was submitted to State Personnel in late September, 1975, for classification. My understanding at that time was that no prior approval was required from your office. However, being vitally interested in the establishment of this position, I submit this request for funding approval so that immediate action can be taken.

Briefly, allow me to explain my reasons for requesting the position's classification. In August, 1975, as a result of the Jones and Fellers bankruptcy, Mr. William Sample, a former vice-president of the firm, was employed by this division with engineering responsibilities for the construction projects in progress. His duties are to assure compliance with design, specifications and contracts. In the absence of an established classification, Mr. Sample was employed as temporary help, full-time until an appropriate position could be established. Compensation for his services is being funded from project fees allocated for such purposes, as was the case when he was employed by the Architect.

Several factors contributed to our decision to employ Mr. Sample. First, the bankruptcy of Jones and Fellers left this division without the services of an architectural-engineering firm on two major projects, the North Tower Complex and the Department of Agriculture Laboratory. To avoid any potential project delays and additional costs, we employed Mr. Sample so that he could continue his efforts on these projects. As the Jones and Fellers representative, he was knowledgeable of project activities and a logical choice under the circumstances.

Mr. P. C. Smith

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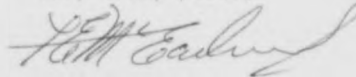
December 9, 1975

Secondly, as an employee of State Government, Mr. Sample is responsible to the division, permitting more direct control over project activities and, at the same time, saving architectural fees.

Finally, Mr. Sample's experience and productive talents can be utilized throughout our engineering program. With completion of the North Tower, he is being assigned to the Department of Health and Environmental Control Laboratory at State Park as well as other projects.

Please consider this request with the above facts in mind. After your review, if you feel additional information to be necessary, please let me know as I am anxious to have the position approved and classified.

Very truly yours,



Furman E. McEachern, Jr.
Division Director

FEMjr:pes



EXHIBIT IV
DEC. 22, 1975

FURMAN E. MCEACHERN, JR.
DIVISION DIRECTOR
PHONE: (803) 758-2226

STATE OF SOUTH CAROLINA
DIVISION OF GENERAL SERVICES
BUDGET AND CONTROL BOARD
300 GERVAIS STREET
COLUMBIA, S. C. 29201

M. B. ROBINSON
DIRECTOR
INSPECTION SERVICES
STATE FIRE MARSHAL
LP & AMMONIA GASES
MANUFACTURED HOUSING
BARRIER-FREE DESIGN
PHONE: (803) 758-2941

M E M O R A N D U M

To: Furman E. McEachern, Jr., Director, General Services
From: M.B. Robinson, Director, Inspection Services *M.B.R.*
Subject: Selection of Consultant for Development of Standards and
An Illustrated Manual for the S.C. Board for Barrier-
Free Design.
Date: December 17, 1975

Interviews were held on October 30, 1975, in the Division of General Services Conference Room by the S.C. Board for Barrier-Free Design for the selection of a Consultant to develop standards and an illustrated manual for making buildings and facilities accessible to and usable by the physically handicapped as defined in Act 1191 of 1974. Those firms interviewed and the order of priority in which they were selected are as follows:

1. LBC&W/Consultants, Inc.
Bankers Trust Tower
P.O. Box 7
Columbia, S.C. 29202
2. Barrier Free Environments, Inc. - No former State Contracts
P.O. Box 3446
Fayetteville, N.C. 28305
3. Stephen Carter & Associates - Two consulting Services for
1777 St. Julian Place PRT - New Horizons and Grays'
Suite 305 Lake State Park - no further
Columbia, S.C. 29204 information available.
4. Pearlstine/Anderson - No former State Contracts
Architects/Planners
3106 Devine Street
Columbia, S.C. 29205

Members of the Board voting on October 30, 1975:

Bill East, Chairman
Nyle Jackson
Jim Tupper
Jerry Brown
Bob Creed
John McPherson (abstained)
M.B. Robinson

Others Present at October 30, 1975, Meeting, not voting:

Dr. Chuck Chandler
Bob Truere
Ron Colvin
Pat Fox

ACT #1025

AN ACT TO PROVIDE FOR STATE EMPLOYEES GRIEVANCE PROCEDURES AND THE STATE EMPLOYEE GRIEVANCE COMMITTEE: AND REPEAL ACT 1025 OF 1974 RELATING GENERALLY TO THE SAME MATTERS.

BE IT ENACTED by the General Assembly of the State of South Carolina:

Section 1. The General Assembly finds that harmonious relations between public employers and public employees are a necessary and most important factor in the effective and efficient operation of government and that a proper forum for the understanding and resolution of employee grievances will contribute to the establishment and maintenance of harmony, good faith and the quality of public service. It is for that purpose that this act, which may be cited as the "State Employee Grievance Procedure Act of 1975", is enacted.

Section 2. Each agency and department of State government shall establish an employee grievance procedure within such agency or department, which shall be reduced to writing and be approved by the State Personnel Director. A copy of the approved grievance procedure plan shall be furnished and explained to each employee of the agency or department concerned. The plan shall provide that the department or agency shall act on a grievance within forty-five days. Failure to act positively within such period will be considered an adverse decision which the employee may appeal. No employee shall be disciplined or otherwise prejudiced in employment for exercising rights under the plan, and department and agency heads shall encourage the use of the plan in the resolution of grievances arising in the course of public employment. As used in this section, grievances may include

dismissals, suspensions, involuntary transfers, layoffs, reductions in pay, and demotions. Compensation shall not be deemed a proper subject for consideration under the grievance procedure except as it applies to alleged inequities within a particular agency or department. Classification and promotion shall be deemed proper subjects for consideration only as they relate to alleged discrimination. Appeals by employees may be made concerning classification of their positions to the State Personnel Director after the agency procedures have been exhausted.

Section 3. There is hereby created the State Employee Grievance Committee constituted and appointed as hereinafter provided. Permanent State employees who have completed six months of satisfactory service shall have the right to appeal to the State Employee Grievance Committee any grievances involving issues which affect their career status or continuing employment with the State, as specified in Section 2, after all administrative remedies to secure acceptable adjudication within their own agency or department have been exhausted. Appeals to the committee shall be initiated as provided for in Section 4.

The State Employee Grievance Committee shall consist of seven members who shall be appointed by the State Budget and Control Board to serve for terms of three years. Appointments shall follow the overlapping schedule now in effect. In addition to the regular seven members, there shall also be appointed two alternate members to serve for three year terms. Any interim appointment to replace a member who resigns or otherwise ceases to be a member of the committee prior to the completion of the term shall be for the duration of the unexpired term. Any member may be reappointed for succeeding terms at the discretion of the State

Budget and Control Board. The members of the State Employee Grievance Committee shall be citizens from the public and private sector. Whenever a grievance comes before the committee initiated by or involving an employee of an agency of which a committee member also is an employee, such member shall be disqualified from participating in the hearing.

Committee members from the private sector will receive for each day or part-day of official service the per diem allowance stipulated by law for members of boards, commissions and committees and will be reimbursed for meals, and when using their personal automobiles for necessary committee business, they will be paid mileage as provided by law for State boards, committees and commissions. State employees on the Grievance Committee shall receive subsistence for meals and lodging and reimbursement for mileage to and from the meeting site when they use their personal automobiles.

The committee shall select its own chairman from among its members. The chairman shall serve as the presiding officer at all hearings but may designate some other member to serve as presiding officer in his/her absence.

A quorum shall consist of at least five committee members, and no hearing may be held without a quorum.

The presiding officer will have control of the proceedings. Necessary action will be taken to insure an equitable, orderly and expeditious hearing. Parties will abide by the presiding officer's decisions, except when a committee member objects to a decision to accept evidence, in

which case the majority vote of the committee will govern.

The committee shall have the authority to issue subpoenas for files, records, and papers pertinent to any investigation; to determine the order of testimony and the appearance of witnesses; to call additional witnesses; to subpoena witnesses; to make such rules and regulations as may be necessary to carry out the provisions of this act; and to secure the services of a recording secretary at its discretion.

The committee shall, within twenty days after hearing an appeal make its findings and decisions and report such findings and decisions to the State Budget and Control Board. Unless the State Budget and Control Board takes action to reject a decision made by the committee within fifteen days, the decision of the State Employee Grievance Committee shall be transmitted by the State Budget and Control Board to the employee, the employing agency and the State Personnel Division and shall be final. If however, the State Budget and Control Board rejects the decision of the committee, the board shall make its own decision without further hearing at its next regular meeting or within ten days, whichever comes first, and that decision shall be final with copies transmitted to the employee, the employing agency and the State Personnel Division. The agency-respondent in the appeal will be bound by the final decision and will take action immediately to implement its obligation under the decision.

Section 4. A State employee who wishes to appeal the decision of the agency or departmental grievance procedure to the State Employee Grievance Committee shall file a request for such an appeal within ten days of receipt of the decision from the agency or department head. The request

shall be filed directly with the State Personnel Director by the employee.

The State Personnel Director shall assemble all records, reports and documentation of the earlier hearings on the grievance and review the case to ascertain that there has been full compliance with the established grievance policies, procedures and regulations within the agency or department involved and determine whether the action is grievable to the State Committee. Before the grievance is forwarded to the committee, the State Personnel Director or his designee shall meet with both sides of the issue and try to resolve the grievance. If that is not possible, then the State Personnel Director shall forward to the chairman of the State Employee Grievance Committee those requests which are determined to be in order. Upon being advised by the chairman of the committee as to the date and time when the committee shall meet, the State Personnel Director shall notify all parties concerned of the date, time and place of the hearing and request their presence.

The State Personnel Division shall arrange for the reproduction of pertinent records and papers and distribute copies to the members of the committee prior to the date of the hearing. The State Personnel Director or designated alternate shall attend all hearings of the committee to render advice on or interpretation of applicable laws, policies and regulations. The State Personnel Director shall provide to the committee from the resources of the State Personnel Division such administrative and clerical services as may be required.

Section 5. The following groups of employees shall be exempt from the provisions of this act:

1. Members, officers and employees of the General Assembly;
2. Executive assistants, administrative assistants and secretaries on the Governor's immediate staff;
3. Officers elected by popular vote and persons appointed to fill vacancies in such offices;
4. Supreme Court Justices and Circuit Court Judges, referees, receivers, jurors and masters of equity;
5. Members of boards, commissions, councils, advisory councils, and committees compensated on a per diem basis;
6. All inmate help in all charitable, penal and correctional institutions, residents of rehabilitation facilities, and students employed in institutions of learning;
7. Part-time professional personnel engaged in consultant services without administrative duties and personnel employed for less than ninety working days per year;
8. Those agency, institution or division heads appointed by the Governor.

Section 6. Act 1025 of 1974 is hereby repealed.

Section 7. This act shall take effect on July 1, 1976.

A BILL

TO AMEND SECTIONS 64-151.2 AND 64-153, CODE OF LAWS OF SOUTH CAROLINA, 1962, RELATING TO HOLIDAYS, AS AMENDED, TO PROVIDE FOR HOLIDAYS FALLING ON SATURDAYS: AND TO PROVIDE REVISIONS IN THE COMPENSATORY LEAVE PROVISION.

BE IT ENACTED by the General Assembly of the State of South Carolina:

Section 1. Section 64-151.2 of the 1962 Code is amended to read as follows:

"Section 64-151.2. A State employee who is required to work on a legal holiday shall be given compensatory time at the convenience of the agency in which employed within ninety days of such holiday, except employees of agencies following academic schedules. Employees following academic schedules who are required to work on a legal holiday shall be given compensatory time off at the convenience of the agency in which employed within one year from the date of the holiday. Employees who do not work a normal Monday through Friday workweek shall receive no more nor any fewer number of holidays than those employees who work the normal Monday through Friday workweek. All State employees who are not allowed to take compensatory leave, earned for working on a legal holiday, within the ninety day period or the one year period in the case of employees who follow academic schedules, shall be compensated for the holiday by the employing agency, at the straight hourly pay rate of the employee, no later than the second regular pay period following the last day of the time period prescribed in which compensatory time off must be given."

Section 2. Section 64-153 of the 1962 Code is amended to read as follows:

"Section 64-153. Whenever any of the legal holidays specified in Section 64-151 fall upon Saturday or Sunday the following Monday shall be deemed a public holiday for all of the aforesaid purposes. If holidays fall upon both Saturday and Sunday, the following Monday and Tuesday shall be observed. If the holiday falls on Sunday and Monday, Tuesday shall be observed for the Sunday holiday. All bills of exchange, checks, and promissory notes which would otherwise be presentable for acceptance of payment on any such Monday or Tuesday shall be deemed to be presentable for acceptance or payment on the secular or business day succeeding the holiday."

Section 3. This act shall take effect on July 1, 1976.

A BILL

TO AMEND SECTION 50-101, CODE OF LAWS OF SOUTH CAROLINA, 1962, RELATING TO NEPOTISM, SO AS TO FURTHER PROVIDE THEREFOR.

Be it enacted by the General Assembly of the State of South Carolina:

Section 50-101, Code of Laws of South Carolina, 1962, as amended, is further amended to read as follows:

Section 1. Members of an immediate family, as hereinafter defined, may not be employed concurrently within any one agency of State government if such employment will result in an employee supervising a member of his or her immediate family, or where one member occupies a position which has influence over another's employment, promotion, salary administration and other related management or personnel considerations.

Section 2. Employment of close relatives may be permitted in strictly emergency situations for temporary periods of time, normally not to exceed thirty calendar days, or for some longer period with the approval of the State Director of Personnel in cases where other qualified applicants are not available for an essential task.

Section 3. Exceptions to Section I of this Act may be made only by the State Budget and Control Board.

Section 4. Immediate family shall include wife, husband, mother, father, sister, brother, son, daughter, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandmother, grandfather, granddaughter, grandson, step-mother, step-father, step-son, step-daughter, aunt, uncle, niece and nephew.

Section 5. All agencies, authorities, boards, bureaus, commissions, committees, councils, departments, divisions, offices and educational institutions of State government shall operate hereunder.

Section 6. All employment situations in effect prior to July 1, 1976, shall not be affected by this Act.

Section 7. Section 50-101 of the Code of Laws is repealed.

Section 8. This act shall take effect July 1, 1976.

D R A F T

A BILL

To Amend Act IIII of 1974, Relating To Sick Leave For State Employees, So That The Act Shall Not Apply To Teaching Personnel And Officials Of Academic Rank At State Supported Institutions Of Higher Learning, And To Provide That Personnel Records Coming Under The Provisions Of This Act Shall Be Subject To Audit By The State Personnel Division.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. The provisions of this act shall apply to all State agencies, departments and institutions and shall be administered by each such agency, department and institution pursuant to regulations adopted by the State Budget and Control Board. The act, however, shall not apply to teaching personnel and officials of academic rank at State-supported institutions of higher learning. The personnel records of all agencies, departments and institutions coming under the provisions of this act shall be subject to audit by the State Personnel Division.

SECTION 2. All permanent full-time State employees shall be entitled to fifteen days sick leave per year with pay. Sick leave may be accumulated, but not more than ninety days can be carried over from one calendar year to the next. The department or agency head is authorized to advance up to fifteen days of additional sick leave in extenuating circumstances upon approval of the State Budget and Control Board. All permanent part-time and hourly employees shall be entitled to sick leave prorated on the basis of fifteen days per year subject to the maximum accumulation specified herein. In the event an employee transfers from one State agency to another,

the sick leave balance shall also be transferred. All employees who were employed prior to January 1, 1969, shall be entitled to retroactive sick leave not exceeding ninety days; provided, they have the requisite prior service as provided by this section and such leave has not been consumed pursuant to the then existing policy of any agency; provided, further, that any employee who has accumulated unused sick leave in excess of ninety days pursuant to the then existing policy of any agency shall not lose such excess but may not accumulate sick leave in excess of the provisions of this act after January 1, 1969. The State Budget and Control Board, through the Division of Personnel, shall promulgate such rules and regulations in accordance with law as may be necessary to administer the provisions hereof, including the power to define the use of sick leave.

SECTION 3. This act shall take effect July 1, 1976.

1108-A

D R A F T

A BILL

TO ABOLISH SECTION 61-103, RETIREMENT AT SEVENTY, OF THE CODE OF LAWS OF SOUTH CAROLINA, 1962, SO AS TO ESTABLISH SECTION 61.103, RETIREMENT AT SIXTY-FIVE.

BE IT ENACTED by the General Assembly of the State of South Carolina:

Section 1. Abolish Section 61-103, Retirement At Seventy, of the Code of Laws of South Carolina, 1962.

Section 2. Establish Section 61-103, Retirement At Sixty-Five, of the Code of Laws of South Carolina.

"Section 61-103, Retirement At Sixty-Five. Any employee in State service who has attained the age of sixty-five years shall be retired forthwith, except that:

(1) With the approval of the employer, the employee may remain in service until the end of the fiscal year following the date on which the employee attains the age of sixty-five years;

(2) With the approval of the employer and the State Budget and Control Board, the employee may, upon request therefor, be continued in service for a period of one year following each such request until such employee has reached the age of seventy years; and

(3) With the approval of the employer and the State Budget and Control Board, upon request therefor, be continued in service for such period of time as may be necessary for such employee to qualify for coverage under the old age and survivors insurance provision of Title II of the Federal Social Security Act, as amended.

It shall be mandatory for any employee or teacher whether or not appointed and regardless of whether or not a member of the South Carolina Retirement System to retire no later than the end of the fiscal year in which the employee reaches the seventieth birthday.

This section shall not apply to any person holding an elective office.

Excepting constitutional offices, this section shall not apply to appointive offices receiving per diem and/or travel allowances as total compensation."

This section shall take effect July 1, 1976.



COPY
EXHIBIT VI
DEC 23, 1975

State of South Carolina
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION

1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

December 9, 1975

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

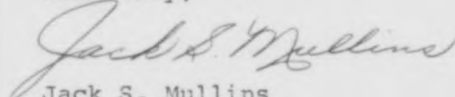
Dear Mr. Smith:

This is in response to our recent conversation concerning the necessity to apply for additional monies from the Civil Contingency Fund to supplement the Personnel Division's funds to pay Hay Associates for the Agency Head salary survey.

Funds available from Personnel Division's appropriation	\$14,000
Funds needed from Civil Contingency Fund	<u>13,500</u>
Total cost of Agency Head Salary Survey	\$27,500

Your favorable consideration for the transfer of \$13,500 for the above stated purpose is appreciated.

Sincerely,


Jack S. Mullins
Director

JSM/mpg

1111



State of South Carolina
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

December 3, 1975

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

Dear Mr. Smith:

This is in response to our recent conversation concerning the necessity to apply for \$9735.95 from the civil contingency fund to supplement the Personnel Division funds to pay Hay Associates for the Agency Head salary survey.

Your favorable consideration for the transfer of these funds is appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Jack S. Mullins".

Jack S. Mullins
Director

JSM/mpg

PETITION BY THE SOUTH CAROLINA
PUBLIC RAILWAYS COMMISSION TO THE
STATE BUDGET AND CONTROL BOARD
FOR APPROVAL OF THE ACQUISITION
AND CONSTRUCTION OF THE EAST
COOPER AND BERKELEY RAILROAD AND
THE INTERIM FINANCING THEREOF

A RESOLUTION

APPROVING THE ACQUISITION, CONSTRUCTION, MAINTENANCE, EQUIPPING AND OPERATION OF A RAILROAD TO BE KNOWN AS THE EAST COOPER AND BERKELEY RAILROAD; AND AUTHORIZING THE SUBMISSION OF A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF INTERIM FINANCING OF SUCH UNDERTAKING PURSUANT TO ACT NO. 232 OF THE ACTS AND JOINT RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA, REGULAR SESSION OF 1975.

As an incident to the adoption of this Resolution, the South Carolina Public Railways Commission (hereinafter referred to as the "Commission") hereby finds and determines:

1. Amoco Chemicals Corporation (hereinafter referred to as "Amoco"), a subsidiary of Standard Oil Company (Indiana), has acquired a 2,800 acre site on the east banks of the Cooper River, north of Charleston, South Carolina, and has announced plans to construct thereon a new facility which when fully operational will be capable of producing one billion pounds of purified terephthalic acid per year, which will be shipped to southeastern markets by rail and will require at least twenty(20) rail cars daily to transport the product.
2. There is currently no rail access to the area surrounding the east banks of the Cooper River.
3. The common carrier railroads operating in South Carolina have declined to agree to provide such rail service after having been requested to do so by the Commission and the State Budget and Control Board.
4. The Commission is empowered, under the provisions of Act No. 232 of The Acts and Joint Resolutions of The General Assembly of The State of South Carolina, Regular Session of 1975 (hereinafter referred to as the "Act"), to acquire, construct,

maintain, equip and operate connecting, switching, terminal or other railroads (as defined in the Act) provided the financing for such acquisition, construction, maintenance, equipping and operation of connecting, switching, terminal or other railroads is approved by the State Budget and Control Board.

5. It is desirable and in the public interest to promote and foster economic growth and development of approximately forty thousand (40,000) acres of land surrounding the east banks of the Cooper River and to acquire, construct, maintain, equip and operate a railroad, in Berkeley County, consisting of approximately sixteen (16) miles of main tracks, 1.8 miles of secondary tracks for interchange purposes, two locomotives, a maintenance facility and small field office to be known as the East Cooper and Berkeley Railroad, in order to provide needed rail service.

6. It is estimated that the total cost of construction of the East Cooper and Berkeley Railroad referred to in Section 5 above is approximately Eight Million Five Hundred Thousand Dollars (\$8,500,000), however the final cost can not be determined at this time. In order to commence the construction of the East Cooper and Berkeley Railroad and acquisition of necessary equipment and since it is impossible to determine the final cost of construction and acquisition at this time, it is necessary that interim financing be approved by the State Budget and Control Board.

7. Amoco and the Commission have entered into an Interim Financing Agreement, dated December 10, 1975, whereby Amoco agrees to advance to the Commission for its benefit funds needed from time to time to provide for the full and prompt payment of any and all debts, charges and expenses incurred by the Commission in connection with or relating to the acquisition and construction of the East Cooper and Berkeley Railroad, until construction or permanent financing is arranged or the acquisition and construction of the railroad is terminated.

8. The interim financing to pay the cost of construction of the East Cooper and Berkeley Railroad and the acquisition of necessary equipment will give rise to no pecuniary liability of the Commission or a charge against the full faith, credit or taxing power of the State of South Carolina or any political subdivision thereof.

NOW THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA PUBLIC RAILWAYS COMMISSION, IN MEETING DULY ASSEMBLED:

That the Commission finds the facts set forth above are in all respects true and correct and on such findings determines to acquire and construct a railroad to be known as the East Cooper and Berkeley Railroad and to petition the State Budget and Control Board for approval of such construction and acquisition and the interim financing thereof.

BE IT FURTHER RESOLVED:

That the Petition in form substantially as attached hereto be presented to the State Budget and Control Board to seek the approval required by the Act, and that said Petition shall be duly executed by the Chairman of the Commission attested to by its Secretary.

This Resolution, adopted this 10 day of December, 1975, shall be effective upon its adoption.

SOUTH CAROLINA PUBLIC
RAILWAYS COMMISSION

(SEAL)

Joseph G. Penning
Chairman

ATTEST:

Henry R. S.
Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHARLESTON)

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

The Petition of the South Carolina Public Railways Commission (the "Commission") submitted pursuant to the provisions of Act No. 232 of the Acts and Joint Resolutions of The General Assembly of the State of South Carolina, Regular Session of 1975, (hereinafter referred to as the "Act") respectfully shows that the Commission has found and determined:

1. Amoco Chemicals Corporation (hereinafter referred to as "Amoco"), a subsidiary of Standard Oil Company (Indiana), has acquired a 2,800 acre site on the east banks of the Cooper River, north of Charleston, South Carolina, and has announced plans to construct thereon a new facility which when fully operational will be capable of producing one billion pounds of purified terephthalic acid per year, which will be shipped to southeastern markets by rail and will require at least twenty (20) rail cars daily to transport the product.

2. There is currently no rail access to the area surrounding the east banks of the Cooper River.

3. The common carrier railroads operating in South Carolina have declined to agree to provide such rail service after having been requested to do so by the Commission and the State Budget and Control Board.

4. The Commission under certain conditions is empowered, under the provisions of the Act to acquire, construct, maintain, equip and operate connecting, switching, terminal or

other railroads (as defined in the Act) provided the financing for such acquisition, construction, maintenance, equipping and operation of connecting, switching, terminal or other railroads is approved by the State Budget and Control Board.

5. It is desirable and in the public interest to promote and foster economic growth and development of approximately forty thousand (40,000) acres of land surrounding the east banks of the Cooper River and to acquire, construct, maintain, equip and operate a railroad, in Berkeley County, consisting of approximately sixteen (16) miles of main tracks, 1.8 miles of secondary tracks for interchange purposes, two locomotives, a maintenance facility and small field office, to be known as the East Cooper and Berkeley Railroad, in order to provide needed rail service.

6. It is estimated that the total cost of construction of the East Cooper and Berkeley Railroad referred to in Section 5 above is approximately Eight Million Five Hundred Thousand Dollars (\$8,500,000), however, the final total cost cannot be determined at this time. In order to commence the construction of the East Cooper and Berkeley Railroad and since it is impossible to determine the final cost of construction and acquisition at this time, it is necessary that interim financing be approved by the State Budget and Control Board.

7. Amoco and the Commission have entered into an Interim Financing Agreement, dated December 10, 1975, a copy of which is attached hereto, whereby Amoco agrees to advance to the Commission for its benefit funds needed from time to time to provide for the full and prompt payment of any and all debts, charges and expenses incurred by the Commission in connection with or relating to the acquisition and construction of the East Cooper and Berkeley Railroad, until construction or permanent financing has been arranged or the acquisition and

construction of the railroad has been terminated.

8. The interim financing to pay the cost of construction of the East Cooper and Berkeley Railroad and the acquisition of necessary equipment will rise to no pecuniary liability of the Commission or a charge against the full faith, credit or taxing power of the State of South Carolina or any political subdivision thereof.

Upon the basis of the foregoing, the South Carolina Public Railways Commission respectfully prays:


That the State Budget and Control Board accept the filing of the Petition presented herewith and that it, thereafter and as soon as practicable, make its independent investigation of the acquisition and construction of the East Cooper and Berkeley Railroad and the interim financing thereof, as it deems advisable, and that thereafter, the State Budget and Control Board make a finding that the construction of the East Cooper and Berkeley Railroad and acquisition of necessary equipment will promote the purposes of the Act and is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the construction of the East Cooper and Berkeley Railroad and acquisition of necessary equipment and the interim financing thereof.

Respectfully submitted,

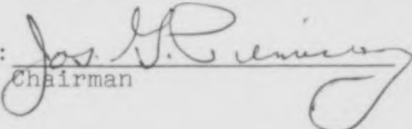
(SEAL)

SOUTH CAROLINA PUBLIC
RAILWAYS COMMISSION

ATTEST:


Secretary, South Carolina
Public Railways Commission

By:


Chairman

STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON

I, the undersigned Secretary of the South Carolina
Public Railways Commission, State of South Carolina, DO HEREBY
CERTIFY:

That the foregoing is a true, correct and verbatim
copy of the Resolution unanimously adopted by the said South
Carolina Public Railways Commission at a duly called and
regularly held meeting at which all members attended and
remained throughout on December 10, 1975.

That the said Resolution was proposed and read in
full by Mr. Ross, seconded by Mr. Piening, and
after due discussion was unanimously adopted, and the same is
now in full force and effect and has not been modified, amended,
repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and
Seal of the South Carolina Public Railways Commission this
10 day of December, 1975.


Secretary, South Carolina
Public Railways Commission

(SEAL)

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, heretofore the South Carolina Public Railways Commission (the "Commission") did, pursuant to Act No. 232 of the Acts and Joint Resolutions of The General Assembly of the State of South Carolina, Regular Session of 1975 (hereinafter referred to as the "Act"), petition the State Budget and Control Board to approve an undertaking by the Commission pursuant to the Act, and

WHEREAS, Amoco Chemicals Corporation (hereinafter referred to as "Amoco"), a subsidiary of Standard Oil Company (Indiana), has acquired a 2,800 acre site on the east banks of the Cooper River, north of Charleston, South Carolina, and has announced plans to construct thereon a new facility which when fully operational will be capable of producing one billion pounds of purified terephthalic acid per year, which will be shipped to southeastern markets by rail requiring at least twenty (20) rail cars daily to transport the product, and

WHEREAS, there is currently no rail access to the area surrounding the east banks of the Cooper River, and

WHEREAS, the common carrier railroads operating in South Carolina have declined to agree to provide such rail service after having been requested to do so by the Commission and the State Budget and Control Board, and

WHEREAS, the Commission under certain conditions is empowered, under the provisions of the Act to acquire, construct, maintain, equip and operate connecting, switching, terminal or other railroads (as defined in the Act) provided the financing for such acquisition, construction, maintenance, equipping and

operation of connecting, switching, terminal or other railroads is approved by the State Budget and Control Board, and

WHEREAS, it is desirable and in the public interest to promote and foster economic growth and development of approximately forty thousand (40,000) acres of land surrounding the east banks of the Cooper River and to acquire, construct, maintain, equip and operate a railroad, in Berkeley County, consisting of approximately sixteen (16) miles of main tracks, 1.8 miles of secondary tracks for interchange purposes, two locomotives, a maintenance facility and small field office, to be known as the East Cooper and Berkeley Railroad, in order to provide needed rail service, and

WHEREAS, it is estimated that the total cost of construction of the East Cooper and Berkeley Railroad referred to above is approximately Eight Million Five Hundred Thousand Dollars (\$8,500,000), however, the final total cost cannot be determined at this time, and

WHEREAS, in order to commence the construction of the East Cooper and Berkeley Railroad and since it is impossible to determine the final cost of construction and acquisition at this time, it is necessary that interim financing be approved by the State Budget and Control Board, and

WHEREAS, Amoco and the Commission have entered into an Interim Financing Agreement, dated December 10, 1975, whereby Amoco agrees to advance to the Commission for its benefit funds needed from time to time to provide for the full and prompt payment of any and all debts, charges and expenses incurred by the Commission in connection with or relating to the acquisition and construction of the East Cooper and Berkeley Railroad, until construction or permanent financing has been arranged or the acquisition and construction of the railroad has been terminated, and

WHEREAS, under the provisions of the Interim Financing Agreement referred to above, Amoco will be reimbursed all funds advanced under the provision of the Agreement from the proceeds of construction or permanent financing, if and when said financing is consummated, or from the revenues derived from operating the East Cooper and Berkeley Railroad, and

WHEREAS, the temporary financing to pay the cost of construction of the East Cooper and Berkeley Railroad and the acquisition of necessary equipment will give rise to no pecuniary liability of the Commission or a charge against the full faith, credit or taxing power of the State of South Carolina or any political subdivision thereof.

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 Budget and Control Board,

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

(b) that the South Carolina Public Railways Commission has filed a proper Petition to the State Budget and Control Board setting forth a brief description of the railroad and necessary equipment proposed to be acquired and its anticipated effect upon the economy of the area in which the railroad is to be located and the area adjacent thereto, a reasonable estimate of the cost of the acquisition of the railroad and necessary equipment and the interim financing thereof.

(c) that the acquisition and construction of the railroad and necessary equipment will give no rise to a pecuniary liability or a charge upon the general credit

of the Commission or against the full faith, credit or taxing power of the State of South Carolina or a political subdivision thereof.

(d) that the acquisition and construction of the railroad and necessary equipment 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 South Carolina Public Railways Commission for the acquisition and construction of the railroad and necessary equipment and the interim financing thereof, 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 by the State Budget and Control Board in giving approval to the undertaking of the South Carolina Public Railways Commission in paragraph 2, supra, shall be published in The News & Courier, a newspaper having general circulation in Berkeley County.

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

EXHIBIT "A"

NOTICE PURSUANT TO ACT NO. 232 OF THE ACTS
AND JOINT RESOLUTIONS OF THE GENERAL ASSEMBLY
OF THE STATE OF SOUTH CAROLINA, REGULAR SESSION
OF 1975.

Notice is hereby given that following the filing of a Petition by the South Carolina Public Railways Commission to the State Budget and Control Board of South Carolina, approval has been given by the State Budget and Control 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 and construction of a railroad and necessary equipment, located in Berkeley County, consisting of approximately sixteen (16) miles of main tracks, 1.8 miles of secondary tracks for interchange purposes, two locomotives, a maintenance facility and a small field office to be known as the East Cooper and Berkeley Railroad which will provide railroad service to a large portion of the lands surrounding the east banks of the Cooper River in Berkeley County, South Carolina. To finance the costs incurred in the acquisition and construction of the East Cooper and Berkeley Railroad, the South Carolina Public Railways Commission has entered into an Interim Financing Agreement with Amoco Chemicals Corporation, a corporation organized and validly existing under the laws of the State of Delaware and authorized to do business in the State of South Carolina, whereby Amoco Chemicals Corporation has agreed to advance to the South Carolina Public Railways Commission for its benefit, funds needed from time to time to provide for the full and prompt payment of any and all debts, charges and expenses incurred by the South Carolina Public Railways Commission relating to the acquisition and construction of the East Cooper and Berkeley Railroad until such time as

construction or permanent financing thereof has been arranged or the acquisition and construction of the East Cooper and Berkeley Railroad has been terminated. Under the provisions of the Interim Financing Agreement referred to above, Amoco will be reimbursed all funds advanced under the provision of the Agreement from the proceeds of construction or permanent financing, if and when said financing is consummated, or from the revenues derived from operating the East Cooper and Berkeley Railroad. The acquisition and construction of the East Cooper and Berkeley Railroad and the interim financing thereof will give rise to no pecuniary liability of the South Carolina Public Railways Commission or a charge against the full faith, credit or taxing power of the State of South Carolina or any political subdivision thereof.

Notice is further given that any interested party may, within twenty days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Budget and Control Board in approving the undertaking of the South Carolina Public Railways Commission by action de novo instituted in the Court of Common Pleas for Berkeley County.

THE STATE BUDGET AND CONTROL BOARD

By: P. C. Smith, Secretary

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to
be held at the office of the Governor, in the Capital Building,
at Columbia, South Carolina, at ____ A.M., _____, 1975,
was given to all members in writing, and at least four (4)
days prior to said meeting; that all members of said Board were
present at said meeting, with the exception of:

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

FOR MOTION

AGAINST MOTION

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

Secretary

Dated: _____, 1975

EXHIBIT VIII
DEC 23, 1975

RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

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

WHEREAS, the proposed undertaking consists of the County Board financing the acquisition, construction and equipping of proposed facilities for the manufacture of corrugated boxes to be owned and operated by South Carolina Container Corp., a South Carolina corporation (the Lessee) in Spartanburg County; and the County Board has agreed to acquire the necessary tract of land, containing approximately 15 acres, on which a building (now partially completed) shall be constructed (the said land and building to cost approximately \$700,000), and has agreed to install new machinery and equipment in said building at a cost of approximately \$600,000, (the said land, buildings and new machinery and equipment being hereinafter referred to as the Project) to be financed through the issuance of industrial revenue bonds in the form of \$1,000,000 Industrial Revenue Notes pursuant to the Act. The Lessee will defray from its own funds all costs of acquiring, constructing and equipping the Project in excess of the proceeds of the Notes available for that purpose; and

WHEREAS, in order to finance the acquisition, construction and equipping of the Project, the County Board proposes to provide for an issue of \$1,000,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Notes pursuant to the Act payable from the rentals derived from the Lessee

and additionally secured by a Trust Indenture between Spartanburg County and The Citizens and Southern National Bank of South Carolina; and

WHEREAS, the performance of all obligations of the Lessee under the Lease hereinabove referred to, including the payments of rentals and other amounts due thereunder, will be unconditionally guaranteed by Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc. a New York corporation (the Guarantors), under a Lease Guaranty Agreement; and

WHEREAS, the Lessee has arranged for purchase of the Industrial Revenue Notes by The Citizens and Southern National Bank of South Carolina; and

WHEREAS, the initial draft forms of the Lease Agreement between Spartanburg County and the Lessee and the said 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 to this Resolution are in all respects true and correct.

(b) That the County Board has filed a proper petition to the State Board setting forth a brief description of the Project and its anticipated effect upon the economy of Spartanburg County and of the areas adjacent thereto, a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease and the Trust Indenture to be made by the County Board and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project, when completed, will provide employment for approximately 50 persons and will be of

benefit to Spartanburg County and adjacent areas.

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

2. On the basis of the foregoing findings, the proposed undertaking of the County Board to finance the acquisition, construction and equipping of the proposed facilities of the Lessee for the manufacture of corrugated boxes, to lease the Project to the Lessee, and to finance the cost of the Project through the issuance of \$1,000,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Notes payable from the revenues to be derived from the leasing of the Project, including any payments made by the Guarantors under a Lease Guaranty Agreement, and additionally secured by a Trust Indenture, all pursuant to the Act, as more fully set forth in the County Board's Petition dated November 12, 1975 (including any changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

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

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

EXHIBIT "A"

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

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

The financing by the County Board of the acquisition of a parcel of land containing approximately 15 acres, and the construction thereon of a building (now partially completed), said land and building to cost approximately \$700,000; and the acquisition and installation in said building of new machinery and equipment at a cost of approximately \$600,000, all of which will constitute facilities for the manufacture of corrugated boxes, to be owned by South Carolina Container Corp., a South Carolina corporation (the Lessee) in Spartanburg County (the said land, building and new machinery and equipment being hereinafter referred to as the Project, through the issuance of Industrial Revenue bonds in the form of notes pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended (the Act). To finance the Project, the County Board will issue \$1,000,000 of Spartanburg County, South Carolina, First Mortgage Industrial Revenue Notes (the Notes) pursuant to the Act. The County Board will lease the Project to the Lessee under a Lease Agreement and the Notes of Spartanburg County will be payable solely from the rentals to be paid to the County by the Lessee, which will irrevocably covenant

and agree to pay when due, all sums required for the principal and interest thereon, and the Notes 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 payments of rentals and other amounts due thereunder, will be unconditionally guaranteed by Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc., a New York corporation (the Guarantors).

In addition, the Lessee will agree to pay as additional rentals to Spartanburg County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Spartanburg County, the said School District, and the said other political units wherein the Project is situate, if the Project were owned by 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 Spartanburg 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.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1975.

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____ .M.,
_____, 1975, was given to all members in writing, and
at least four (4) days prior to said meeting; that all members
of said Board were present at said meeting, with the exception
of: _____.

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

FOR MOTION

AGAINST MOTION

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

_____, 1975

Secretary

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____ .M.,
_____, 1975, was given to all members in writing, and
at least four (4) days prior to said meeting; that all members
of said Board were present at said meeting, with the exception
of: _____.

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

FOR MOTION

AGAINST MOTION

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

_____, 1975

Secretary

12/23/75
Encl. IIII

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

January 13, 1975

William Putnam, Esq.
Special Assistant to State
Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

Pursuant to our telephone conversation of this date, I am writing to set forth in substance the nature of our conversation concerning South Carolina Container Corporation.

Act No. 103 of the 1967 Acts of the General Assembly (Industrial Revenue Bond Act) requires that the State Budget and Control Board approve the issuance of Industrial Revenue Bonds and that notice of such approval be published at least once in a newspaper of general circulation in the County which issues such bonds. Each of these statutory steps has been taken with respect to the issuance of \$1,000,000 Spartanburg County First Mortgage Industrial Notes, Series 1975 (South Carolina Container Corp. - Lessee) by publication on December 24, 1975 in the SPARTANBURG HERALD of the Notice of Approval by the State Board dated December 23, 1975; however, in preparing a Transcript of Proceedings for this issue, I re-read the resolution by which the State Board approved the issuance and found that the resolution contemplated publication in both the SPARTANBURG HERALD and THE STATE Newspapers. We are of the opinion that inasmuch as the requirements set forth in the statute have been met, no substantive problem results and I am writing simply to set forth the events which actually occurred. With warm personal regards,

Sincerely yours,

M. William Youngblood, Jr.

M. William Youngblood, Jr.

MWY:jpw

1134

DEAR SHAREHOLDERS:

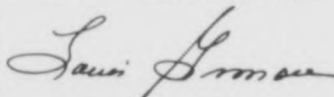
We are pleased to report our sales and earnings for the six months ended May 31, 1975.

Sales for the six months were \$8,016,570 as compared to \$8,575,669 in the like period last year. Net income was \$364,325 or \$.54 per share. This compared to \$419,354 or \$.62 per share. For the second fiscal quarter the Company posted income of \$207,583 or \$.31 per share on sales of \$4,385,421. This compared with \$244,960 or \$.36 per share on 2nd quarter 1974 sales of \$4,482,912. In the 4th quarter of 1974, the Company adopted LIFO inventory valuation and the results for the preceeding year have been restated on this basis.

The general economy, while still subject to further inventory liquidation, indicates a bottoming-out. Current backlogs indicate an improvement over the preceeding six months and we are optimistic that this improvement will continue for the balance of the year.

Very truly yours,

SOUTHERN CONTAINER CORP.



Louis Grossman, President and Chairman of the Board

SOUTHERN CONTAINER CORP.
AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	Six Months Ended May 31	
	1975	1974
Net Sales	\$8,016,570	\$8,575,669
Cost and Expenses:		
Cost of Sales (1)	5,880,512	6,516,636
Operating Expenses	1,213,794	1,111,221
Interest Expense	193,315	167,445
Income Taxes	364,624	361,013
	7,652,245	8,156,315
Net Income	364,325	419,354
Earnings Per Share (2)	\$.54	\$.62

	Three Months Ended May 31	
	1975	1974
Net Sales	\$4,385,421	\$4,482,912
Costs and Expenses:		
Cost of Sales (1)	3,234,349	3,361,698
Operating Expenses	688,453	661,941
Interest Expense	98,773	80,368
Income Taxes	156,263	133,945
	4,177,838	4,237,952
Net Income	207,583	244,960
Earnings Per Share (2)	\$.31	\$.36

(1) In the fourth quarter of 1974, the Company changed its method of inventory valuation from the lower of cost or market on a first-in-first-out basis ("FIFO") to the last-in, first-out ("LIFO") basis. For interim financial reporting the Company has taken the expected annual effect of LIFO and prorated it to the interim periods on a units of sales basis. The 1974 interim statements have been restated to reflect the effects of LIFO as follows:

	6 Months Ended 5/31/74	3 Months Ended 5/31/74
Net Income as originally reported	638,770	354,467
Reduction due to change to LIFO method of inventory valuation	219,416	109,507
Net income as restated	\$419,354	\$244,960
Per Share Amounts:		
Net Income as originally reported	\$.94	\$.52
Effect of change to LIFO method of pricing	(.32)	(.16)
Net Income as restated	\$.62	\$.36

(2) Based on 676,667 shares outstanding.

Land 130M

Plus:
Additional
purchases

160

Bulldog 600M

Equipt - except Bully stock
newly acquired.

Ed R. bado / Melville
Chemical LT.

SOUTHERN CONTAINER CORP.

EXECUTIVE OFFICES

140 W. INDUSTRY COURT

DEER PARK, N.Y. 11729

516-586-6000

DICK

Mayer

Newark

201-326-1234

1. Deer Park

2. PenSt Htz good.

3. Spectator - small
Will not have concentration

4. Htz good



Report to Shareholders

1136

FOR THE SIX MONTHS ENDED

MAY 31, 1975



Annual Report

1974

OFFICERS OF THE COMPANY

Louis Grossman, President
 Robert Grossman, Vice President
 Ronald Sisselman, Vice President
 Charles Grossman, Secretary
 Steven M. Grossman, Treasurer
 Steven Hill, Vice President - Finance

EXECUTIVE OFFICES

140 West Industry Court
 Deer Park, N.Y.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Laventhol Krekstein Horwath & Horwath

REGISTRAR & TRANSFER AGENT

American Stock Transfer Company

FIVE YEAR FINANCIAL HIGHLIGHTS (\$ IN THOUSANDS)

YEARS ENDED NOVEMBER 30,

	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
OPERATIONS					
Net Sales	17,080	12,185	7,242	5,791	6,063
Income before taxes	1,621	1,101	599	432	531
Taxes on income	719	448	297	226	260
Extraordinary credit, net of applicable taxes	—	26	—	—	—
Net income	902	679	302	206	271
% earned on sales	5.3%	5.6%	4.2%	3.6%	4.5%
% earned on stockholders' equity	21.6%	20.8%	11.5%	9.0%	13.0%
PER COMMON SHARE					
Income before extraordinary credit	\$ 1.33	\$.97	\$.45	\$.30	\$.40
Net income	\$ 1.33	\$ 1.00	\$.45	\$.30	\$.40
Weighted average of shares outstanding	676,667	676,667	676,667	676,667	676,667
FINANCIAL POSITION DATA					
Working capital	1,872	2,220	774	243	267
Current ratio	1.63	3.25	1.64	1.18	1.20
Property, plant & equipment	8,530	6,804	5,792	4,484	4,202
Accumulated depreciation	2,604	2,053	1,671	1,420	1,163
Long-term debt	3,544	3,785	2,416	1,054	1,307
Stockholders' equity	4,171	3,269	2,590	2,287	2,081



Southern CONTAINER CORP.

140 WEST INDUSTRY COURT, DEER PARK, N.Y. 11729

To Our Shareholders:

Fiscal 1974 was a year of new records.

Sales increased 40% and earnings increased 33% with per share earnings at a new high of \$1.33.

Effective with the current fiscal year, we changed our method of inventory valuation from the lower of cost or market on a first-in, first-out basis ("FIFO") to the last-in, first-out method ("LIFO"). This change was made because your management believes LIFO more clearly reflects income by reducing the effects of inflation on ending inventory and, in effect, more closely matches current costs against current revenues. The net result of the change was a reduction in after-tax earnings of \$402,000 (\$.59 per share).

This year we made extensive revisions to our Deer Park plant. We installed two new streamlined automated flexographic presses, conveyORIZED and enlarged our flow, and added approximately 50,000 square feet of building area for warehousing and rollstock storage and a new truck maintenance facility. This modernization, which by now is virtually completed, should enable us to operate more efficiently and economically.

Our basic raw materials, linerboard and corrugating medium are in plentiful supply due to decreased demands of the economy. At present writing, we are experiencing a decrease in volume and backlog, as well as a highly competitive market for our products, however, we expect to keep our share of the market. Due to our greater productivity and efficiency, we believe that we will weather the economic recession successfully.

We thank our suppliers for their continued cooperation. We are grateful to our employees for their devotion and loyalty to our company and we thank our shareholders for their confidence in us.

Sincerely yours,

SOUTHERN CONTAINER CORP.

Louis Grossman, President

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Southern Container Corp.

We have examined the consolidated balance sheet of Southern Container Corp. and subsidiaries as at November 30, 1974 and 1973 and the related consolidated statements of income, retained earnings, 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 financial statements referred to above present fairly the consolidated financial position of Southern Container Corp. and subsidiaries at November 30, 1974 and 1973 and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the years except for the change, with which we concur, in the method of valuation of inventories as described in Note 2 to the consolidated financial statements.

Melville, N.Y.
January 22, 1975

Laventhol Krekstein Horwath & Horwath

SOUTHERN CONTAINER

CONSOLIDATED BALANCE SHEET — NOVEMBER 30, 1974 AND 1973

ASSETS

	1974	1973
Current assets:		
Cash and temporary investments (Note 1)	\$ 382,412	\$ 312,705
Receivables, trade, less allowance for doubtful accounts of \$74,742 in 1974 and \$53,785 in 1973	1,234,781	1,643,932
Inventories, LIFO in 1974, FIFO in 1973 (Note 2)	3,145,707	1,181,244
Prepaid expenses	97,451	66,288
Total current assets	4,860,351	3,204,169
Property, plant, and equipment (Notes 3, 4, and 5)	8,530,568	6,803,709
Less accumulated depreciation	2,604,211	2,053,064
	5,926,357	4,750,645
Other assets	192,451	231,433
	<u>\$10,979,159</u>	<u>\$ 8,186,247</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt (Note 4)	\$ 84,983	\$ 138,402
Loans payable, officers		39,592
Accounts payable, trade	1,711,458	356,315
Accrued expenses	968,376	311,778
Income taxes	223,122	137,742
Total current liabilities	2,987,939	983,829
Long-term debt, less current portion (Note 4)	3,544,220	3,785,050
Deferred income taxes	276,000	148,400
Commitments (Notes 5, 6, and 11)		
Shareholders' equity (Notes 4, 7, and 8):		
Common stock, \$.10 par; authorized 1,500,000 shares, issued and outstanding 676,667 shares (no change during either year)	67,667	67,667
Capital in excess of par (no change during either year)	839,532	839,532
Retained earnings	3,263,801	2,361,769
	4,171,000	3,268,968
	<u>\$10,979,159</u>	<u>\$ 8,186,247</u>

See notes to consolidated financial statements.

CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME YEARS ENDED NOVEMBER 30, 1974 and 1973

	1974	1973
Net sales	\$17,080,352	\$12,185,318
Cost of sales	<u>12,677,194</u>	<u>8,895,065</u>
Gross profit	4,403,158	3,290,253
Selling, general, and administrative expenses	<u>2,607,766</u>	<u>1,916,326</u>
Income from operations	1,795,392	1,373,927
Other charges, net	<u>174,070</u>	<u>272,213</u>
Income before income taxes and extraordinary credit	<u>1,621,322</u>	<u>1,101,714</u>
Income taxes:		
Current	591,690	400,000
Deferred	<u>127,600</u>	<u>48,000</u>
	719,290	448,000
Income before extraordinary credit	<u>902,032</u>	<u>653,714</u>
Extraordinary credit, gain on sales of real property, less applicable income taxes of \$15,000		25,691
Net income	<u>\$ 902,032</u>	<u>\$ 679,405</u>
Earnings per common share (Notes 2 and 9):		
Income before extraordinary credit	\$1.33	\$.97
Extraordinary credit		.03
Net income	<u>\$1.33</u>	<u>\$1.00</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS YEARS ENDED NOVEMBER 30, 1974 AND 1973

	1974	1973
Balance, beginning of year	\$ 2,361,769	\$ 1,682,364
Add net income for the year	<u>902,032</u>	<u>679,405</u>
Balance, end of year	<u>\$ 3,263,801</u>	<u>\$ 2,361,769</u>

See notes to consolidated financial statements.

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED NOVEMBER 30, 1974 AND 1973

	1974	1973
Source of funds:		
Operations:		
Income before extraordinary credit	\$ 902,032	\$ 653,714
Add items not requiring outlay of working capital:		
Depreciation	551,146	382,299
Amortization of deferred charges	4,823	4,772
Increase in deferred income taxes	127,600	48,000
Working capital provided from operations, exclusive of extraordinary credit	1,585,601	1,088,785
Working capital provided by income from extraordinary credit, net of applicable income taxes of \$15,000		25,691
Increase in long-term debt		1,528,351
Decrease in other assets	34,160	
Decrease in working capital	347,928	
	<u>\$ 1,967,689</u>	<u>\$ 2,642,827</u>
Application of funds:		
Purchase of property, plant, and equipment	\$ 1,726,859	\$ 1,011,635
Reduction of long-term debt	240,830	159,056
Increase in other assets		25,281
Increase in working capital		1,446,855
	<u>\$ 1,967,689</u>	<u>\$ 2,642,827</u>
Changes in working capital components:		
Increase (decrease) in current assets:		
Cash and temporary investments	\$ 69,707	\$(205,937)
Receivables	(409,151)	621,836
Inventories	1,964,463	562,628
Land, sold in January 1973		(273,106)
Prepaid expenses	31,163	13,976
Current assets to be applied to equipment commitments		500,000
	<u>1,656,182</u>	<u>1,219,397</u>
Increase (decrease) in current liabilities:		
Current portion of long-term debt	(53,419)	38,043
Loans payable, officers	(39,592)	(69,408)
Accounts payable	1,355,143	(216,401)
Accrued expenses	656,598	7,680
Income taxes	85,380	12,628
	<u>2,004,110</u>	<u>(227,458)</u>
Increase (decrease) in working capital	<u>\$ (347,928)</u>	<u>\$ 1,446,855</u>

See notes to consolidated financial statements.

*Prof 2 million
and 1 million*

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Inventories:

Effective for the year ended November 30, 1974, inventories are principally stated at the lower of cost or market on the basis of the last-in, first-out ("LIFO") method of inventory valuation. Prior periods are stated at the lower of cost or market on the first-in, first-out ("FIFO") method. Under the LIFO method, latest (higher) costs are charged to cost of products sold than would be the case under the FIFO method while deferring earlier (lower) costs in inventory, thereby reducing earnings and inventories for both financial reporting and income tax purposes.

Depreciation Methods and Property:

Depreciation is provided for by the straight-line and declining balance methods principally over the estimated useful lives of the assets. Property is stated at cost.

Income Taxes:

The Company and its subsidiaries file a consolidated federal income tax return. Deferred income taxes arise principally from the use of different methods of depreciation for income tax and financial statement purposes. Income taxes have been reduced by investment credits (flow-through method) of \$98,114 in 1974 and \$129,500 in 1973.

1. Cash and Temporary Investments:

At November 30, 1974 temporary investments of approximately \$314,000 was comprised of commercial paper and marketable securities carried at cost plus accrued interest (approximating market).

2. Inventories:

Effective with the year ended November 30, 1974, the Company changes its principal method of inventory valuation from the lower of cost or market on a first-in, first-out basis ("FIFO") to the last-in, first-out ("LIFO") method. This change was made because management believes LIFO more clearly reflects income by reducing the effects of inflation on its ending inventory and, in effect, more closely matches current costs against current revenues. There is no cumulative or pro forma effect of the change on prior years, since the November 30, 1973 inventory, as previously stated, is also the amount of the beginning inventory under the LIFO method.

The effect on net income for 1974 was a decrease of approximately \$402,000 (\$.59 per share).

	November 30,	
	1974	1973
Major classes of inventories were as follows:		
FIFO method:		
Raw materials and supplies	\$ 3,786,906	\$ 1,009,562
Work in process	58,538	39,844
Finished goods	149,627	131,838
	<u>3,995,071</u>	<u>1,181,244</u>
Less excess of FIFO over LIFO cost	849,364	
	<u>\$ 3,145,707</u>	<u>\$ 1,181,244</u>

3. Property, plant, and equipment:

	November 30,		Estimated useful lives
	1974	1973	
Land	\$ 284,693	\$ 331,693	
Buildings	1,823,952	1,821,332	10 to 40 yrs.
Construction in progress	361,428		
Machinery and equipment	4,745,573	3,675,469	6 to 20 yrs.
Vehicles	1,173,931	849,896	3 to 7 yrs.
Furniture and fixtures	84,017	71,628	5 to 10 yrs.
Leasehold improvements	37,691	37,691	Life of lease
Deposits on equipment purchases (Note 5)	19,283	16,000	
	<u>\$ 8,530,568</u>	<u>\$ 6,803,709</u>	

4. Long-term debt:

	1974	1973
Notes payable, insurance company (a)	\$ 2,200,000	\$ 2,200,000
Notes payable, bank (b)		160,000
Mortgage notes on land and buildings:		
Land and building construction loan through an industrial development authority payable in monthly installments of \$8,439, including interest at 6% to 1988 (c)	946,570	989,631
Payable in monthly installments of \$2,907 to 1987, including interest at 7%	286,441	300,731
Payable in monthly installments of \$1,393 to 1987, including interest at 4%	159,445	168,368
Other	36,747	104,722
	<u>3,629,203</u>	<u>3,923,452</u>
Less current portion	84,983	138,402
	<u>\$ 3,544,220</u>	<u>\$ 3,785,050</u>

4. Long-term debt (continued):

(a) In November 1973, the Company refinanced a 10.5% \$1,200,000 note payable to the Prudential Insurance Company of America for a new principal amount of \$2,200,000. The new loan is repayable commencing in December 1975 in semi-annual installments of \$75,000 plus interest at 10½% per annum to 1988. The loan agreement provides, among other things, for certain restrictive covenants with respect to liens, maintenance of working capital, capital expenditures, dividends, stock redemptions, and officers' salaries. At November 30, 1974, retained earnings approximating \$340,000 were available for dividends and other specified purposes.

(b) The notes were repayable in quarterly installments of \$10,000 plus interest at 1½% above the prime rate to 1977 and were collateralized by machinery and equipment. They were prepaid during 1974.

(c) The land and building construction loan, through an industrial development authority, for an original total of \$1,000,000, is also collateralized by machinery and equipment and provides that the title to the premises will pass to the Company upon final payment of the mortgage.

5. Commitments:

The Company is contractually obligated for property and equipment additions of approximately \$400,000 with anticipated delivery in 1974 and 1975.

The Company is committed under a noncapitalized financing lease on land and building expiring in 1995 with minimum annual payments of \$49,600. The lease provides that the Company is to pay real estate taxes and certain other operating expenses. The lease is between the Company and a partnership consisting of certain of the Company's officers with the annual rental subject to increase in conjunction with increases in the national consumer price index. The present values at November 30, 1974 and 1973 of the minimum rental commitment are approximately \$495,000 and \$500,000, respectively, reflecting an 8% interest rate. If this lease had been capitalized and the related asset amortized on a straight-line basis and interest cost accrued on the basis of the outstanding lease liability, the impact on net income would have been less than 3% of the average net income for the most recent three years.

6. Subsequent Event:

In January 1975, the Company entered into a contract for the acquisition of land and construction of a facility in South Carolina. The total cost of the project will be approximately \$675,000 and is expected to be completed by December 1975. It is expected that the Company will finance \$600,000 of the costs by a five year promissory note and will pay the balance from working capital.

7. In 1969 the Company instituted a qualified stock option plan pursuant to which 25,000 shares of common stock have been reserved for issuance. The terms of the plan provide for an option price of at least the fair market value of the common stock at date of grant. The options

are exercisable to the extent of one third thereof one year after date of grant and one third in each of the next succeeding two years on a cumulative basis and expire five years from the date of grant. No options have been exercised under the plan. The following is a summary of the plan for the two years ended November 30, 1974:

	Outstanding Options	Reserved for future grants
Balance, December 1, 1972	7,000	18,000
Cancelled	(1,600)	1,600
Balance, November 30, 1973	5,400	19,600
Cancelled	(5,400)	5,400
Granted	25,000	(25,000)
Balance, November 30, 1974	25,000	None

8. Warrants

Warrants to purchase 15,000 shares at \$6 per share were outstanding and exercisable until May 1974.

9. Earnings Per Common Share:

Earnings per common share are based on 676,667 shares outstanding during each year. Shares issuable with respect to common stock warrants and options have no dilutive effect on earnings per share (see Note 2 for the effect of accounting principle change on earnings per share).

10. Profit-Sharing Plan:

During 1974, the Company adopted a profit-sharing plan which provides that, at the option of the Board of Directors, an amount not to exceed that allowable under the Internal Revenue Code may be contributed to a profit-sharing fund. The Board approved a profit-sharing contribution of approximately \$141,000 for 1974 which has been included in operations for the year. The plan is contingent upon a favorable ruling from the Internal Revenue Service. It is the present intent that the principal investment of the plan be common stock of the Company.

11. Deferred Compensation:

Effective December 1, 1974, the Company has entered into deferred compensation contracts with two of its principal officer-shareholders. The contracts provide, among other things, for 120 monthly payments, (upon death, total disability or retirement) or the employees' lifetime, whichever is longer, subject to adjustment for increases in the consumer price index. This will result in an annual pre-tax charge of approximately \$85,000 through 1979 and approximately \$50,000 for 1980 and 1981.

12. Lines of Credit:

At November 30, 1974, the Company had a \$750,000 line of credit at a commercial bank which was unused. In January 1975, this line was increased to \$1,500,000, the maximum permissible under the loan agreement described in Note 4(a). There are no compensating balance requirements and interest is payable at prime rate plus 1/4%. The bank may withdraw the line of credit at its option.

400 000 - Note 5
992 000 - Note 5
340 000 - Note 11
100 000 - Note 11

1,832,000

SOUTHERN CONTAINER CORP.

140 West Industry Court, Deer Park, N.Y. 11729

COMPARATIVE STATEMENT

NAME: Southern Container Corp.&Subs.

OFFICE: Spartanburg

STATEMENT SHEET	DATE:	11-30-71	11-30-72	11-30-73	11-30-74	5-31-75
		V/E	V/E	V/E		Interim
ASSETS						
1 Cash		124,443	518,642	312,705	382,412	75,776
2 Marketable Securities						7,681
3 Notes Receivable						
4 Accounts Receivable—Trade		784,786	1,022,096	1,643,932	1,234,781	1,512,669
5 Accounts Receivable—Other						
6 Merchandise Inventory		593,470	618,616	1,101,244	3,145,707	1,246,688
7 Current assets commitments			(500,000)			
8 Land sold in Jan. '72			273,106			
9 CURRENT ASSETS		1,502,699	1,932,460	3,137,881	4,762,900	2,842,814
10 Land and Buildings		3,063,273	4,121,309	4,750,645	5,926,357	6,351,255
11 Machinery, Fixtures & Equip.						
12 Due From Officers, Part., Etc.						
13 Due From Affiliates						
14 Investment in Affiliates						
15 Other Investments						
16 Deferred Charges		176,391	156,731	141,737	97,451	136,804
17 Good Will, Patents, Etc.						
18 C/S/V Life Insurance		61,807	106,505	155,984		107,147
19 Other Assets		1,000			192,451	23,425
20 DEFERRED ASSETS		3,502,571	4,384,545	5,040,366	6,216,259	6,618,631
21 TOTAL ASSETS		4,805,270	6,317,005	8,186,247	10,979,159	9,461,445
LIABILITIES						
22 Notes Payable—Banks		200,000				
23 Notes Payable—Other		39,924				
24 Accounts Payable—Trade		656,001	572,716	356,315	1,711,458	155,295
25 Due to Officers, Part., Etc.			109,000	39,592		
26 Due to Affiliates						
27 Def. Debt Due Within Year		323,024	100,359	138,402	84,983	156,784
28 Current Year Income Taxes			125,114	137,742	223,122	231,922
29 Accruals		161,731	304,098	311,778	968,376	667,084
30 CURRENT DEBT		1,380,680	1,211,287	983,829	2,987,939	1,211,085
31 Bonds & Mtges. Due Beyond Yr.		945,037				
32 Other Def. Debt—Unsubordinated			2,415,755	3,785,050	3,544,220	3,419,035
33 Other Def. Debt—Subordinated		109,000				
34 Deferred Inc. Taxes		83,400	100,400	142,400	276,000	296,000
35 DEFERRED DEBT		1,137,437	2,516,155	3,933,450	3,820,220	3,715,035
36 TOTAL DEBT		2,518,117	3,727,442	4,917,279	6,808,159	4,926,120
37 Reserves						
38 TOTAL RESERVES						
39 Capital Stock Common		67,667	67,667	67,667	67,667	67,667
40 Preferred						
41 Capital In Excess of Par.		839,532	839,532	839,532	839,532	839,532
42 Surplus & Undivided Profits		1,379,954	1,682,364	2,361,769	3,263,801	3,628,126
43 NET WORTH		2,287,153	2,589,553	3,268,968	4,171,000	4,535,325
44 TOTAL LIABILITIES		4,805,270	6,317,005	8,186,247	10,979,159	9,461,445
45 Working Capital		122,019	721,173	2,154,052	1,774,961	1,631,729
46 Contingent Liabilities					1,832,000	

OPERATIONS—P & L		11-30-71	11-30-72	11-30-73	11-30-74	5-31-75			
1 Net Sales		5,715,213	7,242,701	12,183,003	17,080,352	8,016,570			
2 Cost of Sales		4,192,912	5,281,013	8,895,065	12,677,194	5,880,512			
3 Gross Profit		1,522,301	1,961,688	3,287,938	4,403,158	2,136,058			
4 Expenses		1,152,619	1,354,106	1,916,326	2,607,766	1,213,794			
5 Operating Profit		439,682	607,582	1,371,612	1,795,392	922,264			
6 Other Income—Net (Interest Expense)		(7,241)	(7,349)	(246,522)	(174,070)	(193,315)			
7 Profit Before Income Taxes		432,441	599,233	1,125,090	1,621,322	728,949			
8 Provision for Income Taxes		226,400	296,823	448,000	719,290	364,624			
9 Net Profit After Taxes		206,041	302,410	677,090	902,032	364,325			
10 Surplus Credits									
11 Surplus Debits									
12									
13 Dividends: Common									
14 Preferred									
15 Withdrawals									
16 Balance to Surplus		206,041	302,410	677,090	902,032				
17 Change in Capital Account				-0-					
18 Inc. or Dec. in Net Worth		206,041	302,410	677,090	902,032				
ANALYSIS OF WORKING CAP.									
19 Inc. or Dec.—Net Worth			302,410	677,090	902,032				
20 Decrease—Fixed Assets									
21 Decrease—Other Def. Assets					7,819				
22 Increase—Deferred Debt			1,370,718	1,417,295					
23 Increase—Reserves									
24									
25 Total Funds Provided			1,681,128	2,094,385	909,851				
26 Additions to Fixed Assets			1,056,036	629,336	1,175,712				
27 Increase—Other Def. Assets			23,938	34,485					
28 Decrease—Deferred Debt					113,230				
29 Decrease—Reserves									
30									
31 Total Funds Applied			1,081,974	683,821	1,288,942				
32 Bal. to Working Capital			599,154	1,432,879	(379,091)				
33 WORKING CAPITAL			721,173	2,154,052	1,774,961				
OPERATING DATA		Borr.	RMA	Borr.	RMA	Borr.	RMA	Borr.	RMA
34 Sales—Inc. or Dec.	%		X	1,450,988 X	4,943,117 X	4,895,034 X			X
35 % Inc. or Dec.	%		X	25	68.3	X			X
36 Cost of Sales	%	72		72.9	73.0	77.6		73.3	
37 Gross Profit	%	27.5		27.1	27.0	22.4		26.7	
38 Expense—Net	%	20		18.7	15.7	19		15.1	
39 Profit Before Taxes	%	7.4		8.2	9.3	3.4		9.1	
40 Net Profit After Taxes	%	3.5		4.2	5.6			4.5	
RATIOS									
41									
42									
43 Quick		.66:1		1.1:1	2.0:1	.8:1	.54:1	1.3:1	
44 Current		1.1:1		1.6:1	3.2:1	1.6:1	1.6:1	2.3:1	
45 Fixed Assets/Worth		133		159.2	145.3	80	142.1	140.0	
46 Debt/Worth		110		143.9	150.4	110	163.2	108.6	
47 Rec. Collec. Period—Days		49		50.3	48.6	39	26	28	
48 Cost Sales/Inv.—Days Supply		51		42.4	47.8	52	90	96	
49 No. Times Inventory Turned		7		8.5	7.5	6.9	4	1.87	
50 Inventory/Working Capital		486		85.8	54.8		177.2	76.4	
51									
52 % Profits/Worth		18		23.1	34.5	13.3	38.8		
53 % Profits/Total Assets		8.9		9.5	13.8	6.6	14.8		
54 Off., Part. Salaries/With.									
55 Depreciation		257,262		251,242	387,001	551,146			
56 Cash Flow		463,303		553,652	1,066,406	1,453,178			

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
DECEMBER 1, 1974 - MAY 31, 1975
(Unaudited)

	<u>Consolidated</u>	<u>Adjustments and Eliminations</u>	<u>Southern Container Corp.</u>	<u>Penn State Container Corporation</u>	<u>Quick Service Mailing and Packaging, Inc.</u>
Net sales	\$8,016,570	\$(550,696)	\$4,601,940	\$3,365,408	\$599,918
Cost of goods sold	<u>5,880,512</u>	<u>(484,989)</u>	<u>3,332,336</u>	<u>2,493,929</u>	<u>539,236</u>
Gross profit	<u>2,136,058</u>	<u>(65,707)</u>	<u>1,269,604</u>	<u>871,479</u>	<u>60,682</u>
Operating expenses:					
Delivery	410,678	-	267,310	143,368	-
Selling	335,457	-	265,317	70,140	-
Administrative	<u>430,074</u>	<u>-</u>	<u>364,149</u>	<u>53,494</u>	<u>12,431</u>
Total operating expenses	<u>1,176,209</u>	<u>-</u>	<u>896,776</u>	<u>267,002</u>	<u>12,431</u>
Operating income	959,849	(65,707)	372,828	604,477	48,251
Allocation of expense	-	-	(246,959)	201,010	45,949
Other charges - Net	<u>230,900</u>	<u>44,000</u>	<u>159,109</u>	<u>27,791</u>	<u>-</u>
Income before income taxes	\$ 728,949	<u>\$(109,707)</u>	<u>\$ 460,678</u>	<u>\$ 375,676</u>	<u>\$ 2,302</u>
Taxes based on income	<u>364,624</u>				
Net income	<u>\$ 364,325</u>				

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
AS OF 5/31/75
(UNAUDITED)

1151

	<u>Southern Container Corp.</u>	<u>Penn State Container Corp.</u>	<u>Quick Service Mailing and Packaging</u>	<u>Great Southern Trucking</u>	<u>Adjustments and Eliminations</u>	<u>Consolidated</u>
Liabilities and Shareholders Equity						
Current Liabilities:						
Accounts Payable - Trade	\$ 10,360	\$ 5,308	\$ (111)	\$	\$ 139,738	\$ 155,295
Accrued Expenses	388,316	105,056	12,844	(633)	161,501	667,084
Current Portion - Long Term Debt	102,517	54,267				156,784
Income Taxes	(102,574)	4,133	7,639		322,724	231,922
Total Current Liabilities	\$ 398,619	\$ 168,764	\$ 20,372	\$ (633)	\$ 623,963	\$ 1,211,085
Long Term Debt Less Current Portion	\$3,131,336	\$ 887,699	\$	\$	\$ (600,000)	\$3,419,035
Deferred Income Taxes	254,100				41,900	296,000
Inter Company Accounts	-	2,498,391		131,041	(2,629,432)	-
Shareholders' Equity:						
Capital Stock	67,667	200	200	300	(700)	67,667
Capital in Excess of Par	839,532	-		99,700	(99,700)	839,532
Retained Earnings	3,724,479	788,293	144,029		(1,028,675)	3,628,126
Total Net Worth	4,631,678	788,493	144,229	100,000	(1,129,075)	4,535,325
Total Liabilities and Net Worth	\$8,415,733	\$4,343,347	\$164,601	\$230,408	\$(3,692,644)	\$9,461,445

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
AS OF 5/31/75.
(UNAUDITED)

1152

	Southern Container Corp.	Penn State Container Corp.	Quick Service Mailing and Packaging Inc.	Great Southern Trucking	Adjustments and Eliminations	Consolidated
Assets						
Current Assets:						
Cash	\$ 543,113	\$ (17,568)	\$ 679	\$ 1,152	\$ (451,600)	\$ 75,776
Short Term Investments	7,681	-				7,681
Accounts Receivable	974,259	653,874			(29,324)	1,598,809
Allowance for Doubtful Accounts	(76,722)	(9,418)				(86,140)
Inventories - at LIFO	623,755	557,066	46,250		19,617	1,246,688
Prepaid Expenses	2,253	15,746	6,526		52,841	77,366
Total Current Assets	\$2,074,339	\$1,199,700	\$ 53,455	\$ 1,152	\$ (408,466)	\$2,920,180
Fixed Assets:						
Cost	\$4,997,827	\$3,678,100	\$ 141,584	\$228,224	\$ 226,021	\$9,271,756
Acc. Depreciation	(2,319,955)	(553,650)	(46,896)			(2,920,501)
Net Book Value	\$2,677,872	\$3,124,450	\$ 94,688	\$228,224	\$ 226,021	\$6,351,255
Other Assets:						
Deferred Finance and Mortgage Costs	\$ 46,948	\$ 12,490	\$	\$	\$	\$ 59,438
Cash Value of Life Insurance	107,147					107,147
Due from Subsidiaries, and other Assets	3,509,427	6,707	16,458	1,032	3,510,199	23,425
Total Other	\$3,663,522	\$ 19,197	\$ 16,458	\$ 1,032	\$(3,510,199)	\$ 190,010
Total Assets	\$8,415,733	\$4,343,347	\$ 164,601	\$230,408	\$(3,692,644)	\$9,461,445

SOUTHERN CONTAINER CORP. AND SUBSIDIARIES
CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
DECEMBER 1, 1974 - MAY 31, 1975
(Unaudited)

Source of funds:

Operations:

Net income	\$364,325
Depreciation	316,289
Amortization	<u>2,428</u>

Total funds from operations \$ 683,042

Increase in deferred taxes 20,000
Decrease in other assets 996

Total funds provided \$ 704,038

Application of funds:

Additions to fixed assets:

Penn State Container Corp.	\$ 55,069
Southern Container Corp.	460,195
Quick Service Inc.	711
South Carolina Corp.	<u>225,217</u>

Total fixed assets additions \$ 741,192

Increase in other assets 979
Reduction of long-term debt 125,187

Total funds applied \$ 867,358

Net (decrease) in working capital \$ (163,320)

Changes in working capital components, increase(decrease)

Current assets:

Cash and short term investments	\$ (298,956)
Receivables	378,902
Inventory	(1,899,018)
Other current assets	<u>(20,088)</u>

\$ (1,839,160)

Current liabilities:

Accounts payable	\$(1,756,440)
Current portion of long-term debt	71,801
Income taxes	<u>8,799</u>

\$ (1,675,840)

Net (decrease) in working capital \$ (163,320)

The State of South Carolina



Office of the Attorney General

KAREN LeCRAFT HENDERSON
ASSISTANT ATTORNEY GENERAL

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

DANIEL R. McLEOD
ATTORNEY GENERAL
JOSEPH C. COLEMAN
C. T. GOOLSBY, JR.
VICTOR S. EVANS
DEPUTY ATTORNEYS GENERAL

December 2, 1975

Honorable P. C. Smith
State Auditor
Wade Hampton Office Building
Columbia, South Carolina 29201

Re: \$1,000,000 Spartanburg County, South Carolina
First Mortgage Industrial Revenue Notes,
Series 1975 (South Carolina Container Corp.-
Lessee)

Dear Mr. Smith:

Regarding the above referenced bonds, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Act No. 103 of 1967 [55 STAT. 120 (1967)], as amended, and the same appear, in our opinion, to be in order.

With kind regards,

A handwritten signature in cursive script that reads "Karen LeCraft Henderson".

Karen LeCraft Henderson
Assistant Attorney General

KLH:bbb

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

November 21, 1975

Mr. William T. Putnam
Special Assistant
State Auditor's Office
P. O. Box 11333
Columbia, South Carolina 29211

Re: \$1,000,000 Spartanburg County First Mortgage
Industrial Revenue Notes, Series 1975 (South
Carolina Container Corp. Project)

Dear Bill:

We now enclose the Petition of the Board of County Commissioners of Spartanburg County with regard to the captioned bond issue, together with initial working drafts of the basic documents and proposed proceedings for the State Board. I understand that necessary financials have been sent by the Company.

We would appreciate consideration of this matter at the next regularly scheduled meeting of the State Budget and Control Board.

With warm personal regards,

Sincerely yours,

Bill

M. William Youngblood, Jr.

MWY:jap
Encls.

1155

THE STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL)

BOARD OF SOUTH CAROLINA)

) P E T I T I O N
)
_____)

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

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

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

3. The County Board has agreed, prior to the commencement of the construction of the building hereinafter mentioned, with South Carolina Container Corp., a South Carolina corporation (the Lessee), that the County Board will undertake to finance the acquisition, construction and equipping by the Lessee of facilities for the manufacture of corrugated boxes to be located in Spartanburg County, South Carolina, through the issuance of bonds in the form of notes pursuant to the Act. In this connection, the County Board has agreed to acquire a parcel of land containing approximately fifteen

(15) acres, and to finance the acquisition, construction and equipping thereon of the said manufacturing facilities, to consist of a building (now partially completed) and the necessary machinery and equipment; and the County Board has agreed to issue One Million Dollars (\$1,000,000) Spartanburg County, South Carolina, First Mortgage Industrial Revenue Notes, Series 1975 (South Carolina Container Corp. - Lessee) (the Notes) pursuant to the Act in order to finance the said acquisition, construction and equipping of the said facilities (the said 15-acre tract, the building to be located thereon, together with the machinery and equipment to be installed therein being hereinafter referred to as the Project).

4. The County Board is advised by the Lessee that the cost of acquisition, construction and equipping the said facilities will amount to approximately \$1,300,000; and, that in order to finance the acquisition, construction and equipping of the Project by the Lessee, including the cost and charges incident to the issuance and sale of the Notes, it will be necessary that the County Board issue the Notes in the principal amount of \$1,000,000.

5. The Lessee will defray from its own funds all costs of acquiring, constructing and equipping the Project in excess of the proceeds of the Notes available for that purpose. When completed, the Project will employ approximately 50 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 Notes which will bear interest at the rate of 7.25% per annum and will be payable in ten successive, annual installments of \$100,000 each, beginning in 1976 and continuing through 1985. Interest will be payable quarterly.

(d) Pursuant to a Lease Guaranty Agreement (Lease Guaranty Agreement), Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc., a New York corporation (the Guarantors), will unconditionally guarantee the obligations of the Lessee under the Lease.

(e) The Lessee has negotiated for the sale of the Notes to The Citizens and Southern National Bank of South Carolina, without the creation of any reserve and, therefore, it is unnecessary to establish reserve funds for the payment of such principal and interest.

(f) 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 consists of the acquisition of a parcel of land containing approximately 15 acres, the construction of a building thereon, said land and building to cost approximately \$700,000, and the installation of machinery and equipment therein at a cost of approximately \$600,000 all of which will constitute facilities for the manufacture of corrugated boxes.

(b) The Project, when completed, will provide employment for approximately 50 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 entire Project will amount to approximately \$1,300,000, including the necessary tract of land, the proposed building and the equipment and machinery, and all other expenses to be incurred in connection therewith, including the cost and expenses incident to the issuance of the Notes. The Lessee will defray from its own funds all costs of acquiring, constructing and equipping the Project in excess of the proceeds of the Notes available for that purpose.

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

(a) To finance the cost of the Project, the County will issue \$1,000,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Notes, Series 1975 (South Carolina Container Corp. - Lessee) (the Notes). The Notes 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 Citizens and Southern National Bank of South Carolina, as Trustee.

(b) The proceeds derived from the sale of the Notes 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 Notes.

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

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

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

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

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

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

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

The Indenture will make provision for the initial issuance of One Million Dollars (\$1,000,000) of Notes to be secured thereunder. It will make provision for the issuance of additional bonds to the extent and in the manner to be set forth in the Indenture. It will provide for the payment and redemption of the Notes, 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 Notes. It will impose upon the Lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the Notes, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Notes pursuant thereto.

10. The proposed Lease, Lease Guaranty Agreement and Trust Indenture will be in substantially 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 Indenture and the Lease Guaranty Agreement, 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,

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By *Robert D. Howell*
Chairman of the Board of County Commissioners of Spartanburg County

Attest:

C. H. Hendrix
Secretary of the Board of County Commissioners of Spartanburg County

November 12, 1975

LEASE AGREEMENT

between

SPARTANBURG COUNTY, SOUTH CAROLINA

and

SOUTH CAROLINA CONTAINER CORP.

Dated as of December 1, 1975

THIS LEASE AGREEMENT, dated as of December 1, 1975
between SPARTANBURG COUNTY, a body politic and corporate and
a political subdivision of the State of South Carolina,
acting by and through the Board of County Commissioners of
Spartanburg County, which is the governing body of said
County as constituted by Act No. 1035 of the 1968 Acts and
Joint Resolutions of the South Carolina General Assembly,
party of the first part, and SOUTH CAROLINA CONTAINER CORP.,
a corporation organized and existing under the laws of the
State of South Carolina, party of the second part,

WITNESSETH:

In consideration of the respective representations and
agreements hereinafter contained, the parties hereto agree
as follows (provided that in the performance of the agree-
ments 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 and notes (including, without limitation the First Series Notes) 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, constructed and 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.

"CODE" means the Internal Revenue Code of 1954, as amended.

"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 Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"COUNTY BOARD" means the Board of County Commissioners

of Spartanburg County, and any successor body.

"FIRST SERIES NOTES" shall mean the \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Notes, Series 1975 (South Carolina Container Corp. Project) of the County to be issued pursuant to the Indenture.

"GUARANTORS" means Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc., a New York corporation, which have 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 Guarantors and the County.

"INDENTURE" means the Trust Indenture between the County and The Citizens and Southern National Bank of South Carolina, 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, revenues and receipts 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 employee of either the County, the Lessee or the Guarantors.

"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 Guarantors.

"LEASE GUARANTY AGREEMENT" means the agreement between the Guarantors and the County of even date herewith, whereby the Guarantors unconditionally guarantee 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 Section 5.4, 5.5, 6.3, 8.7 or 10.4 hereof).

"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 Notes, 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 includes, but is not limited to, those items 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

"LEASE GUARANTY AGREEMENT" means the agreement between the Guarantors and the County of even date herewith, whereby the Guarantors unconditionally guarantee 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 Section 5.4, 5.5, 6.3, 8.7 or 10.4 hereof).

"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 Notes, 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 includes, but is not limited to, those items 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.

"PENALTY RATE" means interest at the rate of ____% per annum or such lesser rate as may be required by applicable usury laws.

"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 or 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 under date of October 9, 1974, did agree that the County would finance the cost of acquiring, constructing and equipping the Project through the issuance of Bonds

pursuant to the Act. The Lessee estimates that such cost will be \$1,300,000, and at the request of the Lessee the County now proposes to issue the First Series Notes in the aggregate principal amount of \$1,000,000, 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 South Carolina, is in good standing under its Charter and the laws of the State of South Carolina, and has power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement.

(b) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Lessee is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee under the terms of any instrument or agreement.

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project

as aforesaid, the Lessee has heretofore acquired the Leased Land, has begun construction of the Building on the Leased Land.

(d) The Lessee will defray from its own funds all costs of acquiring, constructing and equipping the Project in excess of the proceeds of the First Series Notes available for that purpose.

(e) 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 corrugated boxes, and for the manufacture of such other products as the Lessee may deem appropriate.

(f) The acquiring of the Project by the County through the issuance of the First Series Notes and the leasing of the Project to the Lessee has induced the Lessee to establish this industrial enterprise in the County.

(g) 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 First Series Notes.

(h) In order to provide a further inducement to the purchase of the First Series Notes, the Guarantors have entered into the Lease Guaranty Agreement with the Trustee.

(i) All proceeds derived from the sale of the First Series Notes will be used to acquire the Project, which consists entirely of land and property of a character subject to the allowance for depreciation as prescribed in Section 103(c)(6)(A) and (D) of the Code, and no part of the First Series Notes proceeds will be used to finance inventory or for working capital.

ARTICLE III

DEMISING CLAUSE, NO WARRANTY OF TITLE,
TITLE INSURANCE

SECTION 3.1. Demise of the Leased Land, Building and the Leased Equipment. The County demises and leases to the Lessee, and the Lessee leases from the County, the Leased Land, the Building and the Leased Equipment at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Agreement.

SECTION 3.2. No Warranty of Title. The County makes no warranty with respect to the title to the Leased Land, and the Lessee will furnish, at the time of the delivery of each series of Bonds, a written opinion of Independent Counsel that the County has good and marketable fee simple title to the Leased Land and Building, 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 of not less than \$_____, which is the estimated value of the Leased Land and Building.

ARTICLE IV

COMPLETION OF THE PROJECT; ISSUANCE OF
THE FIRST SERIES BONDS;
CONSTRUCTION FUND

SECTION 4.1. Agreement to Complete and Equip the Building on the Leased Land. The County has acquired the Leased Land and partially completed Building 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 completed 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 include 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 the First Series Notes 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 Notes; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees

that it will, on or before the 1st day of January, 1976, sell and cause to be delivered to the initial purchaser the First Series Notes in the aggregate principal amount of \$1,000,000 and will thereupon (i) deposit in the Bond Fund all accrued interest received on the sale of the First Series Notes 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 Notes 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 Notes, 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 deemed necessary in connection with the Project and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond.

(e) Payment of the fees, or out-of-pocket expenses, if any, for architectural, engineering and supervisory services with respect to the Project.

(f) Payment to the 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 Notes.

(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.

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 it pursuant to Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

SECTION 4.5. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate 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 Notes, 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 reinvested 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 Notes (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 November 1, 1985.

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 November 1, and at least three days before each February 1, May 1, August 1 and November 1 thereafter until the principal of, premium, if any, and interest on the First Series Notes 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 November 1, a sum equal to the amount payable on such date as principal and interest upon the First Series Notes and (ii) if such date is February 1, May 1, August 1 or November 1, a sum equal to the amount payable on such date as interest upon the First Series Notes, as provided in the Indenture.

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 may be 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 may be 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 contained 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 nonpayment 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.

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 \$100,000. 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 \$5,000 direct damage applicable to each separate instance of loss or damage insured against. In time of war in which the United States is a belligerent, such insurance to the extent of the

full insurable cash value of the Project as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in South Carolina.

(b) Boiler and pressure vessel (including pressure pipes) explosion insurance in an amount at least equal to the value of the Building and Leased Equipment (with deductible provisions not to exceed \$5,000) with respect to all boilers and pressure vessels and pressure pipes installed in the Project.

(c) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks, and passageways, such insurance to afford protection of not less than \$10,000,000 with respect to bodily injury to any one person, not less than \$10,000,000 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 \$5,000 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 \$100,000. 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 Project in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition, the County 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 thereof, 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 of 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 \$100,000, 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 \$100,000 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 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 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 Lessee. Lessee agrees to furnish the County such information respecting the business affairs, operation and financial condition of the Lessee 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 Lessee, copies of all quarterly and other interim financial statements as the Lessee shall furnish to its stockholders, and (b) as soon as available, and in any event within one hundred fifty (150) days after closing of each fiscal year of the Lessee, a copy of the annual audit report (including balance sheets, profit and loss, and surplus statements) of the Lessee and its consolidated subsidiaries for such fiscal year, all as prepared and certified by independent public accountants of recognized standing; provided, however, that if the annual report of Lessee to its stockholders shall contain financial statements of substantially similar detail and similarly prepared and audited, copies of such annual report may be delivered in lieu of the copies of the annual audit reports referred to herein.

SECTION 8.9. Covenants of Lessee with Respect to Capital Expenditures. The County is issuing the First Series Notes

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 Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Notes will continue to be exempt from Federal Income Taxes by virtue of the provisions of Section 103(a)(1) of the Internal Revenue Code of 1954, as amended;

(3) That within 60 days following (i) July 1, 1976, and (ii) the first day of each July thereafter to and including July 1, 1979, 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 November 1, 1977 to such July 1 (or, in the case of the July 1, 1979 certificate, to the 3rd anniversary of the date of the delivery of the First Series Notes), capital expenditures (including the \$1,000,000 principal amount of the First Series Notes) in excess of the greater of (a) \$5,000,000, or (b) the capital expenditures limitation prescribed by said Section 103(c)(6)(D) if hereafter amended so as to increase the limitation, have not been paid or incurred with respect to "facilities" described in Section 103(c)(6)(E) of the Internal Revenue Code of 1954, in Spartanburg County, South Carolina, 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 Note 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 and Refunding Bonds. Subject to the obligations 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 and/or to refund the First

Series Notes 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, and no such amendment shall be made so long as any First Series Notes are outstanding unless the written approval thereof by the holder or holders of all the First Series Notes outstanding is first obtained, which consent will not be unreasonably withheld.

Series Notes 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, and no such amendment shall be made so long as any First Series Notes are outstanding unless the written approval thereof by the holder or holders of all the First Series Notes outstanding is first obtained, which consent will not be unreasonably withheld.

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 of, 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 Notes 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 Notes at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the First Series Notes due or to become due through the date on which the last of the First Series Notes 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

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 Notes 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 Notes at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the First Series Notes due or to become due through the date on which the last of the First Series Notes 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 out-

standing 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 there have been irrevocably deposited with the Trustee (i) moneys sufficient to pay, redeem and retire all the then outstanding Bonds (including, without limitation, principal, premium, interest to maturity or earliest applicable redemption date, as the case may be, expenses of redemption and Trustee's and paying agents' fees), and (ii) evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been duly given by the County or the Trustee has been irrevocably authorized to give such redemption notices; or

(c) 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 five day's notice by the Trustee or ten 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 of any of the Guarantors or the filing by the Lessee or any of the Guarantors of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift

any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee or any of the Guarantors of any act of bankruptcy, or adjudication of the Lessee or any of the Guarantors as a bankrupt, or assignment by the Lessee or any of the Guarantors for the benefit of its creditors, or the entry by the Lessee or any of the Guarantors 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 any of the Guarantors 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 any of the Guarantors" 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 take whatever action at law or in equity as may appear necessary and desirable to collect the rent and other amounts then due and thereafter to become due and/or to

enforce the performance and observance of any obligation, agreement or covenant of the Lessee hereunder.

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 purposes hereinabove stated, and (ii) the purchase will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in Exhibit A to this Agreement.

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the County will promptly deliver such money to the 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. In the event that (a) the First Series Notes fail to qualify as an exempt small issue under the provisions of Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, or regulations promulgated thereunder, or (b) the capital expenditures limitation prescribed by Section 103(c)(6)(A) and (D) of the Internal Revenue Code of 1954, as amended, shall be violated with the result that interest on the First Series Notes shall no longer be exempt from Federal Income Taxes, or (c) by reason of the actual or claimed violation of any covenant set forth in Section 8.9(2) or Section 8.9(4) of this Agreement (whether through act of the Lessee or circumstances not under the Lessee's control or otherwise) interest on the First Series Notes becomes, or shall be determined by (i) the National Office of Internal Revenue Service of the United States Treasury Department, or (ii) the District Director of Internal Revenue for the district in which the

the Lessee files its statements required by the governing regulations referred to in Section 8.9(4) hereof, or (iii) any court of competent jurisdiction, to be subject to Federal Income Taxes, the Lessee agrees to purchase, in full discharge of all liability hereunder, the Project within one hundred and twenty days after any such event at a purchase price equal to the principal amount of all First Series Notes 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 agent's fees and charges. The obligation of the Lessee under this Section 12.2 shall survive any termination of the Lease Term of this Agreement. Provided, that the Lessee may in good faith to the extent permitted by law, contest, at Lessee's expense, any such 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 that determination may be postponed for 12 months from the date of Lessee's receipt of written notice regarding the earliest such determination (but in no event shall the performance of Lessee's obligation to purchase be postponed beyond the expiration of such 12 months period, even though any such litigation or contest shall not then be completed or terminated). If such determination is reversed or withdrawn by competent authority within such 12 months period Lessee shall be relieved of its obligation to purchase resulting from such determination.

Nothing herein contained is intended to create any obligation upon the Lessee as a result of interest on any First Series Note becoming taxable by virtue of the provisions of Section 103(c)(7) of the Internal Revenue Code of 1954, as amended.

At the closing of any such purchase of the Project under this Section 12.2, the County shall deliver to the Lessee the documents referred to in Section 11.4. The purchase price

shall be applied to the redemption of the First Series Notes 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 Notes.

SECTION 12.3. Obligation of Lessee Further Defined.

The parties recognize that the First Series Notes 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 Notes 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 Note on the occasion as of which interest on the First Series Notes becomes due (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 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 Note outstanding on the date as of which interest on the First Series Notes 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: an amount determined by multiplying one-sixth of the annual interest on such First Series Note by the number of 30-day periods, or fraction thereof, between the taxable date and the date of redemption or the earlier payment date of any First Series Note which shall have been paid (whether at maturity or by redemption) subsequent to the taxable date and prior to the redemption date; and the redemption premium prescribed by this Section 12.4 with respect to any First Series Note redeemed subsequent to the taxable date and prior to redemption resulting from a purchase of the Project pursuant to Section 12.2 shall be reduced by the amount of any optional redemption premium previously paid on such First Series Note. 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 Note 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 First Series Note computed according to the provisions of this Section 12.4 to the date of payment or redemption.

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 Board of County Commissioners of Spartanburg County, County Courthouse, Spartanburg, South Carolina 29301; if to the Lessee, at P. O. Box J, Deer Park, New York 11729, Attention: President; if to the Trustee, at The Citizens and Southern National Bank of South Carolina, _____, _____, South Carolina, Attention: Corporate Trust Officer; if to any of the Guarantors, at P. O. Box J, Deer Park, New York 11729, Attention: President.

The County, the Lessee, any of the Guarantors 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 Notes 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 Notes. If subsequent to such recording the First Series Notes 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 Notes; 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 February 1, 1976, after each February 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 February 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 Notes 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 Notes 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, SPARTANBURG COUNTY, SOUTH CAROLINA,
has executed this Lease Agreement by causing its name to be
hereunto subscribed by the Chairman of its Board of County
Commissioners of Spartanburg County and the official seal of
said County Board to be impressed hereon and attested by the
Secretary of said County Board; and SOUTH CAROLINA CONTAINER
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.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County
Commissioners of Spartanburg
County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

Signed, Sealed and Delivered in
the Presence of:

SOUTH CAROLINA CONTAINER CORP.

(SEAL)

By _____
President

Attest:

Secretary

Signed, Sealed and Delivered in
the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn, deposes and says that (s)he saw the
corporate seal of Spartanburg County, South Carolina, affixed
to the foregoing Lease Agreement, and that (s)he also saw
_____ as Chairman and _____
as Secretary of the Board of County Commissioners of Spartanburg
County sign and attest the same and that (s)he with _____
witnessed the execution and delivery thereof as the act and
deed of the said Spartanburg County, South Carolina.

SWORN to before me this

_____ day of _____, A.D., 19__

_____(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 South Carolina Container Corp. affixed to the foregoing
Lease Agreement, and that (s)he also saw _____
as President and _____ as Secretary of
said Corporation, sign and attest the same, and that (s)he
with _____ witnessed the execution and
delivery thereof as the act and deed of the said South Carolina
Container Corp.

SWORN to before me this

_____ day of _____, A.D., 19__.

_____(LS)
NOTARY PUBLIC FOR

My Commission expires: _____

LEASE GUARANTY AGREEMENT

Attached to Lease Agreement between Spartanburg County, South Carolina, and South Carolina Container Corp., dated as of December 1, 1975.

FOR VALUE RECEIVED, and as an inducement to and as part of the consideration for the execution and delivery by Spartanburg County, South Carolina (the "County") of the foregoing Lease Agreement dated as of December 1, 1975, between the County and South Carolina Container Corp., a South Carolina corporation (the "Lessee") and the leasing by the County of any property thereunder, and as an inducement to and as part of the consideration for the issuance, execution, sale, delivery and purchase of \$1,000,000 Spartanburg County, South Carolina, First Mortgage Industrial Revenue Bonds, First Series Notes (South Carolina Container Corp. - Lessee) (the "Bonds") described in the Lease Agreement and the assignment by the County of all its right, title and interest in, to and under the Lease Agreement by the Indenture dated as of December 1, 1975, between the County and South Carolina Container Corp., as Trustee (the "Trustee"), to provide for the acquisition and construction of the Project (as defined in the Lease Agreement) the undersigned, Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc., a New York corporation (collectively the "Guarantors"), jointly and severally unconditionally guarantee to the County and the Trustee, their successors or assigns, the full and prompt payment, when due and at all times thereafter of each and all of the rents and other sums required to be paid by the Lessee to the County or the Trustee under the terms of the Lease Agreement, as amended or supplemented by an instrument amending or supplementing the Lease Agreement (the foregoing Lease Agreement, as from time to time amended or supplemented, being hereinafter called the "Lease") and

the full and prompt performance and observance by the Lessee of each and all of the covenants and agreements required to be performed and observed by the Lessee under the terms of the Lease. The Guarantors further unconditionally agree to pay an amount or amounts equal to said rents and other sums when due, in the event that the Lessee fails to do so, and to pay all expenses and charges, legal or otherwise (including court costs and attorneys' fees) paid or incurred by the County or the Trustee, their successors or assigns, in realizing upon any of the payments or enforcing covenants hereby guaranteed or in enforcing this Lease Guaranty Agreement (herein sometimes referred to as the "Agreement").

Each and every default by the Lessee under the terms of the Lease shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

This Agreement shall remain in full force and effect until the Lessee shall have fully and satisfactorily discharged all of its obligations to the County under the Lease, irrespective of the genuineness, validity, regularity or enforceability of the Lease or any assignment or termination thereof, or the bankruptcy, insolvency, reorganization or dissolution of the County or Lessee, or the assignment for benefit of creditors by the County or Lessee.

This Agreement and the liability hereunder shall in no wise be affected or impaired by (and the County, its successors or assigns are hereby expressly authorized to make from time to time without notice to anyone) any compromise, settlement, release, renewal, extension, indulgence, change in or modification of any of the obligations and liabilities of the Lessee under the Lease, or by any redelivery, re-possession, surrender or destruction of the Project (as defined in the Lease), in whole or in part, or by any failure, neglect or omission on the part of the County, its successors

assigns, to realize upon any obligations or liabilities of the Lessee, or to give notice to any of the Guarantors of the occurrence of any default under the Lease.

The obligations, covenants, agreements and duties of any of the Guarantors under this Agreement shall not be affected or impaired by reason of the happening from time to time of any of the following with respect to the Lease or said assignment thereof or this Agreement or the assignment hereof to the Trustee, although without notice to or consent of any of the Guarantors: (a) any assignment or mortgaging or the purported assignment or mortgaging of all or any part of the interest of Lessee in the Lease or in the Project (as defined in the Lease); (b) the waiver by the County or the Trustee of the performance or observance by Lessee or by any of the Guarantors of any of the agreements, covenants, terms or conditions contained in any of such instruments; (c) the extension of the time for payment by Lessee or by any of the Guarantors of any rents or other sums or any part thereof owing or payable under any of such instruments or of the time for performance by Lessee or by any of the Guarantors of any other obligations under or arising out of any of such instruments or the extension or the renewal of any thereof; (d) the modification or amendment (whether material or otherwise) of any duty, agreement, or obligation of Lessee set forth in any such instrument; (e) the taking or the omission of any of the actions referred to in any of such instruments; (f) any failure, omission, delay or lack on the part of the County or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the County or the Trustee in any of such instruments, or any action on the part of the County or the Trustee granting indulgence or extension in any form; (g) 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, arrangement, composition or readjustment of, or other similar proceeding affecting Lessee or any of the Guarantors or any of their assets, or the disaffirmance of the Lessee or any contest of the validity of the Lease in any such proceeding; (h) the release or discharge of Lessee or any of the Guarantors from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law; (i) the release, substitution or replacement in accordance with the terms of the Lease of any property subject thereto; (j) the receipt and acceptance by the County or the Trustee of notes, checks or other instruments for the payment of moneys made by Lessee and extensions and renewals thereof, or (k) any other cause, whether similar or dissimilar to the foregoing.

Without limiting the foregoing, it is specifically understood that any modification, limitation or discharge of the Lessee's liability under the Lease or of the liability of any of the Guarantors thereunder or hereunder, arising out of or by virtue of any bankruptcy arrangement, reorganization or similar proceeding for relief of debtors under Federal or State law hereinafter initiated by or against the Lessee or by or against any of the Guarantors shall not affect, modify, limit or discharge the liability of any of the Guarantors in any manner whatsoever and this Agreement shall remain and continue in full force and effect and shall be enforceable against any of the Guarantors to the same extent and with the same force and effect as if any such proceedings had not been instituted; and it is the intent and purpose of this Agreement that each of the Guarantors shall and does hereby waive all rights and benefits which might accrue to it by reason of any such proceeding and that it shall be liable for an amount equal to the full amount of rent and other

sums, including all damages imposed, or payable under the terms of the Lease, irrespective and without regard to, any modification, limitation or discharge of the liability of the Lessee that may result from any such proceeding.

No act of commission or omission of any kind or at any time upon the part of the County, its successors or assigns, in respect of any matter whatsoever shall in any way affect or impair the rights of the County or any successor or assignee of the County to enforce any right, power or benefit of the County under this Agreement, and no set-off, claim, reduction or diminution of an obligation, or any defense of any kind or nature which any of the Guarantors has or may have against the County or any assignee or successor thereof shall be available to each of the Guarantors against the County or against any assignee or successor of the County.

The County may without any notice whatsoever to anyone sell, assign, or transfer all of its right, title and interest as the Lessor under the Lease or all of its right, title and interest in and to the rents and other sums at any time due and to become due thereunder, to the Trustee, or the Trustee's successors or assigns, and in such event, the Trustee, or such successors or assigns, shall have all of the rights, power and benefits of the County under this Agreement, including, without limitation, the right to enforce this Agreement by suit or otherwise for its benefit as fully as if it were herein by name specifically given all of such rights, powers and benefits.

The County, its successors and assigns, in its or their sole discretion, shall have the right to proceed first and directly against any of the Guarantors, its successors and assigns, under this Agreement without proceeding against or exhausting its remedies against the Lessee, its successors or assigns, and without resorting to any other security held by the County or the Trustee, or their successors or assigns.

Each of the Guarantors will keep and will cause each of

its consolidated subsidiaries to keep proper books of record and account in accordance with generally accepted principles of accounting and will furnish to the Trustee, the initial purchaser of the Bonds, and, if requested in writing, to the holder of any Bond, all financial statements which it sends to its shareholders.

This Agreement and every part hereof shall be binding upon each of the Guarantors and its successors and assigns and shall inure to the benefit of the County and its successors and assigns including the Trustee. Each of the Guarantors agrees that during the term of the Lease 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 it; provided, that each of the Guarantors may, without violating the agreement contained in this paragraph, consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with 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 in writing all of the obligations of each of the Guarantors under this Agreement and the net worth of the surviving, resulting or transferee corporation, as the case may be, after the consolidation, merger, transfer of assets or sale shall be at least equal to the net worth of each of the Guarantors immediately prior to the consolidation, merger, transfer of assets or sale.

Each of the Guarantors is advised that the rights of the County under this Agreement will be assigned to the Trustee, and upon such assignment and so long as any Bonds shall be unpaid in whole or in part, all rights against any of the Guarantors arising under this Agreement shall be for the sole benefit of the Trustee and the holders of the

Bonds, and the Trustee shall be entitled to bring any suit, action or proceeding against any of the Guarantors for the enforcement of any provisions of this Agreement in its name as Trustee, and it shall not be necessary in any such suit, action or proceeding to make the County a party thereto; and this Agreement may not be modified or amended without the prior written consent of the Trustee, and any attempted modification or amendment without such consent shall be void. The terms of this Agreement may be enforced as to any one or more breaches either separately or cumulatively. Notice of acceptance of this Agreement and notice of the execution and delivery of the Lease by Lessee and of the assignment thereof and of this Agreement to the Trustee are waived by each of the Guarantors.

Each of the Guarantors irrevocably:

(a) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the courts of the State of South Carolina or the courts of the United States for the State of South Carolina;

(b) consents to the jurisdiction of each court in any such suit, action or proceeding; and

(c) waives any objection which it may have to the laying of the venue of any such suit, action or proceeding in any of such courts.

For such time as any of the Bonds shall be outstanding, each of the Guarantors 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 of process upon such agent shall be taken and held to be valid personal service upon any of the Guarantors,

whether or not any of such Guarantors 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, and waives all claim of error by reason of any such service.

Such agent shall not have any power of authority to enter any appearance or to file any pleadings in connection with any suit, action or other legal proceeding against the Guarantor or to conduct the defense of any such suit, action or other legal proceeding.

IN WITNESS WHEREOF, Southern Container Corp., Penn State Container Corporation and Quick Service Mailing and Packaging, Inc. have each executed this Lease Guaranty Agreement by each causing its corporate name to be hereunto subscribed by its _____ and its corporate seal to be impressed hereon and attested by its _____; and Spartanburg County, South Carolina, has executed this Lease Guaranty Agreement by causing its name to be hereunto subscribed by the Chairman of the Board of County Commissioners of Spartanburg County and the official seal of said County Board to be impressed hereon and attested by the Secretary of said Board of County Commissioners of Spartanburg County, all being done as of the 1st day of December, 1975.

SOUTHERN CONTAINER CORP.

(SEAL)

By _____

Attest:

Signed, Sealed and Delivered
in the Presence of:

PENN STATE CONTAINER CORPORATION

(SEAL)

By _____

Attest:

Signed, Sealed and Delivered
in the Presence of:

QUICK SERVICE MAILING AND PACKAGING, INC.

(SEAL)

By _____

Attest:

Signed, Sealed and Delivered
in the Presence of:

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County
Commissioners of Spartanburg
County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

Signed, Sealed and Delivered
in the Presence of:

ASSIGNMENT OF LEASE AGREEMENT
AND LEASE GUARANTY AGREEMENT

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

KNOW ALL MEN BY THESE PRESENTS, that Spartanburg County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the Board of County Commissioners of Spartanburg 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 The Citizens and Southern National Bank of South Carolina, as Trustee under that certain Trust Indenture dated as of December 1, 1975, between Spartanburg County and said The Citizens and Southern National Bank of South Carolina, as Trustee, and its successors in trust:

(a) All of the right, title and interest of said Spartanburg County in and to the foregoing Lease Agreement dated as of December 1, 1975, between said Spartanburg County, as Lessor, and South Carolina Container Corp., as Lessee.

(b) All of the right, title and interest of said Spartanburg County in and to the foregoing Lease Guaranty Agreement dated as of December 1, 1975, between The Citizens and Southern National Bank of South Carolina, and Spartanburg County, South Carolina.

This Assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of December 1, 1975, 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, Spartanburg County, South Carolina,
has executed this Assignment by causing its name to be
subscribed by the Chairman of the Board of County Commissioners
of Spartanburg County and the official seal of said Board of
County Commissioners of Spartanburg County to be impressed
hereon and attested by the Secretary of the said Board of
County Commissioners of Spartanburg County all being done as
of the 1st day of December, 1975.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County Commis-
sioners of Spartanburg County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

Signed, Sealed and Delivered
in the Presence of:

IN WITNESS WHEREOF, Spartanburg County, South Carolina,
has executed this Assignment by causing its name to be
subscribed by the Chairman of the Board of County Commissioners
of Spartanburg County and the official seal of said Board of
County Commissioners of Spartanburg County to be impressed
hereon and attested by the Secretary of the said Board of
County Commissioners of Spartanburg County all being done as
of the 1st day of December, 1975.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County Commis-
sioners of Spartanburg County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn, says that (s)he saw the corporate seal
of Spartanburg 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 Board of County
Commissioners of Spartanburg County sign and attest the
same, and that (s)he with _____ witnessed the
execution and delivery thereof as the act and deed of the
said Spartanburg County, South Carolina.

SWORN to before me this

____ day of _____, A.D., 19__.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires: _____

TRUST INDENTURE

between

SPARTANBURG COUNTY, SOUTH CAROLINA

and

THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA

Dated as of December 1, 1975

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of December, 1975, by and between SPARTANBURG 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 THE CITIZENS AND SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, 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, as 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, and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1972 Cumulative Supplement (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 South Carolina Container Corp., a corporation organized and existing under the laws of the State of South Carolina

(hereinafter sometimes referred to as the "Lessee"), for the acquisition of the necessary land, buildings, machinery and equipment which will constitute facilities for the manufacture of corrugated baxes to be located in Spartanburg County (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.

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 Board of County Commissioners of Spartanburg County (hereinafter sometimes referred to as the "County Board"), as established pursuant to Act No. ____ of the 19__ Acts and Joint Resolutions of the South Carolina General Assembly, 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 issuance, sale and delivery of industrial revenue bonds in the form of notes designated as "SPARTANBURG COUNTY,

SOUTH CAROLINA, FIRST MORTGAGE INDUSTRIAL REVENUE NOTES, SERIES 1975, (SOUTH CAROLINA CONTAINER CORP. - LESSEE) in the aggregate principal amount of \$1,000,000 as hereinafter provided; and

WHEREAS, the issuance of such First Series Notes 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 \$1,000,000 aggregate principal amount of First Series Notes to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed on such First Series Notes, 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, this Indenture will also provide for the issuance of Additional Bonds in substantially the form hereto attached as Exhibit D; and

WHEREAS, all things necessary to make the First Series Notes, 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, (as hereinafter defined), revenues and receipts herein made for the payment of the principal of, premium, if any and interest on the First Series Notes, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the First Series Notes, 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 The Citizens and Southern National Bank of South Carolina, 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 Spartanburg 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 December 1, 1975, between the County and South Carolina Container Corp. and all Lease Rentals received or to be received under said Lease Agreement.

IV

All right, title and interest of the County in and to the Lease Guaranty Agreement, dated as of December 1, 1975, between the County and the Guarantors, and all Lease Rentals received or to be received under the said Lease 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 214 of this Indenture.

"BOND" or "BONDS" means the Spartanburg County First Mortgage Industrial Revenue Bonds or Notes (including, without limitation, the First Series Notes) of all series from time to time authenticated and delivered under this Indenture.

"BOND FUND" or "SPARTANBURG COUNTY INDUSTRIAL REVENUE NOTE AND BOND FUND - SOUTH CAROLINA CONTAINER CORP. 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.

"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 "SPARTANBURG COUNTY INDUSTRIAL CONSTRUCTION FUND - SOUTH CAROLINA CONTAINER CORP. PROJECT" means the fund created by Section 602 hereof.

"COUNTY" means Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"COUNTY BOARD" means the Board of County Commissioners of Spartanburg County as the governing body of Spartanburg 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 NOTES" shall mean the \$1,000,000 Spartanburg County First Mortgage Industrial Revenue Notes, Series 1975 (South Carolina Container Corp. Project) of the County to be issued pursuant to the Indenture.

"GUARANTORS" means Southern Container Corp., a New York corporation, Penn State Container Corporation, a Pennsylvania corporation, and Quick Service Mailing and Packaging, Inc., a New York corporation, which have 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 Guarantors and the County.

"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 December 1, 1975, and any amendments or supplements thereto.

"LEASE GUARANTY AGREEMENT" means the agreement between the Guarantors and the County of even date herewith, whereby the Guarantors unconditionally guarantee 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 Section 5.4, 5.5, 6.3, 8.7 or 10.4 hereof).

"LESSEE" means South Carolina Container Corp., a New York 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 for the payment or redemption of which cash funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee;

- (c) Bonds in lieu of which others have been authenticated under Section 204 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

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

"PENALTY RATE" means interest at the rate of ____% per annum or such lesser rate as may be required by applicable usury laws.

"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 or Clerk is unable to act.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means The Citizens and Southern National Bank of South Carolina, the party of the second part hereof, and any successor trustee pursuant 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 \$5,000,000.

SECTION 202. Issuance of First Series Notes. The First Series Notes in the aggregate principal amount of \$1,000,000, dated as of December 1, 1975, shall be designated "First Mortgage Industrial Revenue Notes, Series 1975 (South Carolina Container Corp. - Lessee)" and shall be in the form of fully registered Notes, as hereto attached as Exhibit C. They shall bear interest from December 1, 1975, at the rate of seven and one quarter (7-1/4%) per cent per annum payable March 1, 1976, and quarterly thereafter on June 1, September 1, December 1 and March 1 of each year. They shall be in the denomination of \$100,000 each and shall mature in numerical order on December 1 in each of the years 1976 to 1985, inclusive, as more fully set forth in the following schedule:

<u>First Series Note No.</u>	<u>Principal Amount</u>	<u>December 1 in in the year</u>
1	\$ 100,000	1976
2	100,000	1977
3	100,000	1978
4	100,000	1979
5	100,000	1980
6	100,000	1981
7	100,000	1982
8	100,000	1983
9	100,000	1984
10	100,000	1985

Payments of interest made in respect of the fully registered Notes provided for in Section 209 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 fully registered

Note shall be made to or upon the order of the registered owner or his legal representative upon presentation or surrender of such fully registered Note for cancellation at the principal office of the Trustee in the City of Columbia, South Carolina, for cancellation.

The interest on any coupon Bonds shall be evidenced by coupons. The principal of, premium, if any, and interest on the coupon 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 coupon Bonds or coupons as they respectively become due at the principal office of the Trustee.

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. 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.

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.

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 Bonds. The Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the form set forth in Exhibits C and D attached hereto, with such appropriate variations, omissions

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.

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.

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 Bonds. The Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the form set forth in Exhibits C and D attached hereto, with such appropriate variations, omissions

and insertions as are permitted or required by this Indenture.

SECTION 206. Delivery of First Series Notes. 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 Notes in the aggregate principal amount of \$1,000,000 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 Notes 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 Lease Guaranty Agreement.

2. An original executed counterpart of the Lease Agreement and Lease 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 \$1,000,000 aggregate principal amount of the First Series Notes.

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 Notes in the aggregate principal amount of \$1,000,000 to the purchasers therein indentified 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 Coupon Bonds; Persons Treated as Owners. Each of the coupon 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 owner on registration books to be provided for that

the First Series Notes in the aggregate principal amount of \$1,000,000 to the purchasers therein indentified 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 Coupon Bonds; Persons Treated as Owners. Each of the coupon 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 owner 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 coupon 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 owner 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 owner, 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 owner 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 owner or his duly authorized attorney and upon presentation at the office of said Bond Registrar. Upon such reversion 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 Bond holder 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 owner 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. Forms; Denominations; Medium of Payment.

The Bonds shall be either in coupon form registrable as to principal only, or as to both principal and interest, or in the form of fully registered Notes. All such Bonds shall be issued in the denomination of \$5,000 in the case of coupon Bonds, and in denominations of \$5,000 or any multiple thereof in the case of fully registered Notes. The Bonds shall be substantially in the forms set forth in Exhibits C

and D to this Indenture with such variations, insertions or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. 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.

SECTION 210. Numbers, Date and Payment Provisions.

The Bonds shall be numbered and designated in such manner as the County, with the concurrence of the Trustee shall determine. Bonds shall bear interest from their date.

SECTION 211. Negotiability and Transfer of Fully Registered Notes. Persons Treated as Owners. Each registered Bond (including fully registered Notes) shall be transferable only upon the books of the County, which shall be kept for the purpose at the principal office of the Trustee in Columbia, South Carolina, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond the County shall issue, subject to the provisions of Section 213, in the name of the transferee a new registered Bond of the same series and of the same principal amount, maturity and interest rate as the surrendered Bond.

The County, the Trustee, the Bond Registrar and each Paying Agent may deem and treat the person in whose name any registered Bond shall be registered upon the books of the County as the absolute owner of such Bonds, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or premium, if any, and interest on such Bond and for all other purposes,

and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the County, nor the Trustee, nor the Bond Registrar or any Paying Agent shall be affected by any notice to the contrary.

SECTION 212. Regulations With Respect to Transfer. In all cases in which the privilege of transferring registered Bonds (including fully registered Notes) is exercised, the County shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. All Bonds and coupons surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. There shall be no charge for such exchange or transfer of Bonds except that the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the County nor the Trustee shall be required (a) to register or transfer 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 or transfer any Bonds called for redemption.

SECTION 213. Issuance of Additional Bonds. The County, at the request of the Lessee and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing for the acquisition of additional land or interest 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 Notes 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 Notes 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. The aggregate principal amount of all Bonds outstanding (including the First Series Notes and Additional Bonds to be issued) to be issued pursuant to this Indenture shall not exceed \$5,000,000 at any time.

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 214. 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 210 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 thereon 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 Notes is not affected by the issuance of such Additional Bonds.

7. So long as any First Series Notes are outstanding, the written approval of the issuance of such Additional Bonds by the holder or holders of all the First Series Notes outstanding.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices of First Series Notes. The First Series Notes are callable for redemption at any time upon the conditions and at the redemption prices hereinafter specified.

(a) If called for redemption in the event of the mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement the First Series Notes shall be subject to redemption by the County at any time whether or not an interest payment date, in whole and not in part, at the principal amount thereof plus accrued interest to the redemption date plus the redemption premium, if any, prescribed in subparagraph (b) of this Section 301, and, an additional redemption premium computed as follows: the product obtained by multiplying one-sixth ($1/6$ th) of the annual interest of each First Series Note outstanding on the date as of which interest becomes (or is determined to be as provided in Section 12.2 of the Lease Agreement) taxable by the number of 30-day periods, or fraction thereof, between the date as of which interest on the First Series Notes is (or is determined to be as provided in Section 12.2 of the Lease Agreement to be) taxable and the date of redemption or the earlier payment date of any First Series Note which shall have been paid (whether at maturity or by redemption) subsequent to the date as of which interest on the First Series Notes is (or is so determined to be) taxable and prior the earliest possible redemption date.

If it shall occur that any First Series Note is paid or retired subsequent to the date as of which interest on the First Series Note is (or is determined as provided in Section 12.2 of the Lease Agreement to be) taxable as a result of the violation of any covenant set forth in Section

8.9(2) or Section 8.9(4) of the Lease Agreement and prior to the redemption of the First Series Note by use of the purchase price derived from the mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement, then in such event the person who shall have been the holder of any such First Series Note on the occasion of its payment (whether at maturity or by redemption) shall receive a premium computed in accordance with the provisions of Section 12.4 of the Lease Agreement to be paid from the purchase price paid by the Lessee under Section 12.2 of the Lease Agreement.

(b) The First Series Notes are also subject to redemption by the County prior to maturity at any time, whether or not an interest payment date, in whole or in part, in inverse order of their maturity 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>Redemption Price</u>
Prior to December 1, 1978	1 %
December 1, 1978 through November 30, 1980	.5 %
December 1, 1980 and thereafter	No premium

SECTION 302. 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 maturities of the Bonds to be redeemed, 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 and registered Bonds without coupons, 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 or registered Bonds without coupons, 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 303. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated by the Trustee together with any unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of cremation evidencing such cremation shall be furnished by the Trustee to the County and the Lessee.

SECTION 304. Unpaid Coupons. All unpaid coupons which appertain to Bonds so 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 305. 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.

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, revenues and receipts derived from or in connection with the Project, including all moneys received under the Lease Agreement (except amounts paid pursuant to Section 5.4, 5.5, 6.3, 8.7 or 10.4 of the Lease Agreement) which are required to be set apart and transferred to the Bond Fund, which Lease Rentals, revenues and receipts 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, revenues and receipts described above) 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, revenues and receipts 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 Section 4.6 of 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, revenues and receipts 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, revenues and receipts therefrom or of its rights under the Lease Agreement.

SECTION 404. Payment of Taxes, Charges, Etc. Pursuant to the provisions of Section 6.3 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 Section 6.3 of the Lease Agreement.

SECTION 405. Maintenance and Repair. Pursuant to the provisions of Section 6.1 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 Section 6.1 of 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, revenues and receipts 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 initial issuance of the Bonds and prior to their payment in full, or provision for 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 Agreement 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 copied 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, revenues and receipts derived from the Project and as authorized and provided in this Indenture.

The Project has been leased under the Lease Agreement and the rental 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. Said rental payments are sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the entire amount of Lease Rentals, revenues and receipts from said Lease Agreement (except amounts paid by the Lessee pursuant to Section 5.4, 5.5, 6.3, 8.7 or 10.4 of the Lease Agreement) 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, revenues and receipts 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(k) of the Lease Agreement except as otherwise directed pursuant to said Section 4.3(k); (b) all rental payments specified in 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 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, revenues and receipts described and pledged in Section 401), in the Bond Fund for its account sufficient sums from Lease Rentals, revenues and receipts 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 this end the County covenants and agrees that, so long as any Bonds issued hereunder are outstanding, 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, revenues and receipts 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, as well as covering 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, revenues and receipts derived from the Project.

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, and interest on, and premium, if any, on the Bonds and for

the redemption of the Bonds at or prior to maturity. No part of said rental payments 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 other than rental payments 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 with respect to any rental payments 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 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 Agent's 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 become 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. It is further understood and agreed that the initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee and paying agent referred to in the preceding sentence which become due prior to the Completion Date (as defined in the Lease Agreement) will be paid to the Trustee from the Construction Fund as and when the same shall 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.

SECTION 510. 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 Section 13.8 of 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 in 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 (i) the certificate of the Authorized Lessee Representative (as defined in the Lease Agreement) required by the provisions of Section 4.5 of the Lease Agreement and (ii) a certificate signed by the Chairman of the County Board and by the Lessee (by one of the authorized officers of the Lessee), which certificate shall state that all

obligations and costs in connection with the Project and payable out of the Construction Fund have been paid and discharged except for amounts retained by the Trustee with the approval of the said Authorized Lessee Representative for the payment of costs of the Project not then due and payable as provided in the Lease Agreement. As soon as practicable and in any event within sixty days from the date of the certificate referred to in clause (ii) of the preceding sentence 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(k) 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 and any loss resulting from such investments shall be charged to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments under the provision 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. 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.

SECTION 804. 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.

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 reconvey 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 all coupons appertaining to such Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish notice of redemption of such Bonds on said date as provided in Section 302 hereof,

(b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of or obligations guaranteed by the United States of America the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and the interest and premium, if any, due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to it irrevocable instruction to publish, as soon as practicable, in the same manner as a notice of redemption is published pursuant to Section 302 hereof, a notice to the holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal and premium, if any, on said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest and premium, if any, on said Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, to the extent practicable, be reinvested in direct obligations of, or obligations guaranteed by, the United States of America maturing at times and in amounts sufficient to pay when due the principal and interest and premium, if any, to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and

interest earned from such reinvestments shall be paid over to the Lessee, as received by the Trustee, free and clear of any trust, lien or pledge.

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 (or premium, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration, or (ii) any sinking fund payment required by the Indenture; 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 special 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 percent 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 or 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 1401 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 appraisalment, 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 rights of appraisalment 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 provision 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 of 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 redemp-

tion 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 rate of ____ per annum 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 the 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 provision 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 such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such 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 hereof 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 discounted 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 whether at the stated maturity thereof, or upon proceedings for redemption thereof, or

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.

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(a) any default in the payment of (i) the principal of any outstanding Bond 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 interest, with interest at the Penalty Rate on overdue installments of interest and all arrears of payments of principal then due (whether at the stated maturity thereof or upon proceedings for redemption) with interest at the Penalty Rate 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 provision 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 and stead of the County with full power to do any and all things and acts to the same extent that the County could do and perform any such things and acts and with power of substitution.

In the event that the Trustee fails to receive any rental payable by the Lessee under 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 rental 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, and the Lease Agreement 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 in the Lease Agreement or in aid of the exercise of any power granted in this Indenture, the Lease Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Lease Agreement 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 thereto 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 of 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 Sections 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 Clerk 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 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 of 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 of 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.

(1) 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 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. 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 Trust 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 report capital and surplus of not less than \$12,000,000 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 purpose 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 adapted to these ends.

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; and

(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.

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 indentify 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 the consent of the holders of all of the Bonds at the time outstanding which would be affected by the action 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 as shall be prescribed by the County following the final publication 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 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., EST, 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 Article V 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 required 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 appointed 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, 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 concurred 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 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. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Indenture, addressed as follows: if to the County, to the _____; if to the Lessee, at _____, Attention: _____; if to the Trustee, at _____, Attention: _____. The County, the Lessee and the Trustee may, by notice given to all parties to this Indenture and the Lease Agreement, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1405. 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 1406. Payments Due on 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 Sunday or shall be in South Carolina 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 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 1407. 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 1408. 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 office of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to 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.

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has caused these presents to be signed in its name and behalf by the Chairman of the Board of County Commissioners of Spartanburg County and its corporate seal to be hereunto affixed and attested by the Secretary of the Board of County Commissioners of Spartanburg County, and to evidence its acceptance of the trusts hereby created, The Citizens and Southern National Bank of South Carolina 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.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Board of County Commis-
sioners of Spartanburg County

Attest:

Secretary, Board of County
Commissioners of Spartanburg
County

In the presence of:

THE CITIZENS AND SOUTHERN NATIONAL
BANK OF SOUTH CAROLINA,
as Trustee

(SEAL)

By _____
Trust Officer

Attest:

Assistant Trust Officer

In the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal
of Spartanburg County, South Carolina, affixed to the fore-
going Trust Indenture, and that (s)he also saw _____,
as Chairman, and _____, as Secretary, of the
Board of County Commissioners of Spartanburg County sign and
attest the same, and that (s)he with _____
witnessed the execution and delivery thereof as the act and
deed of the said Spartanburg County, South Carolina.

SWORN to before me this

_____ day of _____, 1975.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires:

STATE OF SOUTH CAROLINA

COUNTY OF

PERSONALLY appeared before me _____,
who being duly sworn, says that (s)he saw the corporate seal
of The Citizens and Southern National Bank of South Carolina,
as Trustee, affixed to the foregoing Trust Indenture, and
that (s)he also saw _____, as a Trust Officer,
and _____, as an Assistant Trust Officer, of
The Citizens and Southern National Bank of South Carolina,
sign and attest the same, and that (s)he with _____
witnessed the execution and delivery thereof as the act and
deed of the said The Citizens and Southern National Bank of
South Carolina, as Trustee.

SWORN to before me this

____ day of _____, 1975

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires:

EXHIBIT A

DESCRIPTION OF LEASED LAND

EXHIBIT B

DESCRIPTION OF LEASED EQUIPMENT



EXHIBIT IX
DEC 27, 1975

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

P. C. SMITH
STATE AUDITOR

TELEPHONE
(803) 758-3106

M E M O R A N D U M

Date: December 1, 1975

TO: Mr. P. C. Smith
FROM: W. T. Putnam *WTP*
RE: Medical University - Hospital Renovation Project

On November 21, 1975, I met with officials of the Medical University of South Carolina to discuss their request for approval of an E-11 form on the Hospital Renovation Project (Project 19-64). It has been proposed that this project be increased from \$1,150,000 to \$2,164,000 and that the additional cost be borne by the operating funds of the Medical University Hospital.

In discussing this matter with John Wise and Marion Woodbury, I was advised that occupancy of the Clinical Sciences Building is slated for January, 1976, and occupancy of the Eye Clinic Building will follow shortly thereafter. When these new buildings are available, space which is presently occupied by offices and clinics which are now located in the Medical University Hospital can then be converted for patient usage. The administrative officials feel that if such conversion is not begun immediately the vacated space will be promptly filled by other staff members and would then not be available for income producing facilities.

Apparently the Medical University Hospital is having a good year with respect to the production of income and the expenditure of \$1,014,000, as requested, would seem to be a good business proposition.

A tour of the present hospital facility indicates that additional space is desperately needed in most of the areas where the renovations would be accomplished.

Office of the President
(803) 792-2211



Medical University of South Carolina

80 BARRE STREET / CHARLESTON, SOUTH CAROLINA 29401

October 15, 1975

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

Dear Mr. Smith:

One of the primary purposes of constructing the Clinical Science Building was to make space available in the Hospital for patient care functions. This space, which is now occupied by the clinical faculty, must be renovated in order to make it suitable for patient care.

It is now anticipated that we can start occupancy of the Clinical Science Building in January, 1976, thereby making some 75,000 square feet of space available to use for urgently needed patient care facilities. These facilities, which include additional bed space, radiology examining rooms and intensive care areas, will produce a substantial amount of additional revenue for the Hospital. In order to make this space available and capture the additional revenue, it is essential to proceed with renovating the vacated space in January.

A master plan for renovation of the Hospital has been approved and Project 19-64, Hospital Renovation, established. The planned source of funding for this project was Capital Improvement Bonds. In view of the moratorium on further construction requiring Capital Improvement Bond funds, we propose to use operating revenue of the Hospital to accomplish those renovations necessary to facilitate usage of the vacated space. Once this space is available, we would rapidly recoup these expenditures.

Specifically, we request approval to increase Project 19-64 by \$1,014,000 to cover the cost of these renovations. As previously stated, Hospital operating revenue will be used as the source of funds. An E-11 and a list of the necessary projects are enclosed.

1345

Medical University of South Carolina

Mr. P. C. Smith
Columbia, South Carolina 29211

This proposal was approved by the Board of Trustees of the Medical University of South Carolina at its regular meeting on October 10, 1975.

In support of this request, I would like to note that space for 51 additional patient beds on the 8th, 9th and 10th floors of the Hospital will be made available by the proposed renovations. Anticipating an occupancy rate of 75%, revenue generated from the patient room charges for these new beds will amount to approximately \$98,000 per month, or \$1,176,000 for a twelve-month period. The proposal will place extensive pressure on our Hospital budget, but we are convinced that the faculty and staff of the Hospital are prepared to make the necessary sacrifices to accomplish this.

Your cooperation and support of this endeavor will be greatly appreciated.

Yours very sincerely,

Bill

William M. McCord, M.D., Ph.D.
President

WMCC/fm

Enclosures

cc: Dr. Knisely
Mr. Wise
Mr. Huff

REVISION OF PROJECT COST ESTIMATE

Date September 18, 1975

Institution or Agency Medical University of South Carolina

Name of Project MUSC Hospital Renovation Project No. 19-64

To: State Budget and Control Board
Columbia, South Carolina

Your approval of the following revised cost estimate on the above project is requested.

A statement is attached indicating the necessity of these revisions.*

Item	Last Estimate	Revised Estimate	Change
Site	\$	\$	\$
Grading			
Construction	942,000	1,830,000	+888,000
Fees	30,000	110,000	+ 80,000
Renovation			
Basic Equipment and Supplies	130,000	130,000	0
Landscaping			
Builder's Risk Insurance	2,000	3,000	+ 1,000
Other Advertising & Printing	1,000	1,000	0
Contingencies	45,000	90,000	+ 45,000
Total Estimated Cost	\$1,150,000	\$2,164,000	* +1,014,000

(Signed) W. W. Marked

Title Secretary

APPROVED: _____ DATE: _____
State Auditor

*If the total estimated cost of the project has been increased, the source of the additional funds required should be indicated also.

* Additional \$1,014,000 from MUSC Hospital operating funds

Approved 18 Oct William W. Marked

1347

MEDICAL UNIVERSITY HOSPITAL

Modifications Required as Result of Opening
Clinical Science Building and Eye Institute

Overall	Evaluation of Mechanical & Electrical Systems	\$ 20,000
First Floor	Expansion of Cafeteria 2,400 sq. feet @ \$15	36,000
	Modify Center for Equipment Maintenance and Storage	25,000
Second Floor	Modify Portions of 2-C Cafeteria 3,600 sq. feet @ \$5	18,000
	Autopsy Renovation (Phase I)	30,000
Third Floor	Modify 3-E Inpatient Radiology (Phase I)	50,000
	Modify 3-Center for Nuclear Medicine 3,200 sq. feet @ \$50	160,000
3 West	Alter Heart Catheter to Open Corridor to Clinical Science	20,000
Operating Room	Renovation of Operating Room Area	45,000
5 East	Modify for 6 Bed Close Observation Unit	90,000
6 East	Modify for 6 Bed Close Observation Unit	90,000
7 East	Modify for 6 Bed Close Observation Unit	90,000
8 Center	Modify for 12 Patient Rooms and Waiting Room 4,000 sq. feet @ \$20	80,000
9 Center	Modify Nursery to Open Corridor	30,000
9 West	Modify Play Room to Open Corridor	80,000
10 Center	Modify for 15 Patient Rooms, Nurses Station and Ancillary Services 7,000 sq. feet @ \$20	140,000
		<u>\$ 1,014,000</u>

McCall

REVISION OF PROJECT COST ESTIMATE

Date September 18, 1975

Institution or Agency Medical University of South Carolina

Name of Project MUSC Hospital Renovation Project No. 19-64

To: State Budget and Control Board
Columbia, South Carolina

Your approval of the following revised cost estimate on the above project is requested.

A statement is attached indicating the necessity of these revisions.*

Item	Last Estimate	Revised Estimate	Change
Site	\$	\$	\$
Grading			
Construction	942,000	1,830,000	+888,000
Fees	30,000	110,000	+ 80,000
Renovation			
Basic Equipment and Supplies	130,000	130,000	0
Landscaping			
Builder's Risk Insurance	2,000	3,000	+ 1,000
Other Advertising / Printing	1,000	1,000	0
Contingencies	45,000	90,000	+ 45,000
Total Estimated Cost	\$1,150,000	\$2,164,000	* +1,014,000

(Signed) [Signature]

Title Secretary

APPROVED: _____ DATE: _____
State Auditor

*If the total estimated cost of the project has been increased, the source of the additional funds required should be indicated also.

* Additional \$1,014,000 from MUSC Hospital operating funds

Approved [Signature] 18 Oct 75

1319

MEDICAL UNIVERSITY HOSPITAL

Modifications Required as Result of Opening Clinical Science Building and Eye Institute

Overall	Evaluation of Mechanical & Electrical Systems	\$ 20,000
First Floor	Expansion of Cafeteria 2,400 sq. feet @ \$15	36,000
	Modify Center for Equipment Maintenance and Storage	25,000
Second Floor	Modify Portions of 2-C Cafeteria 3,600 sq. feet @ \$5	18,000
	Autopsy Renovation (Phase I)	30,000
Third Floor	Modify 3-E Inpatient Radiology (Phase I)	50,000
	Modify 3-Center for Nuclear Medicine 3,200 sq. feet @ \$50	160,000
3 West	Alter Heart Catheter to Open Corridor to Clinical Science	20,000
Operating Room	Renovation of Operating Room Area	45,000
5 East	Modify for 6 Bed Close Observation Unit	90,000
6 East	Modify for 6 Bed Close Observation Unit	90,000
7 East	Modify for 6 Bed Close Observation Unit	90,000
8 Center	Modify for 12 Patient Rooms and Waiting Room 4,000 sq. feet @ \$20	80,000
9 Center	Modify Nursery to Open Corridor	30,000
9 West	Modify Play Room to Open Corridor	80,000
10 Center	Modify for 15 Patient Rooms, Nurses Station and Ancillary Services 7,000 sq. feet @ \$20	140,000
		<u>\$ 1,014,000</u>

McE



SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

December 12, 1975

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

BOARD MEMBERS

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

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

Dear Pat:

We request permission to construct a building at State Park Health Center to house the X-ray Department. This Department serves not only the patients housed in the Farmer Building but also our Multiphasic Screening Program, Crippled Childrens Clinic and Child Evaluation Clinic located in adjacent buildings at State Park Health Center.

The estimated cost for design, construction and equipment for this facility is \$590,850 (see attached schedule). Funds to be used for this project are currently on hand in the form of federal funds received from Medicare and Medicaid recipient patients of State Park Health Center.

On December 20, 1974, we requested and received approval from the Budget and Control Board to use \$100,000 of these same funds to renovate the existing X-ray Department in the Farmer Building. This unit was originally constructed in 1938 and is completely obsolete in meeting current needs and demands. When bids were finally received on this renovation request, the cost was approximately \$200,000.

After further study, it was decided that this would be a waste of money since the renovation of the current x-ray area was only a temporary solution to meeting the future needs of the Center.

We now feel that it would be most unwise to spend this amount of funds as a short-range solution to these needs. We believe that the expenditure of approximately \$590,850 to construct an adequate facility designed to serve the long-range needs of the Center would be a much wiser investment of funds.

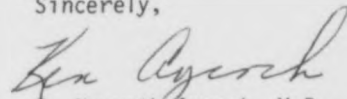
continued

Mr. Pat C. Smith
Page Two
December 12, 1975

This proposal was reviewed and approved by the Board of the Department of Health and Environmental Control at its meeting on December 11, 1975.

The Budget and Control Board's consideration and approval of this request will be greatly appreciated.

Sincerely,


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

EKA/CCS/erc

Attachment

cc: Mr. Lachlan L. Hyatt, Chairman
Board of Health and Environmental Control

Mr. William M. Wilson, Vice-Chairman
Board of Health and Environmental Control

The Reverend I. DeQuincey Newman, Secretary
Board of Health and Environmental Control

William C. Moore, Jr., D.D.S., Member
Board of Health and Environmental Control

Mr. W. A. Barnette, Jr., Member
Board of Health and Environmental Control

J. Lorin Mason, M.D., Member
Board of Health and Environmental Control

Leonard W. Douglas, M.D., Member
Board of Health and Environmental Control

Mr. Furman E. McEachern, Director
Division of General Services

James E. Padgett, Jr., M.D.
Deputy Commissioner for Community Health

W. C. Marett, M.D., Chief
Bureau of Adult Health Services

James W. Fouche, M.D., Director
State Park Health Center

Mr. J. R. Coney, Chief
Bureau of Health Facilities

1352

STATE PARK HEALTH CENTER

Space needs (HUB-Phase I)

The required spaces needed by existing programs and immediate projected needs of the X-ray Department are as follows:

2 X-ray rooms	800 sf
1 Dark room	80 sf
1 viewing and sorting room	200 sf
1 technicians office and workroom	150 sf
1 general use office	150 sf
1 out-patient waiting	200 sf
1 in-patient waiting	200 sf
6 dressing cubicles	120 sf
2 patient toilets	120 sf
2 general use toilets	120 sf
1 conference room	300 sf
1 file room (active and inactive)	350 sf
2 transformer closets	80 sf
1 janitor's closet	80 sf
1 supply room	50 sf
1 chest X-ray room	<u>300 sf</u>
	3,300 square feet
mechanical spaces, plumbing spaces circulation, wall areas, etc.	<u>1,550 sf</u>
Total area needs.....	4,850 square feet

Estimate (HUB-Phase I)

4850 sf at \$63.00/sf	\$ 305,550.00
120 x 8 at \$30.00/sf (spine & grid)	28,800.00
Farmer Building alterations	<u>35,000.00</u>
	\$ 369,350.00
Fixed equipment	\$ 60,000.00
A/E fee (\$429,350.00 x .07)	30,050.00
Moveable equipment	110,000.00
Contingency (\$429,350.00 x .05)	<u>21,450.00</u>
	\$ 590,850.00

1353

C
192/101

The State of South Carolina



Office of the Attorney General

EDWIN E. EVANS
ASSISTANT ATTORNEY GENERAL

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

DANIEL R. McLEOD
ATTORNEY GENERAL

December 4, 1975

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

Dear Mr. Smith:

Enclosed please find an Order of the Honorable Wallace Dickerson, Associate Judge of Probate for Spartanburg County, which orders payment for an interpreter used in a judicial proceeding, pursuant to Section 10-1211, CODE OF LAWS OF SOUTH CAROLINA, 1962, as amended. The Court designated that the compensation shall be paid out of the general fund of the State.

Please contact me if there are questions concerning this claim and I may be able to assist. Thank you very much.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. Evans".

Edwin E. Evans
Assistant Attorney General

EEE/rlt

Enclosure

1354

STATE OF SOUTH CAROLINA)
COUNTY OF SPARTANBURG)

IN THE PROBATE COURT

EX PARTE:)
Bertha H. Rogers,)
Petitioner.)
IN THE MATTER OF:)
Tearle Douglas Rogers)
An Alleged Mentally Ill Person)

O R D E R

This matter is before the Court upon motion of Howard S. Thomas, Attorney for Tearle Douglas Rogers, a person alleged to be mentally ill, and upon information received by the Court that Mr. Rogers is a deaf mute, and at the present time being a patient at the S.C. State Hospital.

Prior to the commitment hearing counsel for this patient requested and the Court granted permission for the services of a interpreter as provided for by law in Title 10- Section 1211, 1962 Code of Laws as amended. In pursuance of this permission, counsel for the patient obtained the services of Mr. Patrick Dowling, an official of the Cedar Springs Rehabilitation Facility, an institution operated by the State of South Carolina for the deaf and blind.

The Court is informed and recognizes that Mr. Dowling spent a considerable amount of time, and rendered valuable and commendable assistance to the patient and his Attorney, the patient's family and the examining doctors, as well as to the Court; That all parties concerned are grateful to him for his high degree of efficiency and the thoughtfulness shown by him before and during the hearing held on November 22, 1975.

Now Therefore, upon motion of Howard S. Thomas, Attorney for Tearle Douglas Rogers, It is Ordered that Mr. Patrick Dowling be paid a fee of One Hundred (\$150.00) Fifty Dollars, from the general funds of the State of South Carolina, and that such amount is reasonable.

It Is So Ordered.

1328

Wallace Dickerson
Associate Judge
Probate Court
Spartanburg County

1355

Noember 26th 1975

I do hereby certify that the foregoing is a true and correct copy of the original on file in this office. Given under my hand and seal of office this 3 day of Dec 19 25

Eda Mae Bishop

Judge, Probate Court
Spartanburg County, S. C.

1356

General funds of the State of South Carolina and that upon account of being a fee of one hundred (\$100.00) legal dollars from the for Justice Douglas Roberts' it is ordered that Mr. Backus Dowling and attorneys upon motion of Howard S. Brown, attorney paid on November 23, 1925 and the propriety thereof shown by the records and that the said Backus Dowling was directed to pay for the said fees of execution, sheriff and the execution of the same as well as to the Court that all consideration whatsoever to the patient and the attorney, the patient, a agent a consideration amount of time and rendered services and

The Court is informed and recognizes that Mr. Dowling operated by the State of South Carolina for the debt and being official of the said Justice Department Secretary, in transaction for the patient ordered the services of Mr. Backus Dowling, in Code of Laws as amended. In compliance of this determination, counsel instructed as provided for by law in Article 10- Section 1311, 1923 repealed and the Court directed determination for the services of a

attorney to the commitment resulting counsel for this patient the S.C. State Hospital.

Roberts is a debt made and at the present time being a patient at the Hospital and upon information received by the Court that Mr. S. Brown, attorney for Justice Douglas Roberts, a person alleged to

this matter is before the Court upon motion of Howard

as alleged mentally ill person
Justice Douglas Roberts
in the matter of:
Backus Dowling
Backus S. Roberts
et al.

O R D E R

COURT OF SOUTHERN CAROLINA
STATE OF SOUTH CAROLINA

IN THE PROBATE COURT

copy

EXHIBIT XII
DECEMBER 23, 1975

South Carolina Retirement System

PURVIS W. COLLINS
DIRECTOR



BANKERS TRUST TOWER
P. O. BOX 11960

S. C. STATE
PERSONNEL DIVISION

Columbia
29211

December 8, 1975

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

Dear Jack:

In reference to your letter of December 4, 1975, regarding financial impact on the Retirement System resulting from proposed changes in the mandatory retirement age, I am pleased to respond as follows.

The financial structure of the South Carolina Retirement System requires that contributions for current employee service credit be sufficient and placed in reserve to pay the benefit as it becomes due. As a result of this funding principle and practice, I see no significant financial implications to the System resulting from a change in the mandatory retirement age to age 65 or age 72. The System Actuary concurs with this view.

In your letter you refer to a change in the mandatory retirement age specifically for state employees. Since the present law covers all public employees, even those who are not members of the Retirement System, you may wish to give consideration to the broad group in the change.

I will welcome the opportunity to discuss this as you desire.

With best wishes and kindest personal regards, I am

Sincerely yours,

Purvis W. Collins

PWC:cfb

1357



State of South Carolina
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION

1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

December 9, 1975

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

Dear Mr. Smith:

Enclosed is a copy of letter Mr. Purvis Collins wrote me concerning the impact of any changes in the Mandatory Retirement Age upon the Retirement System. You will recall that the Budget and Control Board asked that this information be secured.

Sincerely,

A handwritten signature in cursive script that reads "Jack S. Mullins".

Jack S. Mullins
Director

JSM/mpg

Enclosure

A BILL

TO ABOLISH SECTION 61-103, RETIREMENT AT SEVENTY, OF THE CODE OF LAWS OF SOUTH CAROLINA, 1962, SO AS TO ESTABLISH SECTION 61.103, RETIREMENT AT SIXTY-FIVE.

BE IT ENACTED by the General Assembly of the State of South Carolina:

Section 1. Abolish Section 61-103, Retirement At Seventy, of the Code of Laws of South Carolina, 1962.

Section 2. Establish Section 61-103, Retirement At Sixty-Five, of the Code of Laws of South Carolina.

"Section 61-103, Retirement At Sixty-Five. Any employee in State service who has attained the age of sixty-five years shall be retired forthwith, except that:

(1) With the approval of the employer, the employee may remain in service until the end of the fiscal year following the date on which the employee attains the age of sixty-five years;

(2) With the approval of the employer and the State Budget and Control Board, the employee may, upon request therefor, be continued in service for a period of one year following each such request until such employee has reached the age of seventy years; and

(3) With the approval of the employer and the State Budget and Control Board, upon request therefor, be continued in service for such period of time as may be necessary for such employee to qualify for coverage under the old age and survivors insurance provision of Title II of the Federal Social Security Act, as amended.

It shall be mandatory for any employee or teacher whether or not appointed and regardless of whether or not a member of the South Carolina Retirement System to retire no later than the end of the fiscal year in which the employee reaches the seventieth birthday.

This section shall not apply to any person holding an elective office.

Excepting constitutional offices, this section shall not apply to appointive offices receiving per diem and/or travel allowances as total compensation."

This section shall take effect July 1, 1976.



RECEIVED

C. C.

EXHIBIT XIII
DEC. 23, 1975
BOARD MEMBERS
Lachlan L. Hyatt, Chairman
William M. Wilson, Vice-Chairman
I. DeQuincey Newman, Secretary
W. A. Barnette, Jr.
Leonard W. Douglas, M.D.
J. Lorin Mason, Jr., M.D.
Caroline G. Newhall

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

E. KENNETH AYCOCK, M.D., M.P.H., COMMISSIONER
J. MARION SIMS BUILDING — 2400 BULL STREET
COLUMBIA, SOUTH CAROLINA 29201

December 12, 1975

Governor James B. Edwards
Chairman
S.C. State Budget and Control Board
State House
Box 11450
Columbia, SC 29211

Dear Governor Edwards:

As per the instructions of the Board of Health and Environmental Control, I am formally requesting the State Budget and Control Board to provide this Department with written approval for the expenditure of the funds for the Health Care Extension Projects to be extended beyond the fiscal year 1975-1976 for one (1) year or for a length of time necessary. This will provide sufficient time for the construction and/or implementation of the approved projects.

Your earliest response would be appreciated in order that the sponsors' of the projects will be able to determine a time frame within which they can finalize their plans.

Sincerely,

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

EKA:JHG:cmb

EXH. BIT XIV
DEC. 23, 1975



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT

300 GERVAIS STREET
COLUMBIA, S. C. 29201

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7816

December 17, 1975

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

Dear Mr. Smith:

I spoke to Captain LeaMond this morning and he requested that I contact you concerning the two items listed below:

1. Enclosed is a request from the Employment Security Commission for a 12-passenger van wagon to be used as a mobile office to provide services to migrant and seasonal farm workers. I personally spoke to Mr. Jack David, the Executive Director of the Commission and he assured me that the vehicle was needed in order to comply with the 13 point directive mandated by Judge Richey's Civil Action, Number 2010-17. I feel that this vehicle purchase would serve the best interest of the State and therefore recommend approval.

Board action is required on vehicle purchases if considered an addition to those presently on hand. Action is requested at the earliest convenience of the Board.

2. I discussed the "provisional" approval of the State of South Carolina Motor Vehicle Management Manual with Captain LeaMond and he feels the Board should take action to fully adopt the Manual. He requested that you remind him and he will make the proper motion in order to accomplish this.

I realize this request is coming rather late since the Board meets on December 23, 1975. I apologize for this and request your consideration.

Sincerely,

Allan J. Spence
Allan J. Spence

Enclosure

CC: Mr. Walter Pettiss

Mr. Jack David

AJS/jv

1362

MR. Toy - 2526
MR. Ford - 2345

South Carolina
Employment Security Commission

COMMISSION

Frank E. Baldwin, Jr., Chairman
C. Lem Harper, Vice-Chairman
W. Marshall Comer, Commissioner



1225 Laurel Street
P. O. Box 995
Columbia, S. C. 29202

EXECUTIVE DIRECTOR
Robert E. "Jack" David

December 16, 1975

Mr. Allen J. Spence, Director
South Carolina Budget and Control Board
Division of Motor Vehicle Management
300 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Spence:

In response to your request dated December 8, 1975, the following information is furnished.

In order for the South Carolina Employment Security Commission to further expand and improve services to migrant and seasonal farmworkers and rural residents and effectuate the 13 point directive mandated by Judge Richey's Civil Action No. 2010-72, Class X Van Wagon is needed. This van wagon will serve as a mobile office, thus enabling us to render services to a greater number of people in widely dispersed rural areas throughout the state. The van would be particularly helpful in reaching remotely located seasonal and farm workers.

Presently, our agency does not own any vehicle that can serve as a mobile office.

Our agency was notified by Region IV office that approximately \$50,000 as a direct grant would be available to South Carolina under CETA Title III, Section 301. The monies are from the Secretary's Discretionary Fund and can be used only for migrant service and outreach activities. The funds are intended for use on a one-time basis and will not be annulized. The money must be used in FY 75 and FY 76. \$40,000 of this total is being used for part time employees in areas with high migrant concentration. Moreover, the regional office approved \$10,000 of this fund for a mobile office to be used in this outreach program. The migrant season is from April to September; therefore, only two and a half months currently remain to serve migrants. If this unit is to be effective, it should be in the field operating presently in order to serve seasonal workers.

1363

as soon as possible
It is urgent that this vehicle be obtained ~~immediately~~ and readied for operation. If not, the money will revert to the Secretary of Labor and be assigned some other state, and the mission of the agency to provide services to migrants and seasonal farmworkers and rural residents in accordance with Judge Richey's 13-points will be ~~severely~~ impeded.

Your favorable consideration of this request will be appreciated.

Sincerely,

Robert E. David

Robert E. David
Executive Director



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT

300 GERVAIS STREET
COLUMBIA, S. C. 29201

ALLAN J. SPENCE
DIRECTOR
PHONE: (803) 758-7816

December 8, 1975

Mr. Robert E. David
Executive Director
Employment Security Commission
P. O. Box 995
Columbia, S. C. 29202

Dear Mr. David:

The enclosed documents concerning vehicle purchases are returned.

At the meeting of the State Budget and Control Board on December 2, 1975, certain guide lines relative to the moratorium on vehicle purchase were discussed. The Board decided to delegate to me the authority to approve vehicle purchases for policy/security use and for purchases of replacement vehicles that met the previously approved assignment and/or disposal criteria. Additionally, to be eligible to purchase a replacement vehicle, the agency director must verify that other agency vehicles are being fully utilized and that a re-assignment could not be affected. The Board further stated that fleet additions (units added to existing fleet) must be approved by the Board. For approval to be obtained, in this case, the agency director must verify that all existing agency vehicles are being fully utilized and the mission of the agency would be severely impeded if the vehicle purchase was not approved.

Accordingly, if the herein described vehicles are still required, please furnish the information as stated above. Upon receipt, the justification shall be presented to the State Budget and Control Board for their action.

Respectfully yours,

A handwritten signature in cursive script, appearing to read 'Allan J. Spence', written over a horizontal line.
Allan J. Spence

AJS/jv

South Carolina

Employment Security Commission

COMMISSION

Frank E. Baldwin, Jr., Chairman
C. Lem Harper, Vice-Chairman
W. Marshall Corner, Commissioner



1225 Laurel Street
P. O. Box 995
Columbia, S. C. 29202

EXECUTIVE DIRECTOR
Robert E. "Jack" David

September 23, 1975

Mr. F. E. McEachern, Jr., Director
Division of General Services
State Budget & Control Board
300 Gervais Street
Columbia, S. C.

Dear Mr. McEachern:

We are enclosing in duplicate Form B & CB 6-64 which covers our request for approval for the purchase of one (1) Class X, 12 Passenger Van Wagon, 1976 to be used by this agency.

Also, enclosed is Requisition #33079 (Form 98) covering the vehicle listed in the foregoing form.

The Van Wagon will be used to expand and improve our services to migrant and seasonal farm workers and rural residents. This mobile unit will be particularly helpful to us in reaching individuals in remote areas.

We will appreciate very much your approval of our request.

Sincerely,

Robert E. David
Executive Director

Enclosures

Ref: AS-2

1365

TENTATIVE
BUDGET RECOMMENDATIONS 1976-77

EXHIBIT XV
DECEMBER 23,
1975

Projected Revenue 1976-77

General Tax Sources:		
Projection by Economic Advisors	1,055,000,000	
Additional Revenue Wine Tax		
(Proposed Revision)	<u>1,000,000</u>	
		1,056,000,000
Revenue Sharing (Federal)		15,000,000
Debt Service Transfers		24,522,121
Loan Repayments		<u>900,000</u>
		1,096,422,121

Budget Base for 76-77 Recommendations:

1975-76 Appropriations After B&C		
Board Reductions	1,056,033,608	
Reductions by Agencies -		
Non-recurring Items	<u>10,688,982</u>	
1975-76 Appropriations After Reductions		1,045,344,626

Proposed Increases - 76-77 (Tentative)

Personal Service		
75-76 Continued - Increments		
and Annualization	7,322,403	
Employee Benefits - Retirement,		
Soc. Sec., Health Ins.	<u>13,090,500</u>	
		20,412,903
Debt Service		17,448,044
State Election Commission -		
General Election		891,421
Treasurer's Office - Student		
Loan Exp.		80,000
Judicial - Court Reform		2,075,925
Dept. of Corrections - Inmate Inc.		2,000,000
Department of Education		
State Aid Salaries	4,304,574	
School Bus Costs	<u>1,350,000</u>	
		5,654,574
Various Agencies - Rent Increases		737,935
Legislative Audit Council		109,052
Legis. Council - Printing New Code		250,000
B&C Board - Motor Veh. Mgmt. Div.		106,920
Tax Commission - Postage		187,000
Insurance Dept. - Statistical Unit		<u>160,000</u>
		50,113,774
		1,095,458,400

Tentative Recommendations 1976-77

<u>Balance</u>	<u>963,721</u>
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GENERAL OPERATING FUNDS
(000 Omitted)

EXHIBIT XVI
DEC. 23, 1975

	1975-76				1370
	<u>Original Budget</u>	<u>Change</u>	<u>Revised Budget</u>	<u>Appropriation Reductions</u>	
I. <u>General Operating Funds - 1975-76</u>					
<u>Brought Forward from Prior Year</u>					
Unencumbered Surplus	41,456	-20,348	21,108		21,108
For Continued Appropriations	20,116		20,116		20,116
	<u>61,572</u>	<u>-20,348</u>	<u>41,224</u>		<u>41,224</u>
<u>Revenue</u>					
General Tax Sources	960,656	-20,000	940,656		940,656
Revenue Sharing (Federal)	29,585		29,585		29,585
Debt Service Transfers	19,423		19,423		19,423
Loan Repayments	900		900		900
Total Revenue Available	<u>1,010,564</u>	<u>-20,000</u>	<u>990,564</u>		<u>990,564</u>
<u>Less: Appropriations</u>					
Forward from Prior Year	20,116		20,116		20,116
Current Appropriations	1,063,770	6,404*	1,070,174	40,037	1,030,137
	<u>1,083,886</u>	<u>6,404*</u>	<u>1,090,290</u>	<u>40,037</u>	<u>1,050,253</u>
Balance	-11,750	-46,752	-58,502	40,037	-18,465
Less Allowance for Employee Vacancies	11,750				
BALANCE - GENERAL OPERATING FUNDS	<u>0</u>	<u>-46,752</u>	<u>-58,502</u>	<u>40,037</u>	<u>-18,465</u>
II. <u>Non-recurring Funds</u>					
A. Revenue Sharing ("Windfall")				11,056	11,056
B. Surplus Appropriations				49	49
C. General Fund Appropriations				82	82
D. Housing Bond Fund Reserve				10,000	10,000
Total Non-recurring Funds				<u>21,187</u>	<u>21,187</u>
GRAND TOTAL	<u>0</u>	<u>-46,752</u>	<u>-58,502</u>	<u>61,224</u>	<u>2,722</u>

*Additional appropriations for increase in college enrollment.

State Auditor's Office
Budget Development
December 22, 1975

1975-76 APPROPRIATION REDUCTION

	<u>Original Plan</u>	<u>Completed Plan</u>	<u>Variance</u>
I. <u>Current Appropriations</u>			
Agency Appropriation Reductions	37,000,000	36,569,388	(430,612)
Revised Estimates		3,467,612	3,467,612
Total	<u>37,000,000</u>	<u>40,037,000</u>	<u>3,037,000</u>
II. <u>Non-recurring and Capital Outlay</u>			
Federal Revenue Sharing "Windfall"	17,500,000	11,187,321	(6,312,679)
General Fund Surplus - 1973			
General Appropriation Acts - Various			
Housing Bond Fund Reserve	<u>10,000,000</u>	<u>10,000,000</u>	
Total	<u>27,500,000</u>	<u>21,187,321</u>	<u>(6,312,679)</u>
GRAND TOTAL	<u>64,500,000</u>	<u>61,224,321</u>	<u>(3,275,679)</u>
PROJECTED SURPLUS	5,998,000	2,722,000	(3,276,000)

State Auditor's Office
 Budget Development
 12-19-75

SCHEDULE OF REDUCTIONS OF APPROPRIATIONS
CAPITAL OUTLAY AND NON-RECURRING

I. Federal Revenue Sharing ("Windfall")

University of South Carolina		
Construction & Equipment - new auditorium	\$5,084,718	
Clemson University		
Construction & Equipment - education center	<u>5,971,573</u>	
		\$11,056,291

II. General Fund Surplus Appropriations (1973)

Governor's Office - State Law Enforcement Division		
Armory supplies	25,117	
Parks, Recreation & Tourism		
Operation & Equipment - Piedmont Park	<u>23,778</u>	
		48,895

III. General Appropriation Acts (Various)

Parks, Recreation & Tourism		
Cheraw State Park - facilities renovations	615	
Aeronautics Commission		
Airport Development - Various	49,719	
Repairs to Airports - Various	<u>31,801</u>	
		82,135

IV. Housing Bond Fund Reserve

10,000,000

TOTAL

\$21,187,321

1372

SCHEDULE OF REDUCTION OF 1975-76 APPROPRIATION FOR REVISED ESTIMATES

Employee Benefits

S. C. Retirement System - Employer Contribution:
Public School Employees
State Employees

\$116,800
773,667

\$890,467

1373

Social Security - Employer Contribution:
Public School Employees
State Employees

85,635
583,211

668,846

\$1,559,313

Debt Service

School Book Notes (Adjusted estimates to actual)

85,966

Aid to Subdivisions (Adjusted 1975-76 Appropriation)

Estimates to actual expenditures for 1974-75 as provided
by Appropriation Act)

1,822,333

TOTAL

\$3,467,612

State Auditor's Office
Budget Development
12-19-75

State Auditor's Office
December 18, 1975

REDUCTION SCHEDULE FOR 1975-76 APPROPRIATIONS

Agency	1975-76 Regular Appropriation	Base Pay Allocation	Subtotal	Exclusions	Appropriation Subject To Reduction	8% Reduction	Reduction	
							Amount	Percent
Legislative Department:								
Senate	1,304,762		1,304,762	901,054	403,708	32,297	32,297	8.00
House of Representatives	2,066,338	2,228	2,068,566	1,627,003	441,563	35,325	35,325	8.00
Special Svcs. Both Houses	105,607		105,607	17,000	88,607	7,089	7,089	8.00
Codif. of Laws & Legis. Coun.	642,706		642,706	477,928	164,778	13,182	13,182	8.00
Legislative Audit Council	97,726		97,726	13,000	84,726	6,778	6,778	8.00
Legis. Information System	296,502		296,502	68,156	228,346	18,268	18,268	8.00
Total Legislative Dept.	4,513,641	2,228	4,515,869	3,104,141	1,411,728	112,939	112,939	8.00
Judicial Department	2,256,055	28,723	2,284,778	974,361	1,310,417	104,833	59,174	4.52
Governor's Office:								
Exec. Control of State	458,782	12,556	471,338		471,338	37,707	37,707	8.00
Law Enforcement Division	4,582,818	98,462	4,681,280		4,681,280	374,502	234,065	5.00
Div. of Administration	3,036,365	11,064	3,047,429		3,047,429	243,794	205,794	6.75
Mansion and Grounds	135,621	548	136,169		136,169	10,894	10,894	8.00
Health & Social Dev.	323,986	6,152	330,138		330,138	26,411	26,411	8.00
Economic Opportunity	141,892	1,113	143,005		143,005	11,440	11,440	8.00
Total Governor's Office	8,679,464	129,895	8,809,359		8,809,359	704,748	526,311	5.97
Lieutenant Governor	78,129		78,129		78,129	6,250	7,200	9.22
Secretary of State	280,554	6,859	287,413		287,413	22,993	9,522	3.31
Comptroller General	1,546,316	25,632	1,571,948	627,996	943,952	75,516	4,270	.45
State Treasurer	1,180,335	11,648	1,191,983		1,191,983	95,359	95,359	8.00
Attorney General	2,228,798	40,354	2,269,152	331,648	1,937,504	155,000	60,399	3.12
Adjutant General	813,175	10,242	823,417		823,417	65,873	21,737	2.64
State Election Commission	645,674	3,358	649,032		649,032	51,923	18,707	2.88
Budget & Control Board:								
Finance Division	2,193,027	49,042	2,242,069		2,242,069	179,366	179,366	8.00
Research & Statistical	372,827	8,926	381,753		381,753	30,540	30,540	8.00
General Services	4,213,534	63,881	4,277,415		4,277,415	342,193	311,606	7.28
Retirement Division	1,030,430	27,366	1,057,796		1,057,796	84,624	60,500	5.72
Personnel Division	1,270,793	34,753	1,305,546		1,305,546	104,444	71,538	5.47
Employee Benefits	139,873,525	(12,205,407)	127,668,118	127,668,118				
Total B & C Board	148,954,136	(12,021,439)	136,932,697	127,668,118	9,264,579	741,167	653,550	7.05

1374

Agency	1975-76 Regular Appropriation	Base Pay Allocation	Subtotal	Exclusions	Appropriation Subject To Reduction	8% Reduction	Reduction	
							Amount	Percent
Com. on Higher Education	1,173,753	7,499	1,181,252		1,181,252	94,500	66,900	5.66
Higher Ed. Tuition Grants	7,341,047	843	7,341,890		7,341,890	587,351	86,417	1.18
University of S. C.	45,642,902	1,210,245	46,853,147		46,853,147	3,748,251	3,748,251	8.00
USC - Aiken Campus	1,077,397	29,299	1,106,696		1,106,696	88,536	88,536	8.00
USC - Coastal Campus	1,421,152	44,839	1,465,991		1,465,991	117,279	117,279	8.00
USC - Spartanburg Campus	1,562,932	39,714	1,602,646		1,602,646	128,211	128,211	8.00
USC - Regional Campuses	2,597,211	84,661	2,681,872		2,681,872	214,550	214,550	8.00
Clemson - Ed. & Gen.	26,197,038	814,679	27,011,717		27,011,717	2,160,937	2,160,937	8.00
The Citadel	6,051,401	198,025	6,249,426		6,249,426	499,954	499,954	8.00
Winthrop College	6,777,844	252,707	7,030,551		7,030,551	562,444	562,444	8.00
Winthrop Auxiliary Svcs.	387,500		387,500	387,500				
S. C. State College	7,639,303	184,715	7,824,018		7,824,018	625,921	625,921	8.00
Francis Marion College	3,748,778	103,383	3,852,161		3,852,161	308,173	308,173	8.00
College of Charleston	7,571,925	189,765	7,761,690		7,761,690	620,935	620,935	8.00
Lander College	2,766,704	72,180	2,838,884		2,838,884	227,111	227,111	8.00
Medical University	40,637,265	1,578,171	42,215,436		42,215,436	3,377,235	3,377,234	8.00
Tech. & Comp. Education	28,315,515	716,560	29,032,075		29,032,075	2,322,566	1,535,446	5.29
Department of Education	309,496,264	325,490	309,821,754	261,614,812	48,206,942	3,856,555	2,896,787	6.01
Educational Television	7,712,461	104,428	7,816,889		7,816,889	625,351	433,351	5.54
Opportunity School	630,716	18,744	649,460		649,460	51,957	51,957	8.00
Sch. for Deaf & Blind	3,529,902	103,333	3,633,235		3,633,235	290,659	290,659	8.00
Archives and History	1,371,675	36,256	1,407,931		1,407,931	112,634	112,634	8.00
Confederate Relic Room	42,397	557	42,954		42,954	3,436	765	1.80
S. C. State Library	1,587,658	15,654	1,603,312	909,514	693,798	55,504	55,504	8.00
S. C. Arts Commission	641,722	8,973	650,695		650,695	52,056	52,056	8.00
S. C. Museum Commission	159,902	1,356	161,258		161,258	12,901	12,901	8.00
Health & Environ. Control	26,280,504	881,815	27,162,319		27,162,319	2,172,986	2,172,986	8.00
Nuclear Advisory Council	47,625		47,625		47,625	3,833	3,833	8.05
Mental Health	44,181,552	1,259,248	45,440,800		45,440,800	3,635,264	3,264,118	7.18
Mental Retardation	28,424,117	775,996	29,200,113		29,200,113	2,336,009	2,336,009	8.00
Alcohol and Drug Abuse	1,118,789	18,557	1,137,346		1,137,346	91,007	91,007	8.00
Social Services	58,431,200	457,032	58,888,232		58,888,232	4,711,059	4,711,059	8.00
Vocational Rehabilitation	5,432,069	95,478	5,527,547		5,527,547	442,204	442,204	8.00
John de la Howe School	698,496	17,431	715,927		715,927	57,274	45,660	6.38
Children's Bureau	466,043	10,123	476,166		476,166	38,093	22,323	4.68
Com. for the Blind	1,320,212	14,440	1,334,652		1,334,652	106,772	66,733	5.00
Com. on Aging	449,873	5,475	455,348		455,348	36,428	17,388	3.81
State Housing Authority	303,627	7,696	311,323		311,323	24,906	24,906	8.00
Human Affairs	349,308	6,382	355,690		355,690	28,455	18,084	5.08
Veterans Affairs	623,759	6,284	630,043		630,043	50,403	6,426	1.02

1375

Agency	1975-76 Regular Appropriation	Base Pay Allocation	Subtotal	Exclusions	Appropriation Subject To Reduction	8% Reduction	Reduction	
							Amount	Percent
Dept. of Corrections	18,509,336	478,512	18,987,848		18,987,848	1,519,028	---	--
Probation, Parole & Pardon	2,372,284	79,119	2,451,403		2,451,403	196,112	196,112	8.00
Youth Services	6,418,653	197,633	6,616,286		6,616,286	529,303	424,764	6.42
Juvenile Plcmt. & Aftercare	469,687	11,953	481,640		481,640	38,531	19,423	4.03
Water Resources	663,785	10,244	674,029		674,029	53,922	53,922	8.00
Land Resources	912,905	17,585	930,490		930,490	74,439	33,700	3.62
Forestry Commission	5,762,613	190,052	5,952,665		5,952,665	476,213	437,473	7.35
Dept. of Agriculture	2,484,978	64,191	2,549,169		2,549,169	203,934	111,650	4.38
Clemson Univ. - PSA	12,312,201	345,832	12,658,033		12,658,033	1,012,643	506,322	4.00
Wildlife & Marine Resources	4,577,693	97,970	4,675,663		4,675,663	374,053	374,053	8.00
Parks, Recreation & Tourism	4,497,083	119,263	4,616,346		4,616,346	369,308	369,308	8.00
State Development Board	2,412,552	37,853	2,450,405		2,450,405	196,032	196,032	8.00
Patriot's Point	271,232	3,370	274,602		274,602	21,968	23,568	8.58
Clark Hill Authority	85,233	535	85,768		85,768	6,861	6,861	8.00
New Horizons Dev. Auth.	75,000		75,000		75,000	6,000	6,000	8.00
Public Service Commission	1,927,031		1,927,031	1,927,031				
Industrial Commission	855,882	18,084	873,966		873,966	69,917	18,576	2.12
Workmen's Compensation Fund	228,547	5,267	233,814		233,814	18,705	4,928	2.10
Insurance Department	2,069,186	51,646	2,120,832		2,120,832	169,667	149,266	7.03
Board of Bank Control	580,332	10,937	591,269	591,269				
Consumer Affairs	270,936		270,936	270,936				
Dairy Commission	166,586	3,011	169,597		169,597	13,568	13,568	8.00
Department of Labor	1,303,893	28,596	1,332,489		1,332,489	106,599	106,599	8.00
Contractors Licensing Board	100,472	1,984	102,456		102,456	8,196	2,897	2.83
State Tax Commission	8,897,659	250,605	9,148,264		9,148,264	731,861	259,000	2.83
Alcoholic Beverage Control	773,411	19,105	792,516		792,516	63,401	21,505	2.71
Disaster Preparedness	545,201	10,469	555,670		555,670	44,454	44,454	8.00
Employment Security Com.	64,137	1,081	65,218		65,218	5,217	5,217	8.00
Aeronautics Commission	966,101	9,570	975,671		975,671	78,054	78,054	8.00
Public Railways Commission	268,924		268,924	268,924				
Debt Service	61,519,935		61,519,935	61,519,935				
Miscellaneous:								
Judicial Council	20,000		20,000		20,000	1,600	1,600	8.00
Reorganization Commission	15,000		15,000		15,000	1,200	1,200	8.00
Status of Women Com.	14,000		14,000		14,000	1,120	1,120	8.00
House of Rep. Membership Res.	50,000		50,000		50,000	4,000	4,000	8.00
Pub. & Private Svcs., Prog.								
for the Aging	10,350		10,350		10,350	828	828	8.00
Agriculture Study Com.	11,426		11,426		11,426	914	914	8.00
Auto Liability Insurance	37,500		37,500		37,500	3,000	---	--

1376

Agency	1975-76 Regular Appropriation	Base Pay Allocation	Subtotal	Exclusions	Appropriation Subject To Reduction	8% Reduction	Reduction	
							Amount	Percent
Cable Television	3,750		3,750		3,750	300	300	8.00
Capital Punishment Study	3,750		3,750		3,750	300	300	8.00
Constitutional Revision Steering Committee	1,875		1,875		1,875	150	150	8.00
Uniform Consumer Credit Code	18,750		18,750		18,750	1,500	1,500	8.00
Crime Study Committee	11,250		11,250		11,250	900	900	8.00
Disaster Preparedness	3,750		3,750		3,750	300	300	8.00
Education Study Committee	12,000		12,000		12,000	960	960	8.00
Forest Study Committee	15,000		15,000		15,000	1,200	1,200	8.00
Insurance Law Study Com.	11,250		11,250		11,250	900	900	8.00
Study Judicial System.	17,250		17,250		17,250	1,380	1,380	8.00
Local Government Study Com.	7,500		7,500		7,500	600	600	8.00
Magisterial Study Com.	5,625		5,625		5,625	450	450	8.00
Mental Health Committee	20,250		20,250		20,250	1,620	1,620	8.00
Migrant Workers Study Com.	1,875		1,875		1,875	150	150	8.00
Narcotics & Controlled Substances	18,750		18,750		18,750	1,500	---	--
Nursing Home Study Com.	5,625		5,625		5,625	450	450	8.00
Oil & Gas Drilling & Leasing	18,750		18,750		18,750	1,500	1,500	8.00
Cont. Com. on Retirement	18,750		18,750		18,750	1,500	1,500	8.00
Santee Cooper Basin	18,000		18,000		18,000	1,440	1,440	8.00
St. Empl. Employment Com.	3,750		3,750		3,750	300	300	8.00
Tax Study Committee	29,647		29,647		29,647	2,372	2,372	8.00
Textile Study Committee	18,750		18,750		18,750	1,500	1,500	8.00
Committee on Tourism	15,000		15,000		15,000	1,200	1,200	8.00
Water Resources Study Com.	15,000		15,000		15,000	1,200	1,200	8.00
Workmen's Comp. Study Com.	15,000		15,000		15,000	1,200	1,200	8.00
Interest Rate Study Com.	11,250		11,250		11,250	900	900	8.00
Medical Care Study Com.	18,750		18,750		18,750	1,500	1,500	8.00
Public Trans. Study Com.	13,632		13,632		13,632	1,091	1,091	8.00
Workmen's Comp. Laws Adv. Com.	3,750		3,750		3,750	300	300	8.00
Fuel Allocation & Energy	3,750		3,750		3,750	300	300	8.00
Election Laws Study Com.	15,000		15,000		15,000	1,200	1,200	8.00
Building Code Council	125		125		125	10	10	8.00
Electronic Trans. of Funds	7,500		7,500		7,500	600	600	8.00
Imp. Roads - Catawba Ind. Reserv.	4,800		4,800		4,800	384	384	8.00
Contributions	286,077		286,077	286,077				
Aid to Subdivisions	71,591,000		71,591,000	71,591,000				
Grand Total	1,070,174,090		1,070,174,090	532,073,262	538,100,828	43,048,106	36,569,383	6.80
Gross Approp. Per Act	1,063,770,629							
College Enrollment Adj.	6,403,461							
Total	1,070,174,090							

CAPITAL IMPROVEMENT BOND OBLIGATIONS
SUMMARY OF BOND FUNDS AUTHORIZED BUT NOT DRAWN
AS OF 6/6/75, BY AGENCY

1378

EXHIBIT XVII
DEC 43, 1975

AGENCY	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75
1. Adjutant General's Office	745,965.83	37,068.95	708,896.88
2. Budget & Control Board	16,539,419.04	16,539,419.04	-0-
3. University of South Carolina	20,073,427.98	5,062,946.98	15,010,481.00
4. Clemson University	7,688,410.89	6,059,446.12	1,628,964.77
5. Medical University	16,663,162.73	5,755,839.73	10,907,323.00
6. The Citadel	4,038,699.23	4,038,699.23	-0-
7. Wirtthrop College	721,914.57	721,914.57	-0-
8. State College	1,450,000.00	750,000.00	700,000.00
9. Francis Marion College	3,484,436.13	493,614.26	2,990,821.87
10. College of Charleston	7,974,974.77	1,786,174.77	6,188,800.00
11. Lander College	6,178,753.12	2,814,253.12	3,364,500.00
12. Dept. of Education - Voc.Ed.	19,619,342.54	7,362,048.54	12,257,294.00
13. Technical & Comprehensive Ed.	10,762,572.82	1,458,015.12	9,304,557.70
14. Educational Television Commission	11,346,316.51	2,536,233.40	8,810,083.11
15. School for the Deaf and the Blind	82,842.67	82,842.67	-0-
16. Dept. of Archives & History	269,897.48	14,023.33	255,874.15
17. Dept. of Mental Health	7,008,155.74	508,155.74	6,500,000.00
18. Dept. of Mental Retardation	7,215,417.29	1,469,300.09	5,746,117.20
19. Vocational Rehabilitation	500,000.00	50,000.00	450,000.00
20. Commission for the Blind	2,025,125.16	1,826,602.13	198,523.03
21. Dept. of Corrections	38,844,572.82	3,005,883.82	35,838,689.00
22. Dept. of Youth Services	3,878,107.00	3,878,107.00	-0-
23. Forestry Commission	84,965.83	54,965.83	30,000.00
24. Dept. of Agriculture	286,448.74	8,448.74	278,000.00
25. Wildlife & Marine Resources Dept.	7,346,974.47	1,723,654.40	5,623,320.07
26. Dept. of Parks, Recreation & Tourism	4,854,750.00	75,000.00	4,779,750.00
27. Aeronautics Commission	2,174,026.07	657,261.50	1,516,764.57
28. Employment Security Commission	3,614,658.26	3,614,658.26	-0-
29. State Highway Dept.	4,675,000.00	-0-	4,675,000.00
30. State Ports Authority	75,242,248.80	5,586,262.80	69,655,986.00
31. Public Railways Commission	269,897.48	-0-	269,897.48
TOTAL	\$ 285,660,483.97	\$ 77,970,840.14	\$ 207,689,643.83

CAPITAL IMPROVEMENT BOND OBLIGATIONS

1379

AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
1. ADJUTANT GENERAL'S OFFICE	745,965.83	37,068.95	708,896.88	137,705.08
1. Armory-Lockhart	68,021.83	-0-	68,021.83	68,021.83
2. Armory-Andrews	69,683.25	-0-	69,683.25	69,683.25
3. Replace Armory Heating Systems	90,000.00	-0-	90,000.00	-0-
4. Fees - Lockhart Armory	6,944.00	6,944.00	-0-	-0-
5. Fees - Andrews Armory	5,316.75	5,316.75	-0-	-0-
6. Fees - Chester Armory	7,668.00	7,668.00	-0-	-0-
7. Fees - Bennettsville Armory	7,584.00	7,584.30	-0-	-0-
8. Fees - Eastover Armory	9,555.90	9,555.90	-0-	-0-
9. Armory - Chester	143,832.00	-0-	143,832.00	-0-
10. Armory - Bennettsville	111,715.70	-0-	111,715.70	-0-
11. Armory - Eastover	225,644.10	-0-	225,644.10	-0-
2. BUDGET AND CONTROL BOARD	16,539,419.04	16,539,419.04	-0-	-0-
1. Blatt & Gressette Bldgs.	14,959,476.67	14,959,476.67	-0-	-0-
2. Parking Deck	744,958.11	744,958.11	-0-	-0-
3. State House Airconditioning	119,994.43	119,994.43	-0-	-0-
4. Purchase Land from Youth Services	585,000.00	585,000.00	-0-	-0-
5. Land Acquisition - Lace House For Projects Under Contract	99,989.83 30,000.00	99,989.83 30,000.00	-0-	-0-
3. UNIVERSITY OF SOUTH CAROLINA	20,073,427.98	5,062,946.98	15,010,481.00	8,588,481.00
1. Horseshoe Renovation	1,198,427.98	848,912.98	349,515.00	349,515.00
2. Cultural Center - Land/Utilities	3,000,000.00	3,000,000.00	-0-	-0-
3. Gambrell Hall	4,600,000.00	738,932.00	3,861,068.00	3,861,068.00
4. Eng./Wardlaw Bldgs. Renovation	1,000,000.00	212,102.00	787,898.00	787,898.00
5. Aiken-Multi-purpose Bldg.-Fees,etc.	60,000.00	60,000.00	-0-	-0-
6. Coastal-Classroom Bldg.-Fees, etc.	78,000.00	78,000.00	-0-	-0-
7. Coastal-Campus Development	125,000.00	125,000.00	-0-	-0-
8. Aiken-Multi-Purpose Bldg.	1,790,000.00	-0-	1,790,000.00	1,790,000.00
9. Aiken-Classroom Bldg.	1,449,000.00	-0-	1,449,000.00	-0-
10. Coastal-Library/Classroom Bldg.	1,922,000.00	-0-	1,922,000.00	-0-
11. Coastal-Student Union Bldg.	1,270,000.00	-0-	1,270,000.00	-0-
12. Coastal-Warehouse/Maint. Bldg.	194,000.00	-0-	194,000.00	-0-
13. Spartanburg-Library/Classroom Bldg.	1,800,000.00	-0-	1,800,000.00	1,800,000.00

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
3. UNIVERSITY OF SOUTH CAROLINA (cont.)				
14. Spartanburg-Classroom/Media Center	1,405,000.00	-0-	1,405,000.00	-0-
15. Aiken-Classroom Bldg.-Fees, etc.	51,000.00	-0-	51,000.00	-0-
16. Coastal-Student Union Bldg.-Fees, etc.	30,000.00	-0-	30,000.00	-0-
17. Coastal-Warehouse/Maint. Bldg.-Fees, etc.	6,000.00	-0-	6,000.00	-0-
18. Spartanburg-Classroom Bldg.-Fees, etc.	95,000.00	-0-	95,000.00	-0-
4. CLEMSON UNIVERSITY	7,688,410.89	6,059,446.12	1,628,964.77	-0-
1. Fike Recreation Center (9-86)	35,037.63	35,037.63	-0-	-0-
2. Lee Hall - Addition (9-88)	4,713.78	4,713.78	-0-	-0-
3. Biological Sciences Bldg. (9-102)	2,524,994.73	2,524,994.73	-0-	-0-
4. Ag. Engineering Bldg.-Renov. (9-110)	1,738,929.06	1,738,929.06	-0-	-0-
5. Dairy Science Research Center (9-111)	653,422.34	653,422.34	-0-	-0-
6. Utility System-Enlarge & Imp. (9-30)	250,000.00	208,000.00	42,000.00	-0-
7. Cooper Library - Expansion (9-113)	430,590.43	430,590.43	-0-	-0-
8. Small Animal Facility (9-119)	214,602.67	214,602.67	-0-	-0-
9. Reimbursement for advances to projects UCC	249,155.48	249,155.48	-0-	-0-
10. Relocate Poultry Facilities	96,964.77	-0-	96,964.77	-0-
11. Utility System-Enlarge & Imp. (9-30)	490,000.00	-0-	490,000.00	-0-
12. Sirrine Hall-Renovation	1,000,000.00	-0-	1,000,000.00	-0-
5. MEDICAL UNIVERSITY	16,663,162.73	5,755,839.73	10,907,323.00	3,177,160.00
1. Hospital Renovation (19-64)	532,599.73	532,599.73	-0-	-0-
2. Business Services Bldg. (19-67)	937,100.00	937,100.00	-0-	-0-
3. Allied Health Sciences Bldg. (19-71)	863,600.00	863,600.00	-0-	-0-
4. Eye Institute (19-72)	442,500.00	442,500.00	-0-	-0-
5. Property Purchase (19-63)	45,700.00	45,700.00	-0-	-0-
6. Hospital Equipment (19-73)	342,840.00	342,840.00	-0-	-0-
7. Library/Adm/Clin. Science Bldg. (19-24)	3,177,160.00	-0-	3,177,160.00	3,177,160.00
8. Inst. for Human Dev. (19-69)	1,842,900.00	1,842,900.00	-0-	-0-
9. Hospital Renovation (19-64)	2,000,000.00	-0-	2,000,000.00	-0-
10. Quadrangle Renovations (19-65)	743,000.00	-0-	743,000.00	-0-
11. Radiology (Lab) Surgery Bldg. (19-70)	3,700,000.00	-0-	3,700,000.00	-0-
12. Student Center (19-66)	1,287,163.00	-0-	1,287,163.00	-0-
For Projects Under Contract	748,600.00	748,600.00		

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
6. THE CITADEL	4,038,699.23	4,038,699.23	-0-	-0-
1. Barracks Improvements (8-52)	972,211.41	972,211.41	-0-	-0-
2. Physical Education Bldg. (8-51)	2,781,972.95	2,781,972.95	-0-	-0-
3. President's House - Renov. & Add. (8-53)	28,799.34	28,799.34	-0-	-0-
4. WLI Parking Lot - Improvement (8-54)	47,500.00	47,500.00	-0-	-0-
For Projects Under Contract	208,215.53	208,215.53		
7. WINTHROP COLLEGE	721,914.57	721,914.57	-0-	-0-
1. Swimming Pool (31-80)	285,312.99	285,312.99	-0-	-0-
2. Conservatory-Airconditioning (31-82)	137,783.62	137,783.62	-0-	-0-
3. Tennis Courts (31-83)	27,351.24	27,351.24	-0-	-0-
4. McFeat - Renovation (31-81)	13,744.27	13,744.27	-0-	-0-
5. Physical Education Fac. (31-83)	49,403.68	49,403.68	-0-	-0-
6. Roddey - Renovation (31-84)	201,318.77	201,318.77	-0-	-0-
7. Bancroft - Renovation	7,000.00	7,000.00	-0-	-0-
8. STATE COLLEGE	1,450,000.00	750,000.00	700,000.00	-0-
1. Purchase Motel For Dormitory	750,000.00	750,000.00	-0-	-0-
2. Planetarium/Art Museum	650,000.00	-0-	650,000.00	-0-
3. Office Building - Renovation	50,000.00	-0-	50,000.00	-0-
9. FRANCIS MARION COLLEGE	3,484,436.13	493,614.26	2,990,821.87	2,804,425.28
1. Energy Facility (42-5)	17,797.42	17,797.42	-0-	-0-
2. College Center (42-7)	16,214.03	16,214.03	-0-	-0-
3. Stokes Renovation (42-8)	85,498.28	85,498.28	-0-	-0-
4. Classroom Building (42-12)	12,428.91	12,428.91	-0-	-0-
5. Warehouse (42-13)	47,988.22	47,988.22	-0-	-0-
6. Campus Development (42-14)	48,539.24	48,539.24	-0-	-0-
7. Library Renovation (42-17)	265,148.16	265,148.16	-0-	-0-
8. Campus Development - Phase II	31,396.59	-0-	31,396.59	-0-
9. Media Center	2,804,425.28	-0-	2,804,425.28	2,804,425.28
10. Campus Development-Phase III	155,000.00	-0-	155,000.00	-0-
10. COLLEGE OF CHARLESTON	7,974,974.77	1,786,174.77	6,188,800.00	170,000.00
1. Administration Bldg.	883,596.00	883,596.00	-0-	-0-
2. Equipment for Adm. Bldg.	170,000.00	-0-	170,000.00	170,000.00
3. Marine Biological Lab.	747,378.77	747,378.77	-0-	-0-
4. Botanical Greenhouse - Fees	4,800.00	4,800.00	-0-	-0-
5. Fine Arts Center - Fees, etc.	99,700.00	99,700.00	-0-	-0-

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CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
10. COLLEGE OF CHARLESTON (cont.)				
6. Craig Union Renov. - Fees, etc.	50,700.00	50,700.00	-0-	-0-
7. Botanical Greenhouse	55,200.00	-0-	55,200.00	-0-
8. Fine Arts Center	2,800,300.00	-0-	2,800,300.00	-0-
9. Central Energy Facility	180,000.00	-0-	180,000.00	-0-
10. Education Center	2,395,000.00	-0-	2,395,000.00	-0-
11. Craig Union Renovation	319,300.00	-0-	319,300.00	-0-
12. Education Center - Fees, etc.	69,000.00	-0-	69,000.00	-0-
13. Outdoor Activity Facility	200,000.00	-0-	200,000.00	-0-
11. LANDER COLLEGE	6,178,753.12	2,814,253.12	3,364,500.00	100,000.00
1. Parking Facilities	14,026.02	14,026.02	-0-	-0-
2. Library	2,541,648.84	2,541,648.84	-0-	-0-
3. Student Center/Adm. Complex - Fees	85,183.54	85,183.54	-0-	-0-
4. Acquisition/Radio Station Property	150,000.00	150,000.00	-0-	-0-
5. Acquisition/Foundation Property	100,000.00	-0-	100,000.00	100,000.00
6. Student Center/Adm. Complex	2,616,500.00	-0-	2,616,500.00	-0-
7. Athletic Fields	200,000.00	-0-	200,000.00	-0-
8. Parking Lots	315,000.00	-0-	315,000.00	-0-
9. Central Energy Facility	133,000.00	-0-	133,000.00	-0-
For Projects Under Contract	23,394.72	23,394.72		
12. DEPT. OF EDUCATION - VOCATIONAL EDUCATION	19,619,342.54	7,362,048.54	12,257,294.00	1,500,000.00
1. Equipment for Vocational Schools	6,058,881.77	3,785,587.77	2,273,294.00	-0-
2. Construction of Vocational Schools	12,885,460.77	2,901,460.77	9,984,000.00	1,500,000.00
(1) Berkeley	273,314.58	273,314.58	-0-	-0-
(2) Chesterfield	230,361.00	230,361.00	-0-	-0-
(3) Dorchester	71,220.34	71,220.34	-0-	-0-
(4) Florence #2	83,374.90	83,374.90	-0-	-0-
(5) Greenwood	23,559.67	23,559.67	-0-	-0-
(6) Hampton	236,660.16	236,660.16	-0-	-0-
(7) Horry (Aynor-Conway)	900,000.00	-0-	900,000.00	900,000.00
(8) Lee	434,153.04	434,153.04	-0-	-0-
(9) Lexington #2	28,784.24	28,784.24	-0-	-0-
(10) Lexington #5	14,279.46	14,279.46	-0-	-0-
(11) Lancaster AVC	139,064.69	139,064.69	-0-	-0-
(12) Union	204,002.00	204,002.00	-0-	-0-
(13) Richland #1 (Eau Claire)	1,090.80	1,090.80	-0-	-0-
(14) Williamsburg	359,821.31	359,821.31	-0-	-0-

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
12. DEPT. OF EDUCATION - VOCATIONAL EDUCATION (cont.)				
(15) York #1	96,732.32	96,732.32	-0-	-0-
(16) York #2	247,842.26	247,842.26	-0-	-0-
(17) Oconee	117,000.00	117,000.00	-0-	-0-
(18) Horry (Finklea)	150,000.00	150,000.00	-0-	-0-
(19) Marlboro	40,000.00	40,000.00	-0-	-0-
(20) Lexington #3	300,000.00	-0-	300,000.00	300,000.00
(21) Fairfield	150,000.00	150,000.00	-0-	-0-
(22) Georgetown	300,000.00	-0-	300,000.00	300,000.00
(23) Marion	300,000.00	-0-	300,000.00	-0-
(24) Jasper (Beaufort-Jasper)	600,000.00	-0-	600,000.00	-0-
(25) Beaufort (Beaufort-Jasper)	600,000.00	-0-	600,000.00	-0-
(26) Newberry	900,000.00	-0-	900,000.00	-0-
(27) Abbeville	600,000.00	-0-	600,000.00	-0-
(28) Florence #4	300,000.00	-0-	300,000.00	-0-
(29) Florence #1	300,000.00	-0-	300,000.00	-0-
(30) York #3	400,000.00	-0-	400,000.00	-0-
(31) Anderson #5	250,000.00	-0-	250,000.00	-0-
(32) Cope	600,000.00	-0-	600,000.00	-0-
(33) Charleston	600,000.00	-0-	600,000.00	-0-
(34) Richland #2 (Wilson)	300,000.00	-0-	300,000.00	-0-
(35) Lexington #4 (Swansea)	300,000.00	-0-	300,000.00	-0-
(36) Orangeburg #5	500,000.00	-0-	500,000.00	-0-
(37) Sumter AVC	300,000.00	-0-	300,000.00	-0-
(38) Anderson #1 & #2 AVC	234,000.00	-0-	234,000.00	-0-
(39) McCormick	300,000.00	-0-	300,000.00	-0-
(40) Clarendon AVC	200,000.00	-0-	200,000.00	-0-
(41) Colleton	300,000.00	-0-	300,000.00	-0-
(42) Richland #1 (Lower Richland)	600,000.00	-0-	600,000.00	-0-
For Projects Under Contract	675,000.00	675,000.00		
13. TECHNICAL AND COMPREHENSIVE EDUCATION				
	10,762,572.82	1,458,015.12	9,304,557.70	407,000.00
1. Beaufort-Classroom/Shop Bldg. (6-12)	(40,042.79)	(40,042.79)	-0-	-0-
2. Denmark-Adm/Classroom/Shop Bldg. (6-13)	(84,700.00)	(84,700.00)	-0-	-0-
3. Beaufort-Classroom Bldg. (6-15)	(8,518.09)	(8,518.09)	-0-	-0-
4. Denmark-Shop Complex (6-19)	21,100.00	21,100.00	-0-	-0-
5. Beaufort-Shop Complex (6-21)	720,176.00	720,176.00	-0-	-0-

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
13. TECHNICAL AND COMPREHENSIVE EDUCATION (cont.)				
6. Equipment for TEC Institutions	3,713,815.70	650,000.00	3,063,815.70	407,000.00
7. Beaufort - ETV Bldg. Renovation	570,918.00	-0-	570,918.00	-0-
8. Denmark - Student Services Bldg.	680,000.00	-0-	680,000.00	-0-
9. Midlands-Lab/Shop Bldg.	970,000.00	-0-	970,000.00	-0-
10. Midlands-Library	805,000.00	-0-	805,000.00	-0-
11. Midlands-Administrative Bldg.	840,000.00	-0-	840,000.00	-0-
12. Beaufort-Library/Resource Center	499,824.00	-0-	499,824.00	-0-
13. Piedmont-Parking Lot	100,000.00	-0-	100,000.00	-0-
14. Piedmont-Classroom/Lab Bldg.	650,000.00	-0-	650,000.00	-0-
15. Greenville-Student Center	1,125,000.00	-0-	1,125,000.00	-0-
For Projects Under Contract	200,000.00	200,000.00		
14. EDUCATIONAL TELEVISION COMMISSION	11,346,316.51	2,536,233.40	8,810,083.11	-0-
1. Beaufort TV Tower & Bldg. (39-5)	452,632.69	452,632.69	-0-	-0-
2. Sumter TV Tower & Bldg. (39-6)	448,431.26	448,431.26	-0-	-0-
3. Microwave Design Study	15,690.50	15,690.50	-0-	-0-
4. ETV Hdqtrs. Facility - A&E Fees	272,980.48	272,980.48	-0-	-0-
5. ETV Hdqtrs. Facility-USC Parking Garage	500,000.00	500,000.00	-0-	-0-
6. ETV Hdqtrs. Facility-Consultants	60,000.00	60,000.00	-0-	-0-
7. Beaufort Station-Equipment & Fees	75,214.15	75,214.15	-0-	-0-
8. Sumter Station - Equipment & Fees	10,984.32	10,984.32	-0-	-0-
9. Rock Hill TV Tower & Bldg. - Fees	300.00	300.00	-0-	-0-
10. Rock Hill TV Tower & Bldg.	839,833.08	-0-	839,833.08	-0-
11. Headquarters Facility	5,444,019.52	-0-	5,444,019.52	-0-
12. Expansion of Open Circuit Transmission Fac.	2,526,230.51	-0-	2,526,230.51	-0-
For Projects Under Contract	700,000.00	700,000.00		
15. SCHOOL FOR THE DEAF & AND THE BLIND	82,842.67	82,842.67	-0-	-0-
1. Gymnasium-Swimming Pool (10-12)	82,842.67	82,842.67	-0-	-0-
16. DEPT. OF ARCHIVES & HISTORY	269,897.48	14,023.33	255,874.15	255,874.15
1. Records Center-Fees	14,023.33	14,023.33	-0-	-0-
2. Records Center-Renovation	224,593.57	-0-	224,593.57	224,593.57
3. Records Center-Equip., Insurance, Contingency	31,280.58	-0-	31,280.58	31,280.58

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
17. DEPT. OF MENTAL HEALTH	7,008,155.74	508,155.74	6,500,000.00	-0-
1. SCSH-Renovations (2671)	28,684.11	28,684.11	-0-	-0-
2. Energy Facility (26-78)	152,896.36	152,896.36	-0-	-0-
3. Information & Fire Alarm System (26-81)	574,271.56	574,271.56	-0-	-0-
4. Advances to Addiction Center	(256,603.88)	(256,603.88)	-0-	-0-
5. Ditch Covering (26-69)	8,907.59	8,907.59	-0-	-0-
6. Intermediate Care Facility	6,500,000.00	-0-	6,500,000.00	
18. DEPT. OF MENTAL RETARDATION	7,215,417.29	1,469,300.09	5,746,117.20	-0-
1. WV-Fire Alarm & Lighting Systems (37-28a)	43,000.00	43,000.00	-0-	-0-
2. WV-Chapel (37-36)	50,722.50	50,722.50	-0-	-0-
3. MC-Phase II (37-45a)	276,550.79	276,550.79	-0-	-0-
4. WV-Aircondition Dorms 25-29(37-55a)	234,731.32	234,731.32	-0-	-0-
5. WV-Fire Alarm System - Fees (37-28)	19,415.18	19,415.18	-0-	-0-
6. WV-Dorm Renovation - Fees (37-34)	13,536.00	13,536.00	-0-	-0-
7. CC-Classroom Bldgs.,etc.-Fees (37-42)	16,000.00	16,000.00	-0-	-0-
8. WV-Clinic/ICF - Fees (37-43)	32,757.00	32,757.00	-0-	-0-
9. MC-Phase II - Fees (37-45)	87,000.00	87,000.00	-0-	-0-
10. Laundry Equipment (Contracted)	234,000.00	234,000.00	-0-	-0-
11. Laundry Equip.-Handling & Storage	5,000.00	5,000.00	-0-	-0-
12. Lea Center - Fees (37-48)	6,000.00	6,000.00	-0-	-0-
13. PD-Chapel - Fees (37-49)	16,800.00	16,800.00	-0-	-0-
14. WV-Sewage Treatment Fac.-Fees (37-51)	18,000.00	18,000.00	-0-	-0-
15. MC-Aircondition Old Dorms-Fees (37-54)	12,000.00	12,000.00	-0-	-0-
16. WV-Aircondition Old Dorms-Fees (37-55)	21,299.30	21,299.30	-0-	-0-
17. WV-Steam Plant Expansion - Fees (37-57)	7,488.00	7,488.00	-0-	-0-
18. WV-Dormitory Renovations (37-34)	85,545.97	-0-	85,545.97	-0-
19. CC-Adm/Classroom Bldgs.etc. (37-42)	501,077.29	-0-	501,077.29	-0-
20. WV-Clinic/ICF (37-43)	270,534.66	-0-	270,534.66	-0-
21. MC-Phase II Facilities (37-45)	2,127,642.58	-0-	2,127,642.58	-0-
22. Lea Center-Residential Fac. (37-48)	187,470.62	-0-	187,470.62	-0-
23. PD-Chapel Renovation (37-49)	283,506.63	-0-	283,506.63	-0-
24. WV-Upgrade Sewage Treatment Fac. (37-51)	150,361.57	-0-	150,361.57	-0-
25. MC-Aircondition Old Dorms (37-54)	498,477.88	-0-	498,477.88	-0-
26. WV-Steam Plant Expansion (37-57)	83,000.00	-0-	83,000.00	-0-
27. PD-Master Plan - Fees (37-44)	30,000.00	-0-	30,000.00	-0-
28. PD-Unassigned	1,528,500.00	-0-	1,528,500.00	-0-
For Projects Under Contract	375,000.00	375,000.00		

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CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
19. VOCATIONAL REHABILITATION	500,000.00	50,000.00	450,000.00	-0-
1. Greenville Rehab. Facility - Fees	50,000.00	50,000.00	-0-	-0-
2. Greenville Rehab. Facility	450,000.00	-0-	450,000.00	-0-
20. COMMISSION FOR THE BLIND	2,025,125.16	1,826,602.13	198,523.03	198,523.03
1. Adult Adjustment & Training Center	1,757,223.00	1,757,223.60	-0-	-0-
2. Training Center - Equip. Supplies, Landscaping	198,523.03	-0-	198,523.03	198,523.03
For Projects Under Contract	69,379.13	69,379.13		
21. DEPT. OF CORRECTIONS	38,844,572.82	3,005,883.82	35,838,689.00	85,000.00
1. Women's Correctional Center, Phase II	1,112,000.00	1,112,000.00	-0-	-0-
2. Greenwood Center - Land, Utilities, Fees	225,000.00	225,000.00	-0-	-0-
3. Greenville Center - Utilities, Fees	201,484.00	201,484.00	-0-	-0-
4. Spartanburg Center - Utilities, Fees	170,488.00	170,488.00	-0-	-0-
5. Goodman - Dormitory Addition	772,381.00	772,381.00	-0-	-0-
6. Hospital Complex Study - Fees	131,958.00	131,958.00	-0-	-0-
7. Broad River Rd. Area - Sewer Main	85,000.00	-0-	85,000.00	85,000.00
8. Central Supply Complex - Addition	125,000.00	125,000.00	-0-	-0-
9. Mac Dougall YC - Paint Bldg.	27,763.00	27,763.00	-0-	-0-
10. Legal Fees	9,809.82	9,809.82	-0-	-0-
11. Spartanburg Center, Phase I	3,615,000.00	-0-	3,615,000.00	-0-
12. Greenville Center, Phase I	2,670,815.00	-0-	2,670,815.00	-0-
13. Greenwood Center, Phase I	3,960,512.00	-0-	3,960,512.00	-0-
14. Hospital Complex	7,626,728.00	-0-	7,626,728.00	-0-
15. Spartanburg Center, Phase II	1,865,634.00	-0-	1,865,634.00	-0-
16. Greenville Center, Phase II	5,065,000.00	-0-	5,065,000.00	-0-
17. Greenwood Center, Phase II	2,200,000.00	-0-	2,200,000.00	-0-
18. Charleston Center	8,700,000.00	-0-	8,700,000.00	-0-
19. Residence For Director	50,000.00	-0-	50,000.00	-0-
For Projects Under Contract	230,000.00	230,000.00		
22. DEPT. OF YOUTH SERVICES	3,878,107.00	3,878,107.00	-0-	-0-
1. Goldsmith R&E Center	58,500.00	58,500.00	-0-	-0-
2. East Campus Facility	3,469,607.00	3,469,607.00	-0-	-0-
For Projects Under Contract	350,000.00	350,000.00		

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECTS	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
23. FORESTRY COMMISSION	84,965.83	54,965.83	30,000.00	30,000.00
1. Tower Attendant Housing:				
(1) Anderson County	26,000.00	26,000.00	-0-	-0-
(2) Beaufort County	7,904.25	7,904.25	-0-	-0-
(3) Hampton County	3,047.89	3,047.89	-0-	-0-
(4) York County	11,043.37	11,043.37	-0-	-0-
(5) Anderson County, Misc.	871.75	871.75	-0-	-0-
(6) Beaufort County, Misc.	976.75	976.75	-0-	-0-
(7) Hampton County, Misc.	976.75	976.75	-0-	-0-
(8) York County, Misc.	811.75	811.75	-0-	-0-
(9) Cherokee County, Misc.	851.75	851.75	-0-	-0-
(10) Lee County, Misc.	2,481.57	2,481.57	-0-	-0-
(11) Lee County	30,000.00	-0-	30,000.00	30,000.00
24. DEPT. OF AGRICULTURE	286,448.74	8,448.74	278,000.00	278,000.00
1. Laboratory Addition - Fees	8,448.74	8,448.74	-0-	-0-
2. Laboratory Addition	278,000.00	-0-	278,000.00	278,000.00
25. WILDLIFE & MARINE RESOURCES DEPT.	7,346,974.47	1,723,654.40	5,623,320.07	939,345.07
1. Cooperative Research Facility	1,367,708.77	1,367,708.77	-0-	-0-
2. Lake Long - A&E Fees	42,654.63 -	42,654.63	-0-	-0-
3. Dennis Center, Phase II - Fees	70,000.00 *	70,000.00	-0-	-0-
4. Food Technology Lab - A&E Fees	243,291.00	243,291.00	-0-	-0-
5. Equip.-Coop. Research Facility	652,000.00	-0-	652,000.00	652,000.00
6. Lake Long	287,345.07 *	-0-	287,345.07	287,345.07
7. Food Technology Lab.	3,811,700.00	-0-	3,811,700.00	-0-
8. Dennis Center, Phase II	872,275.00	-0-	872,275.00	-0-

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
26. DEPT. OF PARKS, RECREATION AND TOURISM	4,854,750.00	75,000.00	4,779,750.00	122,000.00
1. Keowee-Toxaway Park	75,000.00	75,000.00	-0-	-0-
2. Hunting Island - Water System Imp.	65,000.00	-0-	65,000.00	65,000.00
3. Local Assistance - Historic Preservation	57,000.00	-0-	57,000.00	57,000.00
4. Dreher Island Park	880,250.00	-0-	880,250.00	-0-
5. Croft Recreation Complex	80,000.00	-0-	80,000.00	-0-
6. Barnwell Park - Rec. Building Renov.	150,000.00	-0-	150,000.00	-0-
7. Hampton Plantation - Restoration	100,000.00	-0-	100,000.00	-0-
8. Lynches River Park - Improvements	200,000.00	-0-	200,000.00	-0-
9. Charles Towne Landing - Restrooms	115,000.00	-0-	115,000.00	-0-
10. Myrtle Beach Park - Campgrounds	140,000.00	-0-	140,000.00	-0-
11. Croft Park - Dam and Lake	85,000.00	-0-	85,000.00	-0-
12. Park Directional Signs	50,000.00	-0-	50,000.00	-0-
13. Sesqui Park - Train and Track Installation	95,000.00	-0-	95,000.00	-0-
14. Hickory Knob Park - Improvements	90,000.00	-0-	90,000.00	-0-
15. Long Bluff - Initial Development	125,000.00	-0-	125,000.00	-0-
16. Hanging Rock - Initial Development	50,000.00	-0-	50,000.00	-0-
17. Gray's Lake Park	697,500.00	-0-	697,500.00	-0-
18. Recreation Land Trust Fund	300,000.00	-0-	300,000.00	-0-
19. Murrell's Inlet - Channel Improvement	1,500,000.00	-0-	1,500,000.00	-0-
27. AERONAUTICS COMMISSION	2,174,026.07	657,261.50	1,516,764.57	19,000.00
1. Myrtle Beach AFB - Civilian Facilities	25,000.00	25,000.00	-0-	-0-
2. Clarendon County Airport	50,000.00	50,000.00	-0-	-0-
3. Johns Island Airport	100,000.00	100,000.00	-0-	-0-
4. Lancaster County Airport	100,000.00	100,000.00	-0-	-0-
5. Marion County Airport	45,000.00	45,000.00	-0-	-0-
6. Moncks Corner Airport	45,000.00	45,000.00	-0-	-0-
7. Orangeburg Airport	100,000.00	100,000.00	-0-	-0-
8. Sumter Airport	30,000.00	30,000.00	-0-	-0-
9. Rock Hill Airport	77,000.00	77,000.00	-0-	-0-
10. Install Fuel Tanks	19,000.00	-0-	19,000.00	19,000.00
11. Airport Improvements - Estill	1,250.00	-0-	1,250.00	-0-
12. Myrtle Beach AFB - Civilian Facilities	437,500.00	-0-	437,500.00	-0-
13. Airport Improvements - Beaufort County	19,250.00	-0-	19,250.00	-0-
14. Airport Improvements - Hartsville	5,000.00	-0-	5,000.00	-0-
15. Airport Improvements - Hemingway/Stuckey	48,750.00	-0-	48,750.00	-0-
16. Airport Improvements - Marion County	25,495.00	-0-	25,495.00	-0-
17. Airport Improvements - Union	46,875.00	-0-	46,875.00	-0-
18. Airport Improvements - Allendale	29,500.00	-0-	29,500.00	-0-
19. Airport Improvements - Myrtle Beach	18,750.00	-0-	18,750.00	-0-

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CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/65	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
<u>27. AERONAUTICS COMMISSION (cont.)</u>				
20. Terminal - Georgetown	32,500.00	-0-	32,500.00	-0-
21. Airport Improvements - Lancaster	100,000.00	-0-	100,000.00	-0-
22. Terminal - Laurence	32,500.00	-0-	32,500.00	-0-
23. Myrtle Beach AFC - Civilian Facilities	54,625.00	-0-	54,625.00	-0-
24. Airport Improvements - Saluda	7,969.00	-0-	7,969.00	-0-
25. Airport Improvements - Williamsburg County	40,000.00	-0-	40,000.00	-0-
26. Airport Improvements - Cherokee County	139,125.00	-0-	139,125.00	-0-
27. Airport Improvements - Hilton Head	29,000.00	-0-	29,000.00	-0-
28. Airport Improvements - Marlboro County	9,000.00	-0-	9,000.00	-0-
29. Airport Improvements - Spartanburg	75,000.00	-0-	75,000.00	-0-
30. Airport Improvements - Dillon County	35,000.00	-0-	35,000.00	-0-
31. Airport Improvements - Aiken	32,225.00	-0-	32,225.00	-0-
32. Airport Improvements - Georgetown	12,232.72	-0-	12,232.72	-0-
33. Airport Improvements - Moncks Corner	25,500.00	-0-	25,500.00	-0-
34. Airport Improvements - Trenton	100,000.00	-0-	100,000.00	-0-
35. Airport Improvements - Lee County	20,000.00	-0-	20,000.00	-0-
36. Terminal - Newberry	32,500.00	-0-	32,500.00	-0-
37. Aeronautics Comm. - Security Bldg., Equip, etc. For Projects Under Contract	88,217.85 85,261.50	-0- 85,261.50	88,217.85	-0-
<u>28. EMPLOYMENT SECURITY COMMISSION</u>	<u>3,614,658.26</u>	<u>3,614,658.26</u>	<u>-0-</u>	<u>-0-</u>
1. Administration Building	3,614,658.26	3,614,658.26	-0-	-0-
<u>29. STATE HIGHWAY DEPARTMENT</u>	<u>4,675,000.00</u>	<u>-0-</u>	<u>4,675,000.00</u>	<u>-0-</u>
1. Headquarters Building	4,675,000.00	-0-	4,675,000.00	-0-
<u>30. STATE PORTS AUTHORITY</u>	<u>75,242,248.80</u>	<u>5,586,262.80</u>	<u>69,655,986.00</u>	<u>4,375,608.00</u>
1. Union Pier - Imp. and Site Prep.	2,173.00	2,173.00	-0-	-0-
2. N. Charleston - Container Storage	77,043.00	77,043.00	-0-	-0-
3. Seatrain Maint. and Parking Area	173,618.00	173,618.00	-0-	-0-
4. N. Charleston - Service Rd. and Drainage	73,041.00	73,041.00	-0-	-0-
5. Union Pier - Extension	1,367,257.00	1,367,257.00	-0-	-0-
6. Columbus St. - Cont. Storage Fac.	198,166.00	198,166.00	-0-	-0-
7. Columbus St. - Truck Assembly Area	83,016.00	83,016.00	-0-	-0-
8. N. Charleston - Site Imp. and Cont. Storage	268,671.00	268,671.00	-0-	-0-
9. N. Charleston - Fill Additional Area	403,278.00	403,278.00	-0-	-0-
10. Removal of Tanks	400,000.00	400,000.00	-0-	-0-
11. Columbus St. - Purchase Property	1,000,000.00	1,000,000.00	-0-	-0-
12. Union Pier - Warehouse	889,999.80	889,999.80	-0-	-0-

CAPITAL IMPROVEMENT BOND OBLIGATIONS

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AGENCY/PROJECT	AUTHORIZED BALANCE NOT DRAWN 6/6/75	UNDER CONTRACT OR COMMITTED 6/6/75	NOT UNDER CONTRACT OR COMMITTED 6/6/75	RECOMMENDED ALLOCATION FROM FUNDS ON HAND 6/6/75
30. STATE PORTS AUTHORITY (cont.)				
13. Columbus St. - Container Crane	2,187,295.00	-0-	2,187,295.00	2,187,295.00
14. N. Charleston - Container Crane	2,188,313.00	-0-	2,188,313.00	2,188,313.00
15. Site Improvements - Container Storage	581,760.00	-0-	581,760.00	-0-
16. Union Pier - Warehouse	813,000.00	-0-	813,000.00	-0-
17. Columbus St. - Warehouse	2,080,000.00	-0-	2,080,000.00	-0-
18. East Cooper Terminal	56,000,000.00	-0-	56,000,000.00	-0-
19. N. Charleston - Property Acquisition	1,417,000.00	-0-	1,417,000.00	-0-
20. LASH Barge Facility	500,000.00	-0-	500,000.00	-0-
21. Georgetown - Improvements	1,913,618.00	-0-	1,913,618.00	-0-
22. Port Victoria - Improvements	1,975,000.00	-0-	1,975,000.00	-0-
For Projects Under Contract	650,000.00	650,000.00		
31. PUBLIC RAILWAYS COMMISSION	269,897.48	-0-	269,897.48	-0-
1. Office Facilities	150,000.00	-0-	150,000.00	-0-
2. Overhaul Locomotives	119,897.48	-0-	119,897.48	-0-
Total	<u>\$285,660,483.97</u>	<u>\$77,970,840.14</u>	<u>\$207,689,643.83</u>	<u>\$23,188,121.61</u>

DRAFT OF SUGGESTED LETTER

EXHIBIT XVIII
DEC. 23, 1975

FROM Governor James B. Edwards, Chairman, Budget and Control Board
TO Mr. Travis Faulk, Chairman, Commission for Technical Education,
Horry-Georgetown
RE Supplementing of Salaries of State Technical Education Employees

Your letter of December 10, 1975, to Mr. Y. W. Scarborough, Chairman of the State Board for Technical and Comprehensive Education, has been brought to our attention.

It is clear that the policies and guidelines previously dictated by this Board do not permit salaries of TEC employees to be supplemented in whole or in part through the use of local funds. Additionally, supplementing salaries in this manner is contrary to the TEC Uniform Compensation Plan which has previously been approved.

You are therefore directed that salaries once approved, are not to be supplemented in any manner, nor are such salaries to be altered without prior approval from the State TEC Board and subsequent concurrence by this Board.