MINUTES OF
Budget and
Control Board
Meeting

January 25, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JANUARY 25, 1978 3:00 P. M.

The Budget and Control Board met at 3:00 p. m. on January 25, 1978 in the Governor's Conference Room with the following members in attendance:

Governor James B. Edwards
Mr. Grady L. Patterson, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

Also attending were Board Secretary State Auditor W. T. Putnam, Mr. P. C. Smith, Planning Division Director, Governor's Assistant A. E. Reiser and Assistant State Auditor William A. McInnis.

The following items of business were considered:

MINUTES OF PREVIOUS MEETINGS - Budget and Control Board members previously had been furnished with a draft version of the minutes of the meeting and the poll held on January 9, 1978.

Upon a motion by Senator Dennis, the Budget and Control Board approved these minutes as written.

JUDICIAL DEPARTMENT - PROPOSED APPELLATE PUBLIC DEFENDER PROGRAM - Chief Justice J. Woodrow Lewis, accompanied by Court Administration Director L. Edmund Atwater, appeared before the Budget and Control Board to present a proposed Appellate Public Defender Program designed to handle appeals perfected by indigents charged with criminal offenses. As background, Chief Justice Lewis pointed out that Court-appointed attorneys are required to follow cases presently on through the appeals process but that there is much dissatisfaction with this requirement among attorneys. Chief Justice Lewis noted that some states have found the establishment of appellate defender programs to be a satisfactory solution to this problem and that, therefore, the novelty of the program is not the reason for his appearance. Instead, he called attention to the method by which the program would be

established and administered, i.e., through a Commission appointed by the Court, as the matter on which he is seeking Board direction. Chief Justice Lewis observed that LEAA funding for three years apparently is assured and that, at the end of the three-year period, the General Assembly would be asked to support the effort completely. Chief Justice Lewis stressed that the rule establishing the referenced Commission has not been adopted by the Supreme Court and that it would not be adopted if the Budget and Control Board objects to the approach.

In the ensuing discussion, Senator Dennis suggested the possibility of adopting the Court rule establishing the Commission for a one-year period. Chief Justice Lewis also noted that public defenders apparently are overworked and that their briefs tend to show that they are otherwise busy.

Chief Justice Lewis agreed with State Auditor Putnam's understanding that the proposed Program would be administered by the Judicial Department during the initial period of its existence and with Dr. Mullins' understanding that the Program staff would be classified State employees. In response to Governor Edwards' query, Chief Justice Lewis indicated that the application for Federal funds for the proposed Program will be processed through the Finance Division Grants and Contracts Review Unit.

Following this discussion, upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board approved for a one-year period the Appellate Public Defender Program presented by Chief Justice Lewis and agreed to advise the House and Senate Judiciary Committees of this action in anticipation of legislative authorization of the Program in ensuing years.

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

POLL AGENDA - State Auditor Putnam called the Board's attention to the four items included on the Poll Agenda, which are specifically

identified as such in these minutes, and upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board approved these four items as presented.

State Auditor Putnam also briefly described the purpose of the Poll Agenda in response to questions from certain press representatives by pointing out that items included on the Poll Agenda are those considered routine in nature and on which the written documentation circulated to Board members prior to the regular meetings is considered self-explanatory. He also noted that the use of the Poll Agenda is simply a procedure intended to expedite Board meetings and that Board action on these items always is ratified in open session. Mr. Putnam advised press members that complete detail on items included on the Poll Agenda is always available upon request.

CLEMSON UNIVERSITY - SELECTION OF A&E FIRM (POLL ITEM 1) - Clemson University Vice President Melvin Barnette advised the Budget and Control Board that the following firms, listed in preference order, have been selected to provide the architectural services required for the Pee Dee Educational and Research Center Project:

(1) Gill, Wilkins and Wood, Florence;
(2) Westmoreland-McGarity-Pitts, Spartanburg; and
(3) Craig & Gaulden, Greenville.

After being advised that the required selection procedure had been followed in this instance. the Budget and Control Board, upon a motion by Mr. Patterson, seconded by Senator Dennis, approved the selection of Gill, Wilkins and Wood for the Pee Dee Educational and Research Center Project, as requested by Clemson University Vice President Barnette, pursuant to 1976 Code Sections 10-5-10 et seq.

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

INDUSTRIAL REVENUE BONDS - BERKELEY COUNTY (POLL ITEM 2) -

The Budget and Control Board was presented with a Petition from Berkeley County for the issuance of $1,000,000 Industrial Revenue Bonds on behalf of Davol, Inc., a subsidiary of International Paper Co. The firm is engaged in the manufacture of health care products and the project is expected to provide additional employment opportunities for persons in the area.

After being assured that the legal documents involved in this issue had been reviewed by the Attorney General's Office and that the financial information submitted had been reviewed by the Auditor's Office, upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board adopted a Resolution approving the Berkeley County proposal to issue $1,000,000 Industrial Revenue Bonds on behalf of Davol, Inc., a subsidiary of International Paper Co., pursuant to 1976 Code Sections 4-29-10, et seq.

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

MOTOR VEHICLE MANAGEMENT DIVISION - VEHICLE PURCHASE REQUESTS (POLL ITEM 3) - Upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board approved the following vehicle purchases, as recommended by Division Director Spence:

(a) Department of Mental Retardation: two 12-passenger van wagons as fleet additions;

(b) Department of Youth Services: one Plymouth Volare as a fleet addition; and

(c) Department of Corrections: two Ford LTD II's for assignment to two Deputy Commissioners.

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

DIVISION OF HEALTH AND SOCIAL DEVELOPMENT - CONSULTANT SERVICES CONTRACT (POLL ITEM 4) - Upon a motion by Mr. Patterson, seconded by

Senator Dennis, the Budget and Control Board approved the following consultant services contract:

Consultant: Carl B. Williams;
Contract Dollars: $15,000 (25% State, 75% Federal);
Contract Period: 1/11/78 - 6/30/78;
Purpose: To assist the Division of Health and Social Development evaluate the effectiveness and efficiency of Title XX services to the aged; recommending ways to reduce or prevent institutionalization of the aged; reviewing the methodology and provide technical consultation on the Division's evaluation activities; providing technical assistance to the Division on Title XX planning tasks; and provide reports and other services as requested by the Division Director.

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

WILDLIFE AND MARINE RESOURCES - SEA GRANT PROGRAM CONSORTIUM PROPOSAL - The referenced item was withdrawn from the agenda.

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

DEPARTMENT OF CORRECTIONS - LITTER CONTROL ACT AND NATIONAL FACILITY STANDARDS - Department of Corrections Commissioner William D. Leeke, accompanied by Deputy Commissioner Hugh Clements and consultants Lee M. Thomas and John F. Kososki, appeared before the Budget and Control Board to request Board endorsement of the proposed Litter Control Act and to advise the Board on national correctional facility standards now being developed.

Commissioner Leeke called the Board's attention to the Litter Control Act now before the House of Representatives and urged the Budget and Control Board to endorse its enactment because of its potential impact on the inmate population in facilities of the Department of Corrections. Commissioner Leeke noted that this Bill authorizes an award of additional time credit toward release and parole eligibility for inmates engaged in litter control and other productive work and that the passage of this legislation potentially could stabilize the inmate population at about

8,000 which could result in capital savings of some $33.6 million and the avoidance of between $15 and $20 million in operating costs over the next five years.

Commissioner Leeke noted that Governor Edwards expressed support for this legislation in his state of the State message and that Representative Mangum served on the committee which drafted the referenced legislation.

Following a brief discussion, upon a motion by Representative Mangum, seconded by Mr. Patterson, the Budget and Control Board endorsed the enactment of the proposed Litter Control Act now under consideration by the House of Representatives.

Commissioner Leeke advised the Budget and Control Board that national correctional facility standards are currently being developed and that the additional costs involved in meeting the standard of 60 sq. ft. of sleeping space in single occupancy cells for medium security institutions have been included in materials submitted to State Auditor Putnam in relation to Phase II of the Department's improvement program and that these additional costs run about 7.31%.

Commissioner Leeke pointed out that, at this time, this matter is simply for the information of the Budget and Control Board and that no Board action is requested.

Information relating to these matters has been retained in these files and is identified as Exhibit VII.

SUPPLEMENTAL APPROPRIATION BILL STATUS - Upon the recommendation of State Auditor Putnam who noted that additional staff work will be required, the Budget and Control Board without objection postponed consideration of supplemental appropriation recommendations at this time. Mr. Putnam pointed out that the Board's recommendations are to be presented to the General Assembly on or before March 15.

FINANCE DIVISION, GRANTS AND CONTRACTS REVIEW UNIT - GRANT AND CONTRACT REQUESTS - State Auditor William T. Putnam, accompanied by Grants

Services Administrator George Oliver, presented a list of 39 grant and contract requests involving a total of $36,575,325 and recommended their approval by the Board. Conditional approval was recommended on requests 16, 20 and 31.

A wide-ranging discussion of the effort to monitor Federal funds ensued prior to the Board's action on these requests. During this discussion, Representative Mangum expressed interest in the availability of information on Federal funding available during fiscal year periods and in the possibility of a fund for matching unanticipated Federal grants. Governor Edwards emphasized a need to relate grant funds to State priorities instead of the reverse and noted the possibility of setting up the $4.5 million in indirect cost recoveries as a pool for matching other Federal grants.

State Auditor Putnam and Grants Services Administrator Oliver pointed out that the Board has acted on applications for Federal funds which involve a considerable degree of speculation as to whether or not they will ultimately be approved and indicated that the Board will be advised in the near future on the actual amounts awarded in response to these applications. In response to Governor Edwards' question about the advantages of putting this sort of information into a computer, Mr. Oliver estimated that a modified package program to accomplish this could be acquired for about $50,000. Mr. Putnam expressed the view that this would be a good investment in view of the fact that staff is not available to do this job presently. Mr. Putnam also reminded the Board that about $5 million of indirect cost recoveries had been included in the projected General Fund revenues and that these funds are already appropriated.

Governor Edwards referred briefly to a summary of requests for Federal funds approved by the Board during the July 15, 1977 through January 9, 1978 period by noting that more than 2,000 permanent personnel are included in those approvals.

Following this discussion, upon a motion by Senator Dennis, the Budget and Control Board approved the recommendations of the Grants and Contracts Review Unit on all items included in the list of 39 requests except requests 16, 20 and 31.

With regard to request 16 (Control 8-H51-154), which involves a request for $21,540 from the Fogarty International Center to provide salary support for a Medical University physician during a sabbatical leave, State Auditor Putnam observed that the Board previously had turned down requests to use State monies to finance study abroad. Mr. Putnam noted that various definitions of sabbaticals exist and Dr. Mullins indicated that the colleges and universities are not consistent in their concept of sabbaticals and have important deviations among them. Dr. Mullins also pointed out that the Commission on Higher Education had been studying this problem for an extended period.

Mr. Oliver observed that a Fogarty Fellowship is very difficult to get and that at this point this is only an application subject to extensive review by various Federal interests.

Following this discussion, upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board approved request 16 (Control 8-H51-154).

The Grants and Contracts Review Unit had recommended approval of request 21 (Control 8-H59-066) subject to the Board's action relating to CETA Titles II and VI.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board approved this request.

The Grants and Contracts Review Unit recommended approval of request 31 (Control 8-H91-026) on the condition that the Arts Commission modify the proposal when an indirect cost rate is established.

Mr. Oliver reported that the Arts Commission has agreed to make this change.

Without objection, the Budget and Control Board approved request 31 (Control 8-H91-026).

Information relating to these matters has been retained in these files and is identified as Exhibit VIII.

GRANTS AND CONTRACTS REVIEW UNIT - ETV WRITER-IN-RESIDENCE - At its 12/21/77 meeting, the Budget and Control Board disapproved a request for Federal funds for the referenced project because no indirect cost had been requested. ETV General Manager Cauthen has advised that $5,586 of indirect cost will be transferred to the General Fund from ETV's Operating Revenue Account and on that basis requests reconsideration of the project.

Following a brief discussion, the Budget and Control Board without objection approved the referenced project.

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

CIVIL CONTINGENT FUND REQUEST - OCCUPATIONAL THERAPY BOARD - The Occupational Therapy Board has requested an advance of $1,550 from the Civil Contingent Fund to enable it begin its licensing process. In making its request, the Occupational Therapy Board pointed out that it will be supported by fees and indicated its intention to repay the requested advance on or before June 30, 1978.

State Auditor Putnam questioned the urgency of this request and indicated it had been his intention to suggest inclusion of this request in the Supplemental Appropriation Bill.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board approved the advance of $1,550 from the Civil Contingent Fund to the Occupational Therapy Board, with the understanding that this advance will be repaid at the earliest opportunity.

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

MOTOR VEHICLE MANAGEMENT - VEHICLE ASSIGNMENT CRITERIA - In response to the request of Division Director Allan J. Spence for a clarification of the vehicle assignment criteria as they relate to full-time commissioners, the Budget and Control Board agreed that the criteria adopted previously remain in effect. This view of the Board means that full-time commissioners are eligible to receive the same type car as large agency directors and that that car is to be the vehicle on State contract. In its discussion of this matter, the Board also noted that in the application of these criteria appropriate consideration will be given to any special circumstances involved in individual cases.

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

FINANCE DIVISION - CONTRACTOR FOR ADMINISTRATION OF UNEMPLOYMENT COMPENSATION CLAIMS - State Auditor Putnam pointed out that this item is erroneously included in the Executive Session Item 3. Mr. Putnam advised the Board that his staff has learned of an organization which contracts for the administration of unemployment compensation claims at a cost of between $1.50 and $2.00 per claim. Mr. Putnam indicated that this firm apparently has very good credentials and, as a part of its service, instructs staff in legal aspects of the claims process, reviews claims and helps represent agencies in objecting to unusual claims. Mr. Putnam expressed the view that, in the early stages of expanded unemployment compensation coverage, it would be helpful and of great benefit to the State to avail itself of the services of an organization of this sort. He requested Board authorization to investigate this possibility further and estimated that the cost of this service would run between $50,000 and $100,000 based on a preliminary examination of the matter.

Following a brief discussion, upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board authorized Mr. Putnam to develop the idea up to the point of going out for proposals if appropriate.

FUTURE MEETING - A special meeting of the Budget and Control Board to hear a report from the Retirement System consulting actuary is scheduled for February 7, 1978 at 3:00 p. m. The Budget and Control Board agreed to hold its next regular meeting on February 14, 1973 at 3:00 p. m.

HIGHWAYS AND PUBLIC TRANSPORTATION - SELECTION OF ENGINEERING FIRMS - Upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board agreed to add two items to the agenda for consideration at the present meeting at the request of the Department of Highways and Public Transportation.

State Highway Engineer E. S. Coffey advised the Budget and Control Board that the following firms, listed in preference order, have been selected to provide the engineering services required in connection with the replacement of a bridge on S. C. Route 34, Fairfield and Newberry Counties:

(1) Hensley-Schmidt, Inc., Atlanta;
(2) Wilbur Smith and Associates, Inc., Columbia; and
(3) Ralph Whitehead and Associates, Charlotte.

State Highway Engineer Coffey also advised the Board that the following firms, listed in preference order, have been selected to provide the engineering services required in connection with the design of two bridges (underpasses) located in Greenville County:

(1) Ralph Whitehead and Associates, Charlotte;
(2) Wilbur Smith and Associates, Inc., Columbia; and
(3) Hensley-Schmidt, Inc., Atlanta.

Governor Edwards expressed concern about the selection of out-of-State firms if in-State firms are available and capable of doing the work required and Senator Dennis suggested exploring the matter with the Highway Department. State Auditor Putnam indicated that he would pursue

this question with Highway Department Secretary-Treasurer W. T. Brooks.

After being advised that the required selection procedure had been followed in these two instances, upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board approved the selection of Hensley-Schmidt, Inc., and Ralph Whitehead and Associates for the referenced projects, as requested by State Highway Engineer Coffey.

Information relating to these matters has been retained in these files and is identified as Exhibit XII.

EXECUTIVE SESSION - It was announced that two legal matters, two grievances and four personnel matters had been proposed for consideration in Executive Session. The Budget and Control Board agreed to consider these matters whereupon Governor Edwards declared the meeting to be in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTIONS - Following the Board's consideration of Executive Session items, the meeting was opened and the following actions taken by the Board in Executive Session were ratified without objection:

(1) Approved a settlement proposed by the Department of Social Services in a court case brought against that Department by Mr. Wagdy Demian;

(2) Agreed to recommend that the General Assembly approve the terms of the proposed consent decree as recommended by the Board of Corrections and by attorneys for the plaintiffs in the Mattison et al versus the South Carolina Board of Corrections et al case;

(3) Received as information the findings and recommendations of the State Employee Grievance Committee in two cases involving Trident Technical College;

(4) Approved a salary level of $20,500 for the Executive Director of the Auctioneers Commission and established the position;

(5) Adopted a motion appointing Douglas P. Crossman as Director of the Second Injury Fund;

(6) Approved the grade level (33) of and salary level ($29,755) for a dentist for the Department of Corrections; and

(7) Authorized State Personnel Division Director Mullins to draft appropriate amendments to pending legislation relating to the inclusion of city and county employees in the State health insurance program.

The meeting was adjourned at 5:47 p. m.

EXHIBIT I
1/25/78

South Carolina Court Administration

South Carolina Supreme Court

Columbia, South Carolina

L. EDMUND ATWATER, III
DIRECTOR

P. O. BOX 11788
COLUMBIA, S. C. 29211
(803) 758-2961

January 17, 1978

Mr. William A. McInnis
Assistant to State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. McInnis:

Mr. Putnam suggested that I write you to confirm this request. Chief Justice Lewis would like to present to the Budget and Control Board a proposed Appellate Public Defender Program. This program is designed to handle appeals perfected by indigents charged with criminal offenses. The Chief Justice anticipates that his presentation will not take more than 20 minutes.

Initial funding of the program will be by use of LEAA federal funds. Should you require information concerning the program to be submitted prior to the meeting, please advise.

With kindest personal regards, I remain,

Sincerely,

Ed Atwater

L. Edmund Atwater, III

LEA:be

cc: The Honorable J. Woodrow Lewis

South Carolina Court Administration

South Carolina Supreme Court

Columbia, South Carolina

L. EDMUND ATWATER, III
DIRECTOR

P. O. BOX 11788
COLUMBIA, S. C. 29211
(803) 758-2961

January 20, 1978

Mr. William A. McInnis
Assistant to State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

In preparation for the appearance of the Chief Justice before the Budget and Control Board on January 25, 1978, I am enclosing the following information which I understand you will distribute to members of the Board. The first item enclosed is the proposed Order establishing the Office of Appellate Defense and outlining the procedures under which that Commission will operate. While this Order has not been formally adopted, the Court has reviewed the document and, dependent upon the Budget and Control Board action, will adopt the Order.

I am also enclosing the Pre-Application Review initially submitted to the Office of Criminal Justice Programs in connection with the application for federal funding of the program in its initial phase of operation. As we discussed by telephone, this pre-application provides a structure of a statewide corporate governing body whereas the Court rule will provide for a commission form of governing body. The actual application will set forth the commission structure when it is submitted. The salaries and expense items are subject to revision. The salaries would be set by the Appellate Defense Commission. In addition, funds will also be needed for the rental of office space. We anticipate that the total amount of the program will not be altered but rather other category areas reduced in order to generate sufficient available funds for rent. All budgetary items will be in compliance with State Personnel and Office of Criminal Justice Program guidlines. The Appellate Defense Program has been approved by the

South Carolina Court Administration

Governor's Committee on Criminal Justice, Crime and Delinquency. We anticipate no difficulty in obtaining the full three year funding for the program. As you are aware, this funding is on a declining basis with the shared cost to be picked up by the State in the future.

I trust that this information will be of assistance to you. If I may provide clarification or additional information, please contact me at your convenience.

With kindest personal regards, I remain,

Sincerely,

Ed Atwater

L. Edmund Atwater, III

LEA:be

Enclosure

cc: The Honorable J. Woodrow Lewis

Control # 164
Judicial Department

OCJP
PRE-APPLICATION REVIEW
(New Projects)

I. FINANCIAL

This agency's past performance in the area of grants administration is satisfactory. No projects have been awarded to the Judicial Department which would impact this proposal.
It appears that the funds requested for personnel do not include fringe benefits. If this is the case, personnel costs may be somewhat excessive.

II. PROGRAMMATIC The project does address standards as stated on the pre-application form. The project would be operated in a high crime area. This problem area was addressed by the district/state agency review of Governor's Policy's Issues.
Under the present status of the project, the project does address the issues and the asspciated problems. It does address the standards. It would provide needed assistance to local public defender corporation to provide adequate public defense. More thorough development will be needed as to the corporation's make-up and needs in the full application.

III. EVALUATION

Services need to be provided on a statewide basis for all counties.

IV. RECOMMENDATIONS

FORM A

Original ___/___/___ Date

Revised ___/___/___ Date

NEW

PRE-PLAN PROPOSAL

District COG Recommends

___ yes ___ no

OCJP Use Only
Control # 164

Task Force Chairman's Signature

1. District #____
2. Subgrantee Agency Judicial Department
3. Agency #____ (OCJP Use Only)
4. County Name Statewide #___

This project will be applying in
Functional Category 5. Judiciary
Program Area 6. Indigent Defense

7. State Agency Judicial Department
8. Agency #_____ (OCJP Use Only)

This project will be applying for
Part C 9. X
Part E 10.____
Juvenile Justice 11.____

Will this project operate within county (ies) designated as High Crime Areas?
12. Yes (yes) 13.____(no)
List county(ies) Statewide

Partial - If partial, give county(ies) and % of project's cost which should be allocated to high crime area expenditures
14. $_____County(ies)_____

Is this a multi-jurisdiction effort?
15. X (yes) 16.____(no)

Is this project directly related to a standard or standards? 17. X (yes)
If yes, identify standard(s) 17a.# H-09
18.____(no)

		Total Salary Incl. Upgrade & Fringe Benefits	Upgrade Only
Sworn Personnel	19. #	20.$	21.$
Other Svc. Delivery Personnel	22. # 4	23.$ 51,318	24.$
All Other Personnel	25. # 3	26.$ 15,094	27.$
Equipment	(Federal Amt.)	28.$ 9,000	
Construction $25,000 limit	(Federal Amt.)	29.$	
All Other Costs	(Federal Amt.)	30.$ 13,500	

Funding Sources

Federal	31.$ 88,912
State Buy-In	32.$ 9,879
Local Match	33.$ 0
Project Total	34.$ 98,791

35. This project will begin March 1, 1978 Date

Using the funding guide, attach the objective of this program as specified. Attached?
36. X (yes) 37.____(no)

Using the funding guide, attach a description of current situation as required. Attached
38. X (yes) 39.____(no)

Agency/COG Ranking of this Proposal
40. _____

OCJP Use Only
Control #_____

RECEIVED
OCT 27 1977
OFFICE OF CRIMINAL JUSTICE PROGRAMS

PROGRAM AREA PROBLEM/OBJECTIVE

FUNCTIONAL CATEGORY: Judiciary H-09

PROGRAM AREA: Indigent Defense

OBJECTIVE: This project will establish an appellant public defender office on a statewide basis. The appellant public defender corporation will help to alleviate current case load problems incurred by public defender offices in providing a specialized branch within the public defense system which would provide more adequate representation of the indigent on the specialized issues of the law. At the present time, the Defense of Indigents Act provides for payment of assigned counsel in situations where the appeal is made by an indigent defendant. However, in those counties having public defender corporation, no funds can be expended for assigned counsel so that the entire burden falls on the public defender office. At the present time, appeals from criminal convictions are handled by the criminal appeal section of the Office of the Attorney General rather than the individual office of the circuit solicitor. While the solicitor's office is relieved of this responsibility, there is no such relief for the public defender corporations. It is felt that a statewide appellant defender corporation patterned after the county public defender corporations will best fill this growing need.

The final structure will be approved by the Supreme Court. The board of directors of the corporation will be representative of the judiciary, public defense, the legislature, the legal community and other appropriate agencies.

BASELINE: The following represents the number of criminal, post conviction and habeas corpus appeals to the Supreme Court for the following years: 1973 - 59 appeals, 1974 - 132 appeals, 1975 - 110 appeals, 1976 - 175 appeals, and 1977 to October 27, 1977 - 163 appeals. It is estimated that at least 50 percent of these appeals are from defendants who qualify in indigency status.

The staff of the Office of the Attorney General, in the criminal appeal section, is composed of five (5) full-time attorneys. This would constitute a comparable program. The staff of the proposed appellant defender corporation would, to the extent possible, provide legal services to indigent prisoners in the post conviction area. Standards for indigency determination would parallel the standards used in the trial level determination of indigency.

PROJECT DESCRIPTION REQUIRED? X (Yes) ____ (No)

PROJECT DESCRIPTION

Corporate charter and by-laws will be prepared by the Office of South Carolina Court Administration and submitted to the Supreme Court for its approval. Upon incorporation as an eleemosynary corporation, the board of directors will select the staff of the corporation and determine its operating budget.

It is anticipated that the program would become operational in March, 1978. The following staff is proposed for the initial operation of the appellant defense service:

Chief Attorney	$ 25,000
(3) Staff Attorneys - $20,000 each	60,000
(3) Legal Secretaries - $ 7,500 each	22,500
Equipment	10,000
All other costs	15,000
TOTAL	$132,500

It is anticipated that the program will operate for 7/12 of the FY 78 year. FY 78 funding cost would be $85,208, excluding fringe benefits.

The Supreme Court of South Carolina

ORDER

RE: THE OFFICE OF APPELLATE DEFENSE

Attached hereto is Rule establishing the Office of Appellate Defense adopted by this Court this day, to become effective

_____ C.J.

_____ A.J.

_____ A.J.

_____ A.J.

_____ A.J.

Columbia, South Carolina

The Supreme Court of South Carolina

RULE ON THE OFFICE OF APPELLATE DEFENSE

1. DEFINITIONS:

   a. In this Rule, unless the context clearly requires a different meaning:

      (1) "Commission" means the Commission on Appellate Defense.

      (2) "Office of Appellate Defense" when used with reference to representation under this rule includes all attorneys and employees in the Office of Appellate Defense.

2. GENERAL

   a. There is hereby created the Commission on Appellate Defense as a commission of this Court.

   b. There is hereby created as Commissioners of this Court the Board of Commissioners on Appellate Defense, to consist of five members as follows:

      (1) The South Carolina Court Administrator

      (2) The Dean of the University of South Carolina Law School

      (3) The President of the South Carolina Public Defenders' Association

      (4) The President of the South Carolina Bar Association; and,

      (5) The Chairman of the South Carolina Judicial Council

   c. A vacancy shall occur when a person who is a member of the Commission ceases to hold the office which he held at the time of his appointment.

d. A vacancy shall be filled by the successor to the vacant office, whether the successor is permanent or acting in a temporary capacity.

3. QUORUM

A quorum for the transaction of business by the Commission shall be three members of the Commission.

4. SCOPE OF POWERS AND OF RULE AND SEAL

The Commission shall have all the powers conferred upon it by these rules and all proceedings shall be governed thereby. The Commission may adopt and publish such administrative rules not inconsistent herewith. The Commission may adopt an appropriate seal.

5. MEETINGS OF COMMISSION

a. Meetings of the Commission must be held at least twice each year, but may be held at such times and places as the Commission may, from time to time, determine. Meetings may be called by the chairman, acting chairman, or by any two members of the Commission on three days' notice, which notice may be given by telephone message left during normal business hours at the business or residence of the members.

b. Meetings may be held at any time and place by unanimous consent of the members.

6. CHAIRMAN

The South Carolina Court Administrator shall serve as chairman. Members of the Commission shall elect a secretary from the membership of the Commission.

7. POWERS AND DUTIES OF COMMISSION

a. The Commission shall by a vote of a majority of the members thereof hire a Chief Attorney for a four year term to expire upon the hiring of a qualified successor. Nothing herein shall

prohibit a person from holding successive terms as Chief Attorney. No person may be hired to serve as Chief Attorney who is not an attorney licensed to practice law in this state. The Chief Attorney shall devote full time to the duties of his office and may not engage in the private practice of law. The Commission may discharge the Chief Attorney only for cause and after a hearing.

b. The Commission shall advise the Chief Attorney and may, subject to the rules of this Court, recommend or establish policies for the operation of the Office of Appellate Defense, including the nature and scope of services to be provided and the clientele to be served.

c. The Commission shall approve or modify an operational budget submitted to it by the Chief Attorney and set the number of employees each year.

d. The Commission shall establish criteria to be used in the determination of indigency and qualification for services of the Office of Appellate Defense.

e. The Commission shall exercise such other powers and duties as this Court by rule may provide.

8. SALARY

The Chief Attorney shall be paid a salary set by the Commission.

9. ORGANIZATION OF OFFICE

a. The Chief Attorney shall establish an office to be called the Office of Appellate Defense.

b. The staff of the Chief Attorney may consist of additional

attorneys to serve as staff attorneys, and administrative, investigative, secretarial, and clerical employees necessary to discharge the duties of the office. No person may be hired to serve as an Assistant or Staff Attorney who is not licensed to practice law in this state.

c. Attorneys employed by the Chief Attorney shall devote full time to their duties and may not engage in the private practice of law.

d. Staff attorneys may be assigned appropriate titles by the Chief Attorney.

10. POWERS AND DUTIES OF THE CHIEF ATTORNEY

a. The Chief Attorney shall submit a budget for the approval of the Commission.

b. The Chief Attorney shall recommend to the Commission the nature and scope of services to be provided and clientele to be served by the Office of Appellate Defense.

c. The Chief Attorney and his staff shall abide by all regulations and policies established by the Commission insofor as they do not interfere with their duty to provide competent, ethical representation to their clients.

d. The Chief Attorney shall establish and supervise training programs for his employees.

e. The Chief Attorney shall promulgate regulations, instructions, and orders, consistent with this Rule, further defining the organization of his office and the duties of his employees.

f. The Chief Attorney shall submit reports to the Commission on the operation of his office at each semi-annual meeting. He shall submit a comprehensive report to the Commission at the end of each fiscal year. He shall submit such other

additional or amended reports on any phase of the operation of his office that may be required by the Commission.

g. The Chief Attorney shall perform other duties necessary or incidental to the performance of the specific duties herein enumerated.

11. PERMITTED ACTIVITIES OF THE OFFICE OF APPELLATE DEFENSE

a. The Office of Appellate Defender may determine the indigency, subject to court review, of any person filing a Notice of Intention to Appeal or desiring to appeal a conviction in any trial court, or decision of any proceeding in civil commitment or other involuntary placement in a state, county or municipal facility if such person requests such a determination from this Court, the Circuit or Family Court or the Office of Appellate Defense.

b. The Office of Appellate Defense, upon a finding that such person qualifies as an indigent under the standards established by this Court, and following appointment of the Office of Appellate Defense as counsel for such person by this Court or other trial court in which the appeal will be effected, (or by the Office of Appellate Defense) may represent such person in their appeal of a conviction in any trial court, or decision of any proceeding in civil commitment or other involuntary placement in a state, county or municipal facility, if the Chief Attorney is first satsified that there is arguable merit to the proceeding.

c. The Office of Appellate Defense shall represent indigents, other than at trial or commitment proceedings when appointed to do so by this Court or the Circuit or Family Court.

d. The Office of Appellate Defense shall represent indigents in appeals of convictions in trial courts of this state, or decisions of civil commitment proceeding or other involuntary placement only in courts of this State.

e. The Office of Appellate Defense may cooperate and consult with state agencies, professional associations, and other groups concerning the causes of criminal conduct, the rehabilitation and correction of persons charged with and convicted of crimes, the administration of criminal justice, and the improvement and expansion of defender services.

12. POWER TO APPOINT NOT EFFECTED BY THIS RULE

Nothing in this Rule prohibits this Court or other court in which an appeal is to be effected, from appointing counsel for indigent persons where the Office of Appellate Defense is disqualified from representation for reasons of conflict or where the Office of Appellate Defense deems it advisable that it not provide represenation for such indigent person.

EXHIBIT II
1/25/78

STATE BUDGET AND CONTROL BOARD

POLL OF January 25, 1978 POLL ITEM NUMBER 1

Agency: Clemson University

Subject: Selection of A&E Firm

Clemson Vice President Barnette advises that the following firms, listed in preference order, have been selected to provide the architectural services required for the Pee Dee Educational and Research Center project:

(1) Gill, Wilkins and Wood, Florence;
(2) Westmoreland-McGarity-Pitts; and
(3) Craig & Gaulden, Greenville.

The required selection procedure has been followed.

Board Action Requested:

Approve selection of Gill, Wilkins and Wood for the referenced project.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Barnette 1/13/78 letter to Putnam plus attachments

MCI

CLEMSON
UNIVERSITY

VICE PRESIDENT FOR BUSINESS AND FINANCE

January 13, 1978

Mr. William T. Putnam, State Auditor
State Budget and Control Board
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. Putnam:

RE: Pee Dee Educational and Research Center

We have completed the first four steps of the State Budget and Control Board's procedures to be followed in selection of an architectural firm for the above facility.

In accordance with Step 5 of these procedures, we submit for approval the firm of Gill, Wilkins and Wood and are attaching (1) a copy of the tentative contract, (2) certifications showing required newspaper announcements regarding architectural/engineering services for this project, (3) a list of firms submitting resumes, (4) a list of firms whose representatives were interviewed, and (5) a list of construction projects with E-1's dated after January 1, 1974, showing for each the nature of the project, the architects/engineers, and the original contract amount. In making our selection, due consideration was given to the number and construction costs of state projects undertaken by the individuals or firms submitting resumes.

If additional information is needed, please get in touch with me.

Sincerely,

Melvin E. Barnette
Vice President for Business and Finance

MEB:pdh

Atts.

THE AMERICAN INSTITUTE OF ARCHITECTS

AIA Document B141

Standard Form of Agreement Between Owner and Architect

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION

AGREEMENT

made this SECOND day of JANUARY in the year of Nineteen Hundred and SEVENTY EIGHT.

BETWEEN the Owner: CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA

and the Architect: GILL, WILKINS & WOOD
FLORENCE, SOUTH CAROLINA

For the following Project:
(Include detailed description of Project location and scope)

MASTER PLANNING, DESIGN AND DEVELOPMENT OF CONTRACT DOCUMENTS FOR THE PEE DEE RESEARCH AND EDUCATIONAL CENTER NEAR FLORENCE, SOUTH CAROLINA.

The Owner and the Architect agree as set forth below.

FIXED FEE

I. THE ARCHITECT shall provide professional services for the Project in accordance with the Terms and Conditions of this Agreement.

II. THE OWNER shall compensate the Architect, in accordance with the Terms and Conditions of this Agreement.

A. FOR MASTER PLANNING AND SCHEMATIC DESIGN, as described in EXHIBIT "A" (see attached) NINETY SIX THOUSAND TWO HUNDRED & NO/100------dollars - ($96,200.00).

1. $21,360.00 of the compensation is to be a pro rata deduction from future architectural fees to complete the project (see page 7 & 8 of 10, Exhibit A). If the owner exercises the option as outlined on Page 7 of 10, Exhibit A to reduce compensation for the master planning and schematic design phase, the amount of the pro rata deduction will be $1,860.00.

B. FOR BASIC SERVICES, as described in Paragraph 1.1, Basic Compensation shall be negotiated on the basis of a FIXED FEE after completion of the Master Planning and Design in accordance with Paragraph IV.

C. FOR ADDITIONAL SERVICES, as described in Paragraph 1.3, compensation computed as follows:

1. Principals' time at the fixed rate of THIRTY FIVE dollars ($35.00) per hour.
For the purpose of this Agreement, the Principals are:

Allen P. Wood — Harold Reed
Richard T. Wilkins — Gene King
Rey Coleman

2. Employees' time (other than Principals) at a multiple of TWENTY dollars ($20.00) per hour (X) times the employees' Direct Personnel Expense as defined in Article 4.

3. Services of professional consultants at a multiple of (1.4) times the amount billed to the Architect for such services.

D. FOR REIMBURSABLE EXPENSES, amounts expended as defined in Article 5.

III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:

A. IF SCOPE of the Project is changed materially, compensation shall be then subject to renegotiation.

IV. EXTENDED NEGOTIATIONS, the Owner and Architect agree that upon completion of the approved Master Planning and Schematic Design, the Owner shall have the right to negotiate further in whole or in part for Basic Services, as mentioned in Paragraph II B.

TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT

ARTICLE 1

ARCHITECT'S SERVICES

1.1 BASIC SERVICES

The Architect's Basic Services consist of the five phases described below and include normal structural, mechanical and electrical engineering services and any other services included in Article 14 as Basic Services.

SCHEMATIC DESIGN PHASE

1.1.1 The Architect shall review the program furnished by the Owner to ascertain the requirements of the Project and shall confirm such requirements to the Owner.

1.1.2 Based on the mutually agreed upon program, the Architect shall prepare Schematic Design Studies consisting of drawings and other documents illustrating the scale and relationship of Project components for approval by the Owner.

1.1.3 The Architect shall submit to the Owner a Statement of Probable Construction Cost based on current area, volume or other unit costs.

DESIGN DEVELOPMENT PHASE

1.1.4 The Architect shall prepare from the approved Schematic Design Studies, for approval by the Owner, the Design Development Documents consisting of drawings and other documents to fix and describe the size and character of the entire Project as to structural, mechanical and electrical systems, materials and such other essentials as may be appropriate.

1.1.5 The Architect shall submit to the Owner a further Statement of Probable Construction Cost.

CONSTRUCTION DOCUMENTS PHASE

1.1.6 The Architect shall prepare from the approved Design Development Documents, for approval by the Owner, Drawings and Specifications setting forth in detail the requirements for the construction of the entire Project including the necessary bidding information, and shall assist in the preparation of bidding forms, the Conditions of the Contract, and the form of Agreement between the Owner and the Contractor.

1.1.7 The Architect shall advise the Owner of any adjustments to previous Statements of Probable Construction Cost indicated by changes in requirements or general market conditions.

1.1.8 The Architect shall assist the Owner in filing the required documents for the approval of governmental authorities having jurisdiction over the Project.

BIDDING OR NEGOTIATION PHASE

1.1.9 The Architect, following the Owner's approval of the Construction Documents and of the latest Statement of Probable Construction Cost, shall assist the Owner in obtaining bids or negotiated proposals, and in awarding and preparing construction contracts.

CONSTRUCTION PHASE — ADMINISTRATION OF THE CONSTRUCTION CONTRACT

1.1.10 The Construction Phase will commence with the award of the Construction Contract and will terminate when the final Certificate for Payment is issued to the Owner.

1.1.11 The Architect shall provide Administration of the Construction Contract as set forth in AIA Document A201, General Conditions of the Contract for Construction, and the extent of his duties and responsibilities and the limitations of his authority as assigned thereunder shall not be modified without his written consent.

1.1.12 The Architect, as the representative of the Owner during the Construction Phase, shall advise and consult with the Owner and all of the Owner's instructions to the Contractor shall be issued through the Architect. The Architect shall have authority to act on behalf of the Owner to the extent provided in the General Conditions unless otherwise modified in writing.

1.1.13 The Architect shall at all times have access to the Work wherever it is in preparation or progress.

1.1.14 The Architect shall make periodic visits to the site to familiarize himself generally with the progress and quality of the Work and to determine in general if the Work is proceeding in accordance with the Contract Documents. On the basis of his on-site observations as an architect, he shall endeavor to guard the Owner against defects and deficiencies in the Work of the Contractor. The Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. The Architect shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, and he shall not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

1.1.15 Based on such observations at the site and on the Contractor's Applications for Payment, the Architect shall determine the amount owing to the Contractor, and shall issue Certificates for Payment in such amounts. The issuance of a Certificate for Payment shall constitute a representation by the Architect to the Owner, based on the Architect's observations at the site as provided in Subparagraph 1.1.14 and the data comprising the Application for Payment, that the Work has progressed to the point indicated; that to the best of the Architect's knowledge, information and belief, the quality of the Work is in accordance with the Contract Documents (subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to the results of any subsequent tests required by the Contract

Documents, to minor deviations from the Contract Documents correctable prior to completion, and to any specific qualifications stated in the Certificate for Payment); and that the Contractor is entitled to payment in the amount certified. By issuing a Certificate for Payment, the Architect shall not be deemed to represent that he has made any examination to ascertain how and for what purpose the Contractor has used the moneys paid on account of the Contract Sum.

1.1.16 The Architect shall be, in the first instance, the interpreter of the requirements of the Contract Documents and the impartial judge of the performance thereunder by both the Owner and Contractor. The Architect shall make decisions on all claims of the Owner or Contractor relating to the execution and progress of the Work and on all other matters or questions related thereto. The Architect's decisions in matters relating to artistic effect shall be final if consistent with the intent of the Contract Documents.

1.1.17 The Architect shall have authority to reject Work which does not conform to the Contract Documents. Whenever, in his reasonable opinion, he considers it necessary or advisable to insure the proper implementation of the intent of the Contract Documents, he will have authority to require special inspection or testing of any Work in accordance with the provisions of the Contract Documents whether or not such Work be then fabricated, installed or completed.

1.1.18 The Architect shall review and approve shop drawings, samples, and other submissions of the Contractor only for conformance with the design concept of the Project and for compliance with the information given in the Contract Documents.

1.1.19 The Architect shall prepare Change Orders.

1.1.20 The Architect shall conduct inspections to determine the Dates of Substantial Completion and final completion, shall receive and review written guarantees and related documents assembled by the Contractor, and shall issue a final Certificate for Payment.

1.1.21 The Architect shall not be responsible for the acts or omissions of the Contractor, or any Subcontractors, or any of the Contractor's or Subcontractors' agents or employees, or any other persons performing any of the Work.

1.2 PROJECT REPRESENTATION BEYOND BASIC SERVICES

1.2.1 If more extensive representation at the site than is described under Subparagraphs 1.1.10 through 1.1.21 inclusive is required, and if the Owner and Architect agree, the Architect shall provide one or more Full-Time Project Representatives to assist the Architect.

1.2.2 Such Full-Time Project Representatives shall be selected, employed and directed by the Architect, and the Architect shall be compensated therefor as mutually agreed between the Owner and the Architect as set forth in an exhibit appended to this Agreement.

1.2.3 The duties, responsibilities and limitations of authority of such Full-Time Project Representatives shall be set forth in an exhibit appended to this Agreement.

1.2.4 Through [illegible] on-site observations by Full-Time Project Representatives of the Work in progress, the Architect shall endeavor to provide further protection for the Owner against defects in the Work, but the furnishing of such project representation shall not make the Architect responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs, or for the Contractor's failure to perform the Work in accordance with the Contract Documents.

1.3 ADDITIONAL SERVICES

The following Services shall be provided when authorized in writing by the Owner, and they shall be paid for by the Owner as hereinbefore provided.

1.3.1 Providing analyses of the Owner's needs, and programming the requirements of the Project.

1.3.2 Providing financial feasibility or other special studies.

1.3.3 Providing planning surveys, site evaluations, environmental studies or comparative studies of prospective sites.

1.3.4 Providing design services relative to future facilities, systems and equipment which are not intended to be constructed as part of the Project.

1.3.5 Providing services to investigate existing conditions or facilities or to make measured drawings thereof, or to verify the accuracy of drawings or other information furnished by the Owner.

1.3.6 Preparing documents for alternate bids or out-of-sequence services requested by the Owner.

1.3.7 Providing Detailed Estimates of Construction Cost or detailed quantity surveys or inventories of material, equipment and labor.

1.3.8 Providing interior design and other services required for or in connection with the selection of furniture and furnishings.

1.3.9 Providing services for planning tenant or rental spaces.

1.3.10 Making revisions in Drawings, Specifications or other documents when such revisions are inconsistent with written approvals or instructions previously given and are due to causes beyond the control of the Architect.

1.3.11 ~~Preparing supporting data and other services in connection with Change Orders to the extent the changes in the basic compensation resulting from the adjusted Contract Sum are not commensurate with the services required of the Architect.~~

1.3.12 Making investigations involving detailed appraisals and valuations of existing facilities, and surveys or inventories required in connection with construction performed by the Owner.

1.3.13 Providing consultation concerning replacement of any Work damaged by fire or other cause during construction, and furnishing professional services of the type

set forth in Paragraph 1.1 as may be required in connection with the replacement of such Work.

1.3.14 Providing professional services made necessary by the default of the Contractor or by major defects in the Work of the Contractor in the performance of the Construction Contract.

1.3.15 ~~Preparing a set of reproducible record prints of drawings showing significant changes in the Work made during the construction process, based on marked-up prints, drawings and other data furnished by the Contractor to the Architect.~~

1.3.16 Providing extensive assistance in the utilization of any equipment or system such as initial start-up or testing, adjusting and balancing, preparation of operation and maintenance manuals, training personnel for operation and maintenance, and consultation during operation.

1.3.17 Providing services after issuance to the Owner of the final Certificate for Payment.

1.3.18 Preparing to serve or serving as an expert witness in connection with any public hearing, arbitration proceeding or legal proceeding.

1.3.19 Providing services of professional consultants for other than the normal structural, mechanical and electrical engineering services for the Project.

1.3.20 Providing any other services not otherwise included in this Agreement or not customarily furnished in accordance with generally accepted architectural practice.

ARTICLE 2

THE OWNER'S RESPONSIBILITIES

2.1 The Owner shall provide full information, including a complete program, regarding his requirements for the Project.

2.2 The Owner shall designate, when necessary, a representative authorized to act in his behalf with respect to the Project. The Owner shall examine documents submitted by the Architect and shall render decisions pertaining thereto promptly, to avoid unreasonable delay in the progress of the Architect's services.

2.3 The Owner shall furnish a certified land survey of the site giving, as applicable, grades and lines of streets, alleys, pavements and adjoining property; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and complete data pertaining to existing buildings, other improvements and trees; and full information concerning available service and utility lines both public and private, above and below grade, including inverts and depths.

2.4 The Owner shall furnish the services of a soils engineer or other consultant when such services are deemed necessary by the Architect, including reports, test borings, test pits, soil bearing values, percolation tests, air and water pollution tests, ground corrosion and resistivity tests and other necessary operations for determining subsoil, air and water conditions, with appropriate professional recommendations.

2.5 The Owner shall furnish structural, mechanical, chemical and other laboratory tests, inspections and reports as required by law or the Contract Documents.

2.6 The Owner shall furnish such legal, accounting, and insurance counseling services as may be necessary for the Project, and such auditing services as he may require to ascertain how or for what purposes the Contractor has used the moneys paid to him under the Construction Contract.

2.7 The services, information, surveys and reports required by Paragraphs 2.3 through 2.6 inclusive shall be furnished at the Owner's expense, and the Architect shall be entitled to rely upon the accuracy and completeness thereof.

2.8 If the Owner becomes aware of any fault or defect in the Project or non-conformance with the Contract Documents, he shall give prompt written notice thereof to the Architect.

2.9 The Owner shall furnish information required of him as expeditiously as necessary for the orderly progress of the Work.

ARTICLE 3

CONSTRUCTION COST

3.1 If the Construction Cost is to be used as the basis for determining the Architect's Compensation for Basic Services, it shall be the total cost or estimated cost to the Owner of all Work designed or specified by the Architect. If Construction Cost shall be determined as follows, with precedence in the order listed:

3.1.1 For completed construction, the cost of all such Work, including costs of managing construction;

3.1.2 For Work not constructed, (1) the lowest bona fide bid received from a qualified bidder for any or all of such Work, or (2) if the Work is not bid, the bona fide negotiated proposal submitted for any or all of such Work; or

3.1.3 For Work for which no such bid or proposal is received, (1) the latest Detailed Estimate of Construction Cost if one is available, or (2) the latest Statement of Probable Construction Cost.

3.2 Construction Cost does not include the compensation of the Architect and his consultants, the cost of the land, rights-of-way, or other costs which are the responsibility of the Owner as provided in Paragraphs 2.3 through 2.6 inclusive.

3.3 The cost of labor, materials and equipment furnished by the Owner for the Project shall be included in the Construction Cost at current market rates including a reasonable allowance for overhead and profit.

3.4 Statements of Probable Construction Cost and Detailed Cost Estimates prepared by the Architect represent his best judgment as a design professional familiar with the construction industry. It is recognized, however, that neither the Architect nor the Owner has any control over the cost of labor, materials or equipment, over the contractors' methods of determining bid prices, or over competitive bidding or market conditions. Accordingly, the

Architect cannot and does not guarantee that bids will not vary from any Statement of Probable Construction Cost or other cost estimate prepared by him.

3.5 When a fixed limit of Construction Cost is established as a condition of this Agreement, it shall be in writing signed by the parties and shall include a bidding contingency of ten percent unless another amount is agreed upon in writing. When such a fixed limit is established, the Architect shall be permitted to determine what materials, equipment, component systems and types of construction are to be included in the Contract Documents, and to make reasonable adjustments in the scope of the Project to bring it within the fixed limit. The architect may also include in the Contract Documents alternate bids to adjust the Construction Cost to the fixed limit.

3.5.1 If the Bidding or Negotiating Phase has not commenced within six months after the Architect submits the Construction Documents to the Owner, any fixed limit of Construction Cost established as a condition of this Agreement shall be adjusted to reflect any change in the general level of prices which may have occurred in the construction industry for the area in which the Project is located. The adjustment shall reflect changes between the date of submission of the Construction Documents to the Owner and the date on which proposals are sought.

3.5.2 When a fixed limit of Construction Cost, including the Bidding contingency (adjusted as provided in Subparagraph 3.5.1, if applicable), is established as a condition of this Agreement and is exceeded by the lowest bona fide bid or negotiated proposal, the Detailed Estimate of Construction Cost or the Statement of Probable Construction cost, the Owner shall (1) give written approval of an increase in such fixed limit, (2) authorize rebidding the Project within a reasonable time, or (3) cooperate in revising the Project scope and quality as required to reduce the Probable Construction Cost. In the case of (3) the Architect, without additional charge, shall modify the Drawings and Specifications as necessary to bring the Construction Cost within the fixed limit. The providing of such service shall be the limit of the Architect's responsibility in this regard, and having done so, the Architect shall be entitled to compensation in accordance with this Agreement.

ARTICLE 4

DIRECT PERSONNEL EXPENSE

Direct Personnel Expense is defined as the salaries of professional, technical and clerical employees engaged on the Project by the Architect, and the cost of their mandatory and customary benefits such as statutory employee benefits, insurance, sick leave, holidays, vacations, pensions and similar benefits.

ARTICLE 5

REIMBURSABLE EXPENSES

5.1 Reimbursable Expenses are in addition to the Compensation for Basic and Additional Services and include actual expenditures made by the Architect, his employees, or his professional consultants in the interest of the Project for the expenses listed in the following Subparagraphs:

5.1.1 ~~Expense of transportation and living when traveling in connection with the Project, long distance calls and telegrams, and fees paid for securing approval of authorities having jurisdiction over the Project.~~

5.1.2 ~~Expense of reproductions, postage and handling of Drawings and Specifications, excluding duplicate sets at the completion of each Phase for the Owner's review and approval.~~

5.1.3 If authorized in advance by the Owner, expense of overtime work requiring higher than regular rates and expense of renderings or models for the Owner's use.

5.1.4 Expense of computer time for professional services when included in Paragraph B.

5.1.5 Expense of computer time when used in connection with Additional Services.

ARTICLE 6

PAYMENTS TO THE ARCHITECT

6.1 Payments on account of the Architect's Basic Services shall be made as follows:

6.1.1 ~~An initial payment as set forth in Paragraph B.2 is the minimum payment under this Agreement.~~

6.1.2 Subsequent payments for Basic Services shall be made monthly in proportion to services performed so that the compensation at the completion of each Phase, except when the compensation is on the basis of a Multiple of Direct Personnel Expense, shall equal the following percentages of the total Basic Compensation:

Schematic Design Phase	15%
Design Development Phase	35%
Construction Documents Phase	75%
Bidding or Negotiation Phase	80%
Construction Phase	100%

6.1.3 If the Contract Time initially established in the Construction Contract is exceeded by more than thirty days through no fault of the Architect, compensation for Basic Services performed by Principals, employees and professional consultants required to complete the Administration of the Construction Contract beyond the thirtieth day shall be computed as set forth in Paragraph B for Additional Services.

6.2 Payments for Additional Services of the Architect as defined in Paragraph A.3, and for Reimbursable Expenses as defined in Article 5, shall be made monthly upon presentation of the Architect's statement of services rendered.

6.3 No deductions shall be made from the Architect's compensation on account of penalty, liquidated damages, or other sums withheld from payments to contractors.

6.4 If the Project is suspended for more than three months or abandoned in whole or in part, the Architect

shall be paid his compensation for services performed prior to receipt of written notice from the Owner of such suspension or abandonment, together with Reimbursable Expenses then due and all termination expenses as defined in Paragraph 8.3 resulting from such suspension or abandonment. If the Project is resumed after being suspended for more than three months, the Architect's compensation shall be subject to renegotiation.

6.5 Payments due the Architect under this Agreement shall bear interest at the legal rate commencing sixty days after the date of billing.

ARTICLE 7

ARCHITECT'S ACCOUNTING RECORDS

Records of Reimbursable Expenses and expenses pertaining to Additional Services on the Project and for services performed on the basis of a Multiple of Direct Personnel Expense shall be kept on a generally recognized accounting basis and shall be available to the Owner or his authorized representative at mutually convenient times.

ARTICLE 8

TERMINATION OF AGREEMENT

8.1 This Agreement may be terminated by either party upon seven days' written notice should the other party fail substantially to perform in accordance with its terms through no fault of the party initiating the termination.

8.2 In the event of termination due to the fault of parties other than the Architect, the Architect shall be paid his compensation for services performed to termination date, including Reimbursable Expenses, then due and all termination expenses.

8.3 Termination Expenses are defined as Reimbursable Expenses directly attributable to termination, plus an amount computed as a percentage of the total compensation earned to the time of termination, as follows:

20 percent if termination occurs during the Schematic Design Phase; or

10 percent if termination occurs during the Design Development Phase; or

5 percent if termination occurs during any subsequent phase.

ARTICLE 9

OWNERSHIP OF DOCUMENTS

Drawings and Specifications, as instruments of service, are and shall remain the property of the Architect whether the Project for which they are made is executed or not. They are not to be used by the Owner on other projects or extensions to this Project except by agreement in writing and with appropriate compensation to the Architect.

ARTICLE 10

SUCCESSORS AND ASSIGNS

The Owner and the Architect each binds himself, his partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither the Owner nor the Architect shall assign, sublet or transfer his interest in this Agreement without the written consent of the other.

ARTICLE 11

ARBITRATION

11.1 All claims, disputes and other matters in question between the parties to this Agreement, arising out of, or relating to this Agreement or the breach thereof, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then obtaining unless the parties mutually agree otherwise. No arbitration arising out of or relating to this Agreement shall include, by consolidation, joinder or in any other manner, any additional party not a party to this Agreement except by written consent containing a specific reference to this Agreement and signed by all the parties hereto. Any consent to arbitration involving an additional party or parties shall not constitute a consent to arbitration of any dispute not described therein or with any party not named or described therein. This Agreement to arbitrate and any agreement to arbitrate with an additional party or parties duly consented to by the parties hereto shall be specifically enforceable under the prevailing arbitration law.

11.2 Notice of the demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. The demand shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when the institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations.

11.3 The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE 12

EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Owner and the Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Architect.

ARTICLE 13

GOVERNING LAW

Unless otherwise specified, this Agreement shall be governed by the law of the principal place of business of the Architect.

ARTICLE 14

OTHER CONDITIONS OR SERVICES

In the TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT add to or delete from as follows:

14.1 Add new Subparagraph 1.1.3.1. as follows:

"1.1.3.1 Upon completion of SCHEMATIC DESIGN PHASE, the DESIGN, OUTLINE SPECIFICATIONS, and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.2 Add new Subparagraph 1.1.5.1 as follows:

"1.1.5.1 Upon completion of DESIGN DEVELOPMENT PHASE, the DESIGN and PROBABLE CONSTRUCTION COST shall be approved by the OWNER in writing."

14.3 Add new Subparagraph 1.1.8.1 as follows:

"Prior to advertising for bids for construction, the Architect shall obtain written approval from the OWNER of the PROJECT DESIGN AND PROBABLE CONSTRUCTION COST."

14.4 Following Subparagraph 1.1.9 add the following:

"ADDITIONAL BASIC SERVICES"

"1.1.9 Review Documents as required by OWNER in Subparagraphs 1.1.3.1, 1.1.5.1 and 1.1.8.1 shall also be submitted to the State Engineer's Office for approval."

"1.1.9.1 Prior to advertising for bids for construction, the Architect shall obtain written approval of the PROJECT DESIGN from the STATE ENGINEER."

"1.1.9.2 Ownership of Documents shall be as described in Article 9."

"1.1.9.2.1 Upon completion of the CONSTRUCTION PHASE, the ARCHITECT shall correct the original drawing to "record drawings" showing all significant changes in the Work made during construction. Such changes to the drawings shall be made in a professional manner, and drawings shall be stamped and signed by the ARCHITECT as said drawings being "record drawings", based on marked-up prints, drawings and other data furnished by the CONTRACTOR and /or representative of the OWNER and/or ARCHITECT."

"1.1.9.2.2 The ARCHITECT will deliver a final report, all warranties, operating manuals, materials lists, and other similar items as may be outlined in the contract specifications to the OWNER prior to application for final payment to the ARCHITECT."

"1.1.9.3 One month prior to the expiration of the one-year warranty period as called for in the CONSTRUCTION DOCUMENTS, the ARCHITECT shall inspect the project for any deficiencies that may have developed under the one-year warranty. Upon completion of inspection a written report shall be furnished to the OWNER, the STATE ENGINEER and the CONTRACTOR, and the ARCHITECT shall assist the OWNER in taking necessary action to see that the deficiencies are corrected."

14.5 In Subparagraph 1.1.14, fifth line following "---on site" delete "observations and substitute therefor "inspections".

14.6 Add new Subparagraph 1.1.14.1, 1.1.14.2 and 1.1.14.3 as follows:

"1.1.14.1 Periodic visit by the ARCHITECT may vary with the progress of the work and other conditions, but shall average not less than one visit by the ARCHITECT or his representative to the project per week during the course of construction. The ARCHITECT shall submit to the OWNER a written report of his periodic visit, as least once a month, of his findings and progress of the project."

"1.1.14.2 The ARCHITECT and his electrical and mechanical engineers shall make at least one joint visit to the job site each month and file a written report of that visit with the OWNER."

"1.1.14.3 Should the CONTRACTOR fall behind in his construction schedule by more than four weeks, the ARCHITECT shall notify the OWNER in writing."

14.7 In Subparagraph 1.1.15, first line following "based on such" delete "observations" and substitute therefor "inspections".

14.7.1 In Subparagraph 1.1.15, seventh line following "Architects" delete "observations" and substitute therefor "inspections".

14.8 Delete Subparagraph 1.1.16 in its entirety and substitute therefor new Subparagraph 1.1.16 as follows:

"1.1.16 The ARCHITECT shall be the interpreter of the requirements of the CONTRACT DOCUMENTS and judge of the performance thereunder by both the OWNER and the CONTRACTOR. The ARCHITECT shall render written interpretations necessary for the proper execution or progress of the work within fifteen days on written request of either the OWNER or the CONTRACTOR, unless such interpretation can only be made after testing, in which case an interpretation must be rendered within fifteen days after completion of such test, and shall render written decisions, within fifteen days, on all claims, disputes and other matters in question between the OWNER and the CONTRACTOR relating to the execution or progress of the work or the interpretation of the CONTRACT DOCUMENTS."

14.9 In Subparagraph 1.1.18, following "---contract documents" add new sentence:

"Such action shall be taken with reasonable promptness so as not to delay the project."

14.10 Under Paragraph 1.3, delete Subparagraph 1.3.15 in its entirety.

14.11 Delete Subparagraph 1.3.11 in its entirety and substitute therefor new Subparagraph 1.3.11 as follows:

"1.3.11 Preparing supporting data, and other services in connection with change orders requested by the OWNER. Where a change order is required because of a design error, the change order shall be prepared at no cost to the OWNER."

14.12 Add new Subparagraph 3.1.3.1 as follows:

"3.1.3.1 Compensation to the Architect shall be as set forth in Paragraph 11. When compensation is based on "Percentage of Construction Cost," the establishing of the percentage shall be the amount of the Construction Contract awarded. Once established, the same percentage figure shall apply to any recomputation of fee occasioned by Change Order, and only Change Orders that increase the Contract Amount shall be used in recomputation. Where a Change Order is required because of a design error, the amount of that Change Order shall not apply toward computation of Architect's compensation."

14.13 Add new Subparagraph 3.5.0.1 as follows:

"Fixed limit of Construction Cost shall be the Probable Construction Cost as defined in Subparagraph 1.1.8.1."

14.14 In Subparagraph 6.1.3 add new sentence as follows:

"No additional compensation will be paid for services in connection with semi-final and final inspections."

14.15 In Paragraph 6.4 page 7, fourth line following-----then due add "." (period) and delete remaining of sentence.

14.15.1 In Paragraph 6.4, page 7, delete last line in its entirety and substitute therefor the following:

"Compensation may be subject to negotiation."

14.16 Delete Paragraph 6.5 in its entirety and substitute new Paragraph 6.5 as follows:

"6.5 Payment due the Architect under this Agreement shall bear interest at six percent annum commencing forty-five days after date of billing.

14.17 In Paragraph 8.2 in fourth line following Reimbursable Expense add "." (period) and delete remaining of sentence.

14.18 In Article 9 - OWNERSHIP OF DOCUMENTS delete in its entirety and add new Article 9 as follows:

"ARTICLE 9"

"OWNERSHIP OF DOCUMENTS"

"9.1 The Owner shall have unlimited rights in the ownership of all drawings, designs, specifications, notes and other work developed in the performance of the AGREEMENT, including the right to use same on any other Owner's projects without additional cost to the Owner, and with respect thereto the Architect agrees to and does hereby grant to the Owner a royalty-free license to all such data which he may cover by copy right and to all designs as to which he may assert any rights or establish any claim under the design patent or copy right laws."

"9.2 In the case of future reuse of the documents the Owner reserves the right to negotiate with the Architect for compensation for the acceptance of any professional liability."

"9.3 In the event the Owner does not exercise the option to negotiate with the Architect for the Architect's acceptance of any professional liability, it si understood that the Architect is no longer liable In the reuse of the documents."

14.19 Delete Article II - Arbitration in its entirety.

14.20 Under Article 13 - Governing Laws second line following "---law of", delete remaining of sentence and substitute therefor the following:

"----------South Carolina."

ARTICLE 14

OTHER CONDITIONS OR SERVICES

SEE ATTACHED

This Agreement executed the day and year first written above.

OWNER CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA

Melvin E. Barnette
Vice President for
Business and Finance

ARCHITECT GILL, WILKINS & WOOD
FLORENCE, SOUTH CAROLINA

Allen P. Wood, Partner

AIA DOCUMENT B141 • OWNER-ARCHITECT AGREEMENT • JANUARY 1974 EDITION • AIA® • ©1974
THE AMERICAN INSTITUTE OF ARCHITECTS, 1735 NEW YORK AVE., N.W., WASHINGTON, D.C. 20006

EXHIBIT A

A FEE PROPOSAL
FOR
PEE DEE RESEARCH AND EDUCATIONAL CENTER MASTER PLAN
FOR
CLEMSON UNIVERSITY

TABLE OF CONTENTS

a. review and re-evaluation
b. topographical
c. model
d. master plan preliminary
e. architectural schematics
f. master plan development
g. presentation
h. summary

A. REVIEW & RE-EVALUATE

-review, re-evaluate and up-date pee dee research and educational center development plan as prepared by clemson university.

-interview designated members of the clemson university planning team for the PDREC.

-prepare an up-date report to the PDREC development plan.

$2,000.00

B. TOPOGRAPHICAL

-aerial survey (photogrammetry)
  -develop drawing
  -contour increments - 2 feet
  -scale - 1" = 200'.

-establish control point
  -by on-site land survey as required to perform aerial survey.

$15, 00.00

C. WORKING SITE MODEL

-build model from information
furnished by aerial survey
-scale - 1" = 200'
-size - approximately 6' X 6'

$2,200.00

D. MASTER PLAN PRELIMINARY

- -concept
- -buildings - general locations
- -agricultural planting fields
- -circulation
  - -vehicular
    - -organization
    - -roads
    - -parking
    - -service
    - -farm implements
  - -pedestrian
    - -organization
    - -public
    - -staff
- -security
- -controls
- -landscaping
- -utilities
- -graphics
- -phasing
- -costs

$12,400.00

E. ARCHITECTURAL SCHEMATICS

-codes
-studies
-preliminary drawing
    -plans
    -elevations
    -sections, typical wall
    -sections, thru building
    -structural concept
-costs

$39,000.00

-50% of this amount to be a pro rata deduction from future architectural fees to complete this project or

-the owner shall have the option of deleting $19,500.00 from this portion of the contract if not requiring the more detailed portion of these architectural schematice for the master planning and design.

F. MASTER PLAN DEVELOPMENT

-buildings located
-agricultural planting fields
-circulation
    -vehicular
        -design concepts & details
    -pedestrian
        -design concepts & details
    -security
        -design concepts & details
    -controls
        -design concepts & details
    -landscaping
        -design concepts & details
    -pre-engineering
        -water
        -waste
        -surface drainage
        -electrical
        -roads
    -graphics
    -phasing
    -costs

$18,000.00

-10% of this amount to be a pro rata deduction from future architectural fees to complete this project.

H. SUMMARY

a.	review and re-evaluation	$ 2,000.00
b.	topographical	$15,400.00
c.	model	$ 2,200.00
d.	master plan preliminary	$12,400.00
e.	architectural schematics	$39,000.00
f.	master plan development	$18,600.00
g.	presentation	$ 6,600.00
h.	summary	$96,000.00

1. $21,360.00 of the compensation is to be a pro rata deduction from future architectural fees to complete the project (see page 7 * 8 of 10, exhibit A). if the owner exercises the option as outlined on page 7 of 10 exhibit A to reduct compensation for the master planning and schematic design phase, the amount of the pro rata deduction will be $1,860.00.

OWNER: CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA

Melvin E. Barnette
Vice President for
Business and Finance

ARCHITECT: GILL, WILKINS & WOOD
FLORENCE, SOUTH CAROLINA

Allen P. Wood, Partner

ARCHITECT/ENGINEER
QUALIFICATION REQUEST

Clemson University requests resumes of qualifications from firms interested in providing architectural/engineering services for the planning, developing and construction of a new Pee Dee Research and Educational Center located on lands off I-95 near Florence, South Carolina. The project is planned to provide for an initial phase for master planning and schematic designing of the entire facility with design phase(s) for the construction of succeeding facilities to be renegotiated for each phase as funds become available. It is estimated that construction of the facility will require a minimum of three years for completion. Included in the project are land area developments to include irrigation, fencing, landscaping, parking, waste treatment systems, water systems and road systems, and buildings to include research facilities, maintenance and storage facilities and various program related facilities. Firms submitting resumes of qualification shall include a list of all contracts, including construction costs, the firm has executed on State work in the past two years. Resumes must be received in the office of Melvin E. Barnette, Vice President for Business and Finance, Clemson University, Clemson, South Carolina 29631, not later than November 16, 1977.

CLEMSON UNIVERSITY
BUSINESS AND FINANCE
NOV 2 12 01 PM '77

COLUMBIA NEWSPAPERS, INC.

Columbia, South Carolina

Publishers of

The State — Mornings and Sunday

AND

The Columbia Record — Evenings except Sunday

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager of THE STATE, and makes oath that the advertisement,

Architect/Engineer Qualification Request - Clemson University

a clipping of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

October 30, 31, 1977 and November 1, 1977

Carl M. Regal

Subscribed and sworn to before me
this 1st day of November 1977.

Emma Lee Sudlin Notary Public

The News and Courier

BUSINESS OFFICE
Nov 10 11 23 AM '77

State of South Carolina
COUNTY OF CHARLESTON

Personally appeared before me

J Hodge advertising Clerk of The News and Courier, a newspaper published in the City of Charleston, County and State aforesaid, who, being duly sworn, says that the advertisement of

Copy Attached

appeared in the issues of said newspaper on the following

day(s): October 30,31; November 1, 1977

Subscribed and sworn to before me this 8th day of November A. D. 19 77.

J Hodge

Dorothy W Peters
NOTARY PUBLIC, S. C.
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

ARCHITECT/ENGINEER QUALIFICATION REQUEST

Clemson University requests resumes of qualifications from firms interested in providing architectural/engineering services for the planning, developing and construction of a new Pee Dee Research and Educational Center located on lands off I-95 near Florence, South Carolina. The project is planned to provide for an initial phase for master planning and schematic designing of the entire facility with design phase(s) for the construction of succeeding facilities to be renegotiated for each phase as funds become available. It is estimated that construction of the facility will require a minimum of three years for completion. Included in the project are land area developments to include irrigation, fencing, landscaping, parking, waste treatment systems, water systems and road systems, and buildings to include research facilities, maintenance and storage facilities and various program related facilities. Firms submitting resumes of qualification shall include a list of all contracts, including construction costs, the firm has executed on State work in the past two years. Resumes must be received in the office of Melvin E. Barnette, Vice President for Business and Finance, Clemson University, Clemson, South Carolina 29631, not later than November 16, 1977.

Form No. 3020

ARCHITECTURAL FIRMS SUBMITTING RESUMES FOR THE
PEE DEE EDUCATIONAL AND RESEARCH CENTER

Clemson University

January 13, 1978

Architectural Design, Charlotte, N. C.

Lambert & Yates, Anderson, S. C.

Demosthenes, McCreight & Riley, Sumter

Alexander-Moormann and Assoc., Aiken

Smith & Fuller, Florence

Dan P. Leach Assocs., Greenville

McMillan Assoc., Greenville

Bashor Allen & Associates, Greenville

Neal Architects, Greenville

Demetrios C. Liollio, Charleston

Carlisle Associates, Columbia

Clark Associates, Anderson

Clary Architects, Charlotte, N. C.

Clark and McCall, Hartsville

W. E. Gilbert, Greenwood

Lucas and Stubbs, Charleston

Freeman, Wells & Major, Greenville

Westmoreland McGarity Pitts, Spartanburg

James Paul Barnes, Assoc., Florence

Avery Wood Associates, Greenville

Fellers & Assoc., Columbia

J. E. Sirrine Company, Greenville

R. Nelson Crowe, Myrtle Beach

Harwood Beebe Company, Spartanburg

Bultman Coulter Gasque Assoc., Columbia

William Bailey Kauric, Columbia

William Anderson, Columbia

Wilbur Smith & Assoc., Columbia

Barbot & Assoc., Florence

Russell & Axon, Anderson

Prather-Thomas-Campbell-Pridgeon, Inc., Spartanburg

Craig & Gaulden, Greenville

Odell Associates, Greenville

Gill, Wilkins & Wood, Florence

McDuffie & Assocs, Inc., Orangeburg, S. C.

ARCHITECTURAL FIRMS INTERVIEWED FOR
PEE DEE EDUCATIONAL AND RESEARCH CENTER

CLEMSON UNIVERSITY

January 13, 1978

Order of Preference		Amt. of State Projects
1.	Gill, Wilkins & Wood Florence, S. C.	$2,000,000
2.	Westmoreland-McGarity-Pitts Spartanburg, S. C.	none
3.	Craig & Gaulden Greenville, S. C.	$ 482,379
	Smith & Fuller Architects Florence, S. C.	none
	Fellers & Associate Columbia, S. C.	$9,000,000
	McDuffie & Associates, Inc. Orangeburg, S. C.	none
	William Anderson Columbia, S. C.	$ 550,000
	Odell Associates Greenville, S. C.	none
	Prather-Thomas-Campbell-Pridgeon, Spartanburg, S. C.	$ 500,000

CLEMSON UNIVERSITY
CONSTRUCTION PROJECTS SINCE JANUARY 1, 1974

Date of E-1	Proj. No.	Name	Original Contract Amt.	Architects	Nature of Project
9/10/74	9-110	Renov. & Addition to Agric. Engr. Bldg.	$2,236,126	J. E. Sirrine Co. Greenville, S. C.	office & teaching
6/19/74*	9-112	Nursing Building	$2,349,120	Riley Bultman Coulter Columbia, S. C.	office & teaching
10/11/74	9-114	Renovation of Sirrine Hall	$ 800,000 (est.)	McMillan, Bunes, Townsend, and Bowen, Greenville	office & teaching
		1/ Continuing Education Center	$6,000,000	Craig & Gaulden Greenville	continuing education activities
7/24/75	9-120	Incinerator & Postmortem Facility	$ 219,440	Pearlstine-Anderson Columbia, S. C.	Postmortem facility for Livestock-Poultry Health
7/6/76	9-127	University Golf Course	$1,000,000 (est.)	George W. Cobb Greenville, S. C.	18-hole golf course
n/a	n/a	Consulting Engineering Assistance to Physical Plant	n/a	Peritus Engineers Greenville, S. C.	Additions, modifications, and renovations of various utility systems
n/a	n/a	Aerial Topographic & Civil Engineering Assistance to Physical Plant	n/a	Farmer and Simpson	Aerial topo work for golf course and other civil engineering assistance
7/23/76	9-130	Service & Support Facility	$ 585,000	Piedmont Engineers Greenville, S. C.	offices & storage
7/23/76	9-131	Support Facility for Daniel Auditorium	$ 150,000	Craig & Gaulden	Practice & auditorium support facility

*Original letter of agreement dated 11/22/71
1/ This contract terminated during schematic design phase due to withdrawal of funds by State Budget and Control Board.

EXHIBIT III
1/25/78

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

January 20, 1978

Hon. William T. Putnam
State Auditor
Wade Hampton State Office Building
Columbia, South Carolina

Re: $1,000,000 Berkeley County Industrial Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project)

Dear Mr. Putnam:

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 Sections 4-29-10 et seq., CODE OF LAWS OF SOUTH CAROLINA, 1976, and the same appear, in our opinion, to be in order.

With kind regards,

Karen LeCraft Henderson

Karen LeCraft Henderson
Assistant Attorney General

KLH:bbb

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

January 17, 1978

William A. McInnis, Esq.
Post Office Box 11333
Columbia, South Carolina 29211

Re: $1,000,000 Berkeley County Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project)

Dear Bill:

I am enclosing herewith ten (10) copies of a proposed Resolution of the State Budget and Control Board approving the above bonds. Ernest G. Wilson, of Cadwalader Wickersham & Taft in Washington, is forwarding to you financial information relating to International Paper Company, the guarantor of these bonds. We would appreciate your having this bond issue presented to the Budget and Control Board for consideration at its meeting scheduled for Wednesday, January 25.

Should you require any further information, please do not hesitate to call me. Best personal regards.

Yours very truly,

Tom Hatchell

TAH:bjh

cc: Ernest G. Wilson, Esq.

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

January 17, 1978

Karen L. Henderson, Atty.
Assistant Attorney General
Wade Hampton office Bldg.
P.O. Box 11549
Columbia, South Carolina 29211

Re: $1,000,000 Berkeley County Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project)

Dear Karen:

I am enclosing herewith a certified copy of a Resolution by the County Supervisor and Treasurer of Berkeley County authorizing a Petition to the State Budget and Control Board for its approval of the above bonds. Also enclosed are an original Petition and drafts of the Lease Agreement, Guaranty Agreement, and Trust Indenture described therein.

We would appreciate your reviewing these items and forwarding them to Bill McInnis so that we might have this matter placed on the agenda for the Budget and Control Board meeting scheduled for January 25. Should you require any additional information, please do not hesitate to call me. Best personal regards.

Yours very truly,

TAH:bjh

Enclosures

cc: William A. McInnis, Esq.
Ernest G. Wilson, Esq.

1/25/78

ORIGINAL

A RESOLUTION
APPROVING THE UNDERTAKING OF BERKELEY COUNTY TO ISSUE $1,000,000 BERKELEY COUNTY, SOUTH CAROLINA, INDUSTRIAL DEVELOPMENT REVENUE BONDS, 1978 SERIES A (DAVOL, INC. - INTERNATIONAL PAPER COMPANY PROJECT), PURSUANT TO CHAPTER 29, TITLE 4 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED

WHEREAS, the Supervisor and the Treasurer of Berkeley County, South Carolina, (the "County") acting as the County Board (the "County Board"), pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967 as codified in Chapter 29, Title 4 of the Code of Laws of South Carolina, 1976, as amended, (the "Act"), has petitioned 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 issuance of $1,000,000 Berkeley County Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) (the "Bonds") by the County Board pursuant to the Act, bearing interest at a rate not in excess of 7 percent per annum and maturing not later than thirty (30) years from their date, the proceeds of which will be used in order to defray the cost of acquiring, enlarging, improving and expanding certain manufacturing facilities (the "Project") useful in the plant operated by Davol, Inc. (the "Company"), a Delaware corporation and a subsidiary of International Paper Company, a New York corporation, for the

manufacture of health care products, which plant is located near Monck's Corner in Berkeley County, South Carolina; and

WHEREAS, the County and the Company propose to enter into a Lease Agreement pursuant to which the Company will agree to make payments sufficient to provide for the payment of the Bonds above described; and

WHEREAS, the County proposes to enter into a Trust Indenture with The Bank of New York, as Trustee, prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the lease payments to be made pursuant to the Lease Agreement; and

WHEREAS, the forms of the Lease Agreement between the County and the Company, the Trust Indenture, and the Guaranty Agreement which provides for the guarantee by International Paper Company of the principal of, interest and redemption premium, if any, on the Bonds, have been considered by this Board;

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

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

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

B. That the County Board has filed a proper petition to the State Board in accordance with the provisions of §4-29-140 of the Code of Laws of South Carolina, setting forth a brief description

of the Project and its anticipated effect upon the economy of the County, a reasonable estimate of the cost of the Project, and a general summary of the terms and conditions of the Lease Agreement and Trust Indenture including a statement establishing the basis for a payment in lieu of taxes as required by §4-29-60 of the Code of Laws of South Carolina, 1976.

C. The financing of the Project by the County Board through the issuance of the Bonds will promote the purposes of the Act.

2. On the basis of the foregoing findings the proposed undertaking of the County Board (i) to enter into the Trust Indenture and issue the Bonds; (ii) to use the proceeds thereof for the purpose of defraying the cost of acquiring and constructing the Project; and (iii) to enter into a Lease Agreement with the Company, providing for the payment of the Bonds, which shall be payable solely from the revenues to be derived by the County under the Lease Agreement, all pursuant to the Act (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking) be, and the same is hereby approved, and the County Board may proceed therewith.

3. Notice of the action taken by the State Board in giving approval to the above described undertaking of Berkeley County shall be published in "The News and Courier", which is a newspaper having general circulation in Berkeley County.

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

EXHIBIT "A"

NOTICE PURSUANT TO ACT NO. 103 OF THE ACTS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA FOR THE YEAR 1967 AS CODIFIED IN CHAPTER 29, TITLE 4 OF THE CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Supervisor and Treasurer of Berkeley County (the "County") acting as the Berkeley County Board (the "County Board") to the State Budget and Control Board of South Carolina (the "State Board"), approval has been given by the State Board to the following undertaking (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking), viz:

The issuance by the County Board of $1,000,000 Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) (the Bonds) pursuant to Act No. 103 of the Acts of the General Assembly of South Carolina for the year 1967, as codified in §4-29-10 et seq., Code of Laws of South Carolina, 1976, as amended, (the "Act"), the proceeds of which shall be used to provide manufacturing facilities (the "Project") useful in the plant operated by Davol, Inc. (the "Company"), a Delaware corporation and subsidiary of International Paper Company, for the manufacture of health care products, which plant is located

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty 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 said undertaking of the County Board, by action de novo instituted in the Court of Common Pleas for Berkeley County.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

By: _____
William T. Putnam, Secretary

PUBLICATION DATE:

January 26, 1978

STATE OF SOUTH CAROLINA,

COUNTY OF RICHLAND

I, the undersigned, Auditor of the State of South Carolina and Secretary of the State Budget and Control Board, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Resolution duly adopted by the State Budget and Control Board of South Carolina on January , 1978, has been duly adopted and has not been altered, rescinded, amended, or repealed in any way and is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of January, 1978.

_____

Secretary
State Budget and Control Board

EXTRACT OF RESOLUTION ADOPTED BY THE
COUNTY SUPERVISOR AND COUNTY TREASURER OF
BERKELEY COUNTY, SOUTH CAROLINA ON JANUARY __, 1978

The County Supervisor and County Treasurer of Berkeley County, South Carolina, met at ~~Amanda~~ Moncks Corner, South Carolina, at 6:30 o'clock P.m., on January 16, 1978.

Present were Clyde D. Umphlett, County Supervisor, and J. M. Williams, County Treasurer.

The following Resolution was introduced and considered:

RESOLUTION

WHEREAS, in order for Berkeley County to issue Bonds (as defined below) on behalf of Davol, Inc., pursuant to the County's Resolution dated March 4, 1977, the State Budget and Control Board (the "State Board") must approve of the issuance of such Bonds; and

WHEREAS, in connection with the issuance of such Bonds, § 4-29-140 of the Code of Laws of South Carolina, 1976 requires that there be submitted to the State Board a petition setting forth: (a) a brief description of the project proposed to be undertaken and its anticipated effect upon the economy of the county in which the project is to be located and of the areas adjacent thereto; (b) a reasonable estimate of the cost of the project; and (c) a general summary of the terms and conditions of the lease and trust indenture to be made, including a statement establishing the basis for the payment of sums in lieu of taxes as required by § 4-29-60 of the Code; and

WHEREAS, there has been submitted to the County by Davol, Inc. (the "Company"), a Delaware corporation and a subsidiary of International Paper Company, a New York corporation (the "Parent"), a description of the project, and substantially final counterparts of a lease agreement, trust indenture and guaranty agreement relating to the Bonds; and

WHEREAS, the County has investigated and found that, by reason of the issuance of the said Bonds, employment and industry will be maintained and increased in

Berkeley County and that expanded investment will be encouraged within the State of South Carolina.

NOW, THEREFORE, BE IT FOUND AND RESOLVED by the County Supervisor and County Treasurer on behalf of Berkeley County, South Carolina, as follows:

1. The issuance and sale of $1,000,000 Berkeley County Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) (the "Bonds") will maintain and increase employment in the County, maintain and develop industry, and encourage expanded investment within the State of South Carolina, thus promoting the purposes of Act 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as amended (the "Act"), as codified in § 4-29-10, et seq., Code of Laws of South Carolina, 1976, as amended (the "Code").

2. The cost of the Project is $1,000,000 including acquisition and installation costs, financing costs, and all other expenses to be incurred in connection therewith and in connection with the issuance of the Bonds. The amount of Bonds required to finance the Project and the amount necessary to repay the principal and interest on the Bonds is to be set out as Exhibit A to the Lease Agreement, which will be reviewed by the County Board when completed.

3. The principal, interest and premium, if any, on the Bonds shall be secured by a pledge of the revenues payable to the County pursuant to the Lease Agreement and the said principal, interest and premium shall be further secured by the unconditional guarantee of the Parent, and neither the Bonds nor any coupons attached thereto shall ever constitute an indebtedness of the County within the meaning of any State constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The facilities to be financed with the Bonds are comprised of industrial facilities consisting of machinery, equipment and office facilities (the "Project") useful in the plant operated by the Company for the manufacture of health care products.

4. No pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing power by reason of the issuance of the Bonds or the financing of the Project. In view of the well-established credit of the Company and the Parent, there is no need to establish and maintain any reserves in connection with the issuance of the Bonds.

5. It is the intent of the County Board that the Lease Agreement, Trust Indenture, and Guaranty Agreement shall be finally executed and delivered in substantially the form of those documents, submitted to this meeting and ordered to be attached to the minutes of this meeting as Exhibits A, B and C respectively, and, although changes may be made in these forms, it is not expected that there will be any changes which will substantially affect the undertaking of the County as now outlined therein.

6. The proposed Lease Agreement provides in general:

(a) To finance the cost of the acquisition and installation of the Project, the County will issue $1,000,000 of Bonds which will be secured by a pledge of the payments to be made by the Company pursuant to the Lease Agreement, and will be issued pursuant to a Trust Indenture, as authorized by §§ 4-29-40 and 4-29-140 of the Code, between the County and The Bank of New York, as Trustee.

(b) Proceeds derived from the sale of the Bonds will be deposited with the Trustee under the said Trust Indenture and will be applied solely for the payment of the costs incident to the acquisition and construction of the Project (including the repayment to the Company of any loans incurred or advances made for such purpose) and the issuance of the Bonds.

(c) Under the terms of the Lease Agreement, the Company obligates itself to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient, to pay as rental the amount necessary to meet the payments of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured. Additionally, the Parent, under the terms of a Guaranty Agreement, will guarantee the full and prompt payment of the principal of, interest and redemption premium, if any, on the Bonds when due.

(d) The Lease Agreement provides that the Company shall have an option to purchase the Project for the sum of $100 when the Bonds are paid in full or when payment has been provided for in accordance with the Trust Indenture.

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

(f) As required by §§ 4-29-60 and 49-29-140 of the Code, the Lease Agreement provides that the Company will make payments in lieu of taxes to the County, school district and other political units, as if the Project were owned by the Company.

7. The proposed Trust Indenture is in conventional form and prescribes the terms and conditions upon which the Bonds will be issued. The Trust Indenture makes provision for the issuance of the Bonds in the amount of $1,000,000 pursuant thereto. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund in which the proceeds of the payments made by the Company pursuant to the Lease Agreement are placed, and for the use of the said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

8. The proposed Guaranty Agreement is in conventional form and provides for the unconditional guarantee by the Parent directly to the Trustee for the benefit of the holders of outstanding Bonds of the principal of, interest and redemption premium, if any, on the Bonds as the same become due and payable. The County is not a party to the Guaranty Agreement, and the Guaranty Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

9. The County Board proposes to sell the Bonds, upon the request of the Company, to The First Boston Corporation, New York, New York, or such other underwriter as shall be designated by the Company, for a price as specified by the Company not less than 97.5 percent of the principal amount of the Bonds together with accrued interest to

the date of issue of the Bonds. Upon the request of the Company, the Bonds will bear interest at a rate not in excess of 7 percent per annum and the latest maturity of any of the Bonds will be not later than a date thirty (30) years from the date of the Bonds.

10. The County Board hereby approves the Petition to the State Budget and Control Board, and orders that a true copy thereof be attached to the minutes of this meeting as Exhibit D and hereby authorizes its officers and their agents to petition the State Board to (a) accept the filing of the Petition; (b) as soon as practicable, make such investigation as it deems advisable; (c) that if the State Board finds that the Project is intended to promote the purposes of the Act and may be reasonable anticipated to effect such result, that it approve the Project and the proposed financing thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of the County; and (d) that the State Board promptly give published notice of its approval in the manner set forth in § 4-29-140 of the Code.

11. This Resolution shall take effect immediately.

Mr. Umphlett moved that the foregoing Resolution be adopted and Mr. Williams agreed. Whereupon, the County Supervisor declared said Resolution adopted.

EXHIBIT A - LEASE AGREEMENT

EXHIBIT B - TRUST INDENTURE

EXHIBIT C - GUARANTY AGREEMENT

EXHIBIT D - FORM OF PETITION

STATE OF SOUTH CAROLINA,

COUNTY OF BERKELEY

I, the undersigned, Treasurer of the Berkeley County South Carolina, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Resolution duly adopted by the County Supervisor and County Treasurer on January 16, 1978, which extract has been compared by me with the County record of such resolution, and that said copy is a true, complete and correct copy thereof and of the whole of said record so far as the said copy and the resolution therein contained has been duly adopted and has not been altered, rescinded, amended, or repealed in any way and is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of the County this 16th day of January, 1978.

(SEAL)

Treasurer of Berkeley County,
South Carolina

STATE OF SOUTH CAROLINA

COUNTY OF BERKELEY

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

The Petition of the Supervisor and the Treasurer of Berkeley County, South Carolina (the "County") acting as the governing body of the County (the "County Board") pursuant to Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, as codified in § 4-29-10, et seq., Code of Laws of South Carolina, 1976, as amended, (the "Code") and in particular § 4-29-140 of the Code, respectfully shows:

1. The County Board acts as the governing body of Berkeley County, South Carolina, for purposes of industrial revenue bond financing, as provided by Act No. 917 of the 1968 Acts of the General Assembly of the State of South Carolina, and as such is the "County Board" of Berkeley County referred to in Act No. 103 of 1967 as codified in § 4-29-10, et seq., of the Code (the "Act").

2. The Act authorizes the County Board, subject to obtaining the approval and finding from the State Budget

and Control Board (required by § 4-29-140 of the Code), to enter into agreements with any company to acquire, enlarge, improve or expand manufacturing facilities; to enter into lease agreements with such company prescribing the terms and conditions of the payments to be made by the company to the County or its assignee to meet the payments that shall become due on bonds issued pursuant to the Act; and to issue bonds for the purpose of defraying the cost of acquiring land and/or manufacturing facilities.

3. The County Board has heretofore on or about March 4, 1977 agreed with Davol, Inc. (the "Company"), a Delaware corporation and a subsidiary of International Paper Company, a New York corporation (the "Parent"), which owns and operates a manufacturing facility near Monck's Corner in Berkeley County, South Carolina, that the County Board will undertake to finance the acquisition, enlargement, improvement and expansion of certain facilities consisting of machinery, equipment, and office facilities (the "Project") useful in the plant operated by the Company for the manufacture of health care products, located and to be located in Berkeley County.

4. The County Board is advised by the Company that the cost of acquiring, enlarging, improving and expanding the Project, including the cost of issuing the bonds

hereinafter described, will be $1,000,000 and that it will therefore be necessary that the County Board issue $1,000,000 Berkeley County Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) (the "Bonds") the proceeds of which shall be used to defray the cost of acquiring and installing the Project.

5. For the reasons set forth above and hereinafter disclosed, the County Board has found as follows:

A. The Project will subserve the purposes of the Act to maintain and develop industry and encourage expanded investment within the State of South Carolina.

B. No pecuniary liability will result to the County nor will there be any charge against the County'sgeneral credit or taxing power by reason of the issuance of the Bonds or the financing of the Project.

C. The Lease Agreement, to be entered into between County and the Company in substantially the form enclosed herewith, contains a covenant obligating the Company to effect the completion of the Project if the proceeds of the Bonds prove insufficient, and further obligates the Company (a) to pay the principal of and interest on the Bonds; (b) to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured; and (c) to make payments in lieu of taxes as further prescribed in Section 6.09 of the Lease Agreement. In view of the well-established credit of the Company and its Parent, International Paper Company, there is no need to establish and maintain any reserves in connection with the issuance of the Bonds.

D. The amount of Bonds required to finance the Project is $1,000,000, and the amount necessary

to repay the principal and interest on the Bonds is to be set out as Exhibit A to the Lease Agreement, which will be reviewed by the County Board when completed.

E. The principal, interest and premium, if any, on the Bonds shall be secured by a pledge of the revenues payable to the County pursuant to the Lease Agreement and the said principal, interest and premium shall be further secured by the unconditional guarantee of the Parent, and neither the Bonds nor any coupons of the County within the meaning of any State constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

6. Pursuant to § 4-29-140 of the Code, the County Board sets forth the following information:

A. The Project consists of the acquisition, enlargement, improvement and expansion of certain facilities consisting of machinery, equipment and office facilities to be used in the manufacture of health care products.' Such acquisition and construction of the Project will maintain and increase employment in Berkeley County.

B. The cost of the Project is $1,000,000 including acquisition and installation costs, financing costs, and all other expenses to be incurred in connection therewith and in connection with the issuance of the Bonds.

C. The proposed Lease Agreement, a draft copy of which is enclosed with this Petition, provides in general:

(a) To finance the cost of the acquisition and installation of the Project, the County will issue $1,000,000 of Bonds which will be secured by a pledge of the payments to be made by the Company pursuant to the Lease Agreement, and which will be issued pursuant to a Trust Indenture, as authorized by §§ 4-29-40 and 4-29-140 of the Code, between the County and The Bank of New York, as Trustee.

(b) Proceeds derived from the sale of the Bonds will be deposited with the Trustee under the said Trust Indenture and will be applied solely for the payment of the costs incident to the acquisition and construction of the Project (including the repayment to the Company of any loans incurred or advances made for such purpose) and the issuance of the Bonds.

(c) Under the terms of the Lease Agreement, the Company obligates itself to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient, to pay as rental the amount necessary to meet the payments of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured. Additionally, the Parent, under the terms of a Guaranty Agreement, will guarantee the full and prompt payment of the principal of, interest and redemption premium, if any, on the Bonds when due.

(d) The Lease Agreement provides that the Company shall have an option to purchase the Project for the sum of $100 when the Bonds are paid in full or when payment has been provided for in accordance with the Trust Indenture.

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

(f) As required by §§ 4-29-60 and 49-29-140 of the Code, the Lease Agreement provides that the Company will make payments in lieu of taxes to the County, school district and other political units, as if the Project were owned by the Company.

D. The proposed Trust Indenture is in conventional form and prescribes the terms and conditions upon which the Bonds will be issued. A draft copy of the Trust Indenture is enclosed with this Petition. The Trust Indenture makes provision for the

issuance of the Bonds in the amount of $1,000,000 pursuant thereto. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund in which the proceeds of the payments made by the Company pursuant to the Lease Agreement are placed, and for the use of the said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

E. The proposed Guaranty Agreement is in conventional form and provides for the unconditional guarantee by the Parent directly to the Trustee for the benefit of the holders of outstanding Bonds of the principal of, interest and redemption premium, if any, on the Bonds as the same become due and payable. A draft copy of the Guaranty Agreement is enclosed with this Petition. The County is not a party to the Guaranty Agreement, and the Guaranty Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

F. The County Board proposes to sell the Bonds, upon the request of the Company, to The First Boston Corporation, New York, New York, or such other underwriter as shall be designated by the Company, for a price as specified by the Company not less than 97.5% of the principal amount of the Bonds together with accrued interest to the date of issue of the Bonds. Upon the request of the Company, the Bonds will bear interest at a rate not in excess of 7% per annum and the latest maturity of any of the Bonds will be not later than a date thirty (30) years from the date of the Bonds.

7. It is the intent of the County Board that the Lease Agreement, Trust Indenture and Guaranty Agreement shall be finally executed and delivered in substantially the form of those documents as enclosed herewith in connection with the issuance of the Bonds, and, although changes may be made in the enclosed forms, it is not expected that there will be

any changes which will materially affect the undertaking of the County as now outlined therein for which approval is now sought from the State Budget and Control Board.

Upon the basis of the foregoing, the County Board respectfully prays (1) that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described; (2) that the State Board as soon as practical, do make such investigation as it deems advisable; (3) that if the State Board finds that the Project is intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Project and the proposed financing thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of the County; and (4) that the State Board promptly give published notice of its approval in the manner set forth in § 4-29-140 of the Code.

Respectfully submitted,

BERKELEY COUNTY, SOUTH CAROLINA

[SEAL]

By _____
County Supervisor

ATTEST:

_____
County Treasurer

January 16th, 1978

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Agreement") made as of the 1st day of February, 1978, by and between International Paper Company (the "Company"), a corporation duly organized and existing under the laws of the State of New York, and The Bank of New York (the "Trustee"), a New York banking corporation.

W I T N E S S E T H :

WHEREAS, Berkeley County, South Carolina (the "County") intends to issue its Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project), in the aggregate principal amount of $1,000,000 (the "Bonds");

WHEREAS, the Bonds are to be issued under and pursuant to a Trust Indenture (the "Indenture") dated as of the date hereof by and between the County and the Trustee; and

WHEREAS, the Company is desirous that the County issue the Bonds and is willing to enter into this Agreement in order to enhance the marketability of the Bonds and thereby achieve interest cost and other savings to the Company and its subsidiary, Davol, Inc., a Delaware Corporation, as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds; and

WHEREAS, the County has acknowledged execution and delivery hereof;

NOW, THEREFORE, in consideration of the premises, the Company does hereby, subject to the terms hereof, covenant and agree with the Trustee as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

SECTION 1.1. The Company does hereby represent and warrant that it is a corporation duly organized and existing and in good standing under the laws of the State of New York; it has corporate power to enter into and perform all agreements on its part herein contained; it has been authorized to enter into and perform all agreements on its part herein contained;

it has been authorized to enter into this Agreement by all necessary and proper corporate action; and the execution and delivery by it of this Agreement and the agreements herein contained do not contravene or constitute a default under any agreement, indenture or commitment to which it is a party or by which it is or may be bound or contravene its Articles of Incorporation or By-Laws.

ARTICLE II

COVENANTS AND AGREEMENTS

SECTION 2.1. The Company hereby unconditionally guarantees to the Trustee for the benefit of the holders at any time and from time to time, of the Bonds and the interest coupons appertaining thereto (a) the full and prompt payment of the principal of and premium, if any, on the Bonds when and as the same shall become due, whether at the stated maturity thereof, by acceleration or call for redemption or otherwise, and (b) the full and prompt payment of interest on the Bonds when and as the same shall become due, and agrees to pay all expenses and charges (including court costs and attorneys' fees) paid or incurred by the Trustee in realizing upon any of the payments hereby guaranteed or, to the extent permitted by law, in enforcing this Agreement. All payments by the Company shall be made in lawful money of the United States of America. Each and every default in payment of the principal of or premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

SECTION 2.2. The obligations of the Company under this Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of and premium, if any, and interest on the Bonds shall have been paid or provided for in accordance with the terms of the Indenture and, until such payment or provision has been made, shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to or the consent of the Company, unless such notice or consent is required hereunder:

(a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the County under the Indenture;

(b) the failure to give notice to the Company or Davol, Inc. of the occurrence of a default under the terms and provisions of the Indenture or this Agreement, except as specifically provided in the Indenture or this Agreement;

(c) the assignment, pledge or mortgaging or the purported assignment, pledge or mortgaging of all or any part of the interest of the County in any facilities to be financed with the proceeds of the Bonds;

(d) the waiver of the payment, performance or observance by the County of any of its obligations, covenants or agreements contained in the Indenture;

(e) the extension of the time for payment of the principal of or premium, if any, or interest on any Bond or any part thereof owing or payable on such Bond or under this Agreement or of the time for performance of any of the other obligations, covenants or agreements under or arising out of the Indenture or this Agreement;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture;

(g) the taking of, or the omission to take, any of the actions referred to in the Indenture and this Agreement;

(h) any failure, omission or delay on the part of the County or the Trustee in enforcing, asserting or exercising any right, power or remedy conferred on the County or the Trustee in this Agreement or the Indenture, or in enforcing, asserting or exercising any other act or acts on the part of the County, the Trustee or any of the holders at any time or from time to time of the Bonds or the interest coupons appertaining thereto;

(i) to the extent permitted by law, 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 with creditors or readjustment of, or other similar proceeding affecting the Company, or Davol, Inc. or the County or any of the assets of any of them, or any allegation or contest of the validity of this Agreement in any such proceeding;

(j) to the extent permitted by law, the release or discharge by operation of law of the Company from the performance or observance of any obligation, covenant or agreement contained in this Agreement; or

(k) the default or failure of the Company fully to perform any of its obligations, covenants or agreements set forth in this Agreement.

SECTION 2.3. No setoff, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature, which the Company or Davol, Inc. has or may have against the County or the Trustee shall be available hereunder to the Company against the Trustee.

SECTION 2.4. In the event of a default in the payment of the principal of or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration or call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may, and if requested so to do by the holders of 25% in aggregate principal amount of Bonds then outstanding, and upon indemnification as hereinafter provided, the Trustee shall be obligated to, proceed hereunder, and the Trustee, in its sole discretion, shall have the right to proceed first and directly against the Company under this Agreement without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by the County or the Trustee.

Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished by the holders of the Bonds requesting such action 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.

The Company agrees to pay all costs, expenses and fees, including, to the extent permitted by law, all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Agreement following any default on the part of the Company hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 2.5. The Company hereby expressly waives notice in writing or otherwise, from the Trustee or the holders, at any time or from time to time, of any of the Bonds or the interest coupons appertaining thereto of their acceptance and reliance on this Agreement.

SECTION 2.6. This Agreement is entered into by the Company for the benefit of the holders of the Bonds and coupons and the Trustee and any successor trustee or successor trustees and their respective successors and assigns under the

Indenture. All references herein to "Trustee" apply to any such successor trustee.

SECTION 2.7. The terms of this Agreement may be enforced as to any one or more breaches either separately or cumulatively.

ARTICLE III

NOTICE AND SERVICE OF PROCESS, PLEADINGS AND OTHER PAPERS

SECTION 3.1. The Company represents and warrants that it is a corporation qualified to do business and subject to service or process in the State of South Carolina and covenants and agrees that it will remain so qualified so long as any of the Bonds are outstanding. If for any reason the Company should not be so qualified, the Company hereby designates and appoints, without power of revocation except in conjunction with a substitute appointment, the Secretary of State of the State of South Carolina as the agent of the Company upon whom may be served all notices, process, pleadings or other papers which may be served upon the Company as a result of any of its obligations, covenants or agreements contained in this Agreement.

SECTION 3.2. Any notice, process, pleading or other paper served upon any of the foregoing agents shall, at the same time be sent by registered mail to International Paper Company, 220 East 42nd Street, New York, New York 10017, Attention: Treasurer, or such other address as may be furnished by the Company to the Trustee in writing.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1. No amendment, change, modification, alteration or termination of the Indenture or any Bond shall be made which would in any way increase the Company's obligations under this Agreement without obtaining the prior written consent of the Company.

SECTION 4.2. The obligations of the Company hereunder shall arise absolutely and unconditionally when the Bonds shall have been issued, sold and delivered by the County.

SECTION 4.3. No remedy herein conferred upon or reserved to the Trustee hereunder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall, to the extent permitted by law, be cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. To the fullest extent permitted by law, no delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, and any such right or power may be exercised from time to time and as often as may be deemed expedient. In the event any provision contained in this Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing, but solely (subject to Section 4.6 hereof) by an instrument in writing duly executed by the parties hereto.

SECTION 4.4. This Agreement constitutes the entire agreement and understanding and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 4.5. If any clause, provision or section of this Agreement be held illegal, invalid or unenforceable, the unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, provision or section had not been contained herein. In case any obligation, covenant or agreement contained in this Agreement be held to be in violation of law, then such obligation, covenant or agreement of the Company to the full extent permitted by law.

SECTION 4.6. The Trustee may not enter into any amendment hereto or agree to any termination hereof which adversely affects the holder of any Bond without the written approval or consent of such holder.

SECTION 4.7. This Agreement shall be deemed to be a contract made under the laws of the State of South Carolina and for all purposes shall be governed by and construed in accordance with the laws of said State.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in its name and its corporate seal to be affixed hereto and attested by its duly authorized officers as of the date first above written.

INTERNATIONAL PAPER COMPANY

By _____
Treasurer

[Corporate Seal]

Attest:

Accepted as of this 1st day
of February 1978 by
THE BANK OF NEW YORK

Trustee

By _____

[Corporate Seal]

Attest:

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called "the Agreement") made and entered into as of February 1, 1978 by and between BERKELEY COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision duly created and validly existing pursuant to the Constitution and laws of the State of South Carolina, as lessor (the "County"), and DAVOL, INC., a corporation organized under the laws of the State of Delaware, as lessee (the "Lessee"), a wholly-owned subsidiary of International Paper Company, a corporation organized under the laws of the State of New York, whose principal office is at 220 East 42nd Street, New York, New York 10017 (the "Company").

W I T N E S S E T H :

WHEREAS, the County is a body politic and corporate and a political subdivision of the State of South Carolina, and, subject to obtaining the requisite approval of the State Budget and Control Board of South Carolina, is authorized and empowered by the provisions of The Industrial Revenue Bond Act, Act No. 103 enacted at the 1967 Session of the General Assembly, as amended, codified as § 4-29-10 et seq. of the 1976 Code of Laws of South Carolina (the "Act"): (i) to acquire and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more projects (within the meaning of the Act)

which shall be located within the County; (ii) to lease to others any or all of its projects for such rentals and upon such terms and conditions as the governing body of the County may deem advisable and as shall not conflict with the provisions of the Act; and (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project, and to secure the payment of such bonds; and

WHEREAS, pursuant to that certain Assistance Agreement between the County and the Lessee, dated as of March 4, 1977, the Lessee has acquired, enlarged, improved, and expanded, within the County, certain land and facilities, including improvements and equipment, for the manufacture of health care products; and

WHEREAS, the Lessee has advised the County that it proposes to avail itself of the assistance which the County might render through the sale of $1,000,000 principal amount of the County's Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) (the "Bonds") pursuant to the Act to defray the cost of the acquisition, construction and/or reconstruction of the aforementioned facilities; and

WHEREAS, the County has received all authorizations, approvals and consents required to be obtained prior to the

issuance of the Bonds and the governing body of the County has found that: (1) the Project (hereinafter defined) will subserve the purposes of the Act; (2) neither the Project (hereinafter defined) nor the Bonds will give rise to any pecuniary liability of the County or a charge against its general credit or taxing power; (3) the amount of bonds required to finance the Project (hereinafter defined) is $1 million; (4) the amount necessary in each year to pay the principal of and interest on the Bonds is accurately set out in Exhibit A to this Agreement; (5) it is not necessary to establish any reserve fund for the retirement of the Bonds or for the maintenance of the Project (hereinafter defined) and (6) the Lessee by the terms hereof has agreed to maintain the Project (hereinafter defined) and to carry all proper insurance with respect thereto; and

WHEREAS, the Bonds are to be issued under and secured by a Trust Indenture, dated as of February 1, 1978, between the County and the Trustee designated therein; and

WHEREAS, the Lessee desires to sell said facilities to the County and to lease said facilities from the County upon the terms and conditions set forth in this Lease Agreement; and

WHEREAS, the Lessee has received all authorizations, approvals and consents required to be obtained prior to its entry into this Agreement; and the Company has agreed to guarantee, and has guaranteed, pursuant to the Guaranty (hereinafter

defined), the full and prompt payment, when due, of the principal of, premium, if any, and interest on the Bonds;

NOW, THEREFORE:

In consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The terms defined in this Article shall, for all purposes of this Agreement, have the meanings specified in this Article, unless the context clearly otherwise requires:

"Act" shall mean The Industrial Revenue Bond Act, Act No. 103 enacted at the 1967 Session of the General Assembly, as amended, codified as § 4-29-10 et seq. of the 1976 Code of Laws of South Carolina, and all future acts supplemental thereto or amendatory thereof.

"Administrative Expenses" shall mean the reasonable expenses incurred by the County pursuant to this Agreement and the Indenture and the reasonable compensation of and expenses incurred by the Trustee and any paying agent under the Indenture (excluding any such amounts as are included in "Cost").

"Agreement" or "this Agreement" shall mean this Lease Agreement, as originally executed and as it may hereafter be amended and supplemented in accordance with the provisions hereof.

"Bond" or "Bonds" shall mean the County's Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project), dated February 1, 1978 in the amount of $1,000,000.

"Bond Fund" shall mean the fund created under Section 5.02 of the Indenture.

"Bondholder" or "holder of the Bonds" or "holder" shall mean the bearer of any Bond not registered as to principal or registered as to bearer and the registered owner of any Bond registered as to principal (unless registered to bearer). As to coupons, such terms mean the bearer of such coupons.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Company" or "Guarantor" shall mean International Paper Company, a New York corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation, sale or other transfer permitted under Section 6.02 hereof.

"Completion Date" shall mean the date on which the construction of the Project has been completed to the satisfaction of the Lessee as such date is designated in Section 4.04 hereof.

"Cost" or "Cost of the Project" with respect to the Project shall be deemed to include all items which may be charged to or which upon completion will be chargeable to

completion will be chargeable to capital accounts for federal income tax purposes (regardless of how such items are charged or will be charged in the financial accounts of the Lessee or the Company), including but not limited to:

(i) costs and obligations of the Lessee and the Company incurred for labor and materials in connection with the acquisition, construction, installation and equipping of the Project;

(ii) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Project;

(iii) all costs of engineering services, including the costs of the Lessee and the Company, for test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for supervising, purchasing, construction and installing, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project, taxes and general overhead expenses of the Lessee and the Company properly assignable to acquisition, construction, installation and equipping the Project;

(iv) all expenses incurred in connection with the issuance of the Bonds, including without limitation compensation and expenses of the Trustee,

underwriting and legal expenses and fees, costs of printing, publication and engraving and recording and filing fees;

(v) all costs which the Lessee or the Company shall be required to pay, under the terms of any contract or contracts, for the acquisition, construction, installation or equipping of the Project;

(vi) any sums required to reimburse the Lessee or the Company for advances made or obligations incurred by either of them for any of the above items or for any other costs incurred and for work done by it which are properly chargeable to the Project; and

(vii) to the extent permissible by the Act, all other costs related to the Project.

"County" shall mean Berkeley County, South Carolina.

"County Representative" shall mean any person at the time designated by the County to act on behalf of the County, as evidenced by a written certificate on behalf of the County and delivered to the Lessee and the Trustee, containing the specimen signature of such person.

"Event of Default" shall have the meaning given in Article VIII hereof.

"Governmental Obligations," to the extent that investment by the Trustee is legally permissible in such obligations, shall mean: (i) direct general obligations of, or obligations the payment of the principal and

interest of which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures or notes issued by the Bank for Cooperatives, the Federal Land Banks, or the Federal National Mortgage Association; or (iii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

"Guaranty" shall mean that certain Guaranty Agreement by and between the Company and the Trustee, dated as of February 1, 1978, by which the Company guarantees to the Trustee the full and prompt payment, when due, of the principal of, premium, if any, and interest on the Bonds.

"Indenture" shall mean the Trust Indenture dated as of February 1, 1978 between the County and the Trustee, relating to the Bonds, as originally executed and as it may thereafter be amended and supplemented in accordance with the provisions thereof.

"Lessee" shall mean Davol, Inc., a Delaware corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation, sale or other transfer permitted under Section 6.02 hereof.

"Lessee Deed" shall mean a bill of sale or bills of sale of the Lessee, substantially in the form set forth as Exhibit B hereto, conveying to the County title to the Project, or to any portion of the Project.

"Lessee Representative" shall mean the person at the time designated to act on 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 the President or any Vice President or the Treasurer of the Lessee. Such certificate may designate an alternate or alternates. The Lessee Representative may be an employee of the Lessee.

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, satisfactory to the Trustee.

"Outstanding" shall have the meaning assigned thereto in the Indenture.

"Permitted Encumbrances" means, as of any particular time, (i) liens for taxes not then delinquent, (ii) this Agreement and the Indenture, (iii) utility, access and other easements and rights of way, restrictions and exceptions that the Lessee Representative certifies will not interfere with the operation of or impair the value of the Project, (iv) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof, and (v) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to property similar in character to the Project and as do not, in the Opinion of Counsel, materially impair the property affected thereby for the

purpose for which it was acquired or is held by the Lessee or the County.

"Plans and Specifications" shall mean the plans and specifications for the Project certified by the Lessee Representative and on file at the research facility of the Lessee located in Berkeley County, South Carolina, and as the same may be implemented, detailed and revised prior to the Completion Date in accordance with Section 4.03 hereof.

"Project" shall mean the facilities designated in Exhibit C hereto, as the same may at any time and from time to time exist, including any modifications, substitutions and additions and excluding deletions, all as provided by the Plans and Specifications.

"Project Acquisition Fund" shall mean the fund created under Section 5.06 of the Indenture.

"Trustee" shall mean the Trustee designated in the Indenture, until a successor shall have qualified under the Indenture, and, thereafter, "Trustee" shall mean such successor.

ARTICLE II

REPRESENTATIONS

SECTION 2.01. The County. The County makes the following representations and covenants as the basis for the undertakings on the part of the Lessee contained in this Agreement:

(a) The County is a body politic and corporate and a political subdivision duly created and validly

existing pursuant to the Constitution and laws of the State of South Carolina, and has the power to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. The Project will constitute a "project", as such quoted term is defined in the Act. By proper action the County has been duly authorized to execute and deliver this Agreement.

(b) The County will cause the Project to be acquired, constructed, installed and equipped and will lease the Project to the Lessee pursuant to this Agreement, all for the purpose of promoting the industry, health, welfare, convenience and prosperity of the inhabitants of the County and the State of South Carolina and improving their standard of living.

(c) To finance the Cost of the Project, the County will issue $1,000,000 aggregate principal amount of the Bonds which will mature, bear interest, be redeemable and have the other terms and provisions as set forth in the Indenture.

(d) The execution and delivery of this Agreement on its part have been duly authorized.

SECTION 2.02. The Lessee. The Lessee makes the following representations and covenants as the basis for the undertakings on its part herein contained:

(a) The Lessee is a business corporation duly incorporated under the laws of the State of Delaware, is in good standing under its certificate of incorporation and the laws of Delaware, is duly authorized to do business in the State of South Carolina, 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 provisions of this Agreement, will 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 a party or by which it is bound, or will constitute a default under any of the foregoing.

(c) So long as any of the Bonds shall be outstanding, the Lessee will not willfully take any action, or willfully fail to take any action, which would (i) cause the Project not to constitute a "project", as such quoted term is defined in the Act, or (ii) adversely affect the tax-exempt status of the interest payable on the Bonds.

(d) The Project constitutes a "project" as defined in the Act, and the estimated Cost of the Project is approximately $1,000,000 or more.

(e) Construction of the Project did not commence prior to March 4, 1977.

(f) Substantially all the proceeds of the Bonds (as determined in accordance with the provisions of Section 103(b)(6) of the Code) shall be used to provide land or property subject to the allowance for depreciation provided in Section 167 of the Code.

(g) No state, territory or possession of the United States, nor any political subdivision of any such state, territory or possession, nor the District of Columbia, has, since April 30, 1968, issued any obligations described in Section 103(b)(6) of the Code (relating to "exempt small issues" of industrial development bonds) that are presently outstanding, the proceeds of which are to be used or were used primarily with respect to facilities (1) that are or will be located within Berkeley County, South Carolina, and (2) the principal user of which facilities was, is, or will be the Company or a related person (as the term "related person" is defined in Section 103(b)(6)(C) of the Code.

(h) The Company is a business corporation duly incorporated under the laws of the State of New York, is in good standing under its certificate of incorporation and the laws of New York, is duly authorized to do business in the State of South Carolina, has power to enter into the Guaranty and by proper corporate action has been duly authorized to execute and deliver the Guaranty.

(i) Neither the execution and delivery of the Guaranty, the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the provisions of this Agreement by the Lessee or the Guaranty by the Company will 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 Company is a party or by which it is bound, or will constitute a default under any of the foregoing.

(j) Simultaneously with the delivery of these presents, the Company has duly executed the Guaranty and has caused the Guaranty to be delivered to the Trustee.

ARTICLE III

AGREEMENTS WITH RESPECT TO THE CONSTRUCTION, EQUIPPING AND INSTALLATION OF THE PROJECT, THE PURCHASE OF THE PROJECT BY THE COUNTY AND THE LEASING THEREOF TO THE LESSEE

SECTION 3.01. Construction, Equipping and Installation of the Project; Leasing of Project to the Lessee and Payment of Rental therefor by the Lessee.

(a) The Lessee agrees to convey simultaneously with the execution of this Agreement, all of its right, title and interest in and to the Project, as it shall then exist, subject to Permitted Encumbrances including this Agreement. The County agrees to accept the aforesaid conveyance, to reimburse the Lessee for Costs of the Project heretofore and hereafter incurred by the Lessee or the Company to the extent there are proceeds of the Bonds available therefor, and to cause the acquisition, construction, installation and equipping of the Project in accordance with the terms of this Agreement. The Lessee agrees that, on behalf of and as agent for the County, it will acquire, construct, install and equip the Project or cause the Project to be acquired, constructed, installed and equipped in accordance with the Plans and Specifications.

(b) The Lessee may, after the execution and delivery of these presents, cause such changes to

be made to the Project and descriptions thereof set out in Exhibit B as it may desire and as will not result in any material change in the basic design of the Project or in changing its character as a "Project" within the meaning of the Act. The Lessee may also, after the execution and delivery of these presents, cause changes to be made in the Plans and Specifications as it may desire and as will result in material change in the basic design of the Project, but no such change shall be made unless and until there shall have been furnished to the County and the Trustee a certificate of the Lessee Representative to the effect that such change is for the purpose of accommodating technological changes or is otherwise desirable and that such change will not cause the Project to cease to constitute a "Project" within the meaning of the Act.

(c) Upon delivery to the site of the Project, title to all materials, equipment, machinery and other items of property intended to be incorporated or installed in the Project shall vest in the County to the extent that such title has not theretofore vested in the County by reason of one or more deeds or bills of sale. The Lessee shall execute, deliver and record or file all instruments necessary or appropriate to so vest title in the County and

shall take all action necessary or appropriate to protect such title against claims of any third persons.

(d) The County shall enter into, and accept the assignment of, such contracts as the Lessee may request, if any, in order to effectuate the purposes of this Section 3.01.

(e) The County hereby appoints the Lessee its true and lawful agent, and the Lessee hereby accepts such agency, (i) to acquire, construct, install and equip the Project, (ii) to make, execute, acknowledge and deliver any contracts, orders, receipts, writings and instructions with any other persons, and in general to do all things which may be requisite or proper, all for acquiring, constructing, installing and equipping the Project from funds made available therefor in accordance with this Agreement and (iii) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever which may be due, owing and payable to the County under the terms of any contract, order, receipt, or writing in connection with the acquisition, construction, installation and equipping of the Project, and to enforce the provisions of any contract, agreement, obligation, bond or other performance security. So long as the Lessee is not in

default hereunder, its appointment as agent shall be irrevocable.

(f) The Lessee will use all reasonable efforts to cause the Project to be installed by February 1, 1981 or as soon thereafter as may be practicable.

(g) The Lessee will lease the Project from the County, as provided in Article IV hereof, for the rental specified in the immediately succeeding paragraph (h) of this Section 3.01.

(h) The Lessee shall pay directly to the Trustee, as and for rental for the Project, for the account of the County, at the times and places and otherwise as provided in the Indenture, all such sums, whether of principal of, or premium or interest on, the Bonds, whether at or prior to maturity or by operation of sinking fund requirements or otherwise, which the County shall be obligated to pay to the Trustee pursuant to the Indenture; provided, however, that any moneys in the Bond Fund from time to time which are available therefor pursuant to the Indenture shall first be used to make such payments and shall be credited against the Lessee's obligation hereunder to make such rental payments to the Trustee for the account of the County. If the Lessee should fail to make any such rental payment, the

payment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, with interest thereon (to the extent permitted by law) until paid at the same rate as the interest on the Bonds plus 1%.

ARTICLE IV
ISSUANCE OF BONDS; LEASING OF THE PROJECT TO THE COMPANY; LEASE TERM

SECTION 4.01. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for the payment of the Cost of the Project, the County will issue and sell the Bonds as and when requested by the Lessee, provided that the issuance date requested by the Lessee for the Bonds shall be not later than December 31, 1978, and shall deposit the proceeds thereof with the Trustee as follows:

(a) In the Bond Fund a sum equal to the accrued interest, if any, paid by the original purchasers of the Bonds; and

(b) In the Project Acquisition Fund the balance of such proceeds.

SECTION 4.02. Disbursements from the Project Acquisition Fund. In the Indenture, the County has authorized and directed the Trustee to make payments from the Project Acquisition Fund to pay the Cost of the Project or to reimburse the Lessee for any portion of the Cost of the Project paid or incurred by

the Lessee or the Company before or after execution of this Agreement and delivery of the Bonds. Such payments shall be made by the Trustee upon receipt of a requisition signed by the Lessee Representative stating with respect to each payment to be made: (i) the requisition number, if any, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation or portion thereof which is to be paid has been properly incurred, is a proper charge against the Project Acquisition Fund, is unpaid, and has not been the basis of any previous withdrawal.

The County and the Lessee agree to cause such requisitions to be directed by the County and the Lessee to the Trustee as may be necessary to effect payments out of the Project Acquisition Fund in accordance with this Section. In the event the moneys in the Project Acquisition Fund available for payment of the Cost of the Project should not be sufficient to pay the Cost of the Project in full, the Lessee agrees to complete the Project and to pay that portion of the Cost of the Project in excess of the moneys available therefor in the Project Acquisition Fund. The Lessee agrees that if after exhaustion of the moneys in the Project Acquisition Fund, the Lessee should pay any portion of the Cost 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 Bonds, nor shall it be entitled to

any diminution of the amounts payable under Section 3.01, 5.01 or 7.02 hereof.

SECTION 4.03. Demise of the Project; Quiet Possession. The County hereby demises, lets and leases to the Lessee, and the Lessee hereby takes, hires and leases from the County, the Project for the rental specified in Section 3.01(h) hereof and in accordance with the provisions of this Agreement. The County agrees to deliver to the Lessee sole and exclusive possession of the Project (subject to the right of the County and the Trustee to enter thereon for inspection purposes and to the other provisions hereof) on the date of delivery of this Agreement and the Lessee agrees to accept possession of the Project upon such delivery. The County covenants and represents that so long as the Lessee has paid the rent and all other sums payable by it hereunder, and has duly observed all the covenants and agreements herein contained on its part to be performed, the Lessee shall have, hold and enjoy, during the term of this Agreement, peaceful, quiet and undisturbed possession of the Project subject to the terms and provisions hereof, and the County shall from time to time take all necessary action to that end.

SECTION 4.04. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Company Representative stating that, except

for amounts retained by the Trustee at the Lessee's direction for any Cost of the Project not then due and payable, (i) the acquisition, construction, installation and equipping of the Project have been completed substantially in accordance with the Plans and Specifications 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 acquired, constructed and installed substantially in accordance with the Plans and Specifications and all costs and expenses incurred in connection therewith 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. The County and the Lessee agree to cooperate in causing such certificate to be furnished to the Trustee. As soon as practicable and in any event within sixty days from the receipt of such certificate, the Trustee shall transfer all amounts then in the Project Acquisition Fund, including any unliquidated investments made with moneys theretofore deposited in the Project Acquisition Fund, to the Bond Fund, except for amounts retained as aforesaid by the Trustee for any Cost of the Project, or for amounts retained because the Lessee shall have directed the Trustee to use such moneys to purchase Bonds for the purpose of cancellation.

SECTION 4.05. Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created in this Agreement shall then begin, and, subject to the provisions of this Agreement, shall expire midnight February 1, 2008, or if all of the Bonds have not then been fully paid and retired (or provisions for such payment made as provided in the Indenture), on such date as such payment or provision shall have been made.

SECTION 4.06. Special Arbitrage Covenants. The Lessee covenants and represents that:

(a) all of the principal proceeds of the Bonds are needed for the purpose of paying the Cost of the Project, including expenses incidental to the Project and to the issuance of the Bonds;

(b) at least 85% of the spendable proceeds (as defined in Section 1.103-14(b)(2)(iii) of the Federal income tax regulations) of the Bonds, including investment proceeds, will be expended for the Project on or before February 1, 1981, said date being within three years following the date of issue of the Bonds;

(c) the Lessee has incurred, or within six months hereafter will incur, substantial binding obligations equal to at least 2.5% of the total Cost of the Project;

(d) work on the Project has commenced and is expected to proceed with due diligence to completion;

(e) the Project has not been and is not expected to be sold or otherwise disposed of in whole or in part prior to the maturity of the last principal installment of the Bonds (other than as provided herein or in the Indenture);

(f) accrued interest received upon the sale of the Bonds will be applied to the first interest due thereon; and

(g) on the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds under Section 103(c) of the Code and regulations promulgated under that Section and, to the best knowledge and belief of the Lessee, there are no facts or circumstances that would materially change the foregoing conclusion.

The Lessee further covenants and represents to and for the benefit of the purchasers of the Bonds that no use will be made of the proceeds from the issue and sale of the Bonds which, if such use had been on the basis of the facts, estimates and circumstances now known and reasonably expected to be in existence on the date or dates of issue of the Bonds, would cause the Bonds to be classified as of the date or dates of

their issue as arbitrage bonds within the meaning of Section 103(c)(2) of the Code.

ARTICLE V
PROVISIONS CONCERNING PAYMENT; POSSESSION AND USE OF PROJECT

SECTION 5.01. Administrative Expenses. The Lessee will pay all Administrative Expenses. In the event the Lessee should fail to make any such payment, the payment 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 until paid at the same rate as the interest on the Bonds, plus 1%.

SECTION 5.02. Payments Assigned. Pursuant to the Indenture, the County shall irrevocably assign to the Trustee all its right, title and interest in and to all its rights under this Agreement, including without limitation all right, title and interest of the County in and to the rental payments to be made by the Lessee pursuant to Section 3.01(h) hereof (but excepting from such assignment the County's rights to receive money pursuant to Sections 5.01 and 7.02 hereof). The Lessee assents to such assignment. The County hereby directs the Lessee, and the Lessee hereby agrees, to pay to the Trustee at its principal corporate trust office all amounts payable pursuant to Section 3.01 hereof by the Lessee to or for the account of the County pursuant to this Agreement.

SECTION 5.03. No Liens on Payments. The Lessee will not create or suffer to be created any lien, charge or other encumbrance whatsoever upon the payments to be made by it under this Agreement.

SECTION 5.04. Payments Absolute and Unconditional. The Lessee's obligation to make rental and other payments under this Agreement shall be absolute and unconditional, and such payments shall continue to be made at the times and in the amounts specified in this Agreement or by reference in this Agreement to the Indenture, whether or not the Project shall be completed or shall have been condemned or taken by eminent domain or destroyed, wholly or partially, by fire or other casualty, whether or not the sale of the Project to the Lessee hereunder is effected, and regardless of any other circumstances whatsoever. The Lessee hereby agrees that its obligation to make rental and other payments hereunder shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the County of any obligation to the Lessee, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Lessee by the County.

ARTICLE VI

SPECIAL COVENANTS

SECTION 6.01. No Warranty of Project. The County makes no warranty, either express or implied, as to the actual or designed capacity of the Project, as to the suitability of the Project for the purposes specified in this Agreement, as to the condition of the Project, or that the Project will be suitable for the Lessee's purposes or needs.

SECTION 6.02. Corporate Existence. The Lessee shall maintain its corporate existence, and shall not consolidate with or merge into any other corporation or convey or transfer all or substantially all of its properties and assets to any person, unless:

(a) either the Lessee shall be the continuing corporation, or the corporation (if other than the Lessee) formed by such consolidation or into which the Lessee is merged or the person which acquires by conveyance or transfer all or substantially all of the properties and assets of the Lessee shall be a corporation organized and existing under the laws of the United States of America or any State thereof or the District of Columbia and qualified to do business in the State of South Carolina and shall expressly and unconditionally assume, by an agreement supplemental hereto, executed and delivered to the County

and the Trustee, every payment obligation of the Lessee herein and the performance of every covenant of this Agreement on the part of the Lessee to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(c) the Lessee shall have delivered to the Trustee a certificate of a duly authorized officer of the Lessee and an Opinion of Counsel for the Company, each stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation or merger or any conveyance or transfer of all or substantially all of the properties and assets of the Lessee in accordance with this Section, the successor corporation formed by such consolidation or into which the Lessee is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Lessee under this Agreement with the same effect as if such successor corporation had been named as

the Lessee herein, and thereafter the predecessor corporation shall be relieved of all obligations and covenants under this Agreement.

If a consolidation, merger or conveyance or transfer is made as permitted by this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or conveyance or transfer shall be made except in compliance with the provisions of this Section.

SECTION 6.03. Further Licenses, etc. In the event it may be necessary or appropriate for the proper performance of this Agreement, or for the protection of any rights hereunder, on the part of the County or the Lessee that any application or applications for any permit, license, authorization or consent be made to any governmental or other agency by the Lessee or the County, the Lessee and the County each shall execute upon the request of the other such application or applications.

SECTION 6.04. Confidentiality. The County and its agents and employees shall maintain in strict confidence all confidential information, oral or written, obtained by them, including but not limited to secret processes of the Lessee, in connection with this Agreement.

SECTION 6.05. Further Assurances and Corrective Instruments. The County and the Lessee will execute and

deliver such amendments of or supplements to this Agreement and any such further instruments as may be necessary for the purposes of correcting any inadequate or incorrect description of the Project or carrying out the intention or facilitating the performance of this Agreement.

SECTION 6.06. County and Lessee Representatives. Whenever under the provisions of this Agreement the approval of the County or the Lessee is required, unless express provision is otherwise made therefor, or the County or the Lessee is required to take some action at the request of the other, such approval or such request shall be given for the County by a County Representative and for the Lessee by a Lessee Representative and the other party hereto and the Trustee shall be authorized to act on any such approval or request.

SECTION 6.07. Maintenance of Project by Lessee. The Lessee agrees that at all times during the term of this Agreement it will, at its own expense, maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, provided, however, that the Lessee shall not be under any obligation to renew, repair or replace any inadequate, obsolete,

worn-out, unsuitable, undesirable or unnecessary portion of the Project. In any instance where the Lessee determines that all or any portion of the Project has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Lessee may purchase such item or items comprising the Project for a nominal amount and remove such item or items from the site where the Project is then located, and sell, trade-in, exchange or otherwise dispose of the Project or such removed portion without (except to the extent provided in this Section) any responsibility or accountability to the County, Trustee or the Bondholders for the proceeds therefrom.

The removal from the Project of any portion thereof pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rentals and other sums payable hereunder.

The Lessee will promptly report to the Trustee each such removal, sale or other disposition; provided, that no such report need be made until the amount received by the Lessee on account of all such sales, trade-ins or other dispositions not previously reported aggregates at least $100,000. The Lessee will not remove, or permit the removal of, any portions of the Project except in accordance with the provisions of this Section.

SECTION 6.08. Insurance Required. So long as title to the Project is held by the County, the Lessee agrees to insure the Project in such amounts and in such manner (including

self insurance) as its similar properties are usually insured against loss or damage of the kinds usually insured against by it, and to carry liability insurance with respect to the Project in such amounts and in such manner (including self insurance) as are carried by it with respect to similar properties.

The proceeds of any fire or casualty insurance carried on the Project shall belong solely to the Lessee and the Lessee shall have no obligation to pay any part thereof to the County or the Trustee. In addition, the Lessee shall have no obligation to apply the proceeds of any insurance to the repair or reconstruction of the Project.

The County shall cooperate fully with the Lessee in the handling and conduct of an insurance claim with respect to the Project to the extent it may lawfully do so, and shall permit the Lessee to litigate in any such proceeding in the name and behalf of the County if, in the Opinion of Counsel, it should become necessary to do so in order to prosecute such claim.

SECTION 6.09. Taxes and Other Governmental Charges and Utility Charges. The Lessee agrees to pay, as the same respectively 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 the site of the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon or with

respect to the original issuance of the Bonds (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the income or profits of the County from 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 a 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 term of this Agreement.

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 County or the Trustee shall notify the Lessee that by nonpayment of any such items 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 or secured by posting a bond, in form satisfactory to the County, with the Trustee. 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 rate of twelve percent per annum from the date thereof, the Lessee agrees to pay.

Notwithstanding any other provision of this Agreement, Lessee agrees to pay to the County, and any school district or school districts or any other political unit wherein the Project shall be located (if within the State of South Carolina), an amount in lieu of taxes, in such amounts and at such times as would result from taxes levied on the Project, if any, by the County, such school district or school districts, and any other political unit or units, in the same manner as if title to the Project were in the Lessee, provided, however, that Lessee shall be entitled to such reductions or abatements in the amount payable in lieu of taxes hereunder as it would be entitled to if title to the Project were in the Lessee.

SECTION 6.10. Condemnation. If title to, or temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain, the Lessee shall be obligated to continue to make payments required of it

by this Agreement. The County will cause any net proceeds received by it from any award made in any such eminent domain proceedings to be paid to the Lessee and such proceeds shall become the sole property of the Lessee.

SECTION 6.11. Inspection of the Project. The Lessee agrees that the County, the Trustee and their or either of their duly authorized agents shall have the right at all reasonable times to enter upon the site where the Project is located, and examine and inspect the Project.

SECTION 6.12. 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 (i) 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 or at the site of the Project, or (ii) release existing easements, licenses, rights of way and other rights or privileges, all with or without consideration and upon such terms and conditions as the Lessee shall determine, and the County agrees that it will 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 by the County and the Trustee of: (i) a copy of the instrument of grant

or release, (ii) a written application signed by the Lessee Representative requesting such instrument and (iii) a certificate executed by the Lessee Representative stating that such grant or release will not impair the effective use or interfere with the efficient and economical operation of the Project. If the instrument of grant shall so provide, any such easement or right and the rights of such other parties thereunder shall be superior to the rights of the County under this Agreement and shall not be affected by any termination of this Agreement or default on the part of the Lessee hereunder. Any payments or other consideration received by the Lessee for any such grant shall be and remain the property of the Lessee.

ARTICLE VII
ASSIGNMENT; INDEMNIFICATION; REDEMPTION

SECTION 7.01. Assignment. This Agreement may be assigned by the Lessee without the consent of the County or the Trustee, subject, however, to the following conditions:

(a) No assignment (other than pursuant to Section 6.02 hereof) shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment (other than pursuant to Section 6.02 hereof) the Lessee shall continue to remain primarily liable for payment of the amounts specified in this Agreement and for performance and observance of the other agreements to be

performed and observed by it hereunder to the same extent as though no assignment had been made; and

(b) The Lessee shall, within thirty days after the delivery of each such assignment, furnish or cause to be furnished to the County and the Trustee a true and complete copy thereof.

SECTION 7.02. Release and Indemnification Covenants. The Lessee releases the County and each officer or employee of the County from, and covenants and agrees that neither the County nor any officer or employee of the County shall be liable for, and agrees to indemnify and hold the County and each officer or employee of the County harmless against, claims against the County or any such officer or employee of the County for any loss or damage to property or any injury to or death of any person caused by or resulting from any defect in the Project other than such as are caused by the negligence of the County or any of its officers or employees. In case any action shall be brought against the County or any of its officers or employees in respect of which indemnity may be sought against the Lessee, the County shall promptly notify the Lessee in writing and the Lessee shall assume the defense thereof, including the employment of counsel and the payment of all expenses. The County or any of its officers or employees who are defendants shall have the right, at its or their expense, to employ separate counsel in any such action and participate in the defense

thereof. The Lessee shall not be liable for any settlement of any such action without its consent, or for any judgment for the plaintiff in any such action if the County shall have failed to perform its obligations under this Section.

Furthermore, the Lessee agrees to reimburse the expenses incurred by the County in the performance of its obligations under this Agreement and the Indenture not otherwise provided for under the terms of such documents and not being performed on behalf of the County by the Trustee or the Lessee as the case may be.

SECTION 7.03. Assignment of Interest in this Agreement by the County. The County agrees that it shall make no assignment or pledge of any interest in this Agreement other than to the Trustee pursuant to the Indenture or any mortgage, assignment, conveyance or encumbrance of any interest in the Project other than the leasing of the Project to the Lessee as provided in this Agreement. The County and the Lessee agree that the Indenture does not and shall not constitute or create any lien, mortgage or pledge with respect to the Project and that the Trustee under the Indenture shall have no interest in the Project but only in the rents derived under this Agreement.

SECTION 7.04. Prepayment of Rent. The Lessee may, at its option, at any time and from time to time, prepay directly to the Trustee for the account of the County, such

amount of rent as shall be sufficient to enable the redemption and retirement of any or all of the Bonds, in accordance with their terms. The County agrees to take all action necessary under the Indenture to effect such redemption. Such right of prepayment shall be in addition to the options to purchase the Project granted the Lessee in Article IX hereof.

SECTION 7.05. Lessee Entitled to Conveyance of the Project if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund created under the Indenture shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding and to pay all fees and charges of the Trustee, the paying agents and the expenses of the County due or to become due through the date on which the last of the Bonds is to be retired, the Lessee shall be entitled to the conveyance of the Project pursuant to Section 9.05 hereof.

SECTION 7.06. Installation of Lessee's Own Machinery and Equipment. The Lessee may from time to time, in its sole discretion and at its own expense, install additional machinery and equipment on the site of the Project, and all machinery and equipment so installed by the Lessee shall remain the sole property of the Lessee in which the County shall not have any interest, and may be modified or removed at any time by the Lessee.

SECTION 7.07. Redemption of Bonds. Upon the written notice of the Lessee that moneys have been or are to be deposited in the Bond Fund in an amount sufficient under the Indenture to redeem Bonds subject to redemption, the County shall forthwith take all steps necessary under the applicable provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be specified by the Lessee in such notice, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Indenture.

SECTION 7.08. References 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 payment of all fees and charges of the Trustee, all references 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.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default Defined. Any one or more of the following shall be "Events of Default" under this Agreement:

(a) Failure by the Lessee to pay any amount required to be paid under Section 3.01(h) of this Agreement at the time specified in this Agreement or by reference in this Agreement to the Indenture; or

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the foregoing subsection (a), for a period of sixty (60) days after written notice, specifying such failure, requesting that it be remedied, and stating that it is a notice of default, has been given to the Lessee or the Company by the County or the Trustee, provided, however, that, if said default is 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 within the applicable period and diligently pursued until the default is corrected; or

(c) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Lessee or the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Lessee or the Company under the Federal Bankruptcy Act or any other applicable Federal or

State law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Lessee or the Company or of any substantial part of its or their property, or ordering the winding up or liquidation of its or their affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(d) The institution by the Lessee or the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by either of them to the institution of bankruptcy or insolvency proceedings against either of them, or the filing of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Act or any other applicable Federal or State law, or the consent by either of them to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of the Lessee or the Company or of any substantial part of its or their property, or the making by either of them of an assignment for the benefit of creditors, or the admission by either of them in writing of the inability to pay debts generally as they become due, or the taking of corporate action by the Lessee or the Company in furtherance of any such action.

The foregoing provisions of subsection (b) 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 obligations on its part contained in this Agreement other than its obligations to make payments as provided herein, the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used in this Agreement shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders, restraints of any kind, action or inaction of the government of the United States or of the State of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission lines, pipes or canals; material shortages; delays in transit; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee. The Lessee agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out this Agreement; provided, 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, and provided that the resolution of any disputes with governmental or regulatory authorities with respect to orders, conditions, restraints, regulations or other actions shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to accede to any such actions when such course is in the judgment of the Lessee unfavorable to it.

SECTION 8.02. Remedies on Default. Whenever an Event of Default shall have happened and be continuing, the County or the Trustee may exercise either or both of the following remedies:

(a) By written notice to the Lessee, declare to be immediately due and payable an amount equal to the then unpaid principal of the Outstanding Bonds, plus interest accrued on such Bonds to the date of such declaration, whereupon the same shall become immediately due and payable; and

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, and 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.

SECTION 8.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. To the extent permitted by law, 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. Any such waiver shall be in writing and signed by the party against whom it is to operate. In order to entitle the County or the Trustee to exercise any remedy hereunder, it shall not be necessary to give any notice other than as may be required in this Article.

SECTION 8.04. 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 counsel or incur other reasonable expenses for the collection of amounts payable under this Agreement or the enforcement of performance or observance of any obligation or agreement on the

part of the Lessee herein contained, the Lessee will on demand therefor pay to the County or the Trustee, as the case may be, the reasonable fees and disbursements of such counsel and such other reasonable expenses so incurred by the County or the Trustee.

SECTION 8.05. No Additional Waiver Implied by One Waiver. In the event any covenant 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 under this Agreement.

ARTICLE IX

OPTIONS IN FAVOR OF LESSEE

SECTION 9.01. Option to Purchase Project. The Lessee shall have, and is hereby granted, options to purchase the Project and to cancel or terminate this Agreement, as provided in subsections (a) through (f) of this Section 9.01, as follows:

(a) At any time the Lessee may prepay the entire rental due under Section 3.01(h), purchase the Project and terminate this Agreement (1) by paying moneys to the Trustee for deposit in the Bond Fund which, after crediting against the said rental the amount then on deposit in the Bond Fund, will be equal to an amount sufficient, or by delivering Government

Obligations, the principal of, or the principal of and the interest on which when due, after crediting against the said rental the amount then on deposit in the Bond Fund, will be equal to an amount sufficient, to pay the principal of all Bonds to be outstanding on a date selected for redemption (which date, under the Indenture, must be on or after February 1, 1988), interest to accrue on said Bonds to said date, and the redemption premium, if any, payable upon any such redemption date and (2) by paying or making provision for paying all fees and expenses of the Trustee and any paying agents accrued or to accrue to said date and (3) by making arrangements satisfactory to the Trustee for the giving at the appropriate time of the required notice of redemption calling all Bonds to be outstanding on said date of redemption.

(b) If the Project shall have been damaged or destroyed to such extent that, in the opinion of the Lessee's Board of Directors expressed in a resolution filed with the County and the Trustee, (i) such Project could not be reasonably restored within a period of four months to the condition thereof immediately preceding such damage or destruction, or (ii) the Lessee is thereby prevented or likely to be prevented from carrying on its normal operations at the Project

site for a period of four months, or (iii) the restoration of the Project is, in the opinion of the Lessee's Board of Directors, not economically feasible.

(c) If title to, or the temporary use of, all or substantially all of the Project shall have been taken under exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority (including such a taking or takings as results or, in the opinion of the Lessee's Board of Directors expressed in a resolution filed with the County and the Trustee, is likely to result in the Lessee being thereby prevented from carrying on its normal operations of the Project for a period of four months).

(d) If as a result of any changes in the Constitution of South Carolina or the Constitution of the United States of America or as a result 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 of performance in accordance with the intent and purposes of the parties, or been declared to be unlawful, or, in the opinion

of the Lessee's Board of Directors, unreasonable burdens or excessive liabilities shall have been imposed on the County or the Lessee including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Agreement.

(e) If changes in economic availability of raw materials, operating supplies or facilities necessary to operate the Project or technological or other changes make the continued operation of the Project uneconomical in the opinion of the Lessee's Board of Directors.

(f) In the event of legal curtailment of Lessee's use and occupancy of all or substantially all of the Project.

The purchase price payable by the Lessee in the event of its exercise of the right to purchase pursuant to subsections (b) to (f), inclusive, of this Section shall be the sum of the following:

(1) an amount of money to be paid into the Bond Fund which, when added to the amount then on deposit in the Bond Fund for payment of the Bonds, will be sufficient to pay, redeem or pay at maturity at the principal amount thereof all the then Outstanding Bonds on the date on which such Bonds may be redeemed or

paid at maturity, including without limitation, principal, all accrued interest and said interest to the payment or redemption date and redemption expenses, plus

(2) an amount of money equal to the Trustee's and any paying agent's fees and expenses under the Indenture, and the expenses of the County approved by the Lessee, accrued and to accrue until such final payment and redemption of the Bonds.

SECTION 9.02. Notice of Exercise of Option. To exercise an option granted in Section 9.01, the Lessee shall give written notice to the County and the Trustee which shall specify therein the date of closing of the purchase, which date shall be not less than 45 days nor more than 90 days from the date the notice is mailed and, in case of redemption of Bonds, the Lessee shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. In the case of an option arising under paragraphs (b) to (f) inclusive of Section 9.01 such notice shall be given within six months following the event authorizing the exercise of such right to purchase.

SECTION 9.03. Appointment of Lessee as Agent to Give Notice of Redemption of Bonds. The County hereby appoints the Lessee as agent to give all notices and make all requests to

the Trustee with respect to the application of funds paid by the Lessee as prepayments of the rent or payments of the purchase price, upon exercise of an option to purchase including notices of optional redemption of the Bonds in conformity with Article III of the Indenture.

SECTION 9.04. Relative Position of this Article and Indenture. The right and options granted to the Lessee in Section 9.01 hereof shall be and remain prior and superior to the Indenture and may be exercised or shall be fulfilled, as the case may be, whether or not the Lessee is in default hereunder.

SECTION 9.05. Option to Purchase after Payment of Bonds. The Lessee shall, upon the payment of all sums due to the County under this Agreement, at the expiration or sooner termination of the term of this Agreement following full payment of the Bonds or provisions for payment thereof having been made in accordance with the provisions of the Indenture, have the option to purchase the Project from the County for a purchase price of $100. To exercise such purchase option the Lessee shall notify the County in writing not less than thirty (30) days prior to the date on which it proposes to effect such purchase and, on the date of such purchase, shall pay the aforesaid purchase price to the County in bankable funds, whereupon the County will, by bill of sale or other appropriate instrument, transfer the Project (in its then condition, whatever that may be) to the Lessee. Nothing herein contained

shall be construed to give the Lessee any right to any rebate to or refund of any rental paid by it hereunder prior to the exercise by it of the purchase option hereinabove granted, even though such rental may have been wholly or partially prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Notices. All notices, certificates or other communications under this Agreement shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed as follows: If to the County: Berkeley County, South Carolina, County Memorial Office Building, Moncks Corner, South Carolina 29461; if to the Lessee: Davol, Inc., 100 Sockanossett Crossroads, Cranston, Rhode Island 02190; if to the Company: 220 East 42nd Street, New York, New York 10017, Attn: Treasurer; and if to the Trustee: to the address of the Trustee designated in or pursuant to Section 13.05 of the Indenture. A duplicate copy of each notice, certificate or other communication given hereunder by the County, the Lessee or the Company shall also be given to the Trustee. The County, the Lessee, the Company and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 10.02. Project to Constitute Personalty. The Lessee and the County agree that all parts of the Project shall constitute personal property notwithstanding the manner or place of installation of any part thereof and that the Lessee and the County may remove all or any part of the Project in accordance with the applicable provisions of this Agreement and the Indenture notwithstanding the fact that the Project or some parts thereof may be attached to, embedded in or on or constructed directly in or on other property that may constitute real property.

SECTION 10.03. This Agreement a Net Lease. The Lessee recognizes and understands that it is the intention hereof that this lease be a net lease and that until the Bonds are fully paid all rentals paid be available for payment of principal and interest on the Bonds. This Agreement shall be construed to effectuate such intent.

SECTION 10.04. Limited Liability of County. The County entering into this Lease Agreement pursuant to the authority conferred upon it in the Act. No provision hereof shall be construed to impose a charge against the general credit or taxing power of the County or any personal or pecuniary liability upon the County or its officers or directors except with respect to the proper application of the proceeds to be derived from the sale of the Bonds and the revenues and

receipts to be derived from the leasing of the Project or any part thereof pursuant to this Agreement.

SECTION 10.05. Concerning the Investment Tax Credit. The County will execute such documents as the Lessee may reasonably request in order to make available to the Lessee the investment tax credit provided for in the Code.

SECTION 10.06. 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 limitations contained in Sections 5.02, 6.02, 7.01 and 7.03 hereof. Neither party shall have any obligation under this Agreement unless and until the Bonds shall have been issued and delivered by the County for a price and upon terms and conditions approved in writing in advance by the Lessee.

SECTION 10.07. 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 10.08. Amounts Remaining in Bond Fund. The Lessee shall be entitled to any amounts remaining in the Bond Fund after full payment in respect of the Bonds and of the fees and expenses of the Trustee, all in accordance with the Indenture.

SECTION 10.09. Amendments, etc. Subsequent to the issuance of the Bonds and prior to full payment in respect of the Bonds (or provision for the payment thereof having been made in accordance with the Indenture), this Agreement may not be amended or altered except in the manner and to the extent provided in Article XII of the Indenture.

SECTION 10.10. Execution in 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 10.11. Governing Law. Except that matters relating to the authorization and execution hereof by the Lessee shall be governed by the laws of the State of New York, this Agreement shall be governed by, and interpreted in accordance with, the laws of the State of South Carolina.

SECTION 10.12. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Agreement.

IN WITNESS WHEREOF, BERKELEY COUNTY, SOUTH CAROLINA, has executed this Agreement by causing its name to be hereunto subscribed by the County Supervisor, its corporate seal to be impressed hereon, and attested by the County Treasurer of the

said County; and DAVOL, INC. has executed this Agreement by causing its corporate name to be hereunto subscribed by one of its Vice Presidents, its corporate seal to be impressed hereon, and attested by one of its Assistant Secretaries, all being done as of the day and year first above written.

BERKELEY COUNTY, SOUTH CAROLINA

By _____
County Supervisor

[SEAL]
ATTEST:

_____
County Treasurer

Signed, Sealed and delivered in the Presence of:

_____

_____

DAVOL, INC.

By _____
Vice President

[SEAL]
ATTEST:

_____
Assistant Secretary

Signed, Sealed and delivered in the Presence of:

_____

_____

ACKNOWLEDGMENT OF COUNTY

STATE OF SOUTH CAROLINA)
) SS.:
COUNTY OF BERKELEY)

PERSONALLY appeared before me ,
who being duly sworn says that he saw the corporate seal of Berkeley County, South Carolina, affixed to the foregoing Agreement, and that he also saw ,
as County Supervisor of Berkeley County, and ,
as County Treasurer of Berkeley County, sign and attest the same and that he with witnessed the execution and delivery thereof as the act and deed of the said Berkeley County, South Carolina.

_____

Sworn to before me this
day of , A.D. 1978

_____(L.S.)
Notary Public for the
State of South Carolina

My Commission Expires:

ACKNOWLEDGMENT OF DAVOL, INC.

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

PERSONALLY appeared before me ,
who being duly sworn says that he saw the corporate seal of Davol, Inc., affixed to the foregoing Agreement, and that he also saw , as ,
and , as of Davol, Inc.,
sign and attest the same and that he with witnessed the execution and delivery thereof as the act and deed of the said Davol, Inc.

_____

Sworn to before me this
day of , A.D. 1978

_____(L.S.)
Notary Public for the
State of New York

My Commission Expires:

EXHIBIT A

Payments of Principal and Interest
Necessary to Amortize the Bonds

EXHIBIT B

Lessee Deed

EXHIBIT C

THE PROJECT AND SITE

THE PROJECT

1. Boiler consisting of 700 horsepower package boiler, deaerators and water storage, pumps, strainers, tank heaters, fuel oil tank, boiler stack, and miscellaneous equipment together with boiler foundation, piping, electrical and steel.

2. Water treatment system consisting of foundations, piping, electrical instrumentation and controls, and equipment which consists of packaged water treatment plant, water well package, supply pump and miscellaneous equipment.

3. Waste treatment system with foundations, piping, electrical and equipment consisting of a waste treatment package and a sampler.

4. Air conditioning and humidity control consisting of air handling and ducts, installation and equipment for 300 tons of air conditioning.

The foregoing Project will be located on that certain site described as follows:

ALL that certain piece, parcel or tract of land, together with the buildings and improvements thereon, situate, lying and being on the northern side of the paved road leading from U. S. Highway #52 to the Power Plant of South Carolina Public Service Authority, said tract being in First St. John's Tax District, in Berkeley County, South Carolina, and MEASURING AND CONTAINING Forty-One and Eight-Tenths (41.8) acres, more or less, and BUTTING AND BOUNDING as follows, to-wit: Commencing at a concrete monument at the northwest corner of PR 500 LM 13, running S-22° - 50' west for a distance of 297 feet to a point, thence N-67° -10' west for a distance of 196 feet (the distance shown on the Plat recorded in Plat Book R, at Page 58, is shown as being 296 feet but this distance is patently wrong when compared with the scale and the correct distance of 196 feet is shown on the new plat recorded in Plat Book U, at page 67) to a concrete monument on the northern edge of road right-of-way this being the point of beginning; it is also the southeast corner of the described tract of land. Then along the road right-of-way in a northwestern direction for a distance of 1,264 feet, more or less, to an iron pipe, thence N-40° -15' east for a distance of 1,808 feet to a concrete monument, thence S-67° -10' east for a distance of 600 feet to a concrete monument. Thence S-22° -50' west for a distance of 2,240 feet; this line being parallel and 66 feet from the right-of-way of Atlantic Coast Line Railroad to the point of beginning. The described tract of land contains 41.8 acres more or less and is fully shown on Drawing No. 1978 titled "A Plan Showing the Bounds of a Tract of Land to Be Conveyed to AEROVOX CORPORATION", said tract of land having been surveyed by R. D. Guerry, R.L.S. #1842; said drawing is recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Plat Book "R", at Page 58; and said drawing is made a part and parcel of this description. Since the date of the aforesaid Plat certain improvements have been made on the property and the right-of-way of the said road which bounded said tract on the Southwest has been changed (said right-of-way being now designated as S. C. Road S-8-20) so that a portion of this right-of-way now crosses the Southeast portion of said tract all of which is more fully shown on a plat captioned, "Land Owned By SPRAGUE ELECTRIC COMPANY About To be Conveyed To AIR - SHIELDS, INC. 1st St. Johns Tax District, Near Jefferies Steam Plants, Berkeley County, S. C.", which was prepared by R. D. Guerry, R. L. S. #1842, dated June 9, 1972, revised July 28, 1972, this plat is made a part and parcel of this description and is recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Plat Book "U", at Page 67.

Being the same property conveyed to Sprague Electric Company by Aerovox Corporation by deed, dated May 21, 1970, and recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Book A-211, at Page 61.

TOGETHER WITH the rights, but subject to the obligations, created by an Indenture made the 31st day of March 1967 between South Carolina Public Service Authority and Aerovox Corporation, recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Deed Book C-83, at page 144, and an Indenture made the 25th day of June 1969 between South Carolina Public Service Authority and Aerovox Corporation, recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Deed Book C-91, at Page 89; said Indentures create easements for the construction and operation of a raw water intake pipe line.

Subject to a perpetual electric power line right of way easement extending for 15 feet on either side of the line "000' Easement Reserved", as shown on the aforesaid Drawing No. 1978 titled "A Plan Showing the Bounds of a Tract of Land to Be Conveyed to Aerovox Corporation".

Subject, further, to the following covenant and restriction, to the rightful performance of which the Air - Shields, Inc. by the acceptance of this Deed, binds and obligates itself, its successors and assigns, to wit:

> The use of the property herein conveyed shall always be such as not to endanger health, create a nuisance, or otherwise be incompatible with the overall project recreational use, of the Santee-Cooper Project, F. P. C. License 199 S. C. This covenant and restriction shall run with the land and be binding upon all successors in title of the Grantee herein.

Subject, further, to the sidetrack right of way easement created by an Agreement, made the 2nd day of May 1967 between Atlantic Coast Line Railroad Company and Aerovox Corporation.

Subject, further, to the rights of the public and others entitled thereto in and to the use of any road or waters affecting the above-described property.

Subject, further, to all applicable zoning and similar laws and regulations of any government or governmental body having jurisdiction over the above-described property.

Subject, further, to the right of way easements shown on the plat captioned, "Land Owned By SPRAGUE ELECTRIC COMPANY About To Be Conveyed To AIR - SHIELDS, INC. 1st St. Johns Tax District, Near Jefferies Steam Plants, Berkeley County, S. C.", dated June 9, 1972, revised July 28, 1972, prepared by R. D. Guerry, R.L.S. #1842; and recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Plat Book "U", at Page 67.

TOGETHER WITH all and singular the rights, members, hereditaments, appurtenances to the aforesaid property belonging, or in any wise incident or appertaining.

Together with:

ALL that certain piece, parcel or tract of land, designated as Tract "A" on the plat hereinafter referred to, together with all buildings and improvements thereon, situate, lying and being on the northern side of the paved road designated as S. C. Road S-8-20 leading from U. S. Highway #52 to the Power Plant of South Carolina Public Service Authority, said tract being in First St. John's Tax District, in Berkeley County, South Carolina, and MEASURING AND CONTAINING Nine (9) acres, more or less, and BUTTING AND BOUNDED as follows, to-wit: Commencing at a concrete monument at the northwest corner of PR 500 LM 13, running S-22° -50' west for a distance of 297 feet to a point, thence N-67° -10' west for a distance of 196 feet to a concrete monument on the northern edge of an old abandoned road right of way; thence the converse of S-22° -50' west a distance of 246 feet to a point situate on the northern side of the right of way of S. C. Road S-8-20 which is the point of beginning; it is also the southeast corner of the described tract of land; thence along said road's right of way in a northwestern direction for a distance of 825 feet, more or less, to a point (a tie line being shown for this distance with two (2) bearings and two (2) separate distances same being N-75° -15' west a distance of 380 feet and N-49° 45' west a distance of 436 feet) the northern side of the right of way of S. C. Road S-8-20 being the southern boundary line of this tract; thence N-37° -50' east a distance of 338.5 feet to a point; thence N-40° -50' west a distance of 158 feet to a point; thence N-41° -20' east a distance of 167 feet to a point; thence S-50° -10' east a distance of 145 feet to a point; thence N-37° -50' east a distance of 165 feet to a point; thence S-53° -40' east a distance of 186 feet to a point; thence S-38° -20' west a distance of 146 feet to a point; thence S-51° -40' east a distance of 242 feet to a point; thence S-38° -20' west a distance of 266 feet to a point; thence S-51° -40' east a distance of 321 feet to a point; thence S-22° -50' west a distance of 159 feet to the point of beginning; all of which is more fully shown on a plat captioned, "Tract 'A' Owned By AIR - SHIELDS, INC. About To Be Conveyed to BERKELEY COUNTY, S. C. 1st. St. Johns Tax District, Near Jefferies Steam Plants, Berkeley County, S. C.", dated August 1, 1972, which was prepared by R. D. Guerry, R.L.S. #1842, which is recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Plat Book "U", at Page 67; and reference is hereby craved to said plat and same is made a part and parcel of this description.

Being a portion of the property conveyed to Air - Shields, Inc. by Sprague Electric Company by deed, dated as of August 1, 1972, and recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Book A-243, at Page 144.

TOGETHER WITH the rights, but subject to the obligations, created by an Indenture made the 31st day of March 1967 between South Carolina Public Service Authority and Aerovox Corporation, recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Deed Book C-83, at Page 144, and an Indenture made the 25th day of June 1969 between South Carolina Public Service Authority and Aerovox Corporation, recorded in the Office of the Clerk of Court for Berkeley County, South Carolina, in Deed Book C-91, at Page 89; said Indentures create easements for the construction and operation of a raw water intake pipe line.

Subject to a perpetual electric power line right of way easement extending for 15 feet on either side of the line "000' Easement Reserved", as shown on the aforesaid plat captioned, "Tract 'A' Owned By AIR - SHIELDS, INC. About To Be Conveyed to BERKELEY COUNTY, S. C. 1st. St. Johns Tax District, Near Jefferies Steam Plants, Berkeley County, S. C.".

Subject, further, to the following covenant and restriction, to the rightful performance of which the said Berkeley County by the acceptance of this Deed, binds and obligates itself, its successors and assigns, to-wit:

> The use of the property herein conveyed shall always be such as not to endanger health, create a nuisance, or otherwise be incompatiable with the overall project recreational use, of the Santee-Cooper Project, F. P. C. License 199 S. C. This covenant and restriction shall run with the land and be binding upon all successors in title of the Grantee herein.

Subject, further, to the sidetrack right of way easement created by an Agreement, made the 2nd day of May 1967 between Atlantic Coast Line Railroad Company and Aerovox Corporation.

Subject, further, to the rights of the public and others entitled thereto in and to the use of any road or waters affecting the above-described property.

Subject, further, to all applicable zoning and similar laws and regulations of any government or governmental body having jurisdiction over the above-described property.

TOGETHER WITH all and singular the rights, members, hereditaments, appurtenances to the aforesaid property belonging, or in any wise incident or appertaining.

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of February 1, 1978, by and between Berkeley County, South Carolina, a body politic and corporate and a political subdivision duly created and validly existing pursuant to the Constitution and laws of the State of South Carolina (the "County"), and The Bank of New York ("Trustee"), a New York corporation.

W I T N E S S E T H :

WHEREAS, the County proposes to acquire certain facilities for use by Davol, Inc., a corporation organized under the laws of the State of Delaware and lessee under the Agreement as defined below (the "Lessee"), a wholly owned subsidiary of International Paper Company (the "Company"), said facilities to be acquired and leased to the Lessee, pursuant to the terms and conditions of the Lease Agreement dated as of February 1, 1978 between the County and the Lessee (the "Agreement") and the County proposes to finance the cost of said facilities by the issuance of its revenue bonds; and

WHEREAS, the Lessee proposes to construct or acquire said facilities on behalf of the County and to lease them from the County all upon the terms and conditions set forth in the Agreement; and

WHEREAS, the execution and delivery of this Trust Indenture (this "Indenture") and the issuance of said revenue bonds

under this Indenture have been in all respects duly and validly authorized by resolution adopted by the governing body of the County; and

WHEREAS, the acquisition and leasing of the said facilities and the issuance of said revenue bonds will serve their intended purposes and in all respects conform to the provisions and requirements of law; and

WHEREAS, the Company has, pursuant to the terms of the Guaranty Agreement dated as of February 1, 1978 between the Company and the Trustee, unconditionally guaranteed the full and prompt payment when due of the principal of, redemption premium, if any, and interest on the Bonds; and

WHEREAS, said revenue bonds in coupon and registered form, and Trustee's certificate of authentication to be endorsed thereon are to be in substantially the following form, with appropriate variations, omissions and insertions as permitted or required by this Indenture, to wit:

[FORM OF COUPON BOND]

No. $5,000

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

COUNTY OF BERKELEY

INDUSTRIAL DEVELOPMENT REVENUE BOND

1978 SERIES A

(DAVOL, INC. - INTERNATIONAL PAPER COMPANY PROJECT)

KNOW ALL MEN BY THESE PRESENTS that BERKELEY COUNTY, SOUTH CAROLINA (the "County"), a body politic and corporate and a political subdivision duly created and validly existing pursuant to the Constitution and laws of the State of South Carolina (the "State"), for value received, promises to pay to bearer, solely from the source and as hereinafter provided, on February 1, 2008, the principal sum of FIVE THOUSAND DOLLARS and in like manner and solely from the same source to pay interest on said sum from the date hereof at the rate of _____ percent (%) per annum semi-annually on August 1 and February 1 of each year until said principal sum is paid. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America at the principal office of The Bank of New York, New York, New York, the Trustee under the Indenture referred to below, or its successor in trust ("Trustee"), or, at the option of the holder hereof, at the principal

office of any co-paying agent appointed in accordance with the Indenture.

This Bond is one of the County's Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project), aggregating $1,000,000 principal amount (the "Bonds") issued for the purpose of acquiring certain facilities (the "Project") at that certain manufacturing plant located in Berkeley County, South Carolina of Davol, Inc., a corporation organized under the laws of the State of Delaware (the "Lessee") and leasing them to the Lessee. The Lessee is a wholly owned subsidiary of International Paper Company, a New York corporation (the "Company"). The Project is to be leased to the Lessee pursuant to a Lease Agreement between the County and the Lessee dated as of February 1, 1978 (the "Agreement"). The Bonds are issued under and are equally and ratably secured by and entitled to the protection of a Trust Indenture dated as of February 1, 1978 (the "Indenture") from the County to Trustee. Reference is hereby made to the Indenture for a description of the rights, limitations of rights, duties and obligations of the County, Trustee, co-paying agents and the holders of the Bonds.

The Company has unconditionally guaranteed to the Trustee the payment of the principal of and premium, if any, and interest on the Bonds pursuant to a Guaranty Agreement dated as of February 1, 1978 (the "Guaranty").

Interest accruing on this Bond will be paid only on presentation and surrender of the attached coupons as they respectively become due.

The Bonds are issuable as coupon Bonds, registrable as to principal alone, in the denomination of $5,000 each and as fully registered Bonds without coupons in denominations of $5,000 or any multiple thereof. At the principal office of the Trustee, in the manner and subject to the limitations, conditions and charges provided in the Indenture, registered Bonds without coupons may be exchanged for an equal aggregate principal amount of coupon Bonds, bearing interest at the same rate and having attached thereto coupons representing all unpaid interest due or to become due thereon, or registered Bonds without coupons, of authorized denominations and bearing interest at the same rate; and coupon Bonds with all coupons appertaining thereto representing all unpaid interest due or to become due thereon may in like manner be exchanged for an equal aggregate principal amount of registered Bonds, without coupons, of authorized denominations and bearing interest at the same rate.

The Bonds are subject to redemption prior to maturity, in whole but not in part, at 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption, in the event the Lessee exercises one of its options to purchase the Project as provided in Paragraphs (b), (c), (d), (e) or (f) of Section 9.01 of the Agreement. The Bonds are also subject

to redemption by the County prior to maturity on any date on or after February 1, 1988, in whole or in part (less than all of such Bonds to be selected by lot in such manner as Trustee may determine), and shall be so redeemed by the County in the event and to the extent the Lessee shall exercise its option to purchase the Project under Section 9.01(a) of the Agreement or to prepay rent under Section 7.04 of the Agreement, at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the date fixed for redemption:

Redemption Period (Dates Inclusive)	Redemption Price
February 1, 1988 to January 31, 1989.....	103 %
February 1, 1989 to January 31, 1990.....	102 1/2
February 1, 1990 to January 31, 1991.....	102
February 1, 1991 to January 31, 1992.....	101 1/2
February 1, 1992 to January 31, 1993.....	101
February 1, 1993 to January 31, 1994.....	100 1/2
February 1, 1994 and thereafter.....	100

The Bonds are also subject to redemption pursuant to the terms of the sinking fund provided in Section 3.02 of the Indenture, on February 1, 1994, and on each February 1 thereafter to and including February 1, 2007, at 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption.

In the event Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed and the applicable redemption price is to be given by Trustee by publication one time in a newspaper or financial journal

of general circulation published in The City of New York, New York, which notice shall be published not less than thirty days nor more than sixty days prior to the date fixed for redemption. Notice of optional redemption may be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited. On the date designated for redemption, notice having been given and moneys for payment of the redemption price and accrued interest being held by the Trustee, or by any paying agents, all as provided in the Indenture, the Bonds or portions of registered Bonds without coupons so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or such portions thereof on such date, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, the coupons for any such interest payable subsequent to the redemption date shall be void, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the holders or registered owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof and accrued interest so held by the Trustee or by any paying agents. If, because of the temporary

or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to public such notice or call for redemption in the manner herein provided, then such publication in lieu thereof as shall be determined by Trustee shall constitute a sufficient publication of notice.

This Bond and the issue of which it forms a part and the attached coupons are limited obligations of the County and are payable by the County solely out of the revenues and receipts derived by the County under the Agreement (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds, or to interest and realized profit from the temporary investment of such proceeds, or to amounts paid by the Company pursuant to the Guaranty). The County shall not be obligated to pay the principal of the Bonds or the interest thereon or other costs incident thereto except from the said revenues and receipts. The Bonds and any interest coupons appertaining thereto 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. The Indenture provides that moneys sufficient for the prompt payment when due of the principal of and premium, if any, and interest on the Bonds are to be paid to Trustee for the account of the County and deposited in trust in the Bond Fund described therein, that the Lessee's payment obligations under the Agreement have been duly assigned

for that purpose, and that the rights of the County under the Agreement (other than with respect to Administrative Expenses as defined in the Agreement and indemnification of the County against certain costs and risks) have been assigned to Trustee to secure payment of such principal, premium and interest under the Indenture.

The Indenture prescribes the manner in which it may be discharged, including a provision that the Bonds shall be deemed to be paid if Government Obligations, as defined therein, maturing as to principal and interest in such amounts and at such times as will provide sufficient funds to pay the principal of and premium, if any, and interest on the Bonds and all fees and expenses of Trustee and any co-paying agent, shall have been deposited with Trustee, after which, and upon the giving of notice in accordance with the Indenture, the Bonds shall no longer be secured by or be entitled to the benefits of the Indenture, except for any such payment from such Government Obligations.

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding, together with interest accrued thereon, may become or may be declared due and payable before the stated maturity thereof, subject to rescission of acceleration as provided in the Indenture.

The holder of this Bond shall have no right to institute any action for the enforcement of the Indenture or for the execution of any trust thereof, except as provided in the Indenture. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the County and the rights of the holders of the Bonds at any time by the County and Trustee without the consent of the holders of the Bonds and in certain cases with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time outstanding, as set forth in the Indenture. Any such consent or waiver by the holder of this Bond shall be conclusive and binding upon such holder and upon all future holders of this Bond and of any Bond issued upon the exchange of this Bond whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting Trustee to waive certain past defaults thereunder.

This Bond may be registered as to principal alone in accordance with the provisions endorsed hereon and subject to the terms and conditions set forth in the Indenture.

The County and the Trustee may deem and treat the bearer of this Bond if not registered as to principal, or the person in whose name this Bond is registered if registered as to principal, as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and redemption premium, if any, due hereon, and for all purposes other

than to receive payment of interest represented by outstanding coupons and may deem and treat the bearer of any coupon appertaining hereto as the absolute owner of such coupon for the purpose of receiving payment thereof; and neither the County nor the Trustee shall be affected by any notice to the contrary.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any officer or employee of the County in his individual capacity, and neither the County Supervisor of the County nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond. This Bond is issued with the intent that the laws of the State of South Carolina govern its construction.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation; and that provision has been made in the Indenture for the deposit, from revenues pledged to the payment of the principal of and premium,

if any, and interest on this Bond and the issue of which it forms a part, of moneys sufficient in amount for such purposes.

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

IN WITNESS WHEREOF, BERKELEY COUNTY, SOUTH CAROLINA has caused this Bond to be executed in its name by the manual or facsimile signature of its County Supervisor, its corporate seal or a facsimile thereof to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its County Treasurer, and has caused the interest coupons attached hereto to be executed by the facsimile signature of its County Supervisor, all as of the 1st day of February, 1978.

By_____
County Supervisor

(SEAL)
ATTEST:

_____
County Treasurer

PROVISIONS FOR REGISTRATION

This Bond may be registered as to principal alone on books kept by the Trustee under the within-mentioned Indenture, as Bond Registrar, upon presentation to the Bond Registrar, which shall make notation of such registration in the registration blank below, and this Bond may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed hereon by the Bond Registrar. Such transfer may be to bearer and thereby transferability by delivery shall be restored, but this Bond shall again be subject to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative. Notwithstanding the registration of this Bond as to principal alone, the coupons shall remain payable to bearer and shall continue to be transferable by delivery.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
_____	_____	_____
_____	_____	_____
_____	_____	_____

[FORM OF COUPON]

No.

On _____ 1, , BERKELEY COUNTY, SOUTH CAROLINA will pay to bearer (unless the Bond mentioned below shall previously have become payable as provided in the Indenture referred to in said Bond and provision for payment thereof shall have been duly made) at the principal office of The Bank of New York, New York, New York, or at the office designated for such payment of any successor thereof or other paying agent, upon the presentation and surrender hereof, the amount shown herein in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, solely from the revenues and receipts referred to in, and for the semi-annual interest then due upon, its Industrial Development Revenue Bond, 1978 Series A (Davol, Inc. - International Paper Company Project), dated as of February 1, 1978, No. _____.

BERKELEY COUNTY, SOUTH CAROLINA

By_____
County Supervisor

[FORM OF THE REGISTERED BOND WITHOUT COUPONS]

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

COUNTY OF BERKELEY

INDUSTRIAL DEVELOPMENT REVENUE BOND

1978 SERIES A

(DAVOL, INC. - INTERNATIONAL PAPER COMPANY PROJECT)

KNOW ALL MEN BY THESE PRESENTS that BERKELEY COUNTY, SOUTH CAROLINA (the "County"), a body politic and corporate and a political subdivision duly created and validly existing pursuant to the Constitution and laws of the State of South Carolina (the "State"), for value received, promises to pay, solely from the source and as hereinafter provided, to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on February 1, 2008, (or earlier as hereinafter referred to) and pay interest on said sum from the date hereof at the rate of _____ percent (____%) per annum semi-annually on August 1 and February 1 of each year until said principal sum is paid. Payment of the principal of this Bond and, if this Bond or any part of the face amount thereof shall be redeemed prior to maturity, payment of the principal to be redeemed and interest accrued thereon to the redemption date, shall be made, upon presentation and surrender hereof, at the corporate trust office of The Bank of New York, New York,

New York, the Trustee under the Indenture referred to below, or its successor in trust (the "Trustee"). Interest hereon shall be payable to the person in whose name this Bond is registered at the close of business on the fifteenth day of the month prior to each such semi-annual interest payment date. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts, provided, however, interest hereon may be paid by check mailed to the person entitled thereto.

This Bond is one of the County's Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project), aggregating $1,000,000 principal amount (the "Bonds") issued for the purpose of acquiring certain facilities (the "Project") at that certain manufacturing plant located in Berkeley County, South Carolina of Davol, Inc., a corporation organized under the laws of the State of Delaware (the "Lessee") and leasing them to the Lessee. The Lessee is a wholly owned subsidiary of International Paper Company, a New York corporation (the "Company"). The Project is to be leased to the Lessee pursuant to a Lease Agreement between the County and the Lessee dated as of February 1, 1978 (the "Agreement"). The Bonds are issued under and are equally and ratably secured by and entitled to the protection of a Trust Indenture dated as of February 1, 1978 (the "Indenture") from the County to Trustee. Reference is hereby made to the Indenture for a description of

the rights, limitations of rights, duties and obligations of the County, Trustee, co-paying agents and the holders of the Bonds.

The Company has unconditionally guaranteed to the Trustee the payment of the principal of and premium, if any, and interest on the Bonds pursuant to a Guaranty Agreement dated as of February 1, 1978 (the "Guaranty").

The Bonds are issuable as coupon Bonds, registrable as to principal alone, in the denomination of $5,000 each and as fully registered Bonds without coupons in denominations of $5,000 or any multiple thereof. At the principal office of the Trustee, in the manner and subject to the limitations, conditions and charges provided in the Indenture, registered Bonds without coupons may be exchanged for an equal aggregate principal amount of coupon Bonds, bearing interest at the same rate and having attached thereto coupons representing all unpaid interest due or to become due thereon, or registered Bonds without coupons, of authorized denominations and bearing interest at the same rate; and coupon Bonds with all coupons appertaining thereto representing all unpaid interest due or to become due thereon may in like manner be exchanged for an equal aggregate principal amount of registered Bonds, without coupons, of authorized denominations and bearing interest at the same rate.

The Bonds are subject to redemption prior to maturity, in whole but not in part, at 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption, in the event the Lessee exercises one of its options to purchase

the Project as provided in Paragraphs (b), (c), (d), (e) or (f) of Section 9.01 of the Agreement. The Bonds are also subject to redemption by the County prior to maturity on any date on or after February 1, 1988, in whole or in part (less than all of such Bonds to be selected by lot in such manner as Trustee may determine), and shall be so redeemed by the County in the event and to the extent the Lessee shall exercise its option to purchase the Project under Section 9.01(a) of the Agreement or to prepay rent under Section 7.04 of the Agreement, at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the date fixed for redemption:

Redemption Period (Dates Inclusive)	Redemption Price
February 1, 1988 to January 31, 1989.....	103 %
February 1, 1989 to January 31, 1990.....	102 1/2
February 1, 1990 to January 31, 1991.....	102
February 1, 1991 to January 31, 1992.....	101 1/2
February 1, 1992 to January 31, 1993.....	101
February 1, 1993 to January 31, 1994.....	100 1/2
February 1, 1994 and thereafter.....	100

The Bonds are also subject to redemption pursuant to the terms of the sinking fund provided in Section 3.02 of the Indenture, on February 1, 1994, and on each February 1 thereafter to and including February 1, 2007, at 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption.

In the event Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds (or portions of registered Bonds without coupons) to be redeemed and the applicable redemption price is to be given by Trustee by publication one time

in a newspaper or financial journal of general circulation published in The City of New York, New York, which notice shall be published not less than thirty days nor more than sixty days prior to the date fixed for redemption. Notice of optional redemption may be conditioned upon the deposit of moneys with the Trustee before the date fixed for redemption and such notice shall be of no effect unless such moneys are so deposited. On the date designated for redemption, notice having been given and moneys for payment of the redemption price and accrued interest being held by the Trustee or by any paying agents, all as provided in the Indenture, the Bonds or portions of registered Bonds without coupons so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or such portions thereof on such date, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the holders or registered owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payment of the redemption price and accrued interest thereof so held by the Trustee or by any paying agents. If a portion of this Bond shall be called for redemption, a new registered Bond without coupons in principal amount equal to the unredeemed portion

hereof will be issued to the registered owner upon the surrender hereof. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice or call for redemption in the manner herein provided, then such publication in lieu thereof as shall be determined by Trustee shall constitute a sufficient publication of notice.

This Bond and the issue of which it forms a part are limited obligations of the County and are payable by the County solely out of the revenues and receipts derived by the County under the Agreement (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds, or to interest and realized profit from the temporary investment of such proceeds, or in amounts paid by the Company pursuant to the Guaranty). The County shall not be obligated to pay the principal of the Bonds or the interest thereon or other costs incident thereto except from the said revenues and receipts. The Bonds and any interest coupons appertaining thereto 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. The Indenture provides that moneys sufficient for the prompt payment when due of the principal of and premium, if any, and interest on the Bonds are to be paid to Trustee for the account of the County and deposited in trust in the Bond

Fund described therein, that the Company's payment obligations under the Agreement have been duly assigned for that purpose, and that the rights of the County under the Agreement (other than with respect to Administrative Expenses as defined in the Agreement and indemnification of the County against certain costs and risks) have been assigned to Trustee to secure payment of such principal, premium and interest under the Indenture.

The Indenture prescribes the manner in which it may be discharged, including a provision that the Bonds shall be deemed to be paid if Government Obligations, as defined therein, maturing as to principal and interest in such amounts and at such times as will provide sufficient funds to pay the principal of and premium, if any, and interest on the Bonds and all fees and expenses of Trustee and any co-paying agent, shall have been deposited with Trustee, after which, and upon the giving of notice in accordance with the Indenture, the Bonds shall no longer be secured by or be entitled to the benefits of the Indenture, except for any such payment from such Government Obligations.

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding, together with interest accrued thereon, may become or may be declared due and payable before the stated maturity thereof, subject to rescission of acceleration as provided in the Indenture.

The holder of this Bond shall have no right to institute any action for the enforcement of the Indenture or for the execution of any trust thereof, except as provided in the Indenture. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the County and the rights of the holders of the Bonds at any time by the County and Trustee without the consent of the holders of the Bonds and in certain cases with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time outstanding, as set forth in the Indenture. Any such consent or waiver by the holder of this Bond shall be conclusive and binding upon such holder and upon all future holders of this Bond and of any Bond issued upon the exchange of this Bond whether or not notation of such consent or waiver is made upon this Bond. The Indenture also contains provisions permitting Trustee to waive certain past defaults thereunder.

This Bond is transferable by the registered owner hereof in person or by his attorney or legal representative at the principal office of the Trustee, but only in the manner and subject to the limitations and conditions provided in the Indenture and upon surrender and cancellation of this Bond. Upon any such transfer the County shall execute and the Trustee shall authenticate and deliver in exchange for this Bond a new registered Bond or Bonds without coupons, registered in the name of

the transferee, of authorized denominations, or, at the option of the transferee, coupon Bonds with coupons attached representing all unpaid interest due or to become due thereon, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any officer or employee of the County in his individual capacity, and neither the County Supervisor of the County nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond. This Bond is issued with the intent that the laws of the State of South Carolina shall govern its construction.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation; and that provision has been made in the Indenture for the deposit, from revenues pledged to the payment of

the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, of moneys sufficient in amount for such purposes.

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

IN WITNESS WHEREOF, BERKELEY COUNTY, SOUTH CAROLINA has caused this Bond to be executed in its name by the manual or facsimile signature of its County Supervisor, its corporate seal or a facsimile thereof to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its County Treasurer, all as of the 1st day of February, 1978.

By: _____
County Supervisor

[SEAL]
ATTEST:

_____
County Treasurer

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

(To be endorsed on both Coupon and Fully Registered Bonds)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the series designated in and issued under the provisions of the within mentioned Indenture.

THE BANK OF NEW YORK, as Trustee

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

(To be endorsed on both Coupon and Fully Registered Bonds)

FOR VALUE RECEIVED

the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

_____

the within Bond of

BERKELEY COUNTY, SOUTH CAROLINA

and does hereby irrevocably constitute and appoint

Attorney

to transfer the said Bond on the books of the within named Trustee, with full power of substitution in the premises.

_____

Dated:

In the presence of:

_____

WHEREAS, all things necessary to make the Bonds, when authenticated by 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 assignment and pledge of the amounts pledged to the payment of the principal of and premium, if any, and interest on the Bonds and a valid assignment of the rights of the County under the Agreement have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That the County in consideration of the premises and the acceptance by Trustee of the trusts hereby created and for other good and valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby irrevocably pledge, transfer and assign unto, The Bank of New York, New York, New York, as Trustee, and its successors as Trustee under this Indenture, forever, but as hereinafter provided subject and subordinate to provisions of the Agreement (as hereinafter defined) and subject to the rights and privileges reserved and referred to in Article

VII of this Indenture, for the securing of the performance of the obligations of the County hereinafter set forth:

> All right, title and interest of the County in and to the Agreement including, without limitation, in and to the payments from the Lessee as set forth in Section 3.01 of the Agreement and including the present and continuing right to make claim for, collect, receive and receipt for any sums of money payable by the Lessee or receivable by the County under the Agreement (except Administrative Expenses of the County payable under Section 5.01 of the Agreement and its right to indemnity under Sections 7.02 and 8.04 of the Agreement), to bring actions and proceedings under the Agreement or for the enforcement thereof, and to do any and all things in the name of the County which the County is or may be or becomes entitled to do under the Agreement; provided, however, that the assignment made by this clause shall not impair or diminish any obligation of the County under the provisions of the Agreement.

TO HAVE AND TO HOLD ALL and singular the foregoing, whether now owned or hereafter acquired, unto Trustee and its respective successors and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit and security

of all present and future holders of the Bonds or obligations thereunder without preference of any Bond or obligation thereunder over any other, and for enforcement of the payment of the Bonds and interest appertaining thereto, in accordance with its terms, and all other sums payable hereunder or on the Bonds, and for the performance and compliance with the obligations, covenants and conditions of this Indenture, as if all the Bonds at any time outstanding had been authenticated, executed and delivered simultaneously with the execution and delivery of this Indenture, all as herein set forth.

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 property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted and does hereby agree and covenant with Trustee and with the respective holders of the Bonds and coupons as follows:

ARTICLE I

DEFINITIONS

All words and phrases defined in Article I of the Agreement shall have the same meaning in this Indenture. In addition, the

following words and phrases shall have the following meanings unless the context clearly otherwise requires:

"Administrative Expenses" shall have the meaning given in the Agreement.

"Agreement" shall mean the Lease Agreement dated as of February 1, 1978 between the County and the Lessee covering the Project to which the Bonds relate, as originally executed and as it may thereafter be amended and supplemented in accordance with the provisions thereof and hereof.

"Bond" or "Bonds" shall mean the County's Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project), dated February 1, 1978 in the initial principal amount of $1,000,000.

"Bond Fund" shall mean the fund created under Section 5.02 of the Indenture.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Company" shall mean International Paper Company, a New York corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation, sale or other transfer permitted under the Guaranty.

"County" shall mean Berkeley County, South Carolina.

"Event of Default" shall have the meaning given in Section 9.01 hereof.

"Guaranty" shall mean that certain Guaranty Agreement by and between the Company and the Trustee, dated as of February 1,

1978, by which the Company guarantees to the Trustee the full and prompt payment, when due, of the principal of and premium, if any, and interest on the Bonds.

"Indenture" shall mean this Indenture as originally executed and as it may hereafter be amended and supplemented in accordance with the provisions hereof.

"Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of or of counsel to the Lessee, satisfactory to Trustee.

"Outstanding", when used with reference to Bonds, shall mean, at any date as of which the amount of outstanding Bonds is to be determined, the aggregate of all Bonds authorized, issued, authenticated and delivered under this Indenture, except:

(a) Bonds cancelled by Trustee, or delivered to Trustee for cancellation pursuant to this Indenture;

(b) Bonds deemed to have been paid as provided in Article VIII hereof; and

(c) Bonds in lieu of which others have been authenticated under Section 2.07 hereof;

provided, however, that in determining whether the holders of the requisite principal amount of the Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Company, the Lessee, the County or any other obligor upon the Bonds, or any

person controlling, controlled by, or under common control with, the Company, the Lessee, the County or such other obligor shall be disregarded and deemed not to be Outstanding.

"Paying Agent" shall mean Trustee, in its capacity as a paying agent for the Bonds, and any bank or trust company designated pursuant to this Indenture to serve in addition to Trustee as a paying agent for the Bonds, and any successors designated pursuant to this Indenture.

"Principal office of the Trustee" or "principal corporate trust office of the Trustee" shall mean the principal corporate trust office of the Trustee located in New York, New York, or at such other location as the Trustee may from time to time designate by written notice to the County, the Lessee and the Company.

"Project Acquisition Fund" shall mean the fund created under Section 5.06 hereof.

"State" shall mean the State of South Carolina.

"Trustee" shall mean The Bank of New York, New York, New York, a New York corporation, until a successor shall have qualified under this Indenture, and, thereafter, "Trustee" shall mean such successor.

ARTICLE II

THE BONDS

SECTION 2.01. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article II.

SECTION 2.02. Issuance of Bonds. There is hereby authorized to be issued under and secured by this Indenture the Bonds designated "Berkeley County, South Carolina Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project)" in the aggregate principal amount of One Million Dollars ($1,000,000) for the purpose of providing funds to pay the Cost of the Project (as defined in the Agreement). The Bonds shall be dated February 1, 1978, shall mature and become payable, subject to prior redemption, as herein provided, on the first day of February 2008, and shall bear interest as provided herein until their maturity at the rate of __ percent (__%) per annum payable semi-annually on the first days of August and February in each year until the principal thereof is paid or duly provided for. Each coupon Bond shall bear interest from its date. Each fully-registered Bond without coupons shall bear interest from the 1st day of August or February next preceding the date on which it is authenticated, unless authenticated prior to February 1, 1978, in which event it shall bear interest from February 1, 1978, and unless authenticated upon an interest payment date, in which case it shall bear interest from such interest payment date; provided, however, that if at the time of authentication of any fully-registered Bond without coupons interest is in default, such Bond shall bear interest from the date to which interest has been paid.

Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of coupon Bonds (unless registered other than to bearer) and the interest on all coupon Bonds shall be payable at the principal office of the Trustee and any co-paying agent appointed pursuant to this Indenture. The principal of all registered Bonds without coupons and all coupon Bonds registered as to principal alone, excepting such Bonds registered to bearer, shall be payable at the principal office of the Trustee, and payment of the interest on each registered Bond without coupons shall be made by the Trustee on each interest payment date to the person appearing on the registration books of the Trustee hereinafter provided for as the registered owner thereof, by check or draft mailed to such registered owner at his address as it appears on such registration books. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. Payment of the interest on the coupon Bonds shall be made upon the presentation and surrender of the coupons representing such interest as the same respectively become due and payable.

SECTION 2.03. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County with the manual or

facsimile signature of its County Supervisor attested by the manual or facsimile signature of its County Treasurer, provided, however, that the Bonds shall bear at least one manual signature and shall have impressed or printed thereon the County seal or a facsimile of such seal. The coupons attached to the Bonds shall bear the facsimile signature of the County Supervisor. All authorized facsimile signatures shall have the same force and effect as if manually signed. In case any official of the County whose signature or a facsimile of whose signature shall appear on the Bonds or coupons shall cease to be such official before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery.

The Bonds, together with interest thereon, are not general obligations of the County but are limited obligations payable solely from the revenues and receipts derived by the County under the Agreement, except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds, or to interest and realized profit from the temporary investment of such proceeds, or to amounts received from the Company pursuant to the Guaranty, and shall be a valid claim of the respective holders thereof only against the Bond Fund and other moneys held by Trustee under this Indenture and the revenues and receipts derived by the County under the Agreement. The County shall not be obligated to pay the principal of the Bonds

or the interest thereon or other costs incident thereto except as herein provided. Neither the faith and credit of the County or the State, nor the taxing power of the County, the State, or any political subdivision of either thereof is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto. The Bonds and the coupons attached thereto shall not constitute an indebtedness of the County, the State, or any political subdivision of either thereof within the meaning of any constitutional or statutory provisions whatsoever.

SECTION 2.04. Authentication. No Bond and no coupon appertaining to any coupon Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the form hereinbefore set forth shall have been duly executed by Trustee, and such executed certificate of Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all Bonds issued hereunder. Before authenticating or delivering any Bonds, Trustee shall detach and cancel all matured coupons

not then in default, if any, pertaining thereto, and such cancelled coupons shall be cremated or otherwise destroyed by Trustee in accordance with Section 2.08.

SECTION 2.05. Form of Bonds. The Bonds shall be substantially in the forms hereinabove set forth, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

The Bonds may, at the option of the initial purchaser or purchasers thereof, be issued as coupon Bonds, as fully registered Bonds, or any combination thereof. Fully registered Bonds shall be issued in the denomination of $5,000 or in integral multiples thereof as may be necessary to include all principal maturing with respect to the Bonds on February 1, 2008, that is not represented by coupon Bonds and is specified by such purchaser or purchasers. The coupon Bonds shall be numbered from one (1) consecutively upwards in order of maturity. The fully registered Bonds shall likewise be numbered from one (1) consecutively upwards, preceded by the prefix "R-", in order of issuance according to the records of the Trustee. Upon the issuance of any fully registered Bonds, the serial number or numbers covering a coupon Bond or Bonds of the same interest rate and maturity, and of an aggregate principal amount equal to such

fully registered Bonds, shall be reserved. The serial number or numbers so reserved may be endorsed on such fully registered Bonds issued, which may also bear such endorsement or legend convenient to the Trustee as may be required to conform to usage or law with respect thereto.

SECTION 2.06. Delivery of Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver the Bonds to Trustee and Trustee shall authenticate the Bonds as provided in Section 2.04 hereof.

The Bonds so authenticated shall be delivered by Trustee upon original issue upon the filing with Trustee of the following:

(1) Copies of the resolutions and ordinances duly adopted by the County, and certified by its County Treasurer, authorizing the issuance of the Bonds and the execution and delivery of this Indenture and the Agreement.

(2) Original executed counterparts of the Agreement and the Guaranty.

(3) An instrument, signed by a duly authorized officer of the Lessee, evidencing the Lessee's approval of the issuance and sale of the Bonds.

(4) A request and authorization to the Trustee on behalf of the County, signed by or on behalf of Berkeley County, to authenticate and

deliver the Bonds to the purchasers therein identified upon payment to the Trustee, but for the account of the County, of a sum specified in such request and authorization. The proceeds of such payment to the Trustee shall be deposited in the Bond Fund and the Project Acquisition Fund pursuant to Article V hereof.

SECTION 2.07. Mutilated, Destroyed or Lost Bonds; Exchange, Transfer and Ownership of the Bonds. In the event any Bond secured hereby shall become mutilated or be destroyed or lost, the County shall cause to be executed, and the Trustee shall authenticate and deliver, a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond and its interest coupons, if any, or in lieu of and in substitution for such Bond and its coupons, if any, destroyed or lost upon the holder's paying the reasonable expenses and charges of the County and the Trustee in connection therewith and, in the case of a Bond destroyed or lost, his filing with the Trustee evidence satisfactory to it and to the County that such Bond or coupons, if any, were destroyed or lost, and of his ownership thereof, and furnishing the County and the Trustee indemnity satisfactory to them.

Coupon Bonds, upon surrender thereof at the principal office of the Trustee with all unmatured coupons and all matured coupons in default, if any, appertaining thereto, may, at the

option of the holder or registered owner thereof, be exchanged for an equal aggregate principal amount of registered Bonds without coupons of the same series and maturity, of any denomination or denominations authorized by this Indenture, bearing interest at the same rate, and, with the exception of the differences between the form of coupon Bonds and the form of registered Bonds without coupons which are set forth in the preamble of this Indenture, in the same form as the coupon Bonds surrendered for exchange. If such coupon Bonds shall be registered as to principal alone (unless registered to bearer), they shall be accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee.

Registered Bonds without coupons, upon surrender thereof at the principal office of the Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of coupon Bonds of the same series and maturity, bearing interest at the same rate and having attached thereto coupons representing all unpaid interest due or to become due thereon, or of registered Bonds without coupons of the same series and maturity, of any denomination or denominations authorized by this Indenture, and bearing interest at the same rate, and in either case, with the

exception of the differences between the form of coupon Bonds and the form of registered Bonds without coupons which are set forth in the preamble of this Indenture, in the same form as the registered Bonds without coupons surrendered for exchange.

The County shall make provision for the exchange of Bonds at the principal office of the Trustee.

Title to any coupon Bond, unless such Bond is registered (other than to bearer) in the manner hereinafter provided, and title to any interest coupon, shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The Trustee is hereby appointed as Bond Registrar and as such shall keep books for the registration and for the transfer of Bonds as provided in this Indenture. At the option of the bearer, any coupon Bond may be registered as to principal alone on such books upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon. Any such Bond registered as to principal alone may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the Bond by the Bond Registrar. Such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any coupon Bond registered as to principal alone and the

principal of any registered Bond without coupons shall be payable only to or upon the order of the registered owner or his legal representative, but the coupons appertaining to any coupon Bond registered as to principal alone shall remain payable to bearer notwithstanding such registration.

Any registered Bond without coupons may be transferred only upon the books kept for the registration and transfer of Bonds upon surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such transfer the County shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new registered Bond or Bonds without coupons, registered in the name of the transferee, of any denomination or denominations authorized by this Indenture or, at the option of the transferee, coupon Bonds with coupons attached representing all unpaid interest due or to become due thereon, in an aggregate principal amount equal to the principal amount of such registered Bond without coupons, of the same series and maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or registered Bonds without coupons shall be transferred hereunder, the County shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Indenture. All Bonds and coupons surrendered in any such exchange or transfer shall forthwith be

cancelled by the Trustee unless the County shall direct the Trustee in writing to hold such Bonds and coupons in safekeeping, for delivery in exchange for registered Bonds in accordance with the provisions of this Section. The County or the Trustee may make a charge for every such exchange or transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such new Bond shall be delivered. Neither the County nor the Trustee shall be required to make any such exchange or transfer of Bonds during the fifteen (15) days immediately preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, during the fifteen (15) days immediately preceding the selection of Bonds for such redemption or after such Bonds or any portion thereof have been selected for redemption.

As to any coupon Bond registered (other than to bearer) as to principal alone or any registered Bond without coupons, 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 (and the interest thereon in the case of any registered Bond without coupons) shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy

and discharge the liability upon such Bond (including the interest thereon in the case of any registered Bond without coupons) to the extent of the sum or sums so paid. The County, the Trustee and the Bond Registrar may deem and treat the bearer of any coupon Bond which shall not at the time be registered (other than to bearer) as to principal alone, and the bearer of any coupon appertaining to any coupon Bond, 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 therof and for all other purposes whatsoever. Neither the County, the Trustee nor the Bond Registrar shall be affected by any notice to the contrary.

SECTION 2.08. Destruction of Bonds. Whenever any outstanding Bond or any coupon appertaining to any coupon Bond shall be delivered to Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount or interest represented thereby, or for replacement of a mutilated Bond pursuant to Section 2.07 or if a matured coupon shall be detached prior to authentication of the Bonds pursuant to Section 2.04 or 2.07, such Bond and coupon shall be promptly cancelled and cremated or otherwise destroyed by Trustee and counterparts of a certificate of destruction evidencing such cremation or other destruction shall be furnished by Trustee to the County and the Lessee.

SECTION 2.09. Temporary Bonds. Until definitive Bonds are ready for delivery, there may be executed, and upon request of the County, the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, temporary printed, engraved, lithographed or typewritten Bonds, in the form of either coupon Bonds in the denomination of $5,000 with or without privilege of registration as to principal alone, or fully-registered Bonds without coupons in denominations of $5,000 or any multiple thereof, or both, as the County by resolution may provide, substantially of the tenor hereinabove set forth and with such appropriate omissions, insertions and variations as may be required.

Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by the County by resolution, be exchanged at the principal office of the Trustee, without charge to the holder thereof, for an equal aggregate principal amount of temporary coupon Bonds or of temporary registered Bonds without coupons, or both, of like tenor, of the same maturity and bearing interest at the same rate.

If temporary Bonds shall be issued, the County shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its principal office of any temporary Bond accompanied by all unpaid coupons, if any, shall cancel the same and authenticate and deliver in exchange therefor at the principal office

of the Trustee, without charge to the holder thereof, a definitive Bond or Bonds of an equal aggregate principal amount, of the same maturity and bearing interest at the same rate as the temporary Bond surrendered. Upon any such exchange all coupons appertaining to definitive coupon Bonds and representing interest theretofore paid shall be detached and cancelled by the Trustee. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder. Interest on temporary coupon Bonds, when due and payable, if the definitive Bonds shall not be ready for exchange, shall be paid on presentation of such temporary coupon Bonds and notation of such payment shall be endorsed thereon, or such interest shall be paid upon the surrender of the appropriate coupons if coupons representing such interest shall be attached to such temporary Bonds.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 3.01. Redemption Dates and Prices. The Bonds are subject to redemption prior to maturity in the event of the exercise by the Lessee of one of its options to purchase the Project under Paragraphs (b), (c), (d), (e) or (f) of Section 9.01 of the Agreement in which event the Bonds shall be redeemable at any time. Upon the exercise by the Company of any such option it shall require the Trustee to cause notice of redemption

to be given in conformity with Section 3.03 of this Indenture fixing a date for redemption in conformity with Section 9.02 of the Agreement and the Bonds shall be redeemable on such redemption date at the principal amount thereof plus accrued interest to the date of redemption.

The Bonds are also subject to redemption by the County prior to maturity on any date on or after February 1, 1988, in whole or in part (less than all of such Bonds to be selected by lot in such manner as Trustee may determine), and shall be so redeemed by the County in the event and to the extent the Company shall exercise its option to prepay its obligations under Section 9.01(a) of the Agreement or to prepay rent under Section 7.04 of the Agreement, at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest to the date fixed for redemption:

Redemption Period (Dates Inclusive)	Redemption Price
February 1, 1988 to January 31, 1989.....	103 %
February 1, 1989 to January 31, 1990.....	102 1/2
February 1, 1990 to January 31, 1991.....	102
February 1, 1991 to January 31, 1992.....	101 1/2
February 1, 1992 to January 31, 1993.....	101
February 1, 1993 to January 31, 1994.....	100 1/2
February 1, 1994 and thereafter.....	100

The Bonds are also subject to redemption pursuant to the terms of the sinking fund provided in Section 3.02 hereof, on February 1, 1994 and on each February 1 thereafter to and including February 1, 2007, at 100 percent of the principal amount plus accrued interest to the date fixed for redemption.

SECTION 3.02. Sinking Fund. As and for a sinking fund for the purpose of the redemption and payment of the Bonds, the County shall deposit in the Bond Fund, out of revenues and receipts derived under the Agreement, prior to February 1, 1994, and prior to each February 1 thereafter to and including February 1, 2007, a sum which, together with other moneys available therefor in the Bond Fund, is sufficient to redeem on such February 1 (after credit as provided below) the following respective principal amounts of such Bonds:

February 1 of the Year	Principal Amount	February 1 of the Year	Principal Amount
1994	$10,000	2001	$15,000
1995	15,000	2002	15,000
1996	15,000	2003	15,000
1997	15,000	2004	15,000
1998	15,000	2005	15,000
1999	15,000	2006	15,000
2000	15,000	2007	15,000

The remaining $795,000 principal amount of the Bonds is scheduled to mature on February 1, 2008.

On or before January 1 of each year in which any sinking fund payment is required to be made, Trustee shall select for redemption (by lot in such manner as Trustee may determine) from all Bonds Outstanding a principal amount of Bonds equal to the aggregate principal amount of Bonds redeemable with the required sinking fund payment, less an aggregate principal amount thereof equal to any amount theretofore delivered or credited pursuant to the provisions of the next succeeding paragraph, and shall call such Bonds for redemption on the ensuing February 1 from the sinking fund in the manner provided herein.

At the option of the Lessee, to be exercised on or before the forty-fifth day next preceding any sinking fund redemption date, the Lessee, on behalf of the County, may (a) deliver to Trustee for cancellation Bonds, up to the aggregate principal amount of Bonds required to be redeemed on such date for sinking fund purposes, with all unmatured coupons attached or (b) receive a credit in respect of the sinking fund redemption obligation hereunder for any Bonds which prior to said forty-fifth day have been redeemed (otherwise than through the operation of the sinking fund) or purchased and cancelled by Trustee and not theretofore applied as a credit against any sinking fund redemption obligation, provided that there be delivered to Trustee, on or before the forty-fifth day next preceding the sinking fund redemption date, a certificate of the Lessee, signed by a duly authorized officer of the Lessee, indicating the extent, if any, to which the provisions of clauses (a) and (b) of this paragraph are to be availed of with respect to such sinking fund obligation. Each Bond so delivered or previously redeemed shall be credited by Trustee at 100 percent of the principal amount thereof on the obligation of the County on such sinking fund redemption date, and the principal amount of such Bonds to be redeemed by operation of the sinking fund shall be accordingly reduced.

SECTION 3.03. Notice of Redemption. Not less than 30 nor more than 60 days before the redemption date of any Bonds the

Trustee shall cause a notice of any such redemption, either in whole or in part, signed on behalf of the County (a) to be published once in a daily newspaper of general circulation or a financial journal of general circulation among dealers in municipal securities, in the Borough of Manhattan, City and State of New York and (b) to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books herein provided for and to the holders of coupon bonds to be redeemed who filed their names and addresses with the Trustee in accordance with Section 4.06 hereof, but failure so to mail any such notice or any defect therein shall not affect the validity of the proceedings for such redemption; provided, except for the mandatory sinking fund redemption provided for in Section 3.02 hereof, the Trustee shall not be required to publish the redemption notice unless it shall have been directed to publish such notice by the County at least forty-five (45) days prior to such redemption date. Each such notice shall set forth the date fixed for redemption, the redemption price (plus accrued interest) to be paid and, if less than all of the Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of registered Bonds without coupons to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any registered Bond without coupons is to be redeemed in part only, the notice of redemption which relates to such Bond

shall state also that on or after the redemption date, upon surrender of such Bond, a new registered Bond without coupons in principal amount equal to the unredeemed portion of such Bond will be issued.

If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be determined by Trustee shall constitute a sufficient publication of notice.

If at the time of giving of notice of an optional redemption the County shall not have deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditioned upon the deposit of the redemption moneys with the Trustee prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

The effect of the redemption on the date so designated for redemption, notice having been given in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price and accrued interest to the redemption date being held by the Trustee in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in this Indenture, the Bonds or portions of registered Bonds without

coupons so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, the coupons for interest on any coupon Bonds so called for redemption payable subsequent to the redemption date shall be void, such Bonds or portions of Bonds shall cease to be entitled to any benefit or security under this Indenture, and the holders or registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest to the redemption date and, to the extent provided in Section 3.07 of this Article, to receive Bonds for any unredeemed portions of registered bonds without coupons.

SECTION 3.04. Redemption Payments. Prior to the date fixed for redemption, the County shall cause to be deposited with Trustee funds sufficient to pay, and on such date Trustee is hereby authorized and directed to apply such funds to the payment of, the principal amount of the Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption and any premium required under this Indenture. If notice shall have been given as provided in Section 3.03 hereof, the Bonds referred to therein shall, on the applicable redemption date, become due and payable at the redemption price

(including premium, if any, and accrued interest to the redemption date) stated therein, and if funds for such redemption thereof shall have been deposited as provided in this Section, interest on the Bonds so to be redeemed shall not accrue after the date fixed for redemption.

SECTION 3.05. Cancellation. Bonds which have been redeemed, through operation of the sinking fund or otherwise, shall not be reissued but shall be cancelled and cremated or otherwise destroyed by Trustee in accordance with Section 2.08 hereof.

SECTION 3.06. Unpaid Coupons. All unpaid interest coupons which appertain to Bonds 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 upon the presentation and surrender of such coupons. All coupons for interest maturing subsequent to such date shall be void.

SECTION 3.07. Partial Redemption. In case part but not all of an outstanding registered Bond without coupons shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Trustee for payment of the principal amount thereof so called for redemption, and the County shall execute and the Trustee shall authenticate and deliver to or upon the

order of such registered owner or his attorney or legal representative without charge therefor, for the unredeemed portion of the principal amount of the registered Bond without coupons so surrendered, a registered Bond without coupons of the same series and maturity and bearing interest at the same rate.

SECTION 3.08. Funds in Trust; Unclaimed Funds. All moneys which the Trustee shall have withdrawn from the Bond Fund or shall have received from any other source and set aside, or deposited with any paying agent, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption, or for the purpose of paying any maturing coupons appertaining to any of the coupon Bonds hereby secured, shall be held in trust for the respective holders of such Bonds or coupons. But any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the holders of such Bonds or coupons for a period of six (6) years after the date on which such Bonds or coupons shall have become due and payable shall upon request in writing be paid to the Company and, thereafter, the holders of such Bonds or coupons shall look only to the Company for the payment thereof and then only to the extent of the amount so received without any interest thereon, and the County, the Trustee and the paying agents shall have no responsibility with respect to such moneys.

ARTICLE IV

GENERAL COVENANTS

SECTION 4.01. Payment of Principal, Premium, if any, and Interest. The County covenants that it will promptly pay, solely from the revenues and receipts derived under the Agreement (except to the extent paid out of moneys from the proceeds derived from the sale of the Bonds or interest and realized profit from the temporary investment thereof or amounts received from the Company under the Guaranty), the principal of and premium, if any, 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. Neither the faith and credit of the County nor the State, nor the taxing power of the County or the State, or any political subdivision of either thereof, is pledged to the payment of the principal of the Bonds or the interest thereon or the costs incident thereto.

SECTION 4.02. Performance of Covenants. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and in any and every Bond; provided that the liability of the County under any such covenant, undertaking, stipulation or provision or any breach or default by the shall be limited solely to the revenues and receipts derived under the Agreement.

SECTION 4.03. Instruments of Further Assurance; Liens and Encumbrances. The County convenants 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 pledging and assigning unto the Trustee all and singular the rental payments and any other income and other moneys pledged hereby to the payment of the principal of and interest and premium, if any, on the Bonds. The County further covenants that it will not create or suffer to be created any lien, encumbrance or charge upon its interest in the rental payments or any other income from the Agreement, except Permitted Encumbrances, and that, from the Project Acquisition Fund or other available moneys derived from the Project, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other items (other than Permitted Encumbrances) which, if unpaid, might by law become a lien upon the rental payments or other income from the Agreement; provided, however, that nothing in this Section 4.03 shall require the County to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings; provided, further, that nothing in this Indenture shall be construed as creating for

the benefit of any holder of any of the Bonds any lien, charge, pledge, mortgage or security interest with respect to the Project.

SECTION 4.04. Recordation of Agreement, Indenture and Other Instruments. The County covenants that it will cause the Agreement, this Indenture and all amendments and supplements thereto and hereto, as well as such other security agreements, such financing statements and all supplements thereto and other instruments as may be required from time to time to be kept, to be recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the holders of the Bonds and of the coupons appertaining thereto and the rights of Trustee hereunder, and to perfect the security interest created by this Indenture.

SECTION 4.05. Inspection of Project Books. The County covenants and agrees that all books and documents in its possession relating to the Project and the revenues and receipts derived pursuant to the Agreement shall at all times be open to inspection by such accountants or other persons as Trustee may from time to time designate.

SECTION 4.06. List of Bondholders. To the extent that such information shall be made known to the Trustee under the terms of this Section 4.06, it will keep on file at its principal office 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 known holders. The Trustee shall be under no responsibility with regard to the accuracy of said list. 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. In addition, the Trustee shall maintain a list of the names and addresses of all owners of registered Bonds (registered other than to bearer). At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Lessee or the Company or by owners (or a designated representative thereof) of ten percent or more in aggregate 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 4.07. Rights Under Agreement and Guaranty. The Agreement and the Guaranty, duly executed counterparts of which have been filed with the Trustee, set forth respectively (i) the covenants and obligations of the County and the Lessee, including provisions that subsequent to the issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions thereof, the Agreement may not be amended, changed, modified, altered or terminated (other than as provided therein) except in accordance

with the provisions hereof, and (ii) a direct and unconditional guarantee by the Company of the full and prompt payment of the principal of and premium, if any, and interest on the Bonds as the same shall respectively become due and payable, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Lessee and the Company thereunder; and the County agrees that the Trustee in its own 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 Agreement (and acknowledges the right of the Trustee to enforce all obligations of the Company under the Guaranty), for and on behalf of the Bondholders, whether or not the County is in default hereunder.

SECTION 4.08. Designation of Additional Paying Agents. The County and the Trustee, subject to the consent of the Lessee, may cause the necessary arrangements to be made and to be thereafter continued for the designation of additional paying agents and for providing for the payment of such of the Bonds and coupons appertaining thereto as shall be presented when due at the office of the Trustee, or its successor in trust hereunder, or at the office of said additional paying agents. All such funds held by said additional paying agents shall be held by each of them in trust and shall constitute a part of the trust estate and shall be subject to the security interest created thereby.

ARTICLE V

REVENUES AND FUNDS

SECTION 5.01. Source of Payment of Bonds. The Bonds authenticated and delivered hereunder are the obligations of the County to make payments hereunder in respect of the principal of and premium, if any, and interest on such Bonds. Such Bonds are not general obligations of the County but are limited obligations payable solely from revenues and receipts derived from the leasing of the Project and as authorized by the Act and provided herein.

The payments to be made by the Lessee under the Agreement (except for payments to the County under Sections 5.01 and 7.02 of the Agreement) are to be paid directly to the Trustee for the account of the County and deposited in the Bond Fund. Such payments shall be sufficient in amount to provide for, and are pledged to secure, the payment of the principal of and premium, if any, and interest on the Bonds.

SECTION 5.02. Creation of Bond Fund. There is hereby created by the County and ordered established with Trustee a trust fund to be designated "Berkeley County, South Carolina Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) Bond Fund" ("Bond Fund"), which shall be used to pay the principal of and premium, if any, and interest on the Bonds.

SECTION 5.03. Payments into Bond Fund. There shall be deposited in the Bond Fund promptly after the issuance of the Bonds all accrued interest, if any, to be paid by the purchasers of the Bonds. In addition, there shall be deposited in the Bond Fund, as and when received, (a) any amount in the Project Acquisition Fund directed to be paid into the Bond Fund under Section 5.07 or Section 5.08 hereof, (b) all other moneys received by Trustee under and pursuant to any of the provisions of the Agreement which are accompanied by directions that such moneys are to be paid into the Bond Fund, (c) all interest and realized profit from the investment of moneys in the Bond Fund, and (d) all moneys received by the Trustee pursuant to the Guaranty. The County hereby covenants and agrees that so long as any of the Bonds are outstanding it will deposit, or cause to be paid to Trustee for deposit, into the Bond Fund, solely from revenues and receipts derived under the Agreement, moneys sufficient for the prompt payment when due of the principal of and premium, if any, and interest on the Bonds. All payments by the Lessee made to Trustee for the account of the County pursuant to the Agreement shall, on deposit in the Bond Fund, be credited against the County's obligation to make payments of such moneys and against the Lessee's obligation to make payments under the Agreement.

SECTION 5.04. Use of Moneys in Bond Fund. Except as provided in this Section and Sections 5.11 and 10.02 hereof, moneys

in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds whether at stated maturity, upon redemption, or otherwise. Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds then unpaid and to pay the premium, if any, and interest to accrue thereon prior to such redemption, Trustee shall take or cause to be taken the necessary steps to redeem all of said Bonds on the earliest possible redemption date as to which the required redemption notice may be given. However, at the option of the Lessee, any moneys in the Bond Fund may be used to redeem a part of the Bonds outstanding which are redeemable so long as the Lessee is not in default with respect to any payments under the Agreement, or, as and when directed by the Lessee, Trustee shall use the moneys in the Bond Fund to purchase (and in such event shall cancel) Bonds either (a) at public or private sale, with or without advertisement, in such manner, from such person or persons and at such prices as Trustee in its discretion may determine, or (b) pursuant to such other directions, as the Lessee may in its discretion give Trustee, but only to the extent said moneys are in excess of the amount required for payment of the Bonds theretofore matured or called for redemption, the premium thereon, if any, and past due interest in all cases when such Bonds or coupons have not been presented for payment.

SECTION 5.05. Custody of Bond Fund. The Bond Fund shall be in the custody of Trustee but in the name of the County, and

the County hereby authorizes and directs the Trustee to withdraw funds from the Bond Fund sufficient to pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable, which authorization and direction Trustee hereby accepts.

SECTION 5.06. Project Acquisition Fund. There is hereby created by the County and ordered established with Trustee a trust fund to be designated "Berkeley County, South Carolina Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project) Project Acquisition Fund" (the "Project Acquisition Fund"), which shall be expended only in accordance with the provisions of the Agreement and of this Indenture.

SECTION 5.07. Payments into Project Acquisition Fund; Disbursements. The balance of the proceeds from the issuance and sale of the Bonds remaining after the deposits into the Bond Fund provided for by the first sentence of Section 5.03 hereof have been made shall be deposited in the Project Acquisition Fund.

Trustee shall make such disbursements from the Project Acquisition Fund as shall be necessary to pay the requisitions submitted to it pursuant to Section 4.01 of the Agreement and shall issue its checks therefor. Trustee shall keep and maintain adequate records pertaining to the Project Acquisition Fund

and all disbursements therefrom, and after the Project has been completed and a certificate of payment of all costs has been filed as provided in Section 5.08 hereof or amounts in the Project Acquisition Fund are transferred to the Bond Fund as provided in Section 5.08 hereof, or all amounts in the Project Acquisition Fund shall for whatever reason have been disbursed, Trustee shall file an accounting thereof with the County and the Lessee at such times as may be reasonably requested by the Lessee.

SECTION 5.08. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by the filing of a certificate required by Section 4.03 of the Agreement. As soon as practicable and in any event within sixty (60) days from the receipt of such certificate, the Trustee shall transfer all amounts then in the Project Acquisition Fund, including any unliquidated investments made with moneys theretofore deposited in the Project Acquisition Fund, to the Bond Fund, except for amounts retained as aforesaid by the Trustee for any Cost of the Project, or for amounts retained because the Lessee shall have directed the Trustee to use such moneys to purchase Bonds for the purpose of cancellation. The Trustee recognizes and agrees that no lien or security interest of any kind shall attach to the Project either before or after the Completion Date and the Trustee hereby disclaims any security interest in the Project.

SECTION 5.09. Non-presentment of Bonds or Coupons. In the event any Bond shall not be presented for payment when the principal thereof becomes due, whether at stated maturity, upon redemption, or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bond or coupon shall have been made available to Trustee for the benefit of the holder 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, terminate and be completely discharged, and thereupon it shall be the duty of Trustee to hold such funds, without liability for interest thereon, for the benefit of the holder of such Bond, or the holder of such coupon, as the case may be, for a period of six years after such due date, or the date upon which such funds shall have been made available, whichever is later, at which time such funds shall be transferred to the Lessee which shall hold such funds without liability for interest thereon, for the benefit of the holder of such Bond, or the holder of such coupon, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part with respect to said Bond or coupon.

SECTION 5.10. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of the Bond Fund or the Project Acquisition Fund under

any provision of this Indenture, the Agreement or the Guaranty 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 security interest created hereby.

SECTION 5.11. Repayment to the Company from Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the Bonds and the fees and expenses of Trustee and all other amounts required to be paid hereunder shall belong and be paid to the Lessee.

ARTICLE VI

INVESTMENT OF MONEYS

Any moneys held as part of the Bond Fund or the Project Acquisition Fund shall be invested and reinvested by Trustee, subject to applicable provisions of law, only as directed from time to time by the Lessee, in direct obligations of, or obligations guaranteed by, the United States of America or obligations of the Federal National Mortgage Association, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Bank, Government National Mortgage Association, Export-Import Bank of the United States, United States Postal Service, Tennessee Valley Authority or any other agency or corporation which is or may hereafter be created

by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof; or direct obligations of, or obligations guaranteed by, any state of the United States which are rated in the two highest ratings by a recognized national rating service in Municipal Bonds; or Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States; or negotiable or non-negotiable certificates of deposit issued by the Trustee or any bank, trust company or national banking association which is located in the United States of America and which has a capital stock and surplus aggregating at least $10,000,000; provided, however, that the negotiable or non-negotiable certificate of deposit of any bank, trust company or national association may not exceed $100,000 if the aggregate capital stock and surplus is less than $25,000,000; or commercial paper rated by Moody's National Credit Office P-1 and Standard & Poor's A-1. Such certificates of deposit may be purchased directly or indirectly from such a bank, trust company or national banking association including the Trustee; including in each case any hereafter issued obligations or certificates. Each investment shall have a maturity of not exceeding the time within which the funds invested therein are required to be available. The Trustee may, and to the extent required for payments from the Project Acquisition Fund or Bond Fund shall, sell any such obligation at any time, and the

proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Fund in which such obligations were held. Such investments shall be made in the discretion of the Trustee; provided, however, the Lessee may by written direction from its authorized officer (being any Vice President, the Treasurer, any Assistant Treasurer or the Company Representative) to the Trustee direct the investment of such Funds. Any such investments shall be held by or under the control of Trustee and shall be deemed at all times a part of the Fund for which they were made. The interest accruing on, any profit realized from, and any loss resulting from, investment of moneys shall be credited or charged, as the case may be, to the particular Fund in which the investment was made. The Trustee covenants to follow the investment directions of the Lessee and shall not be held liable for any loss resulting from such investment. The County further covenants and represents to and for the benefit of the purchasers of the Bonds that no use will be made of the proceeds from the issue and sale of the Bonds which, on the basis of the facts, estimates and circumstances now known and reasonably expected to be in existence on the date of issue of the Bonds, which cause the Bonds to be classified as of the date of issue as arbitrage bonds within the meaning of Section 103(c)(2) of the Code. Pursuant to such covenant, the County obligates itself to comply throughout the term of the Bonds

with the requirements of Section 103(c) of the Code and any regulations promulgated thereunder.

ARTICLE VII

SUBORDINATION TO RIGHTS OF THE LESSEE

This Indenture and the rights and privileges hereunder of Trustee and the holders of the Bonds are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Agreement.

ARTICLE VIII

DISCHARGE OF INDENTURE

When all the Bonds and all of the coupons appertaining thereto shall have been paid, or deemed paid as provided in this Article, and if the County shall not then be in default under any of its other obligations under the terms of this Indenture, and if the County shall have caused to be paid to Trustee all other sums of money due or to become due according to the provisions hereof (or shall have made arrangements satisfactory to Trustee for such payment), then this Indenture and the lien created hereby shall be discharged and satisfied, and thereupon Trustee shall execute and deliver to the County such instruments in writing as shall be requisite to cancel and discharge the Agreement and to evidence the discharge and cancellation of this Indenture; provided, however, that Trustee shall

remain obligated to hold in trust any amounts then remaining in the Bond Fund or the Project Acquisition Fund and to pay to the holders of the Bonds any amounts held by Trustee for the payment of the principal of and premium, if any, and interest on the Bonds and to pay any remaining amounts to the Lessee as provided in Section 5.11 hereof.

Any Bond and any coupons appertaining thereto shall be deemed to be paid within the meaning of this Article when delivered to Trustee for cancellation or when payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether at maturity, or upon redemption, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by depositing with Trustee, for such payment, (i) moneys sufficient to make such payment or (ii) moneys and Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, provided that all necessary and proper fees, compensation and expenses of Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Government Obligations.

Notwithstanding the foregoing, no deposit under clause (b) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until (1) proper notice of redemption of such Bonds shall have been previously given in accordance with Article III hereof or, in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, until the Lessee shall have given Trustee on behalf of the County, in form satisfactory to Trustee, irrevocable instructions to notify, as soon as practicable, the holders of the Bonds in accordance with Article III hereof that the deposit required by (b) above has been made with Trustee and that said Bonds and any coupons appertaining thereto are deemed to have been paid in accordance with this Article and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, on said Bonds, plus interest, or (2) the stated maturity of such Bonds. Any moneys so deposited with Trustee as provided in this Article VIII only at the direction of the Lessee may also be invested and reinvested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of Trustee pursuant to this Article which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF
TRUSTEE AND BONDHOLDERS

SECTION 9.01. Events of Default. Any one or more of the following shall be "Events of Default" under this Indenture:

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

(b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at stated maturity or upon redemption or otherwise;

(c) 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 and the continuance of such default after notice thereof pursuant to Section 9.12 hereof; or

(d) The occurrence of an "Event of Default" specified in Section 8.01 of the Agreement.

SECTION 9.02. Acceleration. Upon the occurrence and continuance of an Event of Default, Trustee may, and upon the written request of the holders of not less than 25 percent in aggregate principal amount of Bonds then Outstanding shall, by notice in writing delivered to the County, the Company and the

Lessee, (a) declare the principal of all Bonds then Outstanding and the interest accrued thereon to the date of such notice immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, and (b) exercise the remedy specified in Section 8.02(a) of the Agreement.

While any Bonds are Outstanding, the County shall not exercise any of the remedies specified in Section 8.02 of the Agreement without the prior written consent of Trustee, which consent shall not be unreasonably withheld.

SECTION 9.03. Other Remedies; Rights of Bondholders. Upon the occurrence and continuance of an Event of Default, Trustee may pursue any available remedy by suit at law or in equity to enforce the payment of the principal of and premium, if any, and interest on the Bonds then Outstanding, including, without limitation, mandamus.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the holders of 25 percent in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in Section 10.01(l) hereof, Trustee shall be obligated (a) to enforce the obligations of the Company under the Guaranty and (b) to exercise such of the rights and powers conferred by this Section as Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy herein conferred 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 Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity.

Neither the delay in exercising nor the omission to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and such right and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent on such subsequent Event of Default.

SECTION 9.04. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time by an instrument or instruments in writing executed and delivered to Trustee, to direct the 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 9.05. Appointment of Receivers. Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of Trustee and of the Bondholders under this Indenture, Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate and of the revenues and receipts therefrom, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 9.06. Waiver. Upon the occurrence and continuance of an Event of Default, to the extent that such rights may then lawfully be waived, neither the County nor anyone claiming through or under it shall set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, and the County, for itself and all who may claim through or under it, hereby waives to the fullest extent permitted by law the benefit of all such laws.

SECTION 9.07. Application of Moneys. All moneys received by Trustee pursuant to any right given or action taken under the provisions of this Article, or by reference in this Article to the Agreement and the Guaranty in respect of an Event of Default

shall, after payment of the costs and expenses, liabilities and advances incurred or made by Trustee, be deposited in the Bond Fund, and all moneys in the Bond Fund (other than moneys for the payment of Bonds or coupons which have matured or otherwise become payable prior to such Event of Default, which moneys shall be applied to such payment) shall during the continuance of an Event of Default be applied as follows:

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

FIRST -- To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of such installments, 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 and, if the amount available shall not be sufficient to pay in full the amount due on any particular

date then to the payment ratably of such principal and premium without any discrimination or privilege.

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

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 Trustee shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future. Whenever Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such dates

shall cease to accrue. 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 holder of any unpaid coupon or any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of and premium, if any, and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 5.11 hereof.

SECTION 9.08. 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 Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or the coupons, and any recovery of judgment shall, subject to the provisions of Section 9.07 hereof, be for the equal and ratable benefit of the holders of the Outstanding Bonds and coupons.

SECTION 9.09. Rights and Remedies of Bondholders. No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or the Agreement or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder unless (a) a default has occurred of which Trustee has been notified as provided in Section 10.01(h) hereof, or of which as provided in said Section 10.01(h) it is deemed to have notice, (b) such default shall have become an Event of Default and the holders of 25 percent in aggregate principal amount of Bonds then Outstanding shall have made written request to Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such Bondholders shall have offered to Trustee indemnity as provided in Section 10.01(l), and (d) Trustee shall thereafter have failed or refused to exercise any of the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of Trustee to be conditions precedent to any action or cause of action for the enforcement of this Indenture or the Agreement or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds or coupons shall have

any right in any manner whatsoever 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 and ratable benefit of the holders of all Bonds then Outstanding. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment, but solely from the revenues and receipts derived under the Agreement, of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the County to pay, but solely from the revenues and receipts derived under the Agreement, the principal of and premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in the Bonds and the appurtenant coupons expressed.

SECTION 9.10. Termination of Proceedings. In case Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the County, the Lessee, the Company, Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, and all rights, remedies and powers of Trustee shall continue as if no such proceedings had been taken.

SECTION 9.11. Waivers of Events of Default. Trustee may at its discretion waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal, and shall do so upon the written request of the holders of more than 50 percent in principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived (a) any default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless in either case prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal when due, with interest (to the extent permitted by law) at a rate per annum equal to 1% in excess of the rate borne by the Bonds on overdue installments of principal and interest, as the case may be, in lieu of the interest rate shown on the Bonds that are in default and all expenses of Trustee, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, the Lessee, the Company, Trustee and the Bondholders 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.

SECTION 9.12. Notice of Defaults. Anything herein to the contrary notwithstanding, no default under Section 9.01(c) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the County, the Lessee and the Company by Trustee or by the holders of not less than 25 percent in aggregate principal amount of all Bonds then Outstanding, and the County, the Lessee and the Company shall have had sixty (60) 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, that, 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 County, the Lessee or the Company 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 County, the Lessee and the Company under the provisions of this Section, the County hereby grants the Lessee and the Company full authority for the 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.

SECTION 9.13. Notice to the Lessee. In the event that any payment to be made directly by the Lessee to Trustee under the Agreement is not timely made, Trustee shall immediately notify the Lessee's Treasurer or any Assistant Treasurer (or if such officers are unavailable, any other officer of the Lessee or the Company), in person or by telephone that such payment has not been made and promptly confirm such notice in writing by telegram or otherwise addressed to the Treasurer of the Lessee. Such notice shall be deemed given at the time the personal or telephonic notice is given, and any failure by Trustee thereafter to confirm such notice shall not in any way render such notice invalid or incomplete.

ARTICLE X

TRUSTEE

SECTION 10.01. Acceptance of Trusts. Trustee hereby warrants that it is authorized to transact the business of a trust company within the State of New York and 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) Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture; provided, however, that in case an Event of Default has occurred (which has not been cured or waived), Trustee shall exercise such of the

rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. Trustee may act upon the opinion or advice of any attorney, who may be the attorney or attorneys for the County, the Lessee or the Company, or any other attorney or attorneys approved by Trustee in the exercise of reasonable care. Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken or omitted in good faith in reliance upon such opinion or advice.

(c) Trustee shall not be responsible for any recital herein or in the Bonds (except with respect

to the certificate of Trustee endorsed on the Bonds and its acceptance of trust hereunder), or for the recording or re-recording or filing or re-filing of this Indenture or of any other instrument required by this Indenture to secure the Bonds, or for the validity of the execution by the County of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and 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 Agreement in connection with the matters referred to in Section 5.08 hereof, except as set forth in this Indenture; but Trustee may require of the County or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid. Trustee shall have no obligation to perform any of the duties of the County under the Agreement.

(d) Trustee shall not be accountable for the use of any Bonds authenticated and delivered hereunder. Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(e) Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by 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 holder of any Bond, shall be conclusive and binding upon all future holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, Trustee shall be entitled to rely upon a certificate, signed by a representative of the County or the Lessee, as the case may be, designated as such pursuant to the Agreement, as sufficient evidence of the facts therein contained; and prior to the occurrence of a default of which Trustee has been notified as provided in Section 10.01(h) hereof or of which as provided in Section 10.01(h) it is deemed to have notice, Trustee shall be entitled to rely upon a

similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient; provided, however, that Trustee may in its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be obligated to secure the same. Trustee may accept a certificate of the County under the seal of the County to the effect that a resolution in the form therein set forth has been adopted by the governing body of the County and is in full force and effect as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

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

(h) Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the County to cause to be made any of the payments to Trustee required to be made as provided in Article IV or failure by the County or the Lessee to file with Trustee any document required by this Indenture or the Agreement to be so filed subsequent to the issuance of

the Bonds, unless Trustee shall be specifically notified in writing of such default by the County, the Lessee or by the Company or by the holders of at least 25 percent in aggregate principal amount of Bonds then Outstanding. All notices or other instruments required by this Indenture to be delivered to Trustee must, in order to be effective, be delivered at the principal corporate trust office of Trustee, and in the absence of such notice so delivered Trustee may conclusively assume there is no default except as aforesaid.

(i) Subject to the provisions of Section 4.05 hereof, at any and all reasonable times Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of the County and Lessee insofar as they pertain to the Project and the Bonds, and to prepare such memoranda with regard thereto as may be desired.

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

(k) Notwithstanding anything elsewhere in this Indenture with respect to the authentication of any

Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, Trustee shall have the right, but shall not be required, to demand 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 Trustee reasonably deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by Trustee.

(l) Before taking any action referred to in Section 9.03 or 9.09 hereof 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 Trustee 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. The

Trustee shall be under no liability for interest on any money received by it hereunder unless specifically provided for by this Indenture.

SECTION 10.02. Fees, Charges and Expenses of Trustee. Trustee shall be entitled to payment of reasonable fees for its services rendered hereunder and to reimbursement for all advances, counsel fees and other expenses reasonably and necessarily made or incurred by Trustee in connection with such services. Upon an Event of Default, but only upon an Event of Default, Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond upon the trust estate for the foregoing fees, charges and expenses incurred by it.

SECTION 10.03. Notice to Bondholders if Default Occurs. If a default occurs of which Trustee is by Section 10.01(h) hereof required to take notice or if notice of default be given as therein provided, then Trustee shall promptly give (a) notice thereof by publication in the manner provided in Section 3.03 hereof and (b) written notice thereof by registered or certified mail to each registered owner of Bonds then Outstanding and to each holder of a Bond or Bonds then Outstanding shown by the list of Bondholders required by the terms of Section 4.06 hereof to be kept at the principal office of Trustee.

SECTION 10.04. Intervention by Trustee. In any judicial proceeding to which the County is a party and which in the opinion of Trustee has a substantial bearing on the interests of owners of the Bonds, Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the holders of at least 25 percent of the aggregate principal amount of Bonds then Outstanding, subject, however, to the approval of a court of competent jurisdiction.

SECTION 10.05. Successor Trustee. Any corporation or association into which Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and vested with all of the title to the 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 instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided such successor shall have reported total capital and surplus in excess of $10,000,000.

SECTION 10.06. Resignation by Trustee. Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the County, the Lessee, the Company, to each registered owner of the Bonds then Outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 4.06 hereof to be kept by Trustee, and such resignation shall take effect upon the appointment of a successor Trustee as herein provided.

SECTION 10.07. Removal of Trustee. Trustee may be removed at any time, by an instrument or instruments delivered to Trustee, the Lessee, the Company and the County signed by the holders of a majority in aggregate principal amount of Bonds then Outstanding.

SECTION 10.08. Appointment of Successor Trustee by Bondholders. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in 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 shall be appointed by the County at the direction of the Lessee. The County shall publish notice of such appointment once in each of two consecutive calendar weeks in a newspaper or financial journal of general circulation among dealers

in municipal securities in the Borough of Manhattan, City and State of New York. If the County fails to make such appointment promptly, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding. Every such successor Trustee appointed pursuant to the provisions of this Section 10.08 shall be a trust company or bank in good standing having a reported capital and surplus of not less than $10,000,000, if there be such an institution willing, qualified and able to accept the trusts upon reasonable and customary terms.

SECTION 10.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County, the Lessee and the Company 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, execute and 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 estates, 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 or recorded by the successor Trustee in each recording office where the Indenture shall have been filed or recorded and the successor Trustee shall bear the costs thereof.

SECTION 10.10. Appointment of Co-Paying Agents. Trustee, or any successor Trustee under this Indenture, shall act as paying agent for the Bonds. The County may at any time or from time to time, with the approval of the Lessee, appoint one or more co-paying agents for the Bonds, in the manner and subject to the conditions set forth in Section 10.11 hereof for the appointment of a successor co-paying agent. Each co-paying agent shall signify its acceptance of the duties and obligations imposed upon it by written instrument of acceptance deposited with the County and Trustee under which such co-paying agent shall agree with Trustee that such co-paying agent will:

(a) hold all sums held by it for the payment of the principal of and premium, if any, and interest on the Bonds in trust for the benefit of the holders of Bonds and of the coupons appertaining thereto until such sums shall be paid to such owners or otherwise disposed of as herein provided; and

(b) upon the written request of Trustee, forthwith pay to Trustee all sums so held in trust by such co-paying agent.

The County hereby covenants and agrees to cause the necessary arrangements to be made through Trustee and to be thereafter continued whereby funds derived from the sources specified in Section 5.01 hereof will be made available for the payment of such of the Bonds and interest coupons thereunto appertaining as are presented when due at the appropriate offices of the co-paying agents.

SECTION 10.11. Successor Co-Paying Agents. Any co-paying agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' written notice by registered or certified mail to the County and Trustee. Any co-paying agent may be removed at any time with the consent of the Lessee by an instrument filed with such co-paying agent and Trustee and signed on behalf of the County. Any successor co-paying agent shall be appointed by the County, with the approval of the Lessee, and shall be a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof, having, at the time of its appointment, reported total capital and surplus in excess of $10,000,000, if there be such a corporation willing and able to accept the office on reasonable

and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

In the event of the resignation or removal of any co-paying agent, such co-paying agent shall pay over, assign and deliver any moneys held by it as co-paying agent to its successor, or if there be no successor, to Trustee.

SECTION 10.12. Successor Trustee as Bond Registrar, Custodian of Project Acquisition Fund and Bond Fund and Paying Agent. In the event of a change of Trustee, the Trustee which has resigned or been removed shall cease to be Bond Registrar and custodian of the Project Acquisition Fund and the Bond Fund and paying agent for principal and interest of the Bonds and the successor Trustee shall become such Bond Registrar, custodian and paying agent.

SECTION 10.13. Trustee and County Required to Accept Directions and Actions of Lessee. Whenever after a reasonable request by the Lessee, and if the Lessee is not in default under the Agreement, the County shall fail, refuse or neglect to give any direction to the Trustee or to require the Trustee to take any action which the County is required to have the Trustee take pursuant to the provisions of the Agreement or this Indenture, the Lessee as agent of the County may give any such direction to the Trustee or require the Trustee to take any such action, and the Trustee is hereby irrevocably empowered

and directed to accept such direction from the Lessee as sufficient for all purposes of this Indenture. The Lessee shall have the right as agent of the County to cause the Trustee to comply with any of the Trustee's obligations under this Indenture to the same extent that the County is empowered so to do.

Certain actions or failures to act by the County under this Indenture may create or result in an event of default under this Indenture and the Lessee, as agent of the County may, to the extent permitted by law, perform any and all acts or take such action as may be necessary for and on behalf of the County to prevent or correct said event of default and the Trustee shall take or accept such performance by the Lessee as performance by the County in such event.

The County hereby makes, constitutes and appoints the Lessee irrevocably as its agent to give all directions, do all things and perform all acts provided, and to the extent so provided, by this Section.

ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders. The County and Trustee may, with the prior written consent of the Lessee, but without consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture which 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 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 Trustee;

(c) To subject to this Indenture additional revenues, properties or collateral;

(d) To make any other change not inconsistent with the provisions of the first paragraph of Section 11.02 hereof which in the reasonable judgment of Trustee is not to the prejudice of Trustee or the Bondholders; and

(e) 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 to permit the registration or qualification of the Bonds for sale under the securities laws of any of the states of the United States.

When requested by the County and the Lessee, Trustee shall, subject to the provisions of Article X hereof, join the in the execution of any such supplemental indenture.

SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section 11.02, and not otherwise, the County and Trustee may with the consent of the holders of not less than sixty-six and two-thirds percent in aggregate principal amount of the Bonds then Outstanding, from time to time, anything contained in this Indenture to the contrary notwithstanding, execute such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by Trustee 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 without the specific consent of the holder of each such Bond which would be affected thereby nothing in this Section shall permit or be construed as permitting (a) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of or redemption premium on any Bond, or the rate of interest or sinking fund redemption requirements thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in

in the aggregate principal amount of the Bonds consent of the holders of which is required for such supplemental indenture.

If at any time the County shall request Trustee to enter into any such supplemental indenture for any of the purposes of this Section, 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 among dealers in municipal securities published in The City of New York, New York and cause notice to be mailed by registered or certified mail to each registered owner of Bonds then Outstanding and to each holder of Bonds then Outstanding shown by the list of Bondholders required by Section 4.06 hereof. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of Trustee for inspection by all affected Bondholders. If, within sixty (60) 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 sixty-six and two-thirds percent 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 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 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, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith.

If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or for any other reason, it is impossible or impractical to publish any notice required in this Section, then such publication in lieu thereof as shall be made with the approval of Trustee shall constitute a sufficient publication of notice.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Section shall not become effective unless and until the Lessee shall have consented thereto. Trustee shall cause notice of the proposed execution of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail, return receipt requested, to the Lessee (to the attention of its Treasurer) and to the Company (to the attention of its Treasurer) at least thirty (30) days prior to the proposed date of execution and delivery of any such supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if Trustee does not receive a letter of protest or objection thereto signed by or

on behalf of the Lessee on or before 4:30 o'clock p.m., local time, on the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture.

SECTION 11.03. Trustee Authorized to Join in Supplements; Reliance on Counsel. The Trustee is authorized to join with the County in the execution and delivery of any supplemental indenture permitted by this Article and in so doing shall be fully protected by an opinion of counsel who may be counsel for the County, the Lessee or the Company that such supplemental indenture is so permitted and has been duly authorized by the County and that all things necessary to make it a valid and binding supplemental indenture have been done.

ARTICLE XII

AMENDMENT OF AGREEMENT AND GUARANTY

SECTION 12.01. Amendments, etc. to Agreement and Guaranty Not Requiring Consent of Bondholders. The County and Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Agreement or the Guaranty requested by the Lessee or the Company as may be required (1) by the provisions of the Agreement, the Guaranty or this Indenture, (2) for the purpose of curing any ambiguity or formal defect or omission, (3) so as more precisely to identify the Project or substitute or add additional equipment

or additional rights or interest in property acquired in accordance with the provisions of the Agreement, or (4) in connection with any other change therein which, in the reasonable judgment of Trustee, is not to the prejudice of Trustee or the Bondholders.

SECTION 12.02. Amendments, etc. to Agreement and Guaranty Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 12.01 hereof, neither the County nor Trustee shall consent to any other amendment, change or modification of the Agreement or the Guaranty without the written approval or consent of the holders of not less than sixty-six and two-thirds percent in aggregate principal amount of the Bonds then Outstanding given as hereinafter provided in this Section 12.02; provided, however, that nothing in this Section 12.02 contained shall permit or be construed as permitting (a) any change in the time for making payments under the Agreement or (b) a reduction in the amount of any payments under Section 3.01 of the Agreement, without in either case the consent of 100 percent of the holders of Outstanding Bonds affected thereby. If at any time the Lessee or the Company shall request the consent of the County and Trustee to any such proposed amendment, change or modification of the Agreement or the Guaranty, Trustee shall, upon being satisfactorily indemnified with respect to expenses, proceed to cause notice of such proposed amendment, change or modification to be published and mailed in the same manner as is provided in Section 11.02 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 with Trustee for inspection by all Bondholders affected thereby.

SECTION 12.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the County in the execution and delivery of any amendment permitted by this Article XII and in so doing shall be fully protected by an Opinion of Counsel that such amendment is so permitted and has been duly authorized by the County and that all things necessary to make it a valid and binding agreement have been done.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. Consents, etc. of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent documents and may be executed by Bondholders in person or by agent appointed in writing. Proof of the execution of any such 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 Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of the holding by any person of Bonds or coupons and the amounts and numbers of such Bonds, and the date of the holdings of the same, may be proved by a certificate, deemed by Trustee to be satisfactory, executed by any trust company, bank or banker, wherever situated, stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds or coupons therein mentioned. Trustee may, in its discretion, require evidence that such Bonds have been deposited with a bank or trust company before taking any action based on such ownership. In lieu of the foregoing, Trustee may accept other proofs as it shall reasonably deem appropriate. For all purposes of this

Indenture and of the proceedings for the enforcement hereof, such person shall be deemed to continue to be the holder of such Bond until Trustee shall have received notice in writing to the contrary.

SECTION 13.02. 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, the Lessee, the Company and the holders of the Bonds and coupons, any legal or equitable right, remedy or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture or any covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Lessee and the Company and the holders of the Bonds and coupons as herein provided.

SECTION 13.03. Severability. If any provision of this Indenture shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 13.04. Arbitrage. No part of the proceeds of the Bonds or any of the funds provided for in this Indenture shall at any time be used directly or indirectly to acquire securities or obligations the acquisition of which would cause any of the Bonds to be an arbitrage bond as defined in Subsection (c)(2) of Section 103 of the Code subject to treatment under Subsection (c)(1) of said Section as an obligation the interest on which is not excludable from gross income under Subsection (a) of said Section.

SECTION 13.05. Notices. Except as otherwise expressly provided herein, any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows: If to the County, Berkeley County, South Carolina, County Memorial Office Building, Moncks Corner, South Carolina 29461; if to Trustee, The Bank of New York, 90 Washington Street, New York, New York 10015, Attn.: Corp. Trust Dept.; if to the Lessee, Davol, Inc., 100 Sockanossett Crossroads, Cranston, Rhode Island 02190; and if to the Company, International Paper Company, 220 East 42nd Street, New York, N.Y. 10017, Attn: Treasurer. A duplicate copy of each notice given hereunder

other. The County, the Lessee, the Company and Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by giving notice in accordance with this Section.

SECTION 13.06. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of maturity of principal of or the date of payment of interest on the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or, in the city wherein the place of payments is located, a legal holiday or a day on which banking institutions are authorized by law to close, then payments of principal, premium, if any, or interest need not be made on such date but may be made on the next succeeding business day 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 13.07. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.08. Applicable Provisions of Law. This Indenture shall be governed by, and interpreted in accordance with, the laws of the State of South Carolina.

SECTION 13.09. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of the Indenture.

SECTION 13.10. Limitation of Liability. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member, officer, employee or agent of the County in his individual capacity, and neither the County Supervisor of the County nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No official, officer, employee or agent of the County shall incur any personal liability with respect to any other action taken by him pursuant to this Indenture or the Act, provided such official, officer, employee or agent acts in good faith.

SECTION 13.11. Trustee as Paying Agent and Bond Registrar. The Trustee is hereby designated and agrees to act as a paying agent and as Bond Registrar for and in respect to the Bonds.

IN WITNESS WHEREOF, the County and the Trustee have caused this Indenture to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

BERKELEY COUNTY, SOUTH CAROLINA

By: _____
County Supervisor

[SEAL]
Attest:

_____
County Treasurer

Witnessed:

_____

_____

THE BANK OF NEW YORK, as Trustee

By: _____

Title: _____

[SEAL]
Attest:

_____
Assistant Secretary

Witnessed:

_____

_____

ACKNOWLEDGEMENT OF COUNTY

STATE OF SOUTH CAROLINA)
) SS.:
COUNTY OF BERKELEY)

PERSONALLY appeared before me ,
who being duly sworn says that he saw the corporate seal of Berkeley County, South Carolina, affixed to the foregoing Indenture, and that he also saw ,
as County Supervisor of Berkeley County, and ,
as County Treasurer of Berkeley County, sign and attest the same and that he with witnessed the execution and delivery thereof as the act and deed of the said Berkeley County, South Carolina.

_____

Sworn to before me this
day of , A.D. 1978

_____((L.S.)
Notary Public for the
State of South Carolina

My Commission Expires:

ACKNOWLEDGEMENT OF TRUSTEE

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

PERSONALLY appeared before me ,
who being duly sworn says that he saw the corporate seal of
The Bank of New York, affixed to the foregoing Indenture,
and that he also saw ,
as _____ of The Bank of New York, and ,
as _____ of The Bank of New York, sign and attest the
same and that he with witnessed
the execution and delivery thereof as the act and deed of the
said The Bank of New York as Trustee under the Indenture.

_____

Sworn to before me this
day of , A.D. 1978

_____((L.S.)
Notary Public for the
State of New York

My Commission Expires:

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

January 18, 1978

William A. McInnis, Esq.
Post Office Box 11333
Columbia, South Carolina 29211

Re: $1,000,000 Berkeley County, South Carolina, Industrial Development Revenue Bonds, 1978 Series A (Davol, Inc. - International Paper Company Project)

Dear Bill:

Please find enclosed copies of the International Paper Company 1976 Annual Report and also its Third Quarterly Earnings Report to September 30, 1977. If there should be any questions or comments, please advise.

Best personal regards.

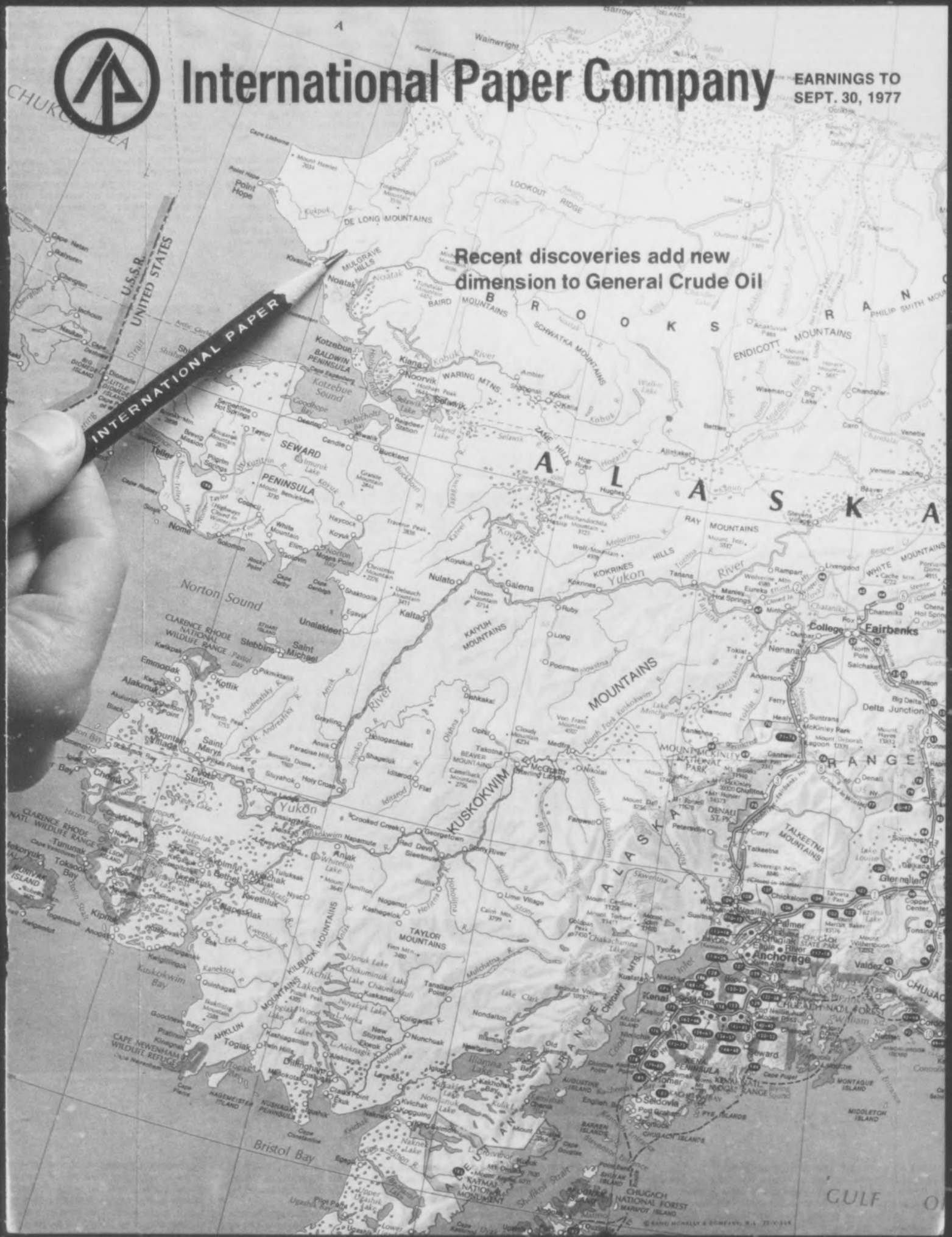
Yours very truly,

TAH:bjh

Enclosures

Ed: for 1/25/78
B+CB meeting

Is this financial info sufficient?
Bill


International Paper Company
EARNINGS TO SEPT. 30, 1977
Recent discoveries add new dimension to General Crude Oil
INTERNATIONAL PAPER
U.S.S.R.
UNITED STATES
ALASKA
BROOKS RANGE
Point Hope
Kotzebue
Nome
Norton Sound
Bristol Bay
Unalakleet
Saint Michael
Stebbins
Emmonak
Kotlik
Yukon
Nulato
Galena
Koyukuk
Kaltag
Anvik
Holy Cross
Flat
Takotna
McGrath
Nikolai
Medfra
Ophir
Dishkakat
Crooked Creek
Georgetown
Red Devil
Sleetmute
Aniak
Bethel
Napaskiak
Kwethluk
Tuluksak
Akiachak
Kipnuk
Kwigillingok
Tuntutuliak
Eek
Quinhagak
Goodnews Bay
Platinum
Togiak
Twin Hills
Manokotak
Dillingham
Clarks Point
Ekuk
Kvichak
Kapguing
Naknek
Egegik
Pilot Point
Ugashik
Port Heiden
Chignik
Chignik Lake
Perryville
Ivanof Bay
Mount Dutton
Mount Veniaminof
Mount Peulik
Mount Chiginagak
Mount Douglas
Mount Kialagvik
Mount Katmai
Mount Griggs
Mount Mageik
Mount Martin
Mount Trident
Mount Steller
Mount Denison
Mount Kaguyak
Mount Kashwitna
Mount Spurr
Mount Redoubt
Mount Iliamna
Mount Augustine
Mount Douglas
Mount Chisana
Mount Hayes
Mount Deborah
Mount Hunter
Mount Foraker
Mount Brooks
Mount Dall
Mount Carlson
Mount Gerdine
Mount Torbert
Mount Gordon Lyon
Mount Hamilton
Mount Igikpak
Mount Michelson
Mount Isto
Mount Chamberlin
Mount Doonerak
Mount Sukakpak
Mount Bendeleben
Mount Osborn
Mount Angayukaqraq
Mount Hoseanna
Mount Dillinger
Mount Hoffman
Mount Hamilton
Mount Igikpak
Mount Michelson
Mount Isto
Mount Chamberlin
Mount Doonerak
Mount Sukakpak
Mount Bendeleben
Mount Osborn
Mount Angayukaqraq
Mount Hoseanna
Mount Dillinger
Mount Hoffman
Fairbanks
College
Nenana
Delta Junction
Anchorage
Palmer
Wasilla
Chickaloon
Glennallen
Copper Center
Valdez
Kenai
Soldotna
Seward
Homer
Seldovia
Port Graham
Nanwalek
Tyonek
Talkeetna
Cantwell
Healy
Suntrana
Anderson
Ferry
Diamond
Salchaket
Eielson
North Pole
Tok
Big Delta
Livengood
Rampart
Manley Hot Springs
Eureka
Minto
Chatanika
Roy
Two Rivers
Chena Hot Springs
Wiseman
Big Lake
Chandalar
Caro
Venetie
Arctic Village
Beaver
Allakaket
Hughes
Bettles
Evansville
Hughes
Huslia
Hughes
Koyukuk
Nulato
Galena
Kaltag
Unalakleet
Saint Michael
Stebbins
Emmonak
Kotlik
Yukon
Nulato
Galena
Koyukuk

Third Quarter Report

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Sales and Production of Principal Products	5
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Androscoggin Expansion Completed	7

$30 Million Forest Products Facility Planned for Gurdon

To help serve the needs for housing and other construction, and to increase potential earnings for share owners, IP has more than doubled its lumber manufacturing capacity over the past three years, and facilities for plywood and finished building materials have been improved. The latest addition to the Company's wood products manufacturing capacity was announced on August 17 when plans were described for the construction of a $30 million southern-pine plywood plant, random-length-pine sawmill, and raw material separation center at Gurdon, Arkansas. This new forest products complex, which will begin operation in early 1979, will be the most modern facility of its type in the country.

In announcing the planned construction, John J. Stephens, Vice President and Group Executive for IP's Wood Products and Resources Group said, "Construction will begin this fall, and the complex will employ over 200 persons and provide for another 250 related jobs in supplying raw material."

The expansion at Gurdon of International Paper's wood manufacturing capability represents a continuing commitment by the Company to grow in the wood products markets. The decision to grow the optimum amount of sawtimber on IP lands, made in 1975, will assure the wood fiber base for the Company's wood products manufacturing capacity.

The new Gurdon facility will convert sawtimber from IP and surrounding Arkansas lands into high-quality lumber and plywood. Chips will be used for paper. Residuals will be used as fuel.

"Earnings up 5.6% over 3rd quarter of 1976"

To Our Share Owners

Earnings in the third quarter were $62.1 million, up 5.6 percent over the same period last year, and 5.1 percent above the second quarter of 1977. Earnings per share were $1.33 compared to $1.29 for the 1976 period. Sales totaled $924 million, up 4.5 percent over the $884 million for the third quarter of 1976.

Included in third-quarter earnings this year are $3 million from the sale of a warrant to purchase a 49 percent interest in a land development company, and a $2 million after-tax gain from foreign currency translations. This currency translation gain compares with a $3 million after-tax translation loss for the comparable period last year.

Nine-month earnings were $169.8 million, down 17.5 percent from $205.9 million in the same 1976 period. The nine-month results are equivalent to $3.63 per share compared to $4.59 in 1976. Sales for the nine months were $2.721 billion, up 2.4 percent from nine-month sales of $2.657 billion in 1976.

International Paper's business remained at a high level of activity in several areas, but some product lines were adversely affected by the slower rate of economic growth in the U.S. and the continued low level of economic activity outside of the U.S.

Record performance of the Company's wood products operations was a result of the increase in residential construction, particularly single-family houses. Other areas of strength were bleached packaging board and coated publication papers, where operations continued at capacity levels. Newsprint consumption in the U.S. continues to grow, but shipments have been running slightly below a year ago when publishers were rebuilding inventories following strikes at several other Canadian newsprint producers.

Production was kept closely tailored to customer requirements during the quarter, and inventories are being held at low levels.

Price increases are being realized in some lines, such as multiwall bags, tabulating index stock, and grocery sacks, but the Company has been unable to realize fully the price improvements needed to offset higher costs on several other products.

The Company continues to grow in the wood products business. A $30 million sawmill and plywood plant is under construction in Gurdon, Arkansas, as discussed on the facing page. This new plant demonstrates IP's commitment to use fiber at its highest value and to be a growing supplier to wood products markets.

IP started up the Number 4 uncoated white papers machine at the beginning of the quarter. This completed the $175 million expansion of the Androscoggin pulp and paper mill—on schedule and within budget. (See picture on page 7.)

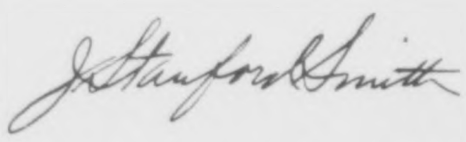
General Crude Oil announced progress on two significant exploration activities during the quarter, a minerals discovery in Alaska and a natural gas discovery in Lavaca County, Texas. These developments are discussed on page 4. Defining and developing the hydrocarbon and mineral potential of IP's land and working with other companies to explore and develop energy and minerals projects remain an important part of the Company's strategy. Although the results of these efforts can not yet be predicted, the progress made to date indicates substantial future benefit for the share owners of IP.

Your Company continues to oppose the Financial Accounting Standards Board's proposal to ban the long-accepted principle of "full cost" accounting and force the adoption of the so-called "successful efforts" method for financial reporting to share owners. Barring full-cost accounting would penalize companies with expanding exploration programs. It would raise serious barriers to the expansion of many successful exploration and development companies, reduce exploration for oil and gas, discourage the formation of new exploration and development companies, and do immediate harm to many independent producers which, as a group, account for more than 80 percent of the exploration drilling in the United States.

The FASB's proposal, says John S. Chalsty, president of the New York Society of Security Analysts, "To change from the full cost accounting approach destroys totally the value of reported earnings as a measure of a company's true operating results."

Full cost accounting, employed by IP's subsidiary General Crude Oil and most independent exploration and development firms, capitalizes the costs of exploration and development and amortizes these costs as oil and gas are produced and sold.

Your company believes that the only realistic way to handle the oil and gas industry with its diversity of size, scope of operations and degree of integration is to permit continued use of full cost accounting and successful efforts accounting, both of which are well-established, recognized, and accepted for financial reporting for oil and gas producing companies.



Chairman and Chief Executive Officer

Recent Discoveries Add New Dimension to General Crude Oil

Besides being the world's leading producer of paper and packaging, IP is committed to totally utilizing its vast land resources. To this commitment, General Crude Oil brings experience and know-how in petroleum, hard rock minerals, and agriculture.

International Paper Company acquired General Crude Oil, an independent oil and gas producer, in February, 1975. Since that time, GCO has maintained the momentum of its exploration and production activities in petroleum and hard minerals, while beginning development of the hydrocarbon and hard minerals potential of IP's 8.5 million acres of fee land in North America.

A major objective of General Crude Oil, says Kenneth E. Montague, President of General Crude Oil, and Executive Vice President—Minerals for International Paper, is to "generate new business opportunities which are built logically on the existing businesses and resources of the two organizations."

During the quarter, International Paper Company announced a mineral discovery in Alaska and natural gas discoveries in Texas. The subsurface mineralization in Alaska includes lead, zinc, cadmium, and silver. It was encountered by IP's General Crude Oil subsidiary, operating as 47.5 percent owner of a joint venture exploring federal lands in the western foothills of the Brooks Range (see map on cover) about 80 miles north of Kotzebue and 50 miles inland from the Chukchi Sea. Geological, geophysical, and geochemical data developed thus far permit the inference that this is a major discovery, although these data are incomplete and no reliable estimate of the number of tons or grade of minerals contained can be made until additional drilling and other tests have been completed.*

"We cannot know, as yet, the economic significance of this discovery," says Mr. Montague. "However, we are greatly impressed by the metal grades, the thickness of the cored intercepts, and fairly shallow overburden. They compare well with many of the world's larger, high-grade commercial mines, some of which are operating in even more remote and less hospitable areas. A large ore body of such grade would have important favorable long-term impact on earnings."

He noted, however, that it would take about five years before the company could start transporting ore from a mine. "The major unknowns, of course, are possible future environmental legislation and market entry timing."

Alaska has been a top priority exploration area for General Crude Oil since it started in the minerals business 10 years ago. General Crude Oil has steadily increased its activities there; and, now, with various partners, has exploration rights on over 19 million acres. **"We believe," says Mr. Montague, "that Alaska is one of the great minerals frontiers of the world. It is incredibly vast and, until recent years, a largely unexplored region.** Indeed, exploration expenditures there have grown from $3-5 million by a handful of companies five years ago, to the $50-60 million range by approximately 45 companies in 1977."

The importance placed on Alaska as a minerals source is based on four major considerations: the instability of many countries where U.S. mining companies operate; increasing dependence of the United States on imported supplies; the predicted long-term worldwide shortages of minerals supplies; and, finally, a strong belief in the hard minerals potential of Alaska.

"In addition to our drilling program next summer," says the IP minerals executive, "we will be conducting feasibility, environmental impact, and other analyses."

Beyond the present discovery area, General Crude Oil and partners in other joint ventures have identified additional prospects on lands to which we have exploration and development rights. These prospects are in varying stages of maturity; but, says Mr. Montague, "it is fair to say that some of them seem quite promising at this time. Our targets—in addition to lead and zinc—include copper, uranium, molybdenum, tungsten, asbestos, and precious metals."

Another important area of discovery by General Crude Oil during the quarter included two natural gas finds in Lavaca County, Texas, between Houston and San Antonio.

Five years ago, the company started leasing drilling blocks and conducting geophysical surveys in this area. In late 1976, drilling began at the first well, Bertha Anderson #1, which today is on stream and producing 6 million cubic feet of natural gas and 252 barrels of condensate daily from a reservoir in the geologic strata known as the Wilcox Sand.

Test results on the Matula well, the second field wildcat well, indicate 3 million cubic feet of natural gas and 166 barrels of condensate per day; and the Henkes well, a field extension well, has tested a daily flow of 4.9 million cubic feet of gas and 196 barrels of condensate.

"Currently," said Mr. Montague in a statement to security analysts in October, "we are running six drilling rigs in Lavaca County. We have a good land position in the area—19,000 net mineral acres under lease or option—with possibilities for a number of additional well locations. But every experienced operator has seen early appearances of success fade quickly, and the Wilcox Sand has teased the industry for years.

"We are being cautiously aggressive, but our caution is underlined with optimism based on results to date—which show clearly commercial and profitable wells. Just how profitable will not be known until the productive limits of the reservoirs are determined." This, he indicates, will require many more months of development drilling and well testing.

"Obviously," Mr. Montague added, "we think this discovery has significant potential."

**Share owners may receive a copy of the news release containing complete assay test results by writing International Paper Company, Communication Department, 220 East 42 Street, New York, N.Y. 10017.*

Sales and Production of Principal Products

Nine Months Ended September 30	1977	1976
Sales by Products	*(in millions of dollars)*	
Paperboard, Paper, and Pulp	**$1,369.4**	$1,390.3
Packaging	**825.8**	818.1
Wood Products[1]	**349.5**	287.1
Crude Oil and Natural Gas	**100.8**	93.2
Other Products	**75.1**	68.2
	$2,720.6	$2,656.9

1—Includes plywood, lumber, wood chips, logs and poles, and fabricated building materials such as kitchen cabinets and millwork.

Nine Months Ended September 30	1977	1976
Production by Products	*(in thousands of tons)*	
Paperboard, Paper, and Pulp		
Containerboard	**1,396**	1,444
Bleached Board	**958**	988
Printing and Writing Papers	**708**	740
Newsprint	**947**	1,044
Industrial Papers	**382**	400
Paper Pulp[1]	**369**	438
Chemical Cellulose	**259**	214
Packaging[2]	**1,719**	1,708
Wood Products	*(in millions)*	
Plywood (sq. ft. 3/8" basis)	**336**	305
Lumber (board feet)	**394**	352
Crude Oil and Natural Gas		
Crude Oil (barrels)[3]	**7.9**	8.6
Natural Gas (MCF)	**28.3**	25.4

1—Includes shipments from Company pulp mills to other IP mills for their own use, as follows (thousands of tons): 1977—133; 1976—207

2—Substantially all of this tonnage was fabricated from paperboard and paper which is produced at the Company's own mills and which is included in the containerboard, bleached board and industrial paper figures in this table.

3—Includes condensates and natural gas liquid.

Consolidated Statement of Earnings

(In millions of dollars except per-share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1977	1976	**1977**	1976
Income				
Net sales	**$ 924.5**	$ 884.0	**$2,720.6**	$2,656.9
Other income, net	**16.2**	6.6	**36.1**	35.2
	940.7	890.6	**2,756.7**	2,692.1
Costs and Expenses				
Cost of products sold	**660.1**	629.5	**1,956.9**	1,862.5
Distribution expenses	**52.1**	47.9	**144.3**	145.8
Selling and administrative expenses	**58.3**	46.6	**165.3**	131.1
Depreciation	**37.6**	32.6	**111.5**	99.7
Depletion of oil and gas properties	**13.2**	12.8	**39.2**	37.9
Cost of timber harvested	**11.1**	7.2	**30.5**	24.3
Interest	**22.6**	23.0	**66.4**	69.0
	855.0	799.6	**2,514.1**	2,370.3
Provision for Income Taxes	**23.6**	32.2	**72.8**	115.9
Net Earnings	**$ 62.1**	$ 58.8	**$ 169.8**	$ 205.9
Earnings per Common Share	**$ 1.33**	$ 1.29	**$ 3.63**	$ 4.59
Average Shares of Common Stock Outstanding	**46,852,783**	45,526,331	**46,787,362**	44,817,708

Condensed Consolidated Balance Sheet

(In millions of dollars)

At September 30	**1977**	1976
Assets		
Current Assets		
Cash and temporary investments	**$ 264.1**	$ 305.2
Receivables–net	**352.0**	337.6
Inventories	**365.7**	361.6
Deferred income taxes	**41.1**	29.5
	1,022.9	1,033.9
Plants and properties–net	**2,020.4**	1,878.8
Timberlands–net	**423.7**	436.1
Investments and other assets	**250.7**	230.6
	$3,717.7	$3,579.4
Liabilities and Share Owners' Equity		
Current Liabilities		
Accounts and notes payable	**$ 313.1**	$ 310.1
Accrued liabilities	**159.1**	146.5
Accrued income taxes	**17.7**	47.5
	489.9	504.1
Long-term debt	**1,015.2**	1,037.4
Deferred income taxes	**244.4**	198.9
Reserves and deferred liabilities	**31.3**	39.1
Share Owners' Equity	**1,936.9**	1,799.9
	$3,717.7	$3,579.4

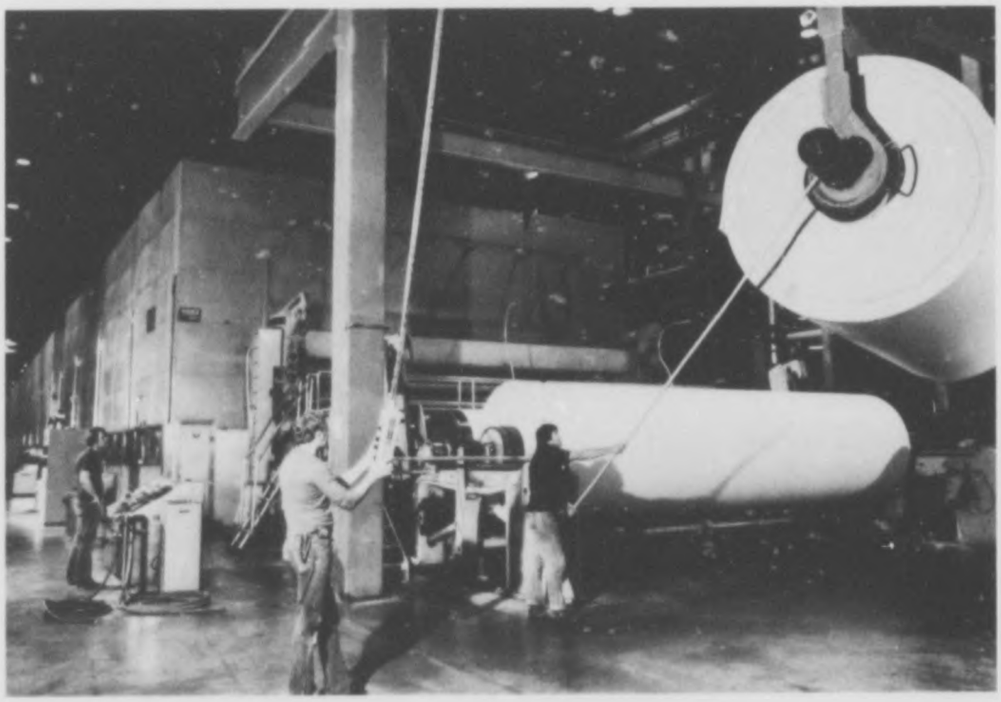
These financial statements are unaudited and are subject to audit and final adjustment at December 31 (end of fiscal year).

Condensed Consolidated Statement of Changes in Financial Position

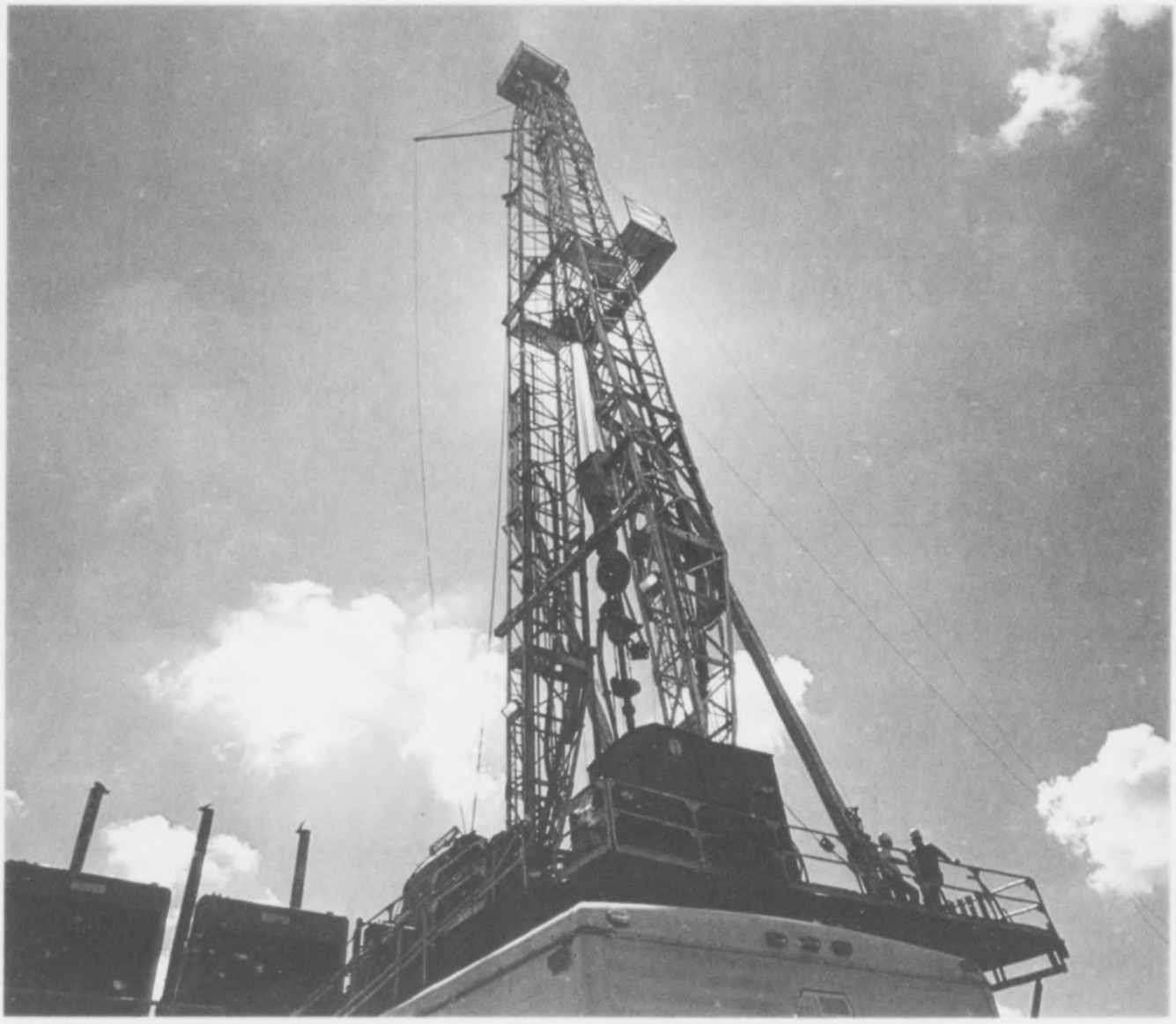
(In millions of dollars)

Nine Months Ended September 30	1977	1976
Source of Funds:		
Net earnings	**$169.8**	$205.9
Depreciation, depletion, and cost of timber harvested	**181.2**	161.9
Deferred income taxes–non-current	**32.4**	37.1
Funds provided from operations	**383.4**	404.9
Issuance of common stock	**3.4**	157.8
Issuance of long-term debt	**77.2**	21.5
	464.0	584.2
Application of Funds:		
Cash dividends paid	**70.3**	68.0
Invested in plants and properties	**228.3**	278.1
Invested in timberlands	**20.7**	29.8
Reduction of long-term debt	**116.3**	121.3
Other applications–net	**1.1**	(4.6)
	436.7	492.6
Increase (Decrease) in working capital	**$ 27.3**	$ 91.6

The final step in the $175 million Androscoggin pulp and paper mill expansion was completed in early July with the start-up of the Number 4 machine, which will produce approximately 125,000 tons of uncoated white papers per year.

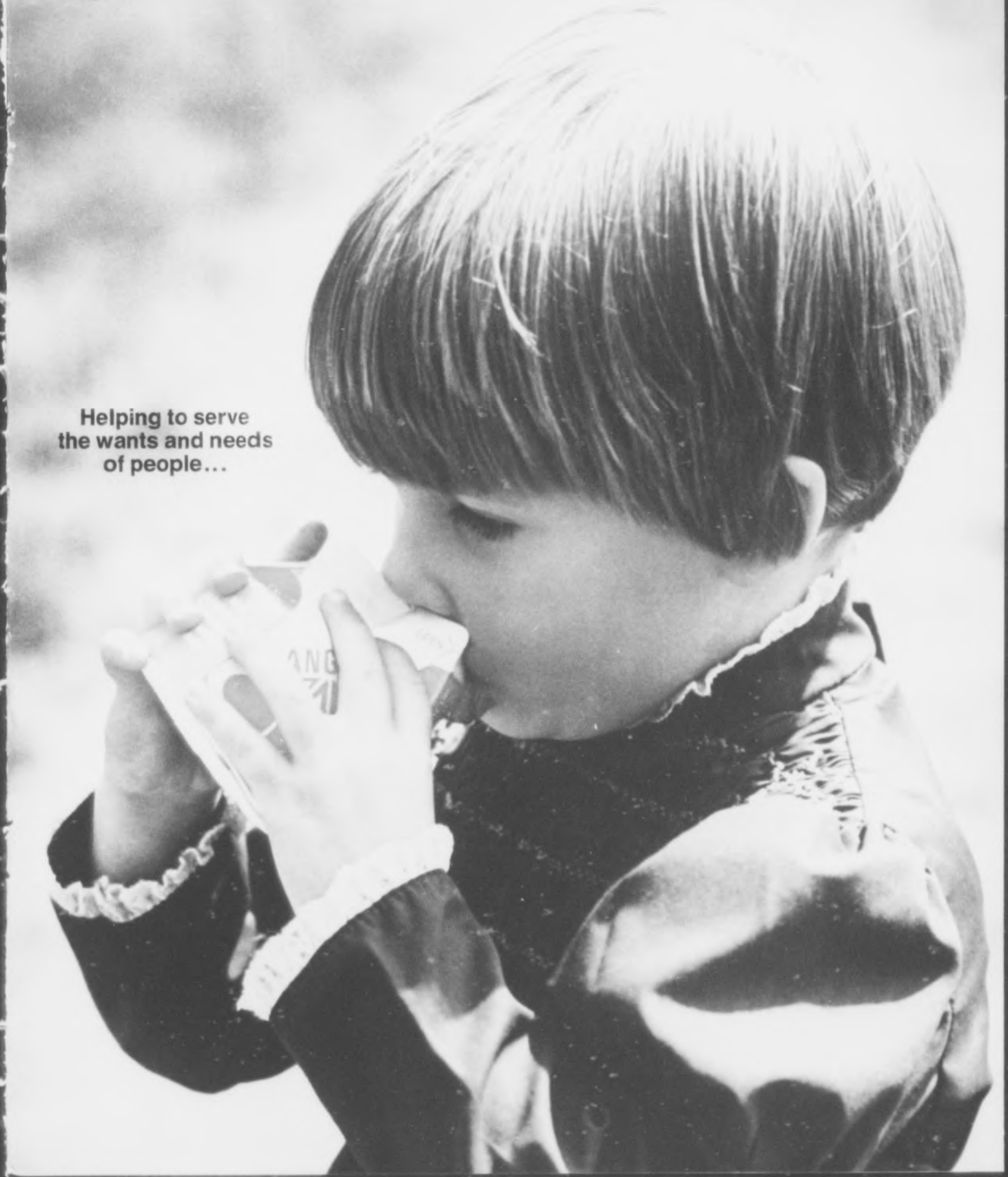


International Paper Company
Executive Office
220 East 42nd Street
New York, New York 10017
(212) 307-8000



In Lavaca County, Texas...
significant natural gas production

International Paper Company 1976 Annual Report



Helping to serve
the wants and needs
of people...

The Annual Meeting
of Share Owners will be held at the Atlanta Hilton, Courtland & Harris Sts. NE, Atlanta, Georgia at 11:00 A.M., on Tuesday, April 12, 1977

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39	Ten Year Financial Summary
40-41	Directors and Officers

International Paper Company—
a worldwide enterprise—is a land resources management company which produces and sells a wide variety of products and services to customers throughout the world. IP is North America's largest private owner of forest lands and the world's largest producer of paperboard, paper, and pulp products. The Company is also a major manufacturer of packaging products, and a supplier of wood products, health care, and other products. Additionally, IP is engaged in the exploration and development of crude oil, natural gas and mineral properties through General Crude Oil Company, a wholly-owned subsidiary acquired in 1975.

as a symbol, and **International Paper** are registered trademarks of International Paper Company. In this annual report, unless otherwise indicated by the context, the terms "International Paper," "IP," and "the Company" are used interchangeably to describe International Paper Company and its consolidated subsidiaries.

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International Paper Company

Form 10-K
A copy of the Company's Form 10-K report as filed with the SEC may be obtained without charge by written request to
E. L. Foster, Secretary,
International Paper Company,
220 East 42nd Street,
New York, New York 10017

Stock Transfer Agents
Bradford Trust Company
2 Broadway
New York, New York 10004

Montreal Trust Company
777 Dorchester Blvd., West
1 Place Ville Marie
Montreal, Quebec,
Canada H3B 2A2

Financial Highlights	1976	1975
In millions of dollars except per-share amounts		
Net Sales	**$3,540.6**	$3,080.8
Net Earnings	**$ 253.6**	$ 218.0
Per Share of Common Stock	**$ 5.60**	$ 4.93
Cash Dividends Paid on Common Stock	**$ 91.2**	$ 88.4
Per Share of Common Stock	**$ 2.00**	$ 2.00
Common Share Owners' Equity	**$1,821.5**	$1,496.2
Per Share of Common Stock	**$ 39.01**	$ 33.81
Working Capital	**$ 505.7**	$ 438.2
Long-term Debt	**$1,054.3**	$1,137.2
Payroll and Employee Benefits	**$ 914.8**	$ 773.4
Full-time Employees at December 31	**52,287**	50,841
Share Owners of Record at December 31	**61,139**	67,146
Average Shares of Common Stock Outstanding *(in thousands)*	**45,249**	44,189

Registrars
Bradford Trust Company
2 Broadway
New York, New York 10004

The Royal Trust Company
630 Dorchester Blvd., West
Montreal, Quebec,
Canada H3B 1S6

Stock Exchanges
Listings: (Symbol: IP)
New York Stock Exchange
Canada: Montreal Stock Exchange
Switzerland:
Basel Stock Exchange
Geneva Stock Exchange
Lausanne Stock Exchange
Zurich Stock Exchange
The Netherlands:
Amsterdam Stock Exchange

Independent Public Accountants
International Paper Company:
Arthur Andersen & Co.
1345 Avenue of the Americas
New York, New York 10019

Canadian International
Paper Company:
Touche Ross & Co.
1 Place Ville Marie
Montreal, Quebec,
Canada H3B 2A2

To Our Share Owners

Earnings in 1976 were up 16% on a 15% increase in sales

The U.S. economy started the year with one of the highest quarterly growth rates in history—a 9.2 percent increase in the *real* Gross National Product.

Customers, remembering earlier paper shortages, placed near record orders for paper, paperboard, and packaging. Thus, production facilities quickly became heavily loaded.

In addition, there were extraordinary demands on Company newsprint operations, since several Canadian producers had long strikes extending into 1976. Our people went all out, in terms of both production and distribution. As a result of these efforts, and with the customer inventories available, nearly all newspapers, which are vital to both communication and commerce, were able to publish without interruption.

As is well recognized now, the rate of growth of the U.S. economy slowed in the balance of the year to three percent in the fourth quarter. The European, Japanese, and Canadian economies did not experience the pick-up that many people had hoped for.

Customer orders slowed, accumulation of inventories stopped, and in the fourth quarter many customers made large-scale inventory reductions.

At the same time, unit costs increased, both as a result of reduced volume and higher labor rates and material costs.

Wood products picked up as housing starts increased, and ended the year at substantially improved price and volume levels.

All of this balanced out to record sales and earnings for the first half, but lower than anticipated results for the second half, particularly the last quarter.

Net earnings totalled $254 million for the year, up 16 percent from $218 million a year ago. Earnings per share were $5.60 compared to $4.93 on a smaller number of shares in 1975. Worldwide sales of $3.5 billion were the highest in IP history, 15 percent above the previous record of $3.1 billion set in 1975.

Return on equity was 15.2 percent, and return on total investment 11.6 percent. However, as we've pointed out before, these returns are on a highly depreciated asset base; so we must strive for a higher level of profitability in order to warrant investment in completely new capacity.

We enter 1977 with many uncertainties: the final form of the economic program now before the U.S. Congress, the outlook for monetary policy and inflation, the coldest winter in a century, and the political and business conditions in several nations. The slowdown in sales and earnings toward the end of 1976 has continued into the opening weeks of 1977; price increases in some product lines have not yet been realized; and the early months of 1977 could well be a difficult period for the Company.

Yet there are many positive signs. The rebound in the U.S. economy seems underway again. Three million more people were employed in the U.S. at the end of 1976 than ever before in history. Personal income is up ten percent and consumers have record savings.

It appears that the above-normal inventories built up by IP customers in the first half of 1976 have been largely liquidated, so that higher levels of economic activity should be translated into increased production of the Company's products. We have continued to keep our production tailored to customer requirements. Both Company inventories and receivables are in excellent shape as measured in total dollars and days of sales.

There is a strong demand for many product lines of IP paper, paperboard, and packaging, as well as health care products. Improved demand for some other lines appears to await further

economic developments.

The performance of General Crude Oil has continued ahead of the acquisition plan on which its merger into International Paper in 1975 was based.

IP's capital investment program is the largest in the forest products industry. This program includes the $175 million expansion of the Androscoggin, Maine mill now nearing completion. Part of this new expansion, the largest carbonizing tissue machine in the world, was started up at the end of 1976, ahead of schedule and in line with cost projections.

The $155 million expansion of the Texarkana, Texas mill will produce bleached board for packaging and highly absorbent Supersoft® pulp for diapers when completed in 1978.

Both of these expansions are being added at 20 percent less cost per ton than a completely new mill because much of the infrastructure is already in place.

Control of costs continues to be a major challenge. The economics of papermaking have fundamentally changed, with costs for wood, energy, chemicals, and labor rising dramatically.

One reason that increased capital spending for industry as a whole has not taken place as the economy accelerates is that most companies in the basic industries are faced with similar cost problems.

In order to get capital investment moving again, we believe such steps as the following will be required:

1. Increase in the Investment Tax Credit to 15 percent. And it needs to be made *permanent*.
2. Return the capital gains tax on timber harvested to the 25 percent level established in 1944. This level resulted in a 20-fold increase in tree plantations in 30 years.
3. Allow immediate expensing for tax purposes of environmental projects in both modernization and new plant construction.
4. Emphasize *productivity* throughout the economy.
5. Recognize that even with improved productivity, prices will have to rise to provide an equitable return on new capital investments.

We urge share owners to make your views on such subjects known to those who represent you in government. It will take thoughtful cooperation by everyone to assure sound progress.

All employees are important to the success of the Company. Their skill, care, and effort make possible all Company progress. During 1976 we accelerated programs to help employees develop to their full potential. We are trying to see that all employees know about the Company—its customers, its business, its problems, and its opportunities.

In 1977 we will be negotiating new union contracts in the United States at most IP pulp and paper mills and many packaging and wood products plants. These contracts, most of which were last negotiated in 1973, will expire on June 1. We have every reason to hope that reasonable settlements will be reached because employees and the Company are basically interested in the same goal—serving customers so effectively that there are increased jobs and opportunities for employees along with the earnings that can warrant plant modernization and expansion.

There is greater need than ever for a national energy policy. Allowing the free market to be the regulator of oil and gas prices would both encourage conservation and stimulate exploration. It would also provide a reliable market price against which users could make energy conservation investments, and companies could undertake with confidence development of alternate sources of energy.

A new IP Dividend Reinvestment and Stock Purchase Plan was introduced in 1976. Share owners can reinvest dividends *at five percent below* the average market price *without* commissions. The plan provides an incentive for share owners, as well as additional capital for the Company.

During 1976, Malcolm G. Chace, Jr., a member of the Board since 1951, and George Champion, a member since 1963, reached the mandatory retirement age. All employees join me in paying tribute to their many years of dedicated service and the major contributions they have made to the success of International Paper.

J. Stanford Smith

Chairman and Chief Executive Officer
February 8, 1977

Group Executives

William Dodenhoff
Vice President and Group Executive,
White Papers Group

Julian A. Dixon
President,
International Pulp Sales Company

Cecil S. Flenniken
President,
Canadian International Paper Company

James B. Malloy
Vice President and Group Executive,
Industrial Packaging Business

Kenneth E. Montague
President,
General Crude Oil Company

John J. Stephens
Vice President and Group Executive,
Wood Products and Resources

Executive Officers

Joseph P. Monge
Vice Chairman

Donald P. Brennan
Executive Vice President,
Human Resources and
External Affairs

J. Ronald Goode
Executive Vice President,
Planning and Technology

Arthur W. Harrigan
Executive Vice President,
Finance

K. Linn Macdonald
Vice President and Group Executive,
Consumer Packaging Business

Rayford K. Williamson
Vice President and Group Executive,
Specialty Packaging Business

William L. Lurie
Executive Vice President,
Diversified Businesses

Net earnings of $254 million were the second highest in the Company's history, exceeded only in 1974.

Sales of IP products, at $3.54 billion, set a new record for the ninth consecutive year.

Earnings per share of $5.60 in 1976 were up from $4.93 a year ago on a smaller number of shares. Average shares outstanding increased from 44.2 million in 1975 to 45.2 million in 1976, principally as a result of the public sale of 2.25 million new shares of common stock in early August 1976. This offering raised approximately $150 million, increased the equity base of the Company, and provides increased flexibility to pursue future investment opportunities.

Common share dividends continued at $2.00 per share. Total dividends paid were a record $91.2 million, reflecting the increased number of shares outstanding in 1976.

Sales and earnings reached record levels in the first half of 1976 as the U.S. economy gained momentum quickly and sales of IP products rose accordingly. The recovery in demand for paperboard, paper, pulp, and packaging, which began in the fourth quarter of 1975, continued through mid-1976. Wood products sales also gained strength during the first half of 1976 as housing starts began to show improvement. In addition, the Company's oil and gas, health care products, and finance and leasing operations continued to grow.

Third and fourth quarter sales and earnings were not up to expectations as the pace of economic recovery in the U.S., Canada, and most overseas markets slowed. Sales of consumer packaging, newsprint, coated publication papers, and many other products continued at good levels throughout the year, and there was further improvement in the wood products business as the year progressed. However, demand for those packaging products and business papers which are particularly sensitive to changes in industrial activity declined during the latter part of the year as customers adjusted inventories to reflect the lower level of business activity. Profit margins narrowed significantly during the last half of the year because of lower operating rates in certain product lines and continued cost inflation which could not be fully offset by cost reduction and price improvement. Cost-recovery price increases were implemented wherever market conditions would permit. How-

ever, major segments of the business were unable to gain such increases, particularly in view of general economic trends and lower operating rates during the latter part of the year.

Throughout 1976, exports to overseas markets from IP's North American mills continued at about 1975 levels, reflecting the slow recovery of most world economies from the economic shocks of recent years. High rates of inflation, oil price induced trade deficits, and historically high unemployment rates were common in all but a handful of countries. Despite these problems, IP continued its emphasis on developing long-range international opportunities and is well positioned to grow with overseas customers as world markets strengthen.

Fluctuations in exchange rates affected the quarter-to-quarter trend of earnings. IP earnings in the first six months included an after tax gain of $5.5 million from the translation of foreign currencies, while earnings for the last six months included an after tax loss of $5.3 million. Many thoughtful investors question the wisdom of the Financial Accounting Standards Board ruling which requires charging such amounts to profit and loss each accounting period instead of permitting a reserve for foreign currency fluctuations. The FASB approach makes it difficult for share owners to judge a company's performance on a quarter-to-quarter basis.

IP continued to maintain tight control over inventories and receivables despite changing market conditions in 1976. The average collection period for receivables, including those overseas, was reduced from the already low level of 34 days during 1975 to 33 days in 1976. Inventories were also kept lean by tailoring production to changing levels of demand during the year. Inventory turnover improved from 7.5 times in 1975 to 8.4 times this year.

Inflation continues to increase the cost and risk of doing business, and IP is continuing its aggressive programs of cost reduction and technological innovation to attack each major element of cost. Wood is IP's principal raw material for pulp and papermaking and wood products manufacturing. Since 1971, the cost of wood delivered to the Company's pulp and paper mills has increased 72 percent. Inflation in the price of sawlogs used for wood products has been even higher.

IP is fighting these inflationary pressures by striving for the most profitable use of every tree; increasing fiber growth per acre on Company lands; improving utilization of sawmill residuals and parts of the tree previously discarded; and improving the yield of fiber in production processes.

The cost of some of the major chemicals used by the Company—caustic soda, polyethylene, chlorine, titanium dioxide, sulphuric acid, and salt cake—has more than doubled since 1971. Most of this increase has come in the last three years. IP is working on process changes to reduce its use of these chemicals. For example, a $5 million prototype oxygen bleaching system has been installed and is in full-scale operation at the Ticonderoga, New York mill. This process is expected to cut costs by reducing the amount of chlorine required for bleaching and by improving the yield of hardwood and softwood pulps.

Papermaking is an energy-intensive process, requiring the equivalent of six barrels of oil per ton of paper produced. While nearly one half of the energy requirement is recovered from

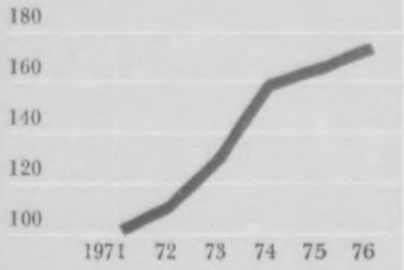
Two Year Quarterly Summary *(In millions of dollars except per-share amounts)*

	1976		1975	
	Sales	Earnings	Sales	Earnings
1st Quarter	$ 866.8	$ 63.6	$741.1	$ 47.0
2nd Quarter	906.1	83.5	764.2	47.2
3rd Quarter	884.0	58.8	756.6	49.2
4th Quarter	883.7	47.7	836.9	74.6
Year	**$3,540.6**	**$253.6**	$3,080.8	$218.0
	Per Common Share		Per Common Share	
	Earnings	Dividends	Earnings	Dividends
1st Quarter	$1.43	$ .50	$1.06	$ .50
2nd Quarter	1.88	.50	1.07	.50
3rd Quarter	1.29	.50	1.11	.50
4th Quarter	1.02	.50	1.69	.50
Year	**$5.60***	**$2.00**	$4.93	$2.00

**Total 1976 per-share amount does not equal the sum of the individual quarters because of the effect on average shares outstanding of the issuance of 2.25 million shares in August 1976.*

IP Cost Trends *(1971 = 100)*

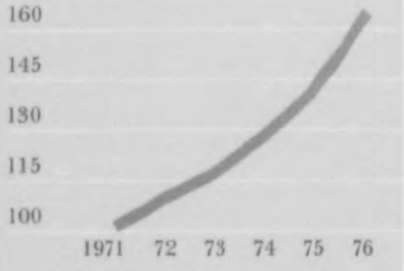
Wood[1]



Chemicals[2]

Fuel[3]

Pay and Benefits[4]



1 Cost of fiber delivered to mill
2 Includes caustic soda, polyethylene, chlorine, titanium dioxide, sulphuric acid, and salt cake.
3 Cost per million BTU's
4 Per employee

by-products and residuals of the pulp and papermaking process, the remainder must be purchased.

In 1976, the cost of fuel oil per million BTU's was more than four times the 1971 level, an increase greater than that of any other major cost element in the Company's operations. Additional price increases for oil have already been announced and further increases are expected in 1977.

IP has instituted energy conservation programs that have saved more than two million barrels of oil over the last three years. The Company now uses 12 percent less purchased energy to produce a ton of paper than it did in 1973. In addition, General Crude Oil Company is aggressively expanding its exploration for oil, gas, and lignite and is developing the petroleum resources beneath IP lands. These efforts will increase the utilization of the Company's natural resource base and provide energy for growing national needs.

Pay and benefits expense per employee is 63 percent higher than in 1971. This increase is substantially higher than the improvement in output per man-hour achieved over this five-year period.

During 1976 IP continued the largest capital investment program in its history. Capital expenditures totalled $436 million in 1976 and $461 million in 1975 (excluding the $489 million acquisition of General Crude Oil).

Of the 1976 total, expenditures for expansion, maintenance and modernization of production facilities, and environmental control were $398 million, 9 percent above 1975. This included expenditures of $73 million by General Crude Oil Company, principally for petroleum and hard rock minerals exploration and development.

Timberlands capital investment, including the purchase of fee lands and harvesting rights, totalled $38 million in 1976. Over the last three years, the Company has invested $350 million for timberlands and harvesting rights to expand its fiber resource base. As steward of the largest landholdings in the forest products industry, IP continues to be a reliable long-term source of fiber for its customers.

A record $65 million was invested in environmental control equipment during 1976. IP has made a major commitment to reduce air and water pollution, having already spent or allocated $313 million for environmental projects since 1965. As a result of these expenditures, virtually all of the Company's facilities are expected to be in compliance with 1977 air and water quality standards.

In addition to these capital investments, IP spent $26 million to operate the environmental control equipment in its plants and mills during 1976.

To help provide the capital necessary for environmental control and related equipment, the Company made five offerings of tax-exempt revenue bonds in 1976 totalling $27.7 million. The average rate of interest on these issues was 6.4 percent.

IP's operating and financial policies are designed to provide a good and growing return for share owners while maintaining a strong financial condition capable of withstanding serious economic downturns. Common share owners' equity increased $326 million from $1,496 million in 1975 to $1,822 million in 1976. About half of this increase was from earnings reinvested in the business and the remainder from the sale of new common shares. During the year, long-term debt was reduced

$83 million. IP's ratio of long-term debt to total capital declined from 43.1 percent to 36.6 percent. At year-end, cash and temporary investments totalled $326 million, up from $240 million a year ago. In addition, the Company has $232 million of available lines of credit.

In 1976, return on share owners' equity was 15.2 percent and return on total investment was 11.6 percent, about the same levels as 1975.

Effective January 1, 1977, the Company is adopting, for financial reporting purposes, the Unit of Production method of depreciating its pulp and paper mills in order to more directly relate depreciation charges to wear and tear on facilities. If the Unit of Production method had been used in 1976, depreciation expense would not have been significantly different from the actual amounts reported.

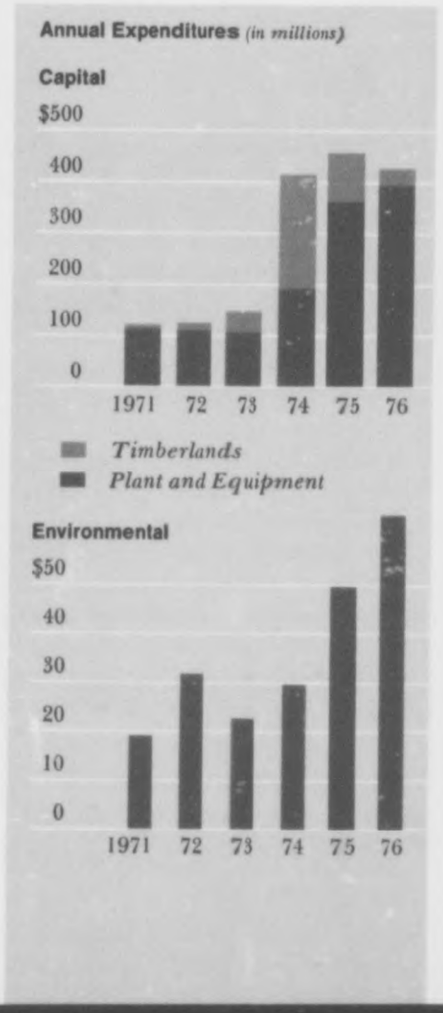
Comments on 1975 earnings. Sales of $3.08 billion in 1975 were slightly ahead of 1974's previous high of $3.04 billion. Excluding sales of General Crude Oil Company, acquired in February 1975, net sales were slightly below 1974, reflecting the impact of the worldwide economic recession on demand for the Company's products. A moderate decline in the use of paper and packaging was accentuated as every step in the distribution and utilization chain embarked on liquidation of record inventories. Lumber and plywood suffered from low demand, with housing starts 51 percent below the peak year of 1972. For the Company as a whole, a physical sales volume decline of 18 percent was partially offset by selective cost-recovery price increases.

Net earnings in 1975 decreased 17 percent from the record 1974 level, primarily as a result of reduced operating rates and increased costs for capital equipment, construction, raw materials, fuel, chemicals, labor, and environmental control.

Interest expense increased and interest income decreased in 1975, primarily as a result of debt issued and working capital expended in connection with the acquisition of General Crude Oil Company.

Although operating rates in most IP product lines were below prior year levels throughout 1975, demand for many products improved as the U.S. economy strengthened during the latter part of the year. This resulted in improved earnings for the second half of 1975, particularly in the fourth quarter.

Capacity can be added at present mills for about 20 percent less than at new sites. The $175 million expansion at the Androscoggin, Maine mill, added 33,000 tons of carbonizing tissue capacity in 1976. During 1977, 140,000 tons of uncoated white papers capacity will be added. The expansion also provides for 20,000 additional tons of long fiber pulp largely for use at other IP locations.



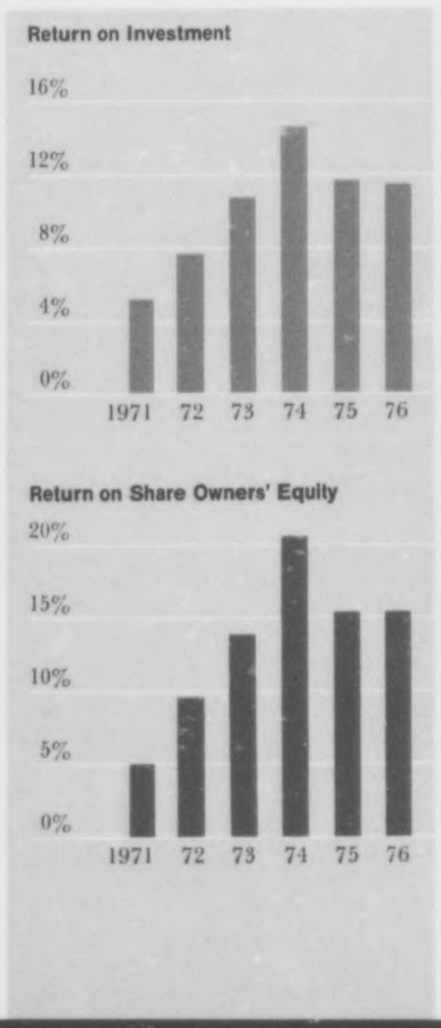
In 1976, International Paper Company continued to stress year-to-year improvement in sales and earnings while laying the base for future growth.

In newsprint, IP operated near capacity, expanded its production of high quality rotogravure newsprint, and completed the development of an innovative, high-yield pulping process. There was strong demand for the Company's newsprint during 1976 as worldwide usage increased and customers rebuilt badly depleted inventories following a strike by most Canadian newsprint producers in late 1975 and early 1976. Newsprint consumption in the United States, which accounts for 45 percent of world demand, increased over 5 percent during the year.

To provide for growth in the future, IP expanded its productive capacity for rotogravure newsprint, an increasingly important, high-quality newsprint specialty used in such applications as the printing of high-fidelity-color Sunday magazines and advertising inserts. The additional capacity was added through conversion of an existing paper machine at the Pine Bluff, Arkansas mill. This facility offers the first rotogravure newsprint to be made in southern United States.

At the Gatineau mill in Canada, one of the largest newsprint mills in the world, the Company has authorized a $30 million investment for a new proprietary type of pulp. This pulp will have approximately the fiber yield of groundwood pulp, which is 90 to 95 percent; it will approach the strength of kraft pulp and have very good printability. If the process works out as contemplated, the pulp will not only be applicable in newsprint—and the Company would expect to license it to other newsprint manufacturers—but it could also have widespread application for other products.

Printing and writing paper operations were highlighted by a strong recovery in demand from the 1975 recession levels and by start-up of the first phase of the Androscoggin paper mill expansion. Coated publication papers, benefitting from continued strong trends in magazine advertising, operated at near capacity throughout the year. In uncoated white papers, which include the forms bond, offset, tablet, and envelope lines, IP sales were strong early in the year reflecting the rapid recovery of the U.S. economy to a 9.2 percent annualized GNP growth rate in the first quar-



Scheduled for completion in 1978, the $155 million expansion at the Company's Texarkana, Texas mill will double capacity. The expansion will add 172,000 more tons per year of bleached board used for folding cartons, cups, and milk cartons, plus 149,000 more tons of Supersoft® pulp used for disposable diapers. The expansion will enable IP to better serve customers in the fast-growing markets for these products.

Sales by Products *(in millions of dollars)*

	1976	1975	1974	1973	1972
Paperboard, Paper, and Pulp	**$1,840.5**	$1,628.3	$1,691.8	$1,196.9	$1,094.1
Packaging	**1,092.6**	1,000.1	1,030.5	784.3	688.2
Wood Products[1]	**387.1**	259.3	254.4	268.0	222.6
Crude Oil and Natural Gas	**126.7**	109.3	–	–	–
Other Products	**93.7**	83.8	65.5	65.1	88.4
	$3,540.6	$3,080.8	$3,042.2	$2,314.3	$2,093.3

1—Includes plywood, lumber, wood chips, logs and poles, and fabricated building materials such as kitchen cabinets and millwork.

Production by Products

	1976	1975	1974	1973	1972
			(in thousands of tons)		
Paperboard, Paper, and Pulp					
Containerboard	**1,808**	1,630	2,146	2,039	2,088
Bleached Board	**1,296**	1,176	1,348	1,200	1,076
Printing and Writing Papers	**956**	762	1,110	1,089	1,042
Newsprint	**1,393**	1,344	1,349	1,112	1,254
Industrial Papers	**519**	417	654	670	666
Paper Pulp[1]	**569**	511	705	668	689
Chemical Cellulose	**289**	296	398	339	374
Packaging[2]	**2,273**	2,060	2,365	2,094	1,972
Wood Products			*(in millions)*		
Plywood (sq. ft. 3/8" basis)	**406**	265	429	494	473
Lumber (board feet)	**472**	314	268	243	247
Crude Oil and Natural Gas			*(in millions)*		
Crude Oil (barrels)[3]	**11.3**	11.2	–	–	–
Natural Gas (MCF)	**34.4**	33.6	–	–	–

1—Includes shipments from Company pulp mills to other IP mills for their own use, as follows (thousands of tons): 1976—248; 1975—186; 1974—196; 1973—166; 1972—136.

2—Substantially all of this tonnage was fabricated from paperboard and paper which is produced at the Company's own mills and which is included in the containerboard, bleached board, and industrial paper figures in this table.

3—Includes condensates and natural gas liquid.

ter. Demand slackened later in the year, however, as the pace of recovery slowed and customers began to adjust inventories to more realistic expectations. For the year as a whole, IP shipments of uncoated white papers were up 24 percent.

Building for the future, IP is investing $175 million to expand the Company's Androscoggin, Maine paper mill to supply our customers' increasing demands for uncoated white papers and carbonizing tissue (the base stock for carbon paper used in business forms). The first part of this expansion started up in December 1976, six weeks ahead of schedule and on target in costs. Start-up costs for this machine reduced fourth quarter earnings, but the new capacity will be available to meet customer requirements for the full year 1977.

In March 1976, the Tonawanda, New York uncoated white paper mill was permanently closed. Because of its age, production capabilities, and high operating costs, the mill was no longer competitive with other, more modern mills in the industry.

IP continued to innovate and expand in packaging. Demand for industrial and specialty packaging experienced a strong recovery from the recession levels of 1975. For the year, IP's physical volume was 16 percent over 1975 in these product lines, which include corrugated containers, multiwall sacks, and grocery sacks and bags.

IP stresses innovation and customer value in corrugated containers and has the capability of developing new materials and corrugated box designs to meet specialized customer needs. This "solutions marketing" approach extends also to the design of packaging

machinery needed to provide total packaging systems for corrugated containers.

During the last quarter of 1976, the Company acquired two container plants at Alicante and Valladolid, Spain, to provide broader coverage of this growing overseas market. In addition, IP added to its multiwall sack capacity in the U.S. by opening a new plant at Wilmington, Ohio. The midwest location of this plant will provide improved customer service and enable the Company to compete more effectively in the less cyclical agricultural, seed, feed, and pet food markets.

Consumer packaging maintained steady growth in food and other consumer-oriented markets which tend to resist sharp economic downturns. New rotogravure presses were installed in the Peoria, Illinois and Baltimore, Maryland plants. These facilities provide high-speed and high-quality production of labels and folding cartons for a broad range of customer end uses.

IP's Single Service Division, a leading U.S. producer of milk cartons, expanded its worldwide position by establishing a joint venture and starting construction of a manufacturing facility in Japan.

In support of consumer packaging operations, IP is expanding bleached board capacity at its Texarkana, Texas paper mill.

Wood Products sales and prices improved in 1976 on the strength of increased housing starts, which reached their highest level since 1973. Sales increased across the entire product line from lumber, plywood, and millwork to cabinets, veneers, and the broad line of building materials sold through IP distribution centers. The Company benefited from the doubling of its lumber and plywood manufacturing capacity over the last three years.

Oil, gas, and agricultural sales of General Crude Oil Company totalled $133 million in 1976, up 16 percent from 1975. Operating margin, before interest, taxes, and the allocation of IP corporate administrative expense, was about $38 million.

In 1976, General Crude produced 11.3 million barrels of oil and 34.4 billion cubic feet of natural gas and realized higher prices on both product lines. During the year, GCO completed 41 net exploratory wells which resulted in 15 producing wells and 26 dry holes. GCO also completed 98 net development wells of which 87 were producers.

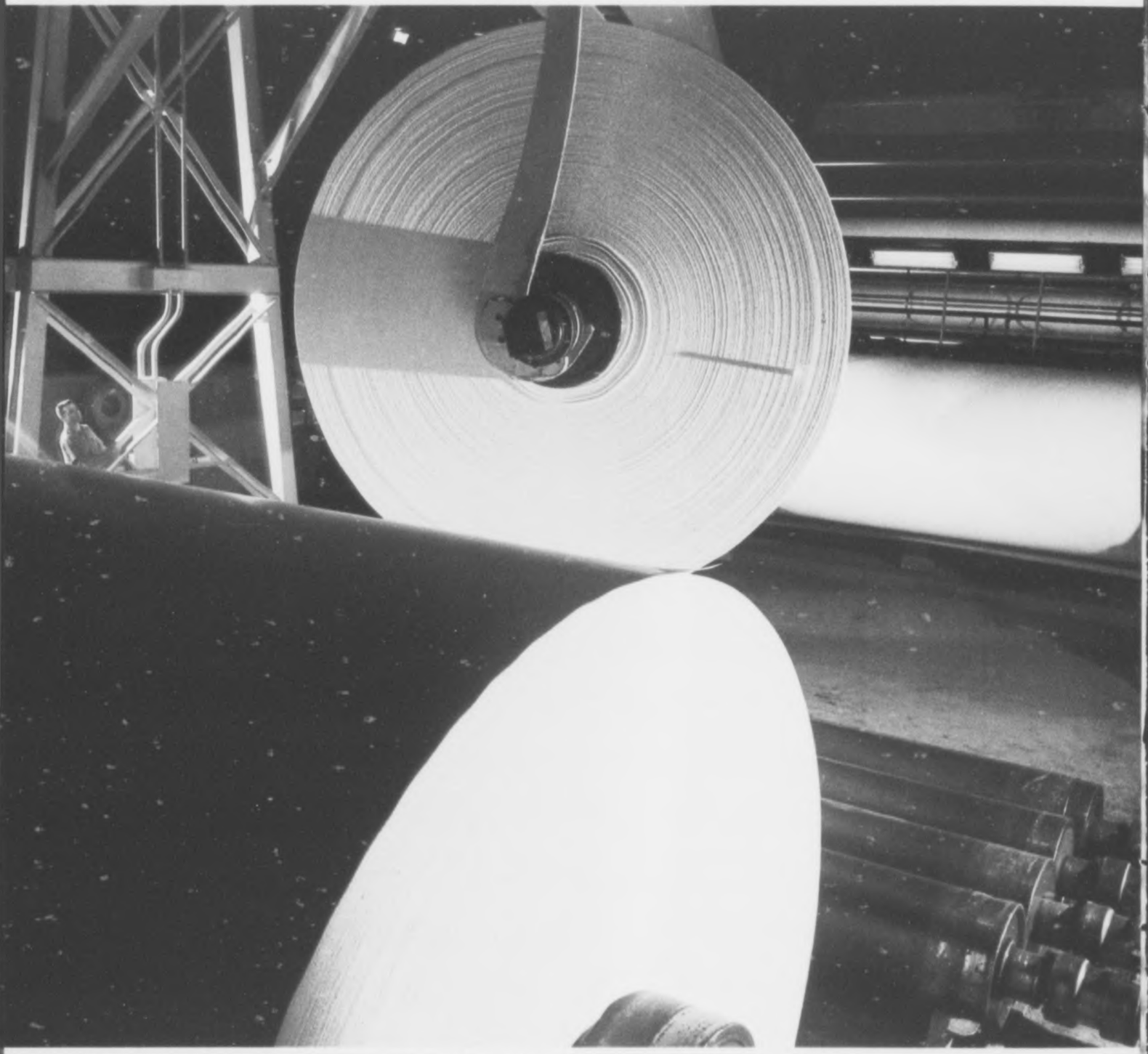
In 1976, General Crude expanded its exploration for other minerals with emphasis on IP lands, resulting in the delineation of several large lignite deposits in Arkansas and Louisiana. GCO is now working to evaluate the economic feasibility and significance of these deposits.

The Davol health care products subsidiary continued to expand in the rapidly growing hospital and consumer health care market and set new records for sales and earnings. New products included devices for use in hospital surgical procedures and patient care.

In keeping with the concept of a land resource management company, over 100,000 acres of IP land have been identified as being suitable for development as residential, commercial or industrial property or uses other than timberland. The Company will extend every effort to realize the full value of these properties.

International Paper Credit Corporation, a wholly-owned financial services subsidiary, continued to expand its leasing and financing operations in 1976 through a carefully planned program which includes the financing of timber harvesting, transportation, and processing equipment as well as other diversified leasing and financing operations. During 1976, IP Credit expanded its receivables from $30 million to $63 million and set new records for earnings and return on equity.

The stepped-up activities of General Crude Oil in 1976 involved exploration and development of oil, gas, and mineral resources, primarily in the South and Southwest U.S., including offshore. Among other activities were crude oil recovery in western Canada and mineral exploration in Alaska.



IP's paper and pulp mills produce containerboard, bleached board, printing, writing, and other bleached papers, newsprint, industrial papers, paper pulps, and chemical cellulose. Shown here is bleached board production at Texarkana, Texas.

Modern life is increasingly dependent on a wide variety of pulp and paper products—and International Paper is the world's leading supplier.

IP produces nearly twice as much pulp and paper as any other company in the world. At 27 pulp and paper mills around the world, the Company produces publication papers for magazines, books, and commercial printing; white papers for business forms, stationery, envelopes, and copying machines; newsprint for the printing of millions of newspapers worldwide; kraft paper for grocery bags, multiwall sacks, and industrial wrappings; unbleached kraft containerboard for shipping cartons; and bleached board for milk and food packages, folding cartons, and printing. In Canada, Canadian International Paper also produces a line of consumer products—facial and bathroom tissues and paper towels. IP products come in a range of weights, sizes, finishes, colors, in thousands of combinations.

From its extensive North American forestlands, IP has the varieties and types of fibers that are required for the high-quality pulps needed to produce this range of products. Most of the Company's production of pulp is used in the manufacture of its own products, but a portion is sold to other customers worldwide.

Both softwood and hardwood pulps are produced by IP for conversion to paper and paperboard. Chemical cellulose is used by chemical companies to make rayon, acetate, and cellophane. The smallest category, but showing the most rapid growth rate, is a highly-absorbent specialty pulp made for disposable diapers.

A major consideration in IP operations today is translating growing customer needs into production and expansion at IP mills. One of the areas is in white papers, particularly for such business uses as paper for computer-generated information, carbonizing tissues used in multi-copy forms such as credit card receipts, and business papers that can be used interchangeably with several different types of copying machines.

To meet anticipated customer needs for these papers, a major expansion is already underway at Androscoggin, Maine, one of IP's two major current expansions. When completed this year, the Androscoggin addition will add significantly to IP's ability to supply some of the white papers markets showing the fastest growth. At the end of December 1976, one new machine started up that doubles the Company's capacity for carbonizing tissue. This machine is the largest and lowest cost producer of its kind.

IP tries not only to respond to customer needs but, as far as possible, to anticipate them. Higher customer costs for postage, transportation, and storage prompted the development of new, lighter weights for both white papers and newsprint in recent years. These new papers are not only lighter, but help to conserve fiber and energy, while maintaining opacity and strength characteristics, and also helping to reduce distribution and storage costs.

New Springhill® High Speed Copy Paper, > designed for quality reproduction, resists jamming when used on modern high-speed copier/duplicator systems.

Facelle tissues (top photo) from man-size to pocket-size are among the Canadian International Paper Company's best-selling consumer products.

IP's chemical cellulose (above), produced to exacting customer requirements, is used widely to manufacture rayon yarn like this being made in Brazil.

Innovation, based on analysis of the needs and wants of customers—and of customers' customers—has helped IP develop its position as a world leader in packaging.

A successful package must efficiently contain the product with an economic use of materials, protect it during transportation, provide information about the contents, and, with increasing frequency, effectively promote the product in a retail outlet. IP packaging meets these requirements for an almost infinite variety of products, ranging from food and cosmetics to chemicals and industrial machinery marketed by customers around the world.

IP's packaging, utilizing lightweight bleached board, heavy-duty containerboard, kraft paper, and plastics, is manufactured or sold by IP in many world markets.

The familiar kraft grocery bags and sacks are used by retailers all across North America. For industrial needs, printed multiwall kraft paper sacks offer convenient handling for products ranging from cement to fertilizers, as well as for consumer products such as charcoal and pet foods.

Attractively printed bleached board, a strong, bright, and clean material, is widely used for food products such as milk, frozen foods, and dried fruits, in addition to cosmetic and disposable diaper packages.

Milk containers represent the largest single use of bleached board manufactured by IP. Billions of milk cartons are produced every year, ranging in size from a gallon down to four ounces. As shown on the cover, bleached board cartons are used for juices and specialty drinks as well as milk. In addition to ten International Paper milk carton plants in the U.S., two in Canada, and one in Venezuela, a new plant is under construction in Japan as part of a joint venture with the Ishizuka Glass Company.

For extra protection of perishable food products, IP provides a polyethylene-coated folding carton as part of the Fresh-Shield® packaging system. The resulting heat-sealed carton helps prevent moisture loss while retaining flavor and freshness, holds up in freezers, and prolongs shelf life. The package provides a reduction in cost in many cases by eliminating the need for an inner protective liner for the contents.

A recent innovation in bleached board packaging is IP's new Pressware™ container in which convenience foods can be stored, cooked, and served. This container is ideal for use with microwave ovens—which cannot accommodate metal trays—as well as with conventional ovens. The Pressware concept is now being test-marketed by a number of frozen food producers.

Boxes made from containerboard provide temperature and moisture protection for long-distance movement of commodity food items and strength for shipment of large industrial and commercial products. IP has been improving fresh food shipping containers with a number of changes over the past two decades. For the shipment of vegetables, IP pioneered sturdy, water-resistant boxes made from Surf-Corr® corrugated paperboard which replace old-fashioned wire-bound wood-slat boxes.

These high-strength, moisture-resistant corrugated containers are loaded in produce fields and then drenched with water at 55 degrees to bring the temperature down and keep the produce fresh for market. They are then put into refrigerator cars, topped with ice, and shipped to market. Even after

Customers the world over use IP packaging materials and designs to market their products. Here, margarine cups are being formed by a West German manufacturer using IP bleached board.

Printed spiral-wound labels are supplied by IP for use on customers' composite paperboard and metal containers holding everything from motor oil to potato chips.

IP milk containers are used in Venezuela's milk program for school children.

going through the heat of the fields, cooling with water, and shipping, the box is still rigid, can be stacked ten high, and moved easily on pallets.

Meat distribution patterns are being altered by IP's Blok-Pak® system. Use of these boxes allows meat to be trimmed and pre-cut at the packing house, eliminating the wasteful shipment of bone and fat.

To serve the expanding market for such dairy products as cottage cheese and yogurt, IP makes plastic containers at its Litchfield, Illinois facility. To aid the shipping and handling of such containers, IP has introduced the Kulture-Pak™ system, which uses corrugated packaging to hold cylindrical cups firmly in place for convenient storage and stacking. The system also permits cool air to circulate around individual containers while in storage.

Modern self-service retailing methods require a product to attract attention in a highly competitive environment—so modern packaging must also have great eye appeal. To help customers' products get that extra attention, IP maintains extensive, top-quality printing operations. The Company prints directly on the packaging it makes itself, and also produces large volumes of labels for cans, jars, and other types of containers made by others. Printing presses are being added or expanded at several IP locations, including a seven-color rotogravure press for printing folding cartons and labels, and flexographic label presses for spiral-wound cans used for products as diverse as frozen juices and motor oils.

IP offers customers a wide range of services in addition to packaging systems. A case in point is a major Texas packer of grapefruit and oranges. The packaging specialists at IP's Edinburg, Texas corrugated container plant worked with the customer to create a simplified, lower-cost package and helped to redesign its graphics. Then IP helped the customer install more efficient IP-designed packaging machinery and develop a new materials flow system. Finally, International Paper Credit Corporation financed four new IP packaging machines. Such systems are now being introduced to customers in other parts of the world.

This distinctive wine package was printed and constructed to serve as a shipper, showcase display piece, gift carton, and handy take-home carrier.

Packaging innovation for the poultry > industry has been led by IP. Today, nearly 200 major poultry processors use such corrugated packaging.

To reduce packaging costs and move more of its perishable orange and grapefruit crops quickly to world markets, a major Texas citrus producer installed IP packaging systems, integrated with IP-designed machinery, in an IP-developed flow system.

Wood products capacity has been expanded to realize the maximum return from timber resources and serve the important housing and construction markets.

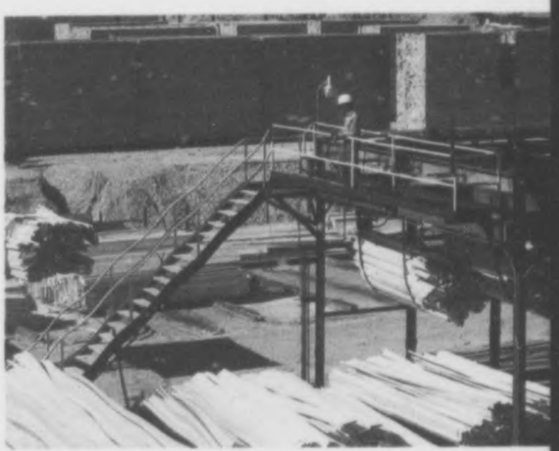
As the leading private owner and manager of forestlands, IP has long been a substantial supplier of quality wood products. Over the past three years, however, the Company has doubled its lumber manufacturing capacity, and facilities for plywood and finished building materials have been improved. Six additional wood products manufacturing plants have been added, strategically located near the Company's southern wood resources and pulp and paper facilities. And in southern U.S. forests, longer growth cycles are being directed toward the production of solid wood products.

Trees are selected for conversion into specific wood products, and the thinnings, tops, crooked trees, and residuals are used for papermaking or burned as fuel. Selected straight trees are processed into treated poles, one of the highest value wood products. Other trees are cut into lumber or plywood—with the residuals used for paper—and thus are much more productive than trees used entirely for papermaking. By growing and selecting timber for wood products, IP tries to get maximum value out of every tree.

At the same time, increased emphasis is being placed on marketing to reach the ultimate customer more directly. Distribution channels are being strengthened. Traditionally, IP has used many forms of distribution to customers and will continue to do so. However, in recent years, IP has been opening supplementary distribution centers for direct supply of dealers, contractors, and retail customers. There are 23 such centers in eight states. About half are oriented primarily to the contractor and home-owner, and the rest to dealers and industrial buyers.

IP's Long-Bell® brand is already nationally known for cabinetry and certain lumber products. Now the IP symbol itself will be widely applied to lumber and plywood made by the Company to give these products the quality image already identified with IP's paper and packaging products.

The Company is now well positioned for growth in wood products. It is ready with increased manufacturing capacity, improved distribution, a broader product line, greater growth of sawtimber, and better product identification—all to better serve customers.



During the past three years, manufacturing capacity for lumber has doubled. Six additional wood processing plants like this Sampit facility, near IP's Georgetown, South Carolina mill, have been added.

International Paper's objective is to make optimum use of its extensive land resources.

IP owns 8.5 million acres of forest land outright. It has additional harvest rights primarily in Canada on 12.4 million acres plus additional harvesting rights measured in wood volume. Mineral rights cover 9.9 million acres, half on land owned in fee. For each of those acres, the Company is seeking the best single use or combination of uses to enhance its productivity.

Based on claims, dating back to 1790, that certain land transactions with Maine Indian tribes were not approved by Congress, the Department of Justice has brought suit against the State of Maine, but has stated that a Congressional solution to the dispute should be reached. Although IP owns one million acres of land in the disputed area, no material effect on the Company is anticipated.

IP manages its forest not only to supply current needs, but also to ensure that even larger amounts of wood will be available for future generations. The Company is striving for the greatest long-term value from its lands. Intelligent development of the Company's land resources will enable IP to continue to provide useful products meeting customers' needs, and maintain an environment for the reproduction of game and wildlife, public recreation, and the preservation of scenic beauty.

Estimates by the United States Forest Service indicate that the U.S. will consume almost twice as much timber in the year 2000 as it did in 1970. To help meet future needs, IP's own timber production program has been designed to increase annual fiber yield per acre substantially.

To increase future usable fiber, many techniques are being used. New strains have been selected and developed that grow larger trees in less time. State university studies have estimated that second generation "supertrees" currently being established in seed orchards may grow up to 75 percent more fiber per acre than ordinary southern pines. In the current season, well over 60 million genetically improved seedlings will have been planted on IP land in the southeastern United States. Careful seedling culture and planting techniques—grafting, site preparation, drainage, matching the species to the soil and climate, fertilization, scheduled thinning, and clearing—all add to greater fiber growth on the same amount of land.

In addition, through its Landowner Assistance Program, the Company is working with approximately 1,900 individual landowners, helping them to improve the productivity of their woodlands by teaching them the methods used by International Paper on its own lands.

Beneath IP lands, mineral potential is still largely undeveloped but is becoming more clearly identified. Exploration and drilling for oil and natural gas are going on at a number of sites. Extensive deposits of lignite have also been identified. Developing these resources adds to the strength of the Company and can help supply new sources of energy for national needs.

In some locations, growing food, rather than trees, may be the best utilization of Company lands. Over 40,000 tons of rice per year are being harvested from Company lands near Houston, Texas. Some 10,000 acres have been designated for soybeans and other crops, primarily in the Mississippi valley, after existing hardwood forests were harvested. In Florida, an additional 1,000 acres were planted in peanuts.

Soy bean cash crops are now being grown on cut-over and open land. Areas designated for crops now involve some 10,000 acres.

< To assure continuous forest renewal on IP's 5 million acres of land in the southern United States—the world's wood basket—the Company annually plants 86 million seedlings—five for every tree harvested.

< IP utilizes twenty-seven nurseries in thirteen states to provide new, stronger seedlings for reforestation.

By both rail and truck, fiber in the form of chips flows into IP pulp and paper mills in the U.S. and Canada. It takes, for instance, nearly 80 rail car loads of saw mill residuals a day to supply the La Tuque, Quebec mill.

Modern methods of tree selection, harvesting, transportation, and utilization are improving the yield from every tree.

Increasing amounts of fiber, once left on the forest floor or discarded during processing, are now being recovered and used to produce products.

At left is a shipment of sawmill residuals coming into one of IP's Canadian linerboard mills. These residuals were collected at wood products plants throughout the surrounding region. To assure the highest economic recovery from harvested trees, wood products are produced first, and the residuals are shipped to IP mills for the production of paper.

Careful selection and sorting of trees is an important first step. Harvested logs are sorted into as many as ten general classes depending on the highest value in the marketplace. Priority goes to tall, straight timber destined for either pilings or utility poles. A tree used for a pole is worth up to nine times more than if cut into chips to make paper. When a log can be cut to make lumber or plywood, that log may be as much as six times more valuable than if it were used solely to make paper. Even small diameter logs can be cut for lumber before the residual chips go to the pulp and paper mill.

Mechanization increases the efficiency of harvesting fiber. Company woodland operations have been increasingly mechanized in recent years, and this will continue more rapidly as it is technologically and economically feasible. Several new harvesting techniques have been introduced. Tree harvesters enable a single operator to fell a tree, delimb it, and cut it into lengths. In the Canadian woodlands, large mechanized forwarders carry whole trees to be processed by chippers.

Additional fibers and energy are being recovered from material once left behind. In some of our southern U.S. woodlands, branches and tops are chipped in the woods and later used to produce pulp. Some hardwood trees, including twigs, branches, and bark, are chipped together. Such chips are being used for as much as 10 to 30 percent of the total mix at some pulp mills with no loss of value in the finished product. Bark, sawdust, and residues such as spent liquor recovered in production processes at the plant are being used for fuel. On average, IP plants and mills generate close to 50 percent of their total energy needs from such material.

IP's wood processing plants measure, select, divert, and saw or chop each log to its best use. Residuals used for fuel can often make such plants nearly energy self-sufficient.

General Crude Oil has been meeting earnings expectations while developing the hydrocarbon and mineral potential of Company lands.

During the past year, 29 wells were drilled in the southern U.S. by GCO itself, or jointly with other companies, on properties in which IP owns mineral rights or has up to 50 percent interest. This drilling activity resulted in 19 successful wells. The drilling also generated data on sub-surface geology which will complement the findings of GCO's extensive seismic programs in the same areas. Additional details on exploration and production are discussed on page 11.

The Company increased its participation in offshore exploration in 1976. General Crude Oil acquired rights to explore on eight offshore tracts consisting of 23,000 net acres on the Outer Continental Shelf of the U.S. Three such tracts are in the Gulf of Alaska; others are off the coast of Louisiana.

In order to develop opportunities in the North Sea, in 1976 GCO acquired interests ranging from 2½ percent to 12½ percent in a four-well program in the German sector. In 1977, General Crude will also participate in the drilling of an exploratory well in the Dutch sector. During 1976, GCO acquired, under advantageous terms, a half interest in a semi-submersible drilling rig which has been leased for drilling off the California coast.

Advanced technology will increase the Company's crude oil recovery in Western Canada. Through experience in recovering heavy oil in California, GCO engineers are effectively utilizing the Combination Thermal Drive Process. The process employs underground combustion to free up thick petroleum and drive it into producing wells. By using this technique in its fields of heavy oil in Alberta, Canada, GCO expects to recover 35 percent of the original volume of petroleum contained in the reservoir. Under conventional methods, only six percent of the reservoir could be recovered. GCO's thermal recovery group is responsible for expanding the use of this technology in both existing fields and new locations.

In addition to petroleum, the Company is searching for a wide range of other minerals. General Crude's coal exploration group last year completed a comprehensive test drilling program to define the lignite potential of Company lands, particularly in Arkansas and Louisiana. Lignite, which has about half the heat value of high quality coal, is receiving increasing attention as the nation looks to alternative sources of energy to lessen the dependence on imported oil. Besides lignite, the test drilling program is looking for the existence of other minerals, including commercial clays, uranium, bauxite, phosphates, and other metallics.

Hard rock minerals geologists continued to expand exploration in Alaska. General Crude has substantial mineral rights in Alaska—both in staked claims and through partnership agreements—to find and develop copper, lead, zinc and uranium deposits.

On the Company's fee lands south of Houston, geologists and engineers continued to develop significant oil and gas reserves while harvesting rice for U.S. and world markets.

Exploration often requires drilling oil and gas wells deeper than ever before—more than three miles below the surface. The 15,000-foot-deep natural gas well (opposite photo) and another nearby were successfully drilled in Alabama during 1976 by General Crude Oil in an area where IP has mineral rights.

Three major directions for IP research are: greater productivity of the forest; more efficient manufacturing; and continuous product innovation.

Important and promising projects are underway in International Paper's research centers, plants, and woodlands in the U.S. and Canada. IP has been a leader in genetic selection to develop trees of consistently superior quality that will grow larger and faster than their forebears. That continuing program has been very successful.

Studies are being intensified in the biochemistry of trees. One example: There is a symbiotic relationship between certain fungi and the roots of seedlings. These fungi increase the rate at which roots can absorb nutrients from the soil. With more rapid nourishment, the seedlings grow faster and stronger. Current research concentrates on developing optimum combinations of specific fungi, tree types, and soil conditions to achieve this.

Another promising area of research is the asexual reproduction of trees from single cells, speeding the replication of selected variants, so as to reproduce the tallest, straightest trees. Longer-range research will attempt to change the genes of trees to achieve special characteristics, such as inherent disease and frost resistance or other desired growth qualities.

Containerization of seedlings offers significant improvement over traditional bare-root planting. By growing seedlings in containers it is possible to provide the ideal environment and the optimum application of nutrients. The result is larger, stronger seedlings. Field planting in biodegradable containers helps avoid transplant shock, improves the probability of seedling survival, and may even reduce the time needed for the tree's growth to harvestability for wood products or pulp.

The Company's early work in improving plant growth and genetic potential has been largely concentrated on southern conifers. Now the techniques are being expanded to different softwoods in other areas, and even to certain hardwoods.

New manufacturing systems are being developed or studied. The effort here has two prongs: to reduce or elminate pollution problems by changing the manufacturing process itself, and to reduce requirements for wood, energy, chemicals, and other materials.

One development now operational is IP's oxygen bleaching process. When fully developed, this technology will reduce chemical and energy use and permit recycling a major part of the mill effluent back into the production process. This recycling will reduce environmental control costs.

Additional areas under investigation include: washing systems that will sharply reduce water usage and effluent; pulping processes that produce higher yields of fiber; systems for more efficient generation of energy from wood residuals; better utilization and conservation of energy; and more efficient and less costly methods of manufacturing and environmental control.

New products for the end-use customer have a key place in research. One packaging technique now being worked on may help improve worldwide distribution of food. This combines a controlled internal package environment with new food processing procedures. The final package can help preserve the flavor and reduce spoilage of meat, poultry, and fish being shipped unfrozen over long distances.

Researchers at IP's Sterling Forest laboratory examine an unusual specie of tropical hardwood.

< IP's wood products research ranges from studying the effects of climate on tree-growth cycles to microscopic examination of wood fiber constituents. Among the laboratory techniques used is the distillation of wood liquor in a rotary evaporator.

Loblolly pines, including shoots and > roots, are being laboratory grown from embryo stage to develop asexual reproductive techniques.

International Paper tries to help people realize their full potential in line with their abilities, interests, experience, and willingness to work.

IP is trying to create an environment in which all employees can contribute their thoughts, energies, and skills in helping to achieve Company objectives. But the Company also wants an environment in which people can develop personally. IP is trying to increase opportunities for employees to expand their skills and knowledge through formal educational opportunities as well as on-the-job experience.

Part of the overall evaluation of managers and supervisors is how well they assist employees in their development. At the same time, employees are encouraged to discuss matters of concern with their manager or personnel representative and to identify programs that will aid their career development.

One proven development opportunity for production employees is the use of "crew training," in which individuals not only learn their own jobs better, but also how they relate to the values and problems of other jobs and skills. Through this and other programs, people are being helped to understand why and how their own job is important to themselves, to the Company, and to society.

Among professional and management employees, IP is trying to develop a high level of expertise in all functional aspects of the business, as well as understanding of the total Company. It also encourages independent, business-oriented decision-making in all areas of responsibility. More and more managers are being exposed to many aspects of IP's major businesses.

International Paper is growing and the Company is specifically staffing and training to sustain that growth. The Company will need several hundred new top managers and other professional employees every year for the next decade. In filling positions, full opportunity is given to qualified persons already within the Company, and there is also a healthy infusion of talent and expertise from outside.

We are striving to attain ambitious goals for equal employment, development, and advancement of women and minorities. Qualified people are being actively recruited from schools with substantial female and minority enrollments. The performance of managers is measured on how well they achieve Affirmative Action and obtain the understanding and support of the program from employees.

The Company's compensation program is competitive with other leading companies to help assure a quality organization. In addition to salaries and wages, IP provides a comprehensive benefits program which can equal at least a third of the employee's earnings. These benefits assure employees and their families protection and security in the event of illness, accident, death, or other emergencies, during their working years and upon their retirement.

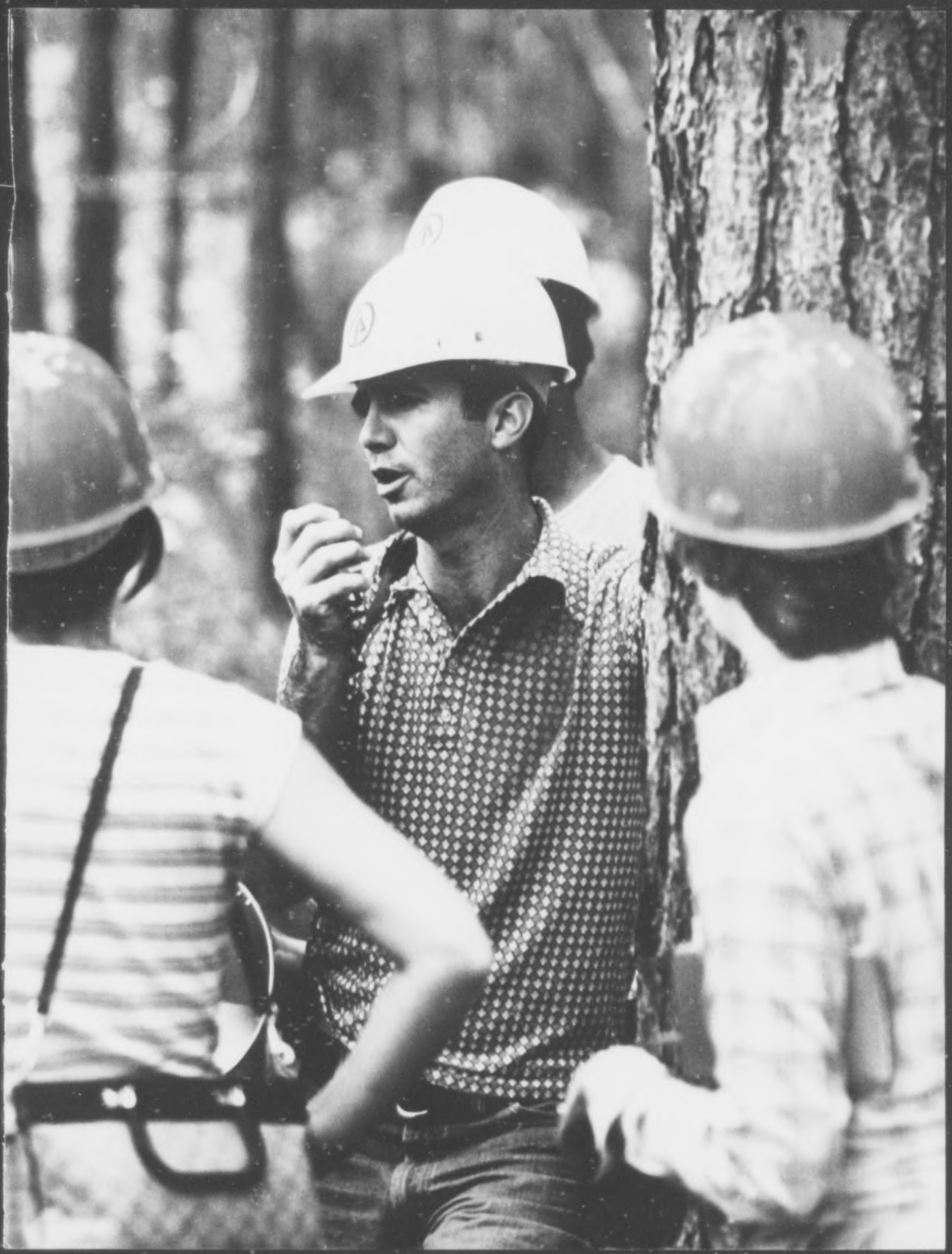
In 1976, IP offered a broad variety of training programs to supplement on-the-job learning. The Company offered nearly 350 supplemental training programs, professional seminars, and special external programs in 1976. These programs are made available to all employees who qualify.

In previous pages mention has been made of many of International Paper's resources—in land, in physical plant, and in product innovation. It cannot be emphasized too strongly that the Company's greatest resource is dedicated and capable people.

Advanced manufacturing methods training is one of the self-development opportunities offered supervisors at IP's mills and plants.

IP has a continuing program to attract and develop substantial numbers of top career professionals and managers in order to meet the Company's goals for growth.

First-hand, working knowledge of IP's woodlands, mills, and plants, plus intensive sales training workshops are part of the Company's program for developing marketing professionals.



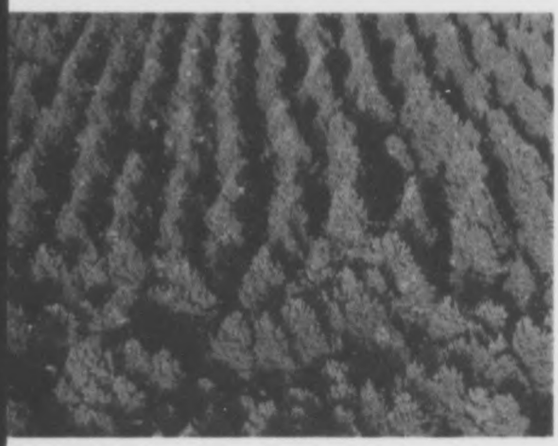
International Paper Company

Consolidated Balance Sheet

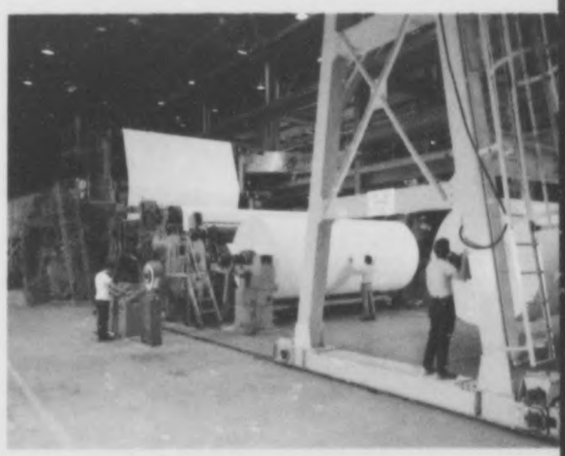
In millions of dollars

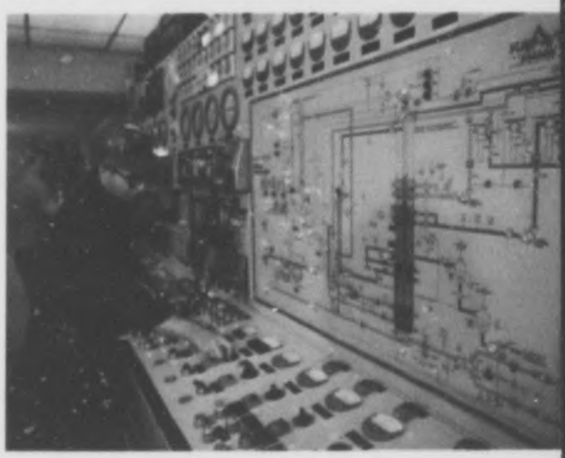
December 31	1976	1975
Assets		
Current Assets		
Cash (Note 1)	$ 41.5	$ 47.2
Temporary investments	284.8	192.6
Accounts and notes receivable	307.7	322.1
Inventories (Note 2)	347.6	343.7
Deferred income taxes (Note 3)	37.8	30.7
Total Current Assets	1,019.4	936.3
Property		
Plants and Properties (Note 4)		
Pulp and paper	2,463.4	2,187.3
Oil and gas	562.0	496.0
Other	547.1	531.7
	3,572.5	3,215.0
Less: Accumulated depreciation and depletion	1,624.6	1,471.7
Total Plants and Properties	1,947.9	1,743.3
Timberlands–net (Note 5)		
Owned in fee	398.8	388.8
Capitalized timber harvesting rights	35.6	48.6
Total Timberlands	434.4	437.4
Total Property	2,382.3	2,180.7
Other Assets		
Investments–at cost (Note 6)	45.0	45.4
Investments in affiliates–at equity	59.2	43.2
Notes and land contracts receivable (Note 7)	20.9	28.0
Cost in excess of assigned value of businesses acquired–net	52.6	49.1
Environmental construction funds held by trustees	18.7	27.6
Deferred charges and other assets	41.5	30.7
Total Other Assets	237.9	224.0
Total Assets	$3,639.6	$3,341.0

The accompanying Statement of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these financial statements.



December 31	1976	1975
Liabilities and Share Owners' Equity		
Current Liabilities		
Notes payable and current maturities of long-term debt	$ 138.2	$ 133.0
Accounts payable	200.9	189.2
Accrued liabilities	146.1	145.4
Accrued income taxes	28.5	30.5
Total Current Liabilities	513.7	498.1
Long-Term Debt (Note 8)	1,054.3	1,137.2
Deferred Income Taxes (Note 3)	212.0	161.8
Reserves and Deferred Liabilities	33.1	42.3
Commitments and Contingent Liabilities (Notes 16 & 17)		
Share Owners' Equity (Note 9)		
Serial preferred stock, $1 par value	—	—
Cumulative $4 preferred stock, no par value	5.0	5.4
Common stock, $2.50 par value	118.5	112.5
Capital from conversion of 5% preferred stock	40.4	40.4
Capital surplus	582.7	427.4
Retained earnings	1,104.4	942.2
	1,851.0	1,527.9
Less: Common shares held in treasury, at cost	24.5	26.3
Total Share Owners' Equity	1,826.5	1,501.6
Total Liabilities and Share Owners' Equity	$3,639.6	$3,341.0





International Paper Company

Consolidated Statement of Earnings and Retained Earnings

In millions of dollars except per-share amounts

Years Ended December 31	1976	1975
Income		
Net sales	**$3,540.6**	$3,080.8
Other income, net (Note 11)	**40.9**	29.2
Total Income	**3,581.5**	3,110.0
Costs and expenses		
Cost of products sold	**2,513.8**	2,134.0
Distribution expenses	**191.6**	172.2
Selling and administrative expenses	**191.4**	156.6
Depreciation	**129.0**	118.6
Depletion of oil and gas properties	**50.5**	45.1
Cost of timber harvested	**33.3**	28.8
Interest	**92.4**	83.4
Total Costs and Expenses	**3,202.0**	2,738.7
Earnings before income taxes	**379.5**	371.3
Provision for income taxes (Note 3)	**125.9**	153.3
Net Earnings	**253.6**	218.0
Retained earnings—beginning of year	**942.2**	812.8
	1,195.8	1,030.8

Cash dividends	**1976**	1975		
	(per share)			
$4.00 preferred stock	$4.00	$4.00	**.2**	.2
Common Stock	$2.00	$2.00	**91.2**	88.4
Retained Earnings—end of year			**$1,104.4**	$ 942.2
Earnings Per Common Share			**$ 5.60**	$ 4.93

The accompanying Statement of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statement of Changes in Financial Position

In millions of dollars

Years Ended December 31	1976	1975
Source of Funds		
Net earnings	**$253.6**	$218.0
Expenses not requiring outlays of working capital:		
Depreciation, depletion and cost of timber harvested	**212.8**	192.5
Deferred income taxes–non-current	**43.0**	49.1
Funds provided from operations	**509.4**	459.6
Issuance of common stock	**159.5**	2.1
Issuance of long-term debt	**41.2**	191.2
Reduction of long-term investments	**.4**	47.9
Other sources–net	**8.4**	14.9
Total Funds Provided	**718.9**	715.7
Application of Funds		
Acquisition of General Crude Oil Company:		
Properties acquired	**–**	482.6
Long-term portion of debt issued and assumed	**–**	(288.1)
Other, net	**–**	5.0
Working capital required by the acquisition	**–**	199.5
Cash dividends paid	**91.4**	88.6
Invested in plants and properties	**398.4**	365.2
Invested in timberlands	**37.5**	95.7
Reduction of long-term debt	**124.1**	69.4
Total Funds Applied	**651.4**	818.4
Increase (Decrease) In Working Capital	**$ 67.5**	($102.7)
Changes in Working Capital		
Increases (decreases) in current assets		
Cash	**($ 5.7)**	$ 13.2
Temporary investments	**92.2**	(104.3)
Accounts and notes receivable	**(14.4)**	(11.7)
Inventories	**3.9**	19.3
Deferred income taxes	**7.1**	2.7
	83.1	(80.8)
(Increases) decreases in current liabilities		
Notes payable and current maturities of long-term debt	**(5.2)**	(47.1)
Accounts payable and accrued liabilities	**(12.4)**	(86.8)
Accrued income taxes	**2.0**	112.0
	(15.6)	(21.9)
Increase (Decrease) In Working Capital	**$ 67.5**	($102.7)

Statement of Significant Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, except for a wholly-owned financial services subsidiary and, in 1976, a real estate subsidiary in process of liquidation which are accounted for by the equity method. All significant intercompany items and transactions have been eliminated. Investments in affiliated companies, owned 20 percent or more, are accounted for by the equity method, and accordingly, the Company's share of affiliates' net income has been included in the consolidated results of operations. Cost in excess of assigned value of businesses acquired is being amortized over a period of forty years.

Foreign Currency Translation—Cash and amounts receivable or payable that are denominated in local currency are translated at the rates of exchange in effect at the end of the respective periods (current rate). All other balance sheet accounts are translated using the rates of exchange in effect at the time of the transactions (historic rate). Depreciation expense is translated at the rates of exchange in effect when the related assets were acquired, and substantially all other income and expense accounts are translated at the rates in effect during each month. The net effects of gains or losses on foreign exchange are included in other income.

Inventories are stated at the lower of cost or market. Inventory costs include raw material, labor, and manufacturing overhead except for certain costs, principally depreciation. Cost of raw materials, paper and pulp products, lumber, and certain operating supplies is generally determined on the last-in, first-out basis. During periods of rising prices, this method results in charging increased inventory production costs to operations on a current basis and tends to eliminate inflationary gains on inventory balances from current operating results. If the first-in, first-out method had been utilized, it would have had the effect of increasing inventory balances by approximately $108 million and $94 million at December 31, 1976 and 1975, respectively. Other inventories are stated on the first-in, first-out or average cost basis.

Plants and Properties are stated at cost. With regard to the Company's oil and gas properties, the Company follows the "full-cost" method of accounting under which all direct costs incurred in the acquisition, exploration, and development of oil and gas properties are capitalized and amortized on a company-wide composite method over the productive life of the producing properties.

Depreciation is computed principally on a straight-line method for financial reporting purposes and on accelerated methods for tax purposes, based upon estimated useful lives. Depreciation rates, for financial reporting purposes, are as follows: buildings 2½%; machinery and equipment 5% to 25%; woods equipment 10% to 16%.

Depletion of oil and gas properties is determined on the basis of the percentage of the oil and gas revenues during the period to the total estimated future gross revenues from proven reserves.

Timberlands, including capitalized timber harvesting rights, are stated at cost, less cost of timber harvested. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of roads, park developments, and other land improvements are capitalized and amortized over their economic life.

The Company capitalizes those timber cutting contracts where the gross price to be paid is fixed.

Income Taxes—Deferred income taxes are provided for timing differences between financial and tax reporting. The investment tax credit is recognized currently in earnings.

The Company provides deferred taxes on the income of its Domestic International Sales Corporation (DISC).

The Company does not provide taxes on undistributed earnings that are considered permanently reinvested in the business outside the U.S.

Research and Development Costs—The Company is committed to an ongoing research program which is primarily conducted at its four research centers in the U.S. and Canada. Such costs amounted to $20.1 million and $16.5 million in the years 1976 and 1975, respectively, and have been charged to operations as incurred.

Earnings Per Common Share have been computed on the basis of the average number of shares outstanding—1976-45.2 million; 1975-44.2 million.

Notes to Consolidated Financial Statements

Note 1. Lines of Credit—The Company maintains bank lines of credit ($232 million at December 31, 1976) with certain U.S. and foreign banks. There have been no borrowings under these lines during 1975 or 1976 and, while the Company maintains deposits with some of these banks equal to approximately 10% of such lines, it is free to withdraw these deposits at any time.

Note 2. Inventories by major category include:

(In millions)	1976	1975
Raw materials	$120.0	$118.1
Finished paper and pulp products	95.5	92.8
Finished lumber and plywood products	25.4	26.3
Operating supplies	96.4	95.1
Other	10.3	11.4
Total	$347.6	$343.7

Note 3. Income Taxes—The components of the provision for income taxes are:

(In millions)	1976	1975
Current		
U.S.		
Federal	$ 45.5	$ 57.5
State	12.5	8.4
Outside U.S.	32.0	41.0
	90.0	106.9
Deferred		
U.S. Federal	37.7	40.9
Outside U.S.	(1.8)	5.5
	35.9	46.4
Total	$125.9	$153.3

The principal items giving rise to deferred income taxes are:

(In millions)	1976	1975
Drilling and exploration costs, expensed for tax purposes	$17.9	$13.6
Depreciation	16.6	11.9
Discontinued Operations	4.4	.1
DISC	2.5	8.8
Foreign exchange losses	(1.3)	(.1)
Other, net	(4.2)	12.1
	$35.9	$46.4

The principal components of the Company's income tax rate are as follows:

	1976	1975
Ordinary U.S. income tax rate	48.0%	48.0%
Reduction resulting from:		
Income taxed at capital gains rate	5.5	3.7
Investment tax credit[1]	8.4	3.7
Other, net	.9	(.7)
Effective income tax rate	33.2%	41.3%

[1]Includes, in 1976, an additional 1% investment tax credit (ITC) related to an Employee Stock Ownership Plan adopted by the Company in 1976. This additional ITC ($2.9 million) has also been reflected in the accompanying income statement as compensation expense. Total ITC was: 1976—$31.9 million; 1975—$13.6 million.

Note 4. Plants and Properties by major classification, and related accumulated depreciation and depletion reserves, at December 31, 1976 were as follows:

(In millions)	Cost	Accumulated Depreciation and Depletion	Net
Pulp and paper facilities:			
Mills	$2,089.3	$1,125.7	$ 963.6
Packaging plants	374.1	171.2	202.9
	2,463.4	1,296.9	1,166.5
Oil and gas properties	562.0	94.5	467.5
Other properties:			
Wood products facilities	136.5	72.0	64.5
Woods equipment	206.0	103.6	102.4
Other	204.6	57.6	147.0
	547.1	233.2	313.9
Total	$3,572.5	$1,624.6	$1,947.9

Note 5. Timberlands—At December 31, 1976, timberlands owned in fee consisted of 7.2 million acres in the U.S. with a book value of $391.6 million and 1.3 million acres in Canada with a book value of $7.2 million.

Capitalized timber harvesting rights consist principally of those timber cutting contracts in the U.S. where the gross price to be paid has been fixed.

The Company has timber harvesting licensing arrangements on a total of 12.4 million acres in the Canadian provinces of Quebec and New Brunswick plus additional harvesting rights measured in wood volume in the province of Quebec.

Legislation was enacted in Quebec in 1974 directed towards the eventual replacement of existing licensing arrangements by guarantees of timber supplies from public lands. These guarantees are in the form of grants of

rights to cut standing timber sufficient to supply wood processing plants for as long as such plants carry on normal operations. Such grants are expected to be economically equivalent to the rights presently held.

Note 6. Investments at cost, include, at December 31, 1976 and 1975, $33.7 million representing the cost of 1,404,000 restricted shares of capital stock of C. R. Bard, Inc. Long-term debt of $53.3 million (4¼ percent Subordinated Debentures due 1996) is exchangeable for the C. R. Bard, Inc. shares at a rate equivalent to $38 a share. The market price of C. R. Bard, Inc. shares was $14.63 per share on December 31, 1976.

Note 7. Notes and Land Contracts Receivable include $6.9 million and $9.2 million at December 31, 1976 and 1975, respectively, representing the long-term portion of a secured interest-bearing note of Donald L. Bren Company. The note is payable in substantially equal annual installments through 1980, and is secured by 132,828 shares of the common stock of International Paper Company. The Company has a warrant to purchase 49 percent of the outstanding stock of the Bren Company at any time through June 30, 1980 at its then book value.

Note 8. Long-Term Debt—A summary of long-term debt follows:

(In millions)	**1976**	1975
5⅛% Notes—due 1977-1986	**$ 100.0**	$ 110.0
5⅞% Notes—due 1977-1986	**20.0**	22.0
6⅜% Notes—due 1977-1988	**120.0**	130.0
8½% Notes—due 1977-1982	**275.6**	323.3
9¼% Notes—due 1977-1978	**69.1**	103.9
8.85% Sinking Fund Debentures—due 1981-1995	**150.0**	150.0
8.85% Sinking Fund Debentures—due 1986-2000	**150.0**	150.0
4¼% Subordinated Debentures—due 1996	**53.3**	53.3
Environmental bond issues	**139.3**[1]	112.1
Other	**99.2**	101.8
	$1,176.5	$1,256.4
Less—Current maturities	**122.2**	119.2
Total	**$1,054.3**[2]	$1,137.2

[1]Average interest rate of 6.5%.

[2]Total maturities over the next five years are as follows: 1977—$122.2 million; 1978—$113.5 million; 1979—$77.8 million; 1980—$76.1 million; 1981—$78.4 million. Long term debt at December 31, 1976 includes local borrowings of Canadian and other subsidiaries outside the U.S. amounting to $73.1 million.

Note 9. Capital Stock—A summary of capital stock at December 31, 1976 follows:

	Shares[1]	
	$4 Preferred Stock	**Common Stock**[2]
Authorized	**400,000**	**72,000,000**
Issued	**230,579**	**47,381,674**
In Treasury	**180,686**	**684,716**
Outstanding	**49,893**	**46,696,958**

[1]In April 1976, the share owners approved the creation of a new class of serial preferred stock ($1.00 par value 15,000,000 shares) and the elimination of preemptive rights of common stock.

[2]Shares issued and outstanding increased by 2,447,414 shares during 1976, principally due to the sale of 2.25 million shares in August for approximately $150 million. As a result of such sale, $143.9 million has been credited to capital surplus.

Note 10. Operations Outside the U.S.—A summary of operations outside the U.S. (principally Canada) follows:

(In millions)	**1976**
Sales[1]	**$826.4**
Working capital	**249.8**
Assets	**721.6**
Undistributed earnings[2]	**425.7**

[1]Comparable sales for the year ended December 31, 1975 were $780.6.

[2]Substantially all of these earnings have been permanently reinvested outside the U.S.

Note 11. Other Income, Net—The major components of other income were as follows:

(In millions)	**1976**	1975
Interest income	**$18.8**	$17.6
Equity in earnings of affiliates	**9.3**	3.8
Sale of capital assets	**5.5**	1.7
Foreign exchange	**(1.1)**	(.6)
Miscellaneous	**8.4**	6.7
	$40.9	$29.2

Note 12. Incentive Plans—The Company has a Profit Improvement Plan under which a maximum of 750,000 shares of treasury stock may be awarded. Under the Plan, which terminates in 1980, contingent awards of shares of common stock, covering a three-year period, are granted by a committee composed of members of the Board of Directors who are not eligible for awards. Awards are earned in any year in which earnings per share, as defined, exceed the predetermined profit base. Through December 31, 1976, 212,741 shares have been earned under the Plan, including 51,601 shares earned in 1976 and 40,113 shares earned in 1975. At December 31, 1976, 52,276 shares have been contingently awarded for the year ending December 31, 1977.

The Company also has an Incentive Compensation Plan. Participants include those employees who are in a position to make substantial contributions to the management of the Company. Awards may be made in any year in which net earnings, as defined, exceed six percent of share owners' equity, but are limited to the lesser amount of eight percent of such excess or ten percent of the cash dividends declared on the outstanding common stock of the Company during the year. The awards may be in cash, payable immediately, or in treasury common shares, payable in the future.

Provision for the cost of the Company's two incentive plans amounted to $12.2 million and $8.5 million for the respective years of 1976 and 1975.

Note 13. Retirement Plans—The Company and its consolidated subsidiaries have several pension plans which provide retirement benefits to substantially all employees.

The Company has amended its pension plans to conform to the provisions of the Employees Retirement Income Security Act which became effective on January 1, 1976. The effect of such amendments on annual pension costs and the funding of such costs was not significant.

Annual pension costs, which reflect amortization of prior service costs over periods of up to 30 years, are funded currently by payments to the trustees of the various plans. Pension costs were $57 million in 1976 and $45 million in 1975. At December 31, 1976, unfunded prior service costs amounted to $189 million, and it is estimated that the actuarially computed value of vested benefits exceeded the value of fund assets by approximately $76 million.

Note 14. Interim Financial Results—(unaudited)

1976	Sales	Net Earnings	Earnings per Common Share
($ in millions except per-share amounts)			
First	$ 866.8	$ 63.6	$1.43
Second	906.1	83.5	1.88
Third	884.0	58.8	1.29
Fourth	883.7	47.7	1.02
Year	$3,540.6	$253.6	$5.60[1]

[1] Total 1976 per-share amount does not equal the sum of the individual quarters because of the effect on average shares outstanding of the sale of 2.25 million shares in August 1976.

Note 15. Effects of Inflation—(unaudited) During recent years, the overall rate of cost inflation has accelerated faster than the rate of productivity improvement in the Company's operations. As a result, price increases have been necessary to achieve and maintain profit margins at acceptable levels. The Company believes that over the next several years additional price increases, together with aggressive cost reduction and technological improvements, will be required to provide the profit margins necessary to justify new investment in the Company's principal businesses. In addition, future investment decisions will depend upon sound federal income tax policies and realistic environmental regulations.

The Company's Form 10-K, filed with the Securities and Exchange Commission, includes certain quantitative

information with respect to the estimated replacement cost of inventories and plant and equipment at December 31, 1976, and the related estimated effect of such costs on the cost of products sold, depreciation expense, and cost of timber harvested for the year then ended. A copy of IP's Form 10-K is available upon request.

Note 16. Commitments—Rent expense, principally relating to vessels and data processing equipment, was $33 million in 1976 and $31 million in 1975. At December 31, 1976, rental commitments under existing leases were $22 million, $21 million, $20 million, $15 million, and $9 million for the five years ending 1981, $27 million for the 1982-1986 period, and $10 million thereafter.

The Company has many purchase commitments involving such matters as timber supply contracts, material supply contracts, and construction contracts. In the opinion of management, no losses are anticipated in the liquidation of these commitments.

Note 17. Litigation—During 1976, the Company was fined $50,000 pursuant to a plea of *nolo contendere* to a charge of violation of Federal antitrust laws in the sale of folding cartons. The Company is one of the defendants in a number of purported class actions which were filed during 1976 and which seek treble damages for alleged antitrust violations in the sale of folding cartons and the sale of box board used in the manufacture of folding cartons. All of these cases are in preliminary stages and the court has not yet determined which, if any, of the cases may be maintained as class actions.

In this increasingly litigious society, the Company is also a defendant in other cases involving, among other matters, land sales, environmental protection, alleged discrimination in employment practices, securities matters, and private antitrust damage claims involving the sale of plywood. If the plaintiffs should prevail in various of the foregoing cases as class actions, damages against the Company could be substantial. The Company is also involved in several grand jury investigations concerning compliance with the antitrust laws. While any litigation or investigation has an element of uncertainty, the Company believes that the outcome of any lawsuit or claim which is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or results of operations.

Report of Independent Public Accountants

To the Share Owners of International Paper Company:

We have examined the consolidated balance sheet of International Paper Company (a New York corporation) and consolidated subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of earnings and 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. The financial statements of Canadian International Paper Company included in the consolidated financial statements (constituting approximately 15% of total consolidated assets and 20% of total consolidated sales for both 1976 and 1975) were examined by other independent public accountants whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Canadian International Paper Company, is based solely upon such report.

In our opinion, based upon our examination and the report of other independent public accountants, the accompanying consolidated financial statements present fairly the consolidated financial position of International Paper Company and consolidated subsidiaries as of December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

New York, N.Y.,
February 8, 1977

Arthur Andersen & Co.

Ten Year Financial Summary

(In millions of dollars except per-share amounts)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Ten Year Summary of Earnings *(See pages 4-8 for a discussion of the results for 1976 and 1975)*										
Income:										
Net sales	**$3,541**	$3,081	$3,042	$2,314	$2,093	$1,970	$1,841	$1,777	$1,574	$1,421
Other income, net	**41**	29	53	41	21	17	17	22	19	13
Total Income	**3,582**	3,110	3,095	2,355	2,114	1,987	1,858	1,799	1,593	1,434
Costs and expenses:										
Cost of products sold	**2,514**	2,134	2,128	1,661	1,514	1,432	1,323	1,246	1,115	1,028
Distribution expenses	**192**	172	186	156	157	148	139	132	120	106
Selling and administrative expenses	**191**	157	143	129	133	149	139	120	96	86
Depreciation	**129**	119	108	104	98	97	89	79	78	74
Depletion of oil and gas properties	**51**	45	—	—	—	—	—	—	—	—
Cost of timber harvested	**33**	29	27	18	14	14	10	9	7	3
Interest	**92**	83	45	41	38	41	39	26	17	9
Total Costs and Expenses	**3,202**	2,739	2,637	2,109	1,954	1,881	1,739	1,612	1,433	1,306
Earnings Before Income Taxes	**380**	371	458	246	160	106	119	187	160	128
Provision for income taxes	**126**	153	195	86	57	37	37	73	62	44
Earnings Before Extraordinary Items	**254**	218	263	160	103	69	82	114	98	84
Extraordinary items, net	**—**	—	—	—	—	(15)	(39)	—	—	—
Net Earnings	**$ 254**	$ 218	$ 263	$ 160	$ 103	$ 54	$ 43	$ 114	$ 98	$ 84
Cash Dividends	**$ 91**	$ 89	$ 77	$ 78	$ 67	$ 67	$ 67	$ 66	$ 61	$ 59
Financial Position										
Current assets	**$1,019**	$ 936	$1,017	$ 738	$ 674	$ 569	$ 607	$ 572	$ 538	$ 453
Current liabilities	**514**	498	476	278	251	226	277	313	225	214
Working capital	**505**	438	541	460	423	343	330	259	313	239
Plants and properties—net	**1,948**	1,743	1,063	989	1,030	1,060	1,060	978	869	798
Timberlands—net	**434**	437	372	183	165	166	171	154	153	156
Long-term debt	**1,054**	1,137	727	583	578	564	534	373	359	181
Reserves and deferred liabilities	**245**	204	159	157	129	160	138	79	58	42
Common share owners' equity	**1,822**	1,496	1,361	1,173	1,106	1,069	1,081	1,105	1,068	1,036
Per Share of Common Stock										
Earnings before extraordinary items	**$ 5.60**	$ 4.93	$ 5.95	$ 3.60	$ 2.30	$ 1.53	$ 1.84	$ 2.54	$ 2.18	$ 1.90
Extraordinary items, net	**—**	—	—	—	—	(.33)	(.89)	—	—	—
Net earnings	**5.60**	4.93	5.95	3.60	2.30	1.20	.95	2.54	2.18	1.90
Cash dividends	**2.00**	2.00	1.75	1.75	1.50	1.50	1.50	1.50	1.38¾	1.35
Common share owners' equity	**39.01**	33.81	30.84	26.62	24.83	24.03	24.38	24.93	23.95	23.14
Market price range per share (a) HIGH	**80**	62	56	57	42	46	40	46	40	32
Market price range per share (a) LOW	**58**	35	32	33	33	28	28	35	26	25

Stock Price by Quarter (a)	1976				1975			
	Fourth	Third	Second	First	Fourth	Third	Second	First
High	71	75	78	80	60	62	55	44
Low	63	64	69	58	50	49	41	35

(a) High and low market price on Composite Tape to nearest dollar.

Directors and Officers

Directors

William S. Brewster
Vice Chairman,
Emhart Corporation

William M. Ellinghaus
Vice Chairman,
American Telephone and
Telegraph Company

Paul A. Gorman
Former Chairman and President,
International Paper Company

Arthur G. Hansen
President,
Purdue University

Arthur W. Harrigan
Executive Vice President–Finance
International Paper Company

Joseph P. Monge
Vice Chairman,
International Paper Company

Kenneth E. Montague
Executive Vice President–Minerals,
International Paper Company, and
President, General Crude Oil Company

W. B. Murphy
Director and Former President
and Chief Executive Officer,
Campbell Soup Company

J. Wilson Newman
Chairman of the Finance Committee,
and a Director of
Dun & Bradstreet Companies, Inc.

Samuel R. Pierce, Jr.
Partner, Battle, Fowler, Lidstone, Jaffin,
Pierce, & Kheel, attorneys

Edmund T. Pratt, Jr.
Chairman of the Board
and Chief Executive Officer,
Pfizer Inc.

J. Stanford Smith
Chairman of the Board
and Chief Executive Officer,
International Paper Company

Robert W. Stoddard
Chairman of the Board,
Wyman-Gordon Company

February 8, 1977

Executive Officers

J. Stanford Smith*
Chairman of the Board and
Chief Executive Officer

Joseph P. Monge*
Vice Chairman

Donald P. Brennan*
Executive Vice President–
Human Resources and
External Affairs

J. Ronald Goode*
Executive Vice President–
Planning and Technology

Arthur W. Harrigan*
Executive Vice President–
Finance

William L. Lurie*
Executive Vice President–
Diversified Businesses

Kenneth E. Montague
Executive Vice President–
Minerals

*Members of the Executive Office

Vice Presidents

David G. Bernard
James C. Cotting
William Dodenhoff
Herbert Elish
Eugene E. Ellis, Jr.
Frank O. Fowler
John W. Gilbert
Richard M. Harris
Ralph W. Kittle
Wilford A. Lewis
K. Linn Macdonald
James B. Malloy
Albert Oetken
Paul H. O'Neill
Thomas C. Payne
Arthur F. Perkins
Edmund B. Pettiss
John J. Stephens
Gardiner L. Tucker
Rayford K. Williamson

John A. McDonough
Treasurer

F. Lee Foster, Jr.
Secretary

Rudolph H. Schellenberger
Auditor

Julian A. Dixon
President–
International Pulp Sales Company

Cecil S. Flenniken
President–
Canadian International
Paper Company

Charles R. Beall
Robert J. Mitchell
Regional Vice Presidents

Directors–Canadian International Paper Company

Michel Bélanger
President, The Provincial Bank of Canada

Jacques de Billy, Q.C.
Senior Partner, Gagnon, de Billy, Cantin, Dionne, Martin, Beaudoin & Lesage

Cecil S. Flenniken
President and Chief Executive Officer, Canadian International Paper Company

Allen T. Lambert
Chairman of the Board and Chief Executive Officer, The Toronto-Dominion Bank

John S. Maxwell
Executive Vice-President–Finance, Canadian International Paper Company

Derek F. Mitchell
President, BP Canada Limited

Joseph P. Monge
Chairman of the Board, Canadian International Paper Company
Vice Chairman, International Paper Company

J. Bartlett Morgan
Honorary Chairman of the Board, The Morgan Trust Company

J. Angus Ogilvy, Q.C.
Senior Partner, Ogilvy, Montgomery, Renault, Clarke, Kirkpatrick, Hannon & Howard

Paul Paré
President, Imasco Limited

Claude Pratte, Q.C.
Lawyer

J. Stanford Smith
Chairman of the Board and Chief Executive Officer, International Paper Company

In April, the Board visited a semi-submersible oil rig offshore in the Gulf of Mexico in order to witness offshore exploration and drilling first hand. Diamond M Drilling Company's "New Era" was a sister ship of the "General" purchased jointly in 1976 by Diamond M and General Crude Oil.

Semi-submersible rigs like the "New Era" carry up to 15,000 feet of four-inch drill pipe, have self-contained facilities including living quarters, electric power, and plants for conversion of sea water for drinking water.

International Paper Company
Executive Offices
220 East 42nd Street
New York, New York 10017
212 307-6000

For now and the future...
the best possible use of land resources
to help serve the wants and needs
of people...

EXHIBIT IV
1/25/78

STATE BUDGET AND CONTROL BOARD

POLL OF January 25, 1978 POLL ITEM NUMBER 3

Agency: Motor Vehicle Management Division

Subject: Vehicle Purchase Requests

Director Spence recommends approval of the following:

(a) Dept. of Mental Retardation: two 12-passenger van wagons as fleet additions (see Enclosures 8 through 10);

(b) Dept. of Youth Services: one Plymouth Volare as a fleet addition (see Enclosure 11); and

(c) Dept. of Corrections: two Ford LTD II for assignment to two Deputy Commissioners. Note that assignment of units of this type to larger agency deputies requires Board approval.

Board Action Requested:

Approve referenced requests, as recommended by Director Spence.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Spence agenda notes plus enclosures (8) through (11).

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

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

STATE BUDGET AND CONTROL BOARD
AGENDA ITEMS
January 25, 1978

Mr. Allan J. Spence, Director, Division of Motor Vehicle Management (DMVM), requests permission to appear before the State Budget and Control Board (SB&CB) to discuss the following items:

a. Division of Motor Vehicle Management. The Director, DMVM, requests SB&CB clarification on the vehicle assignment criteria with respect to full time commissioners.

Recommendation: It is recommended that full time commissioners receive the same type car as large agency directors. The vehicle on State contract this particular year is the Ford LTD. Of the fifteen (15) commissioners in question, nine (9) are presently driving units comparable or smaller than the Ford LTD. The assignment of the LTD type unit is also in line with the Boards approval of a recommendation at its meeting on August 29, 1975, to effect a reduction in class as a voluntary conservation measure. This has already affected the Commissioner of DHEC (assignment of a 1976 Chrysler Newport in lieu of a Buick Electra) and the Commissioner of DSS (assignment of a 1976 Buick LeSabre in lieu of a Buick Electra), to mention just two cases. With respect to the current model year, the President, University of South Carolina and the President, College of Charleston have both ordered a Ford LTD. Please refer to enclosures (1) and (2).

b. The following State agencies requests permission to purchase vehicles:

1. S. C. Department of Mental Retardation (SCDMR). The Commissioner, SCDMR, request permission to purchase two (2) twelve passenger van wagons as fleet additions to be used in support of off-campus activities at the Mary E. White building at State Park. Please refer to enclosures (8) through (10).

Recommendation: Approval.

2. S. C. Department of Youth Services (DYS). The Director, DYS, request permission to purchase one (1) Plymouth Volare as a fleet addition to replace a unit previously furnished by a local car dealer. This unit will be used as a drivers education vehicle at the Birchwood Campus. Please refer to enclosure (11).

Recommendation: Approval.

3. S. C. Department of Corrections (SCDC). The Commissioner, SCDC, request permission to purchase two (2) Ford LTD II for assignment to the two Deputy Commissioners. Units of this type may be assigned to deputies of the larger agencies if prior approval is obtained from the SB&CB.

Recommendation: Approval. The two deputies in question drive in the excess of 18,000 miles per year with much of the travel being State-wide.

sanctions the standard engine from a fuel conservation aspect. The federal government has endorsed the move to smaller cars and has officially adopted 20 MPG as its fleetwide fuel economy average for 1978. Please refer to enclosures (3) through (7).

2. S. C. Department of Mental Retardation (SCDMR). The Commissioner, SCDMR, request permission to purchase two (2) twelve passenger van wagons as fleet additions to be used in support of off-campus activities at the Mary E. White building at State Park. Please refer to enclosures (8) through (10).

Recommendation: Approval.

3. S. C. Department of Youth Services (DYS). The Director, DYS, request permission to purchase one (1) Plymouth Volare as a fleet addition to replace a unit previously furnished by a local car dealer. This unit will be used as a drivers education vehicle at the Birchwood Campus. Please refer to enclosure (11).

Recommendation: Approval.

4. S. C. Department of Corrections (SCDC). The Commissioner, SCDC, request permission to purchase two (2) Ford LTD II for assignment to the two Deputy Commissioners. Units of this type may be assigned to deputies of the larger agencies if prior approval is obtained from the SB&CB.

Recommendation: Approval. The two deputies in question drive in the excess of 18,000 miles per year with much of the travel being State-wide.

CHARLES D. BARNETT, Ph.D.
Commissioner

WALTER B. TODD
Deputy Commissioner,
Administration

WADE C. WIETERS, Ed.D.
Deputy Commissioner,
Professional Services

MENTAL RETARDATION COMMISSION
James B. Berry, M.D., Chairman
R. B. Robinson, Vice Chairman
Mrs. Elizabeth P. Stall, Secretary
Rev. Melvin R. Hyman
Robert H. Lovvorn
Vince Moseley, M.D.
Herbert Rudnick

STATE OF SOUTH CAROLINA
DEPARTMENT OF MENTAL RETARDATION
2712 MIDDLEBURG DRIVE
P. O. BOX 4706
COLUMBIA, SOUTH CAROLINA 29240

M E M O R A N D U M

January 4, 1978

TO: Mr. Allan J. Spence, Director
Motor Vehicle Management Division
South Carolina Budget and Control Board

FROM: Walter B. Todd
Deputy Commissioner,
Administration

SUBJECT: Request for Approval to Purchase Additional Vehicles

Request approval to purchase the additional vehicles described on the enclosed form DMVM-6-77 and Purchasing Requisition Number 85362.

The ambulance van and a 12 passenger van (modified for wheel chairs) are needed to support the transportation requirements of an added 88 bed facility, located at State Park. These requirements cannot be satisfied by the reallocation of resources from other divisions within the Department of Mental Retardation.

Your assistance is appreciated.

W. B. T.

WBT:db
Enclosures: a/s

RECEIVED
JAN 9 1978
DIVISION OF MOTOR
VEHICLE MANAGEMENT

ENCLOSURE 8

STATE OF SOUTH CAROLINA
DEPARTMENT OF MENTAL RETARDATION

MIDLANDS REGION
8301 FARROW ROAD
COLUMBIA, SOUTH CAROLINA 29203

WALTER G. FRIES, ED.D.
SUPERINTENDENT
MIDLANDS REGION

CHARLES D. BARNETT, PH.D.
STATE COMMISSIONER

JUSTIFICATION FOR PASSENGER VAN TO BE MODIFIED AS AMBULANCE

In order to provide adequate health care to 88 residents of the Skilled Nursing facility at the Mary E. White building located at State Park, a twelve passenger van to be specially equipped as a modified ambulance is requested. Due to the physical location of the Mary E. White facility away from Midlands Center and the special nature of the residents, this vehicle (ambulance) will be designed and utilized exclusively in providing emergency and special transportation from Mary E. White to Midland's Rondeau Hospital and for special referrals to other hospitals and specialists in the community. Midlands Center has at present one ambulance to provide for approximately 550 residents on its campus. There are no other vehicles that can be reassigned.

ADDED OFF-CAMPUS FACILITY.

George C. McLees, III
Director of Administration

RECEIVED
DEC 22 PM 12 02
DIRECTOR, SUPPLY, AND SERVICES
DIVISION OF MOTOR VEHICLE MANAGEMENT

ENCLOSURE (9)

STATE OF SOUTH CAROLINA
DEPARTMENT OF MENTAL RETARDATION

MIDLANDS REGION
8301 FARROW ROAD
COLUMBIA, SOUTH CAROLINA 29203

WALTER G. FRIES, ED.D.
SUPERINTENDENT
MIDLANDS REGION

CHARLES D. BARNETT, PH.D.
STATE COMMISSIONER

JUSTIFICATION FOR PASSENGER VAN FOR WHEEL CHAIRS

In order to provide transportation to the 88 residents of the Mary E. White Facility at State Park, a 12-passenger van equipped to accommodate the handicapped (Wheel Chair Residents) is requested. This van is necessary to provide for minimum acceptable standards as outlined by Joint Commission On Accreditation Of Hospitals - Mental Retardation. This vehicle would provide adequate transportation means for program attendance by residents of Mary E. White Skilled Nursing Unit. Since Mary E. White is situated away from Midlands Center, approximately 1 mile, and there are no vehicles that can be reassigned, this van is a very necessary and important part of that facility.

ADDED OFF-CAMPUS FACILTY.

George C. McLees, III
Director of Administration

RECEIVED
JAN 9 1979
DIVISION OF MOTOR VEHICLE MANAGEMENT

RECEIVED
1977 DEC 22 PM 12:02
DIRECTOR, SUPPLY, AND SERVICES

ATTACHMENT 601

Compact

MAKE	WHEEL BASE	INTERIOR VOLUME	TRUNK	PRICE
Plymouth Volare	112.5"	98 cubic ft.	15 cu. ft.	$4,196.99

Four (4) door sedan with a minimum 225,6 CID engine, power steering, power brakes, automatic transmission, factory installed air conditioning, tinted glass, push button AM radio, steel belted tires, left rear view mirror, day/night inside rear view mirror, body side molding w/plastic inserts, color optional, and other standard equipment.

JUSTIFICATION

This vehicle is needed to replace Driver Education vehicle previously furnished by Bob Bennett Ford of Columbia. Funds to purchase this vehicle has been generated through this program.

Enclosure (11)

EXHIBIT V
1/25/78

STATE BUDGET AND CONTROL BOARD

POLL OF January 25, 1978 POLL ITEM NUMBER 4

Agency: Office of the Governor, Division of Health & Social Development

Subject: Consultant Services Contract

Consultant: Carl B. Williams
Contract Dollars: $15,000 (25% State, 75% Federal)
Contract Period: 1/11/78 - 6/30/78
Purpose: (Please see attached Report on Consultants)

Board Action Requested:

Approve

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Report on Consultants (#80707)

STATE AUDITOR'S OFFICE

#80707

REPORT ON CONSULTANTS

Name of State Agency: Office of the Governor
Division of Health and Social Development

Date of Report: January 11, 1978 Prepared by: John J. Zemaitis, Director

Name of Consultant or Firm: Carl B. Williams

Address of Consultant or Firm: 555 Capitol Mall, Suite 510, Sacremento, California 95814

Terms of Consultant Contract:

Beginning Date: January 11, 1978 Ending Date: June 30, 1978

Rate of Pay: $2,500 per week ; Maximum under this contract: $ $15,000

Source of Funds: $3,750 (25 %); $11,250 (75 %); (%).
(State)--DSS (Federal) (Other)

Purpose or Goal of Consultant: To assist the state agency by:

1. To evaluate the effectiveness and efficiency of current Title XX services to the aged.
2. To recommend ways to reduce or prevent institutionalization of the aged.
3. To review the methodology and provice technical consultation, on an as needed basis, on the evaluation activities of the Division of Health and Social Development.
4. To provide technical assistance to the Division of Health and Social Development on Title XX planning tasks under the present contract.
5. To provide reports as required in items 1 and 2.
6. To provide other follow up work concerning Title XX activities as requested by the Director of the Division of Health and Social Development.
7. To provide the services of Carl B. Williams for a total of but not less than six weeks during the contract period, on the basis of one week per month unless circumstances require and permit earlier completion of work.

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes _____ No X

If yes, How many Bids or Proposals were Received? _____

03/24/77

EXHIBIT VI
1/25/78

STATE BUDGET AND CONTROL BOARD

MEETING OF January 25, 1978 AGENDA ITEM NUMBER 3

Agency: Wildlife and Marine Resources Department

Subject: Sea Grant Program Consortium Proposal

Dr. Edwin Joseph, Sea Grant Director with the Marine Resources Division of Wildlife & Marine Resources, will present a consortium proposal designed to facilitate changing the existing Sea Grant Program to what is referred to as an "Institutional Program". As proposed, a non-profit corporation to be known as Institutions For Sea Grant, Inc. would be chartered to act as Sea Grant recipient for the State of South Carolina. Charter members of the proposed corporation are: The Citadel, College of Charleston, Clemson University, Marine Resources Division of the Wildlife and Marine Resources Department, Medical University and the University of South Carolina.

Board Action Requested:

Consider the proposal

Staff Comment:

Attachments:

Summary of Dr. Joseph's presentation and copy of proposed articles of organization for Institutions for Sea Grant, Inc.

SUMMARY OF COMMENTS ON SOUTH CAROLINA SEA GRANT PROGRAM

PRESENTED TO

BUDGET AND CONTROL BOARD

JANUARY 25, 1978

E.B. JOSEPH, SEA GRANT DIRECTOR

The National Sea Grant Program was created by Congress just over a decade ago, with the broadly stated purpose of attempting to serve the coastal and maritime community in the same sense that the agricultural community was so dramatically assisted by the Land Grant Act. More explicitly, the act attempts to bring to bear the expertise which exists in the colleges, universities, laboratories and institutes on the real and projected problems of the people of the coastal areas, especially those people who depend upon marine resources for their livelihood or pleasure. The program attempts to do this through research, education and advisory services. All of the coastal states of the nation, and several of the Great Lakes states are participants in the program.

South Carolina began its involvement in the National Sea Grant Program early in 1972 when Governor John West, by Executive Order, named the present speaker as State Sea Grant Director. His order

further directed me to bring together the appropriate colleges and universities for the creation of a multi-institutional state program. The South Carolina Program is now in the middle of its sixth year and in the grant preparation stage for the seventh. During the first six years of operation, the program has brought just over two million dollars of federal funds into the state. These funds have been used through the following institutions — Clemson, University of South Carolina, College of Charleston, Medical University of South Carolina, the Citadel and Marine Resources Division for marine research, education and advisory purposes. An attachment shows how those funds have been allocated among the participants.

Up through the present time, the annual grant has been made to the Marine Resources Division on behalf of itself and the other member institutions. We believe that the time has come for a change in the structure of the program, and this is the principal reason for this presentation to you today.

The South Carolina Program is a modest one compared to that of most other states. If we are to increase our role, we must change to what Sea Grant calls an Institutional Program. For that to happen, the grant should not be made directly to a state agency, and a full time Sea Grant Director is a necessity. We have proposed a corporate consortium of all the member institutions which would be the recipient of the grant. The Board of Directors for this consortium would be the chief

executive officer of the participating institutions. The Sea Grant Director would be jointly selected by the board and would answer to the board. The only purpose of the consortium would be to administer the State Sea Grant Program.

There are many multi-institutional programs in the country, but in most such cases they occur in states which have a single university system; this university system serves as the grant recipient. Our consortium approach is the best means we see to bring our unrelated institutions into a single program.

Sea Grant is, and always has been, a matching fund program and we do have some serious problems in this regard if the program is to develop to the point where it can contribute its maximum benefit to the state. In these days of legitimate concern over the growth of state government, especially through federal/state matching fund programs, there are several important points to be made regarding Sea Grant. First, although we have brought two million dollars into the state, we have never sought cash matching funds from the state. Perhaps of greater interest to you is the fact that in six years of operation, we have not to my knowledge added a single permanent employee to state government. Most of the salary funds involved in the program have supported state scientists and faculty who were already here or graduate students who are supported by the program only temporarily. People tend to be cycled through the program and then move on to other activities.

In my judgment, the Sea Grant Program, although small, has been of considerable value to the state. The marine fisheries, a variety of coastal property holders, many marine businesses and the general public have benefited. It can be better, serve a larger constituency, and make a more significant impact on marine education and marine research in South Carolina, but only if state government makes a deliberate decision that it wants the program and that it is a recognized, legitimate endeavor of state government. We earnestly seek your advice, your encouragement and, hopefully, your endorsement both on the desirability of the program and the specific course of action we have proposed in order to pursue it.

SEA GRANT

1972 - 1978

	Clemson	% of Total	U.S.C.	% of Total	M.R.D.	% of Total	C. of Ch.	% of Total	M.U.S.C.	% of Total	Citadel	% of Total	Total
1972-73	73,950	35%	91,550	43%	23,000	11%	4,600	2%	19,700	9%			212,800
1973-74	59,923	29%	64,783	31%	52,955	25%	10,816	5%	20,559	10%			209,036
1974-75	132,098	36%	75,221	21%	100,256	28%	21,400	6%	31,550	9%			360,525
1975-76	132,840	38%	48,500	14%	144,373	41%			23,700	7%			349,413
1976-77	143,258	43%	55,350	17%	111,010	33%			9,200	2%	17,700	5%	336,518
1977-78	130,260	36%	84,900	23%	119,525	33%	2,800	1%	7,000	2%	19,200	5%	363,685
TOTAL	672,329	37%	420,304	23%	551,119	30%	39,616	2%	111,709	6%	36,900	2%	1,831,977*

* Does not include some costs that cannot be allocated to a single institution.

ARTICLES OF ORGANIZATION)
:
FOR THE)
:
INSTITUTIONS FOR SEA GRANT, INC.)

P R E A M B L E

The Citadel, The College of Charleston, Clemson University, The Marine Resources Division of the South Carolina Wildlife and Marine Resources Department, The Medical University of South Carolina, and The University of South Carolina, by increasing inter-institutional cooperation while maintaining the distinctive individuality of each institution, hereby form a non-profit corporation to be called INSTITUTIONS FOR SEA GRANT, INC.

A R T I C L E I

The name of this corporation shall be INSTITUTIONS FOR SEA GRANT, INC.

A R T I C L E II

The principal purpose of the organization shall be to provide a mechanism for the development and management of the Sea Grant Program for the State of South Carolina.

A R T I C L E III

The principal office of this corporation shall be located within the State of South Carolina and the duration of this corporation shall be perpetual. The removal or resignation of any member shall not result in the dissolution of the corporation.

A R T I C L E IV

I. MEMBERSHIP: The membership of Institutions for Sea Grant shall consist of the following institutions: THE CITADEL, THE COLLEGE OF CHARLESTON, CLEMSON UNIVERSITY, THE MARINE RESOURCES DIVISION OF THE SOUTH CAROLINA WILDLIFE AND MARINE RESOURCES DEPARTMENT, THE MEDICAL UNIVERSITY OF SOUTH CAROLINA, and THE UNIVERSITY OF SOUTH CAROLINA. These members shall be designated as charter members.

II. ITEMS OF MEMBERSHIP AND RESIGNATION: The terms of membership shall be perpetual with the right of any institution to resign from the corporation effective at the end of any fiscal year in which notice of resignation is given.

III. NEW MEMBERSHIP: A majority of the charter members of the corporation may vote the admission of a new member institution into the corporation.

A R T I C L E V

BOARD OF DIRECTORS: The Board of Directors for the corporation shall be the Chief Executive Officer of each of the participating institutions or his designee.

A R T I C L E VI

OFFICERS OF THE BOARD: The Officers of the Board shall be as follows: Chairman, Vice Chairman and Secretary-Treasurer. These officers shall be elected annually by members of the Board of Directors but shall not serve more than two (2) consecutive terms.

A R T I C L E VII

SEA GRANT DIRECTOR:

I. Appointment: The Board of Directors shall have the express power to employ an Executive Director to be known as Sea Grant Director at a salary to be determined by the Board. Salary and fringe benefits appropriate to the position shall derive from such funds directly assigned to the Corporation for its functions and purposes.

II. Responsibilities of the Sea Grant Director: The Sea Grant Director shall be responsible directly to the Board of Directors of the Corporation and shall serve under the terms and conditions outlined in a contract of employment. The Board shall be empowered to delegate to the Sea Grant Director whatever authority they deem necessary to accomplish the primary purpose of the Corporation. The Director shall provide leadership and coordination of the Sea Grant Program of South Carolina under the broad policies as established by the Board of Directors.

A R T I C L E VIII

The Autonomy of Institutions: Membership in the Corporation

shall in no way infringe upon the autonomy of any member institution. The Corporation shall have no authority or control in the budgeting or financial affairs of member institutions.

A R T I C L E IX

The Corporation shall be empowered to request and receive funds in the name of the Corporation from local, State, Federal and private sources, these same funds to be used solely for the purpose of the Corporation.

A R T I C L E X

All contracts shall have the following signatures: Chairman of the Board of Directors, (in his absence), the Vice-Chairman, and the Sea Grant Director.

WITNESSED ON THIS

_____day of _____, 1978.

THE CITADEL

_____
Witness for General George M. Seignious, III

_____
General George M. Seignious, III, President

CLEMSON UNIVERSITY

_____
Witness for Robert C. Edwards

_____
Robert C. Edwards, President

COLLEGE OF CHARLESTON

_____
Witness for Theodore S. Stern

_____
Theodore S. Stern, President

MARINE RESOURCES DIVISION OF THE SOUTH CAROLINA WILDLIFE AND MARINE RESOURCES DEPARTMENT

_____
Witness for Edwin B. Joseph

_____
Edwin B. Joseph, Director

MEDICAL UNIVERSITY OF SOUTH CAROLINA

_____
Witness for William H. Knisely

_____
William H. Knisely, President

UNIVERISTY OF SOUTH CAROLINA

_____
Witness for James B. Holderman

_____
James B. Holderman, President

EXHIBIT VII
1/25/78

STATE BUDGET AND CONTROL BOARD

MEETING OF January 25, 1978 AGENDA ITEM NUMBER 4

Agency: Department of Corrections

Subject: Discussion of (a) Possible Impact of Proposed Litter Control Act; and
(b) Recently Established National Correctional Facility Standards.

(Please refer to pages 2 and 3 of Leeke letter and copy of referenced legislation attached for details on (a). See page 3 of Leeke letter for detail on (b).)

Board Action Requested:

Staff Comment:

Attachments:

Leeke 1/17/78 letter to Governor Edwards plus attachments 1 & 2.

January 17, 1978

The Honorable James B. Edwards
Governor, State of South Carolina
The State House
Post Office Box 11450
Columbia, South Carolina 29221

Dear Governor Edwards:

This is a request to appear before the Budget and Control Board in executive session at the earliest possible date. The purpose will be to follow up preliminary discussions with the Board on December 7, 1977, pertaining to the proposed negotiated consent decree in the pending federal court suit Mattison, et. al. V. S. C. Board of Corrections, et. al. CA-76-318.

It is imperative that the Budget and Control Board make an early decision in this matter because plaintiff's attorneys have advised that they are prepared to litigate if a consent decree is not finalized in the near future. In the event a consent decree cannot be finalized and litigation results, all concessions gained by the State through several months negotiations will be nullified. The Board of Corrections believes this would be most unfortunate for the Department and for the State.

For your information the background and pertinent points related to this case are summarized below.

1) MATTISON CASE:

BACKGROUND AND PERTINENT FACTS

- The Mattison suit is limited to the Central Correctional Institution and focuses on two complaints: A) overcrowded and inadequate facilities, and B) lack of adequate inmate protection.
- The court certified the suit as a class action in December, 1977.
- Deputy Attorney General Bert Goolsby informed the Board of Corrections that it would be more advisable to pursue a negotiated consent decree than to litigate because: A) Direct cost of litigation to the State would be enormous; B) he is not optimistic that the State can win the case completely if litigated; C) a litigated order, following a State loss would most likely be more costly to implement than a negotiated consent decree; D) litigation would be extremely time consuming and disruptive to agency operations; and E) South Carolina, like Mississippi, could be required to release a substantial number of potentially dangerous inmates to alleviate overcrowding.

- The Board of Corrections voted to pursue a negotiated consent decree realizing that it could not be culminated without the prior knowledge and support of both the Budget and Control Board and the General Assembly.
- To meet the conditions and timetable which have been negotiated over the past several months will require an increase in our FY '78-'79 appropriation of $750,793 (See Attachment 1).
- No major increase in the overall expenditures for capital improvements will be required; however, the timetable for constructing the 576-bed medium security facility scheduled for Phase III (1981-'86) will have to be moved forward to Phase II (1979-'81). This will increase Phase II costs by $13,414,000 and reduce Phase III by a like amount. Therefore, the total cost of the Ten Year Growth & Capital Improvements Plan ($116,094,440 in 1976 dollars) remains unchanged. Renovations to cellblock one in the amount of $35,000 will be required and this amount has been included in our Phase II capital improvements request submitted to Mr. Putnam.

I am requesting that the Budget and Control Board support the Board of Corrections' efforts to finalize a negotiated consent decree in the Mattison suit with the following action: Recommend that the General Assembly increase the Department of Corrections' FY '78-'79 appropriation by $750,793.

I would also like to discuss two other issues with the Board when I appear: 1) Earned Work Credit provisions of the Litter Control Act, and 2) New National Standards pertaining to correctional facility construction. Neither of these issues need to be discussed in executive session.

2) EARNED WORK CREDIT PROVISIONS OF THE LITTER CONTROL ACT

The Ten Year Growth and Capital Improvements Plan emphasized that both capital and operating costs could be substantially reduced through enactment of legislation providing additional alternatives to incarceration. Last year a bill providing extended work release which is expected to decrease our long-range bed space needs was enacted. Another opportunity to reduce the bed space requirements and costs without a significant increase in danger to the public will be considered by the General Assembly this year.

- A bill entitled the Litter Control Act (Attachment 2) has been introduced in the House of Representatives. Mr. Mangum served on the committee which drafted and introduced this bill. Among the provisions of this bill are sections authorizing the award of additional time credits toward release and parole eligibility for inmates engaged in litter control and other productive work.
- Potentially the passage of this legislation could stabilize the inmate population in Department of Corrections' facilities at about 8,000 inmates. This would reduce our overall capital im-

provement needs from $116,094,440 (1976 Dollars) to $82,442,896 - a saving of $33.6 million. The cumulative saving (cost avoidance) in operating costs over the next five years would be between 15 and 20 million dollars.

. I am requesting that the Budget and Control Board review the implications of the Litter Control Act and, if appropriate, recommend it to the General Assembly for passage.

3) CONSTRUCTING NEW FACILITIES TO MEET RECENTLY ESTABLISHED NATIONAL STANDARDS

In the absence of definitive national standards, bed space requirements and cost projections in our Ten Year Growth and Capital Improvements Plan were calculated using 50 square feet of sleeping space per individual in double occupancy cells.

The Commission on Accreditation for Corrections has subsequently established comprehensive standards. One of the required standards is 60 square feet of sleeping space in single occupancy cells for medium security institutions.

The cost of meeting this standard in Phase II of our plan which has been submitted to Mr. Putnam is projected to be $4,385,000 - an increase of 7.31% in Phase II costs.

At present, no penalties would result from failure to meet this standard; however, the long range impact could be substantial because:

.. The U. S. Department of Justice is expected to adopt these standards in the near future which will give them greater weight in any subsequent litigation, federal administrative action or determinations regarding South Carolina's eligibility for federal funds.

.. Any subsequent requirement to comply with these standards, should this occur, would be extremely costly in that double occupancy cells would have to be reduced to single occupancy and new bed space constructed.

I am requesting that the Budget and Control Board specifically address this issue in considering our Phase II request. The Board of Corrections recommends authorization and funds to build new facilities to meet national standards. Costs to meet these new standards ($4,385,000) have been included in our request for Phase II capital improvement bonds.

In summary, I am requesting that the Budget and Control Board:

1) Support our efforts to finalize a negotiated consent order in the Mattison case. This would require an additional $750,793 in our FY '78-'79 appropriations and moving $13,414,000 in capital cost from Phase III (1981-86) to Phase II (1979-81).

2) Review the Litter Control Act and, if appropriate, recommend it to the General Assembly for passage.
3) Approve a modification in our existing Ten Year Growth and Capital Improvements Plan which would permit us to construct medium security facilities to meet national standards - single occupancy cells with 60 square feet in each.

Should you need additional information pertaining to these matters prior to my appearance before the Budget and Control Board, please advise.

Kindest personal regards.

Sincerely,

William D. Leeke

WDL:cmm

Attachments (2)

cc: Mr. William T. Putnam
Budget & Control Board Members

Draft No. 2
House: Dangerfield, Hodges
Attorney: Todd
Stenographer: Brinkley, Reynolds
Date: 12-5-77

WORKING DRAFT ATTACHMENT 2

(SEE SECTIONS 15-17 ON PAGES 11-13)

A BILL

TO PROVIDE FOR PROCEDURES FOR EFFECTIVE CONTROL OF LITTER AND OPEN DUMPS WITHIN THIS STATE; TO PROHIBIT CERTAIN LITTER OR LITTER-RELATED ACTS; TO AMEND SECTION 24-3-20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE EMPLOYMENT OF CERTAIN PRISONERS, SO AS TO PROVIDE FOR THE USE OF PRISON INMATES TO ASSIST IN LITTER CONTROL; TO AMEND SECTION 24-13-230, RELATING TO ADDITIONAL CREDIT FOR DUTY INVOLVING WORK DURING AN ENTIRE WEEK, SO AS TO PROVIDE THAT WHEN AN INMATE OF THE DEPARTMENT OF CORRECTIONS IS ASSIGNED TO A PRODUCTIVE DUTY ASSIGNMENT THE TERM OF HIS SENTENCE AND THE TIME REQUIRED TO BE SERVED BEFORE ELIGIBILITY FOR PAROLE MAY BE REDUCED; AND TO PROVIDE PENALTIES.

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

SECTION 1. This act may be cited as the "Litter Control Act of 1977".

SECTION 2. Recognizing the rapid population growth of the State of South Carolina and the ever-increasing mobility of its people, as well as the fundamental need for a healthful, clean and beautiful environment, and further recognizing that the proliferation of open dumps and accumulation of litter discarded throughout this State impairs this need and constitutes a public health hazard, and further recognizing that there is an imperative need to anticipate, plan for and accomplish effective litter control, there is hereby enacted this act.

SECTION 3. The purpose of this act is to accomplish litter control throughout this State by delegating to the Department of Health and Enviornmental Control the authority to conduct a

continuous program to control, prevent and eliminate open dumps and litter from the State to the maximum practical extent. Every other department of state government and all local governmental units and agenciesof this State shall cooperate with the Department of Health and Environmental Control in the administration and enforcement of this act. The intent of this act is to supplement and to coordinate existing litter and open dump control, prevention and elimination efforts and not terminate existing efforts, not, except as specifically stated, repeal or affect any law or regulation governing or prohibiting litter or the control and disposition of solid waste.

SECTION 4. As used in this act unless the context indicates otherwise:

(1) "Department" means the Department of Health and Environmental Control;

(2) "Commissioner" means the commissioner of the department;

(3) "Disposable package or container" means all packages or containers defined as such by rules and regulations adopted by the department;

(4) "Litter" means all waste material including but not limited to disposable packages or containers, trash, garbage or refuse, but not including the wastes of the primary processes of mining, logging, sawmilling or farming;

(5) "Litter receptacle" means those containers adopted by the department which may be standardized as to size, shape, capacity and color and which may bear a state anti-litter symbol, as well as any other receptacle suitable for the depositing of litter;

(6) "Person" means an individual, partnership, copartnership, cooperative, firm, company, public or private corporation, political subdivision, agency of the State, trust, estate, joint structure company or any other legal entity or their legal representative, agent or assigns.

(7) "Vehicle" means every device capable of being moved upon a public highway and in, upon or by which any person or property is or may be transported or drawn upon a public highway, except devices moved by human or animal power or used exclusively upon stationary rails or tracks;

(8) "Watercraft" means any boat, ship, vessel, barge or other floating craft;

(9) "Public place" means any area that is used or held out for use by the public, whether owned or operated by public or private interests.

(10) "Open dump" means a land disposal site for solid waste which does not qualify as a sanitary landfill.

(11) "Solid waste" means any garbage, refuse, sludge from a waste treatment facility, water supply plant, or air pollution control facility and other discarded material, including solid, liquid, semisolid or contained gaseous material resulting from industrial, commercial, mining and agricultural operations and from community activities.

This term does not include solid or dissolved material in domestic sewage, or solid or dissolved materials in irrigation return flows or industrial discharges which are point sources subject to NPDES permits under the Federal Water Pollution Control Act, as amended, or the Pollution Control Act of South Carolina, as amended, or source, special nuclear, or byproduct material as defined by the Atomic Energy Act of 1954, as amended.

(12) "Sanitary landfill" means a method of disposing of solid waste on land without creating pollution, nuisances, environmental threats or hazards to public health and safety.

(13) "Board" means the South Carolina Board of Health and Environmental Control.

SECTION 5. The Board shall have the power to promulgate rules and regulations necessary to carry out the provisions, purposes and intent of this act; provided, however, such rules and regulations shall be approved by Joint Resolution of the General Assembly prior to becoming effective.

SECTION 6. The commissioner may designate trained employees of the department to be vested with police powers to enforce and administer the provisions of this act and all rules and regulations adopted thereunder. The commissioner shall also have authority to contract with other state and local governmental agencies having law enforcement capabilities for services and personnel reasonably necessary to carry out the enforcement provisions of this act. In addition, state highway patrol officers, wildlife officers,

fire marshals and police officers, and those employees of the Department of Health and Environmental Control and the Parks, Recreation and Tourism Department vested with police powers all shall enforce the provisions of this act and all rules and regulations adopted thereunder and are hereby empowered to issue citations to or arrest without warrant, persons violating any provision of this act or any of the rules and regulations adopted hereunder. All of the foregoing enforcement officers may serve and execute all warrants, citations and other process issued to enforce the provisions of this act.

SECTION 7. (A) No person shall dump, throw, drop, deposit, discard or otherwise dispose of litter or other solid waste upon any public property in the State or upon private property in this State or in the waters of this State whether from a vehicle or otherwise, including but not limited to any public highway, public park, beach, campground, forest land, recreational area, trailer park, highway, road, street or alley except:

(1) When such property is designated by the State for the disposal of litter and other solid waste and such person is authorized to use such property for such purpose;

(2) Into a litter receptacle in such a manner that the litter will be prevented from being carried away or deposited by the elements upon any part of such private or public property or waters.

(B) Responsibility for the removal of litter from property or receptacles shall be upon the owner of the property or upon the owner of the property where the receptacle is located.

(C) Any person violating the provisions of this section shall be guilty of a misdemeanor and upon conviction shall be fined not less than ten dollars nor more than two hundred dollars for each offense and notwithstanding any other provision of law, magistrates and municipal courts=shall have jurisdiction to try violations of this act. The court, in lieu of any monetary fine imposed, may direct the substitution of litter-gathering labor under the supervision of the court, not to exceed one hour for each five dollars of fine imposed. In addition to any other punishment authorized by this section, in the sound discretion of any court in which conviction is obtained, such person may be directed by the judge to pick up and remove from any public place or any private property with prior permission of the legal owner upon which it is established by competent evidence that such person has deposited litter, any or all litter deposited thereon by anyone prior to the date of execution of sentence.

SECTION 8. Pertinent portions of this act may be posted by the department along the public highways of this State and in all campgrounds and trailer parks, at all entrances to state parks,

forest lands and recreational areas, at all public beaches and at other public places in this State where persons are likely to be informed of the existence and content of this act and the penalties for violating its provisions.

SECTION 9. The department is authorized to solicit and accept grants or contributions from private and public sources to be used to carry out the provisions of this act. Notwithstanding any other provision of law, any contributions received by the department from private sources pursuant to thisssection shall be treated as a tax deductible charitable or benevolent contribution for income tax purposes.

SECTION 10. There is hereby created an account within the state general fund to be known as the "Litter Control Account". Grants and contributions received by the department pursuant to Section 9 shall be placed in this Litter Control Account. This account may be supplemented by the General Assembly through annual appropriation. The department may make such funds available to litter control organizations as it deems appropriate and the department shall be responsible for assuring that all entities receiving funds pursuant to the provisions of this act shall carry out the intent of this act.

SECTION 11. The department may allocate funds annually to study research and development in the field of litter control as well as to study methods for the implementation in this State of such research and development. In addition, funds may

be used for the development of public educational programs concerning litter problems and grants may be made available for these purposes to those persons deemed appropriate and qualified by the commissioner. Further, any monies received by the department may be used to match federal funds for the purpose of establishing or studying a resource recovery system.

SECTION 12. In addition to the direct support of tangible activities related to letter and open dump control, the department shall:

(1) Serve as the coordinating agency between the various industry and other organizations seeking to aid in the anti-litter and open dump closure effort.

(2) Cooperate with local governmental and other entities to accomplish coordination of local anti-litter and open dump closure efforts;

(3) Cooperate with local governmental and other entities to accomplish development of educational programs in the elementary and secondary school systems;

(4) Encourage, organize and coordinate voluntary local campaigns seeking to focus the attention of the public on the programs of this State to control and remove litter and open dumps;

(5) Investigate the availability of and apply for funds available from any private or public source to be used to implement the provisions of this act, and to coordinate and to make recommendations regarding the expenditure of all funds in the possession of

private or public sources which are designated for litter control.

(6) Encourage industry and other organizations which are active in anti-litter efforts to provide active cooperation with the department so that additional effect may be given to the anti-litter and open dump closure campaign of this State;

(7) Hire temporary employees, including but not limited to, students enrolled in educational institutions in South Carolina to participate in summer work programs of litter and open dump control;

(8) Make demonstration grants to county and municipal governments and other state agencies;

(9) Seek contributions from public and private sources;

(10) Analyze the cost benefit of recycling and neutilizing litter and, whenever determined to be cost effective, promote such practices;

(11) Encourage the use of litter receptacles at public places and by commercial establishments where litter is a byproduct of the operations of such establishments.

SECTION 13. The department may hire, train and equip individuals who shall be designated Litter Control Officers and who shall be vested with police powers as set forth in Section 6 and whose duties shall include:

(1) Educating and informing the public and commercial entities of provisions governing the regulation and control of solid wastes;

(2) Periodically investigate and file written reports of the investigation to the department on sanitary landfill operations;

(3) Investigate and file written reports of the investigation on all complaints citing violations of this act;

(4) Patrol and monitor the public highways in areas of responsibility to be designated by the department to police violation of this act;

(5) Issue citations for violations of this act;

(6) Institute and prosecute actions for violations of this act;

(7) Promote public awareness of the problems sought to be remedied by the provisions of this act.

SECTION 14. The department shall contract with as many counties as funding permits for litter removal along public roads and beaches using prison inmates subsidized by the State on a per mile or per square mile basis. Participation by the counties shall be entirely voluntary. The rate of subsidy per mile or per square mile shall be negotiated between the department and the counties, if necessary, taking into accounty specified varying conditions that affect the cost of litter removal. The rates established shall not exceed the cost of doing the same

include in its annual report to the Budget and Control Board an analysis of the job and program assignments of inmates. This plan shall include such programs as litter removal, prison industries, work release, education and counseling. The Department of Corrections shall make every effort to minimize not only inmate idleness but also occupation in marginally productive pursuits. The State Reorganization Commission, the State Budget and Control Board and the Governor's Office shall comment in writing to the board concerning any necessary alterations in this plan."

SECTION 16. Section 24-13-230 of the 1976 Code is amended to read:

"Section 24-13-230. The Commissioner of the Department of Corrections may allow any prisoner in the custody of the department, who is assigned to a productive duty assignment, a reduction from the term of his sentence of zero to one day for every two days so employed; provided, however, no inmate suffering the penalty of life imprisonment shall be entitled to credits under this provision. A maximum annual credit shall be limited to one hundred eighty days. The amount of credit to be earned for each duty classification shall be determined by the commissioner and published by him in a conspicuous place available to inmates at each correctional institution. No credits earned under this section shall be applied in a manner which would prevent full participation in the department's prerelease program."

work with civilian labor. The department shall contract intially with no more than three counties for a period of at least six months in a carefully designed and monitored experiment to determine the costs of litter removal under varying conditions. Upon completion of these experiments the board shall issue a written statement of the factors to be incorporated in determining the per mile or per square mile rate of subsidy and, subject to published alterations in this State, shall negotiate all subsequent contracts on the basis of the factors specified in the statement. The State Reorganization Commission shall review the published statement and comment in writing to the board and the General Assembly concerning any necessary alterations.

SECTION 15. Section 24-3-20 of the 1976 Code is amended by adding at the end:

"(c) Notwithstanding the provisions of Section 24-3-10 or any other provisions of law, the board shall make available for use in litter control and removal of any or all prison inmates not engaged in programs determined by the board to be more beneficial in terms of rehabilitation and cost effectiveness. Provided, however, that the Board of Corrections shall not make available for litter control those inmates who, in the judgment of the board, pose a significant threat to the community or who are not physically, mentally or emotionally able to perform work required in litter control. The Board of Corrections shall

SECTION 17. For the purpose of determining the time required to be served by a prisoner before he shall be eligible to be considered for parole, notwithstanding any other provision of law, all prisoners shall be given benefit of earned work credits awarded pursuant to Section 16.

SECTION 18. No vehicle shall be driven or moved on any public highway unless such vehicle is so constructed or loaded as to prevent any of its load from dropping, sifting, leaking or otherwise escaping therefrom, except that sand, salt or other chemicals may be dropped for the purpose of securing traction, and water or other substance may be sprinkled on a roadway in the cleaning or maintaining of such roadway by public authority having jurisdiction. Any person operating a vehicle from which any glass or objects have fallen or escaped, which would constitute an obstruction or injure a vehicle or otherwise endanger travel upon such public highway shall immediately cause the public highway to be cleaned of all such glass or objects and shall pay any costs therefor.

SECTION 19. This act shall take effect upon approval by the Governor.

PRESENTATION TO:

SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD

GOV. JAMES B. EDWARDS, CHAIRMAN

BY

WILLIAM D. LEEKE, COMMISSIONER

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

JANUARY 25, 1978

GOV. EDWARDS AND MEMBERS OF THE BUDGET AND CONTROL BOARD,

I WOULD LIKE TO DISCUSS TWO ISSUES WITH THE BOARD AT THIS TIME. THEY ARE: 1) THE "EARNED WORK CREDIT" PROVISIONS OF THE LITTER CONTROL ACT, AND 2) NEW NATIONAL STANDARDS PERTAINING TO CORRECTIONAL FACILITY CONSTRUCTION.

1) EARNED WORK CREDIT PROVISIONS OF THE LITTER CONTROL ACT

THE TEN YEAR GROWTH AND CAPITAL IMPROVEMENTS PLAN EMPHASIZED THAT BOTH CAPITAL AND OPERATING COSTS COULD BE SUBSTANTIALLY REDUCED THROUGH ENACTMENT OF LEGISLATION PROVIDING ADDITIONAL ALTERNATIVES TO INCARCERATION. LAST YEAR A BILL PROVIDING EXTENDED WORK RELEASE WHICH IS EXPECTED TO DECREASE OUR LONG RANGE BED SPACE NEEDS WAS ENACTED. ANOTHER OPPORTUNITY TO REDUCE THE BED SPACE REQUIREMENTS AND COSTS WITHOUT A SIGNIFICANT INCREASE IN DANGER TO THE PUBLIC WILL BE CONSIDERED BY THE GENERAL ASSEMBLY THIS YEAR.

- A BILL ENTITLED THE LITTER CONTROL ACT (ATTACHMENT 1) HAS BEEN INTRODUCED IN THE HOUSE OF REPRESENTATIVES. MR. MANGUM SERVED ON THE COMMITTEE WHICH DRAFTED AND INTRODUCED THIS BILL. AMONG THE PROVISIONS OF THIS BILL ARE SECTIONS AUTHORIZING THE AWARD OF ADDITIONAL TIME CREDITS TOWARD RELEASE AND PAROLE ELIGIBILITY FOR INMATES ENGAGED IN LITTER CONTROL AND OTHER PRODUCTIVE WORK.
- POTENTIALLY THE PASSAGE OF THIS LEGISLATION COULD STABILIZE THE INMATE POPULATION IN DEPARTMENT OF CORRECTIONS' FACILITIES AT ABOUT 8,000 INMATES (SEE ATTACHMENT 2).
- THE STATISTICAL SERVICES DIVISION OF THE BUDGET AND CONTROL BOARD PROJECTED OUR MINIMUM BED SPACE REQUIREMENTS TO BE 12,500 BY 1986. STEPHEN CARTER AND ASSOCIATES USED THESE PROJECTIONS IN DEVELOPING OUR TEN YEAR GROWTH AND CAPITAL IMPROVEMENTS PLAN AND ESTIMATED THE CAPITAL COSTS OF NEW

BED SPACE REQUIREMENTS - EXCLUDING HEALTH CARE, SUPPORT FACILITIES, AND OTHER CAPITAL NEEDS - IN 1976 DOLLARS TO BE $116,094,440.

. CURRENT PROJECTIONS OF THE ACTUAL COSTS TO CONSTRUCT THE 8,000 NEW BEDS CALLED FOR IN THE TEN YEAR PLAN IS $171,567,696 (SEE ATTACHMENT 3). THE INCREASED COSTS ($55,473,256) FOR IMPLEMENTING THE TEN YEAR PLAN REFLECTS THE IMPACT OF INFLATION.

. OUR ESTIMATES ARE THAT ENACTMENT OF THE "EARNED WORK CREDIT" PROVISIONS OF THE LITTER CONTROL ACT WOULD REDUCE THE DEPARTMENTS CAPITAL COSTS BY AT LEAST $33.6 MILLION FROM THE $116,094,440 PROJECTED BY STEPHEN CARTER AND ASSOCIATES AND BY A MUCH GREATER AMOUNT IF CURRENT CAPITAL COST PROJECTIONS ARE USED.

. THIS 4,000 REDUCTION OF BED SPACE IN NEEDS SHOULD ALSO YIELD A CUMULATIVE SAVINGS (COST AVOIDANCE) IN OPERATING COSTS OF BETWEEN 15 AND 20 MILLION DOLLARS OVER THE NEXT FIVE YEARS.

. I AM REQUESTING THAT THE BUDGET AND CONTROL BOARD REVIEW THE IMPLICATIONS OF THE LITTER CONTROL ACT AND, IF APPROPRIATE, RECOMMEND IT TO THE GENERAL ASSEMBLY FOR PASSAGE.

2) CONSTRUCTING NEW FACILITIES TO MEET RECENTLY ESTABLISHED NATIONAL STANDARDS

IN THE ABSENCE OF DEFINITIVE NATIONAL STANDARDS, BED SPACE REQUIREMENTS AND COST PROJECTIONS IN OUR TEN YEAR GROWTH AND CAPITAL IMPROVEMENTS PLAN WERE CALCULATED USING 50 SQUARE FEET OF SLEEPING SPACE PER INDIVIDUAL IN DOUBLE OCCUPANCY CELLS.

THE COMMISSION ON ACCREDITATION FOR CORRECTIONS HAS SUBSEQUENTLY ESTABLISHED COMPREHENSIVE STANDARDS. ONE OF THE REQUIRED STANDARDS IS 60 SQUARE FEET OF SLEEPING SPACE IN SINGLE OCCUPANCY CELLS FOR MEDIUM SECURITY INSTITUTIONS.

THE COST OF MEETING THIS STANDARD IN PHASE II OF OUR PLAN WHICH HAS BEEN SUBMITTED TO MR. PUTNAM IS PROJECTED TO BE $4,385,000 - AN INCREASE OF 7.31% IN PHASE II COSTS.

AT PRESENT, NO PENALTIES WOULD RESULT FROM FAILURE TO MEET THIS STANDARD; HOWEVER, THE LONG RANGE IMPACT COULD BE SUBSTANTIAL BECAUSE

.. THE U.S. DEPARTMENT OF JUSTICE IS EXPECTED TO ADOPT THESE STANDARDS IN THE NEAR FUTURE WHICH WILL GIVE THEM GREATER WEIGHT IN ANY SUBSEQUENT LITIGATION, FEDERAL ADMINISTRATIVE ACTION OR DETERMINATIONS REGARDING SOUTH CAROLINA'S ELIGIBILITY FOR FEDERAL FUNDS.

.. ANY SUBSEQUENT REQUIREMENT TO COMPLY WITH THESE STANDARDS, SHOULD THIS OCCUR, WOULD BE EXTREMELY COSTLY IN THAT DOUBLE OCCUPANCY CELLS WOULD HAVE TO BE REDUCED TO SINGLE OCCUPANCY AND NEW BED SPACE CONSTRUCTED.

I AM REQUESTING THAT THE BUDGET AND CONTROL BOARD SPECIFICALLY ADDRESS THIS ISSUE WHEN CONSIDERING OUR PHASE II REQUEST. THE BOARD OF CORRECTIONS RECOMMENDS AUTHORIZATION AND FUNDS TO BUILD NEW FACILITIES TO MEET NATIONAL STANDARDS. COSTS TO MEET THESE NEW STANDARDS ($4,385,000) HAVE BEEN INCLUDED IN OUR REQUEST FOR PHASE II CAPITAL IMPROVEMENT BONDS.

Draft No. 2
House: Dangerfield, Hodges
Attorney: Todd
Stenographer: Brinkley, Reynolds
Date: 12-5-77

WORKING DRAFT

ATTACHMENT 1

A BILL

TO PROVIDE FOR PROCEDURES FOR EFFECTIVE CONTROL OF LITTER AND OPEN DUMPS WITHIN THIS STATE; TO PROHIBIT CERTAIN LITTER OR LITTER-RELATED ACTS; TO AMEND SECTION 24-3-20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE EMPLOYMENT OF CERTAIN PRISONERS, SO AS TO PROVIDE FOR THE USE OF PRISON INMATES TO ASSIST IN LITTER CONTROL; TO AMEND SECTION 24-13-230, RELATING TO ADDITIONAL CREDIT FOR DUTY INVOLVING WORK DURING AN ENTIRE WEEK, SO AS TO PROVIDE THAT WHEN AN INMATE OF THE DEPARTMENT OF CORRECTIONS IS ASSIGNED TO A PRODUCTIVE DUTY ASSIGNMENT THE TERM OF HIS SENTENCE AND THE TIME REQUIRED TO BE SERVED BEFORE ELIGIBILITY FOR PAROLE MAY BE REDUCED; AND TO PROVIDE PENALTIES.

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

SECTION 1. This act may be cited as the "Litter Control Act of 1977".

SECTION 2. Recognizing the rapid population growth of the State of South Carolina and the ever-increasing mobility of its people, as well as the fundamental need for a healthful, clean and beautiful environment, and further recognizing that the proliferation of open dumps and accumulation of litter discarded throughout this State impairs this need and constitutes a public health hazard, and further recognizing that there is an imperative need to anticipate, plan for and accomplish effective litter control, there is hereby enacted this act.

SECTION 3. The purpose of this act is to accomplish litter control throughout this State by delegating to the Department of Health and Enviornmental Control the authority to conduct a

continuous program to control, prevent and eliminate open dumps and litter from the State to the maximum practical extent. Every other department of state government and all local governmental units and agenciesof this State shall cooperate with the Department of Health and Environmental Control in the administration and enforcement of this act. The intent of this act is to supplement and to coordinate existing litter and open dump control, prevention and elimination efforts and not terminate existing efforts, not, except as specifically stated, repeal or affect any law or regulation governing or prohibiting litter or the control and disposition of solid waste.

SECTION 4. As used in this act unless the context indicates otherwise:

(1) "Department" means the Department of Health and Environmental Control;

(2) "Commissioner" means the commissioner of the department;

(3) "Disposable package or container" means all packages or containers defined as such by rules and regulations adopted by the department;

(4) "Litter" means all waste material including but not limited to disposable packages or containers, trash, garbage or refuse, but not including the wastes of the primary processes of mining, logging, sawmilling or farming;

(5) "Litter receptacle" means those containers adopted by the department which may be standardized as to size, shape, capacity and color and which may bear a state anti-litter symbol, as well as any other receptacle suitable for the depositing of litter;

(6) "Person" means an individual, partnership, copartnership, cooperative, firm, company, public or private corporation, political subdivision, agency of the State, trust, estate, joint structure company or any other legal entity or their legal representative, agent or assigns.

(7) "Vehicle" means every device capable of being moved upon a public highway and in, upon or by which any person or property is or may be transported or drawn upon a public highway, except devices moved by human or animal power or used exclusively upon stationary rails or tracks;

(8) "Watercraft" means any boat, ship, vessel, barge or other floating craft;

(9) "Public place" means any area that is used or held out for use by the public, whether owned or operated by public or private interests.

(10) "Open dump" means a land disposal site for solid waste which does not qualify as a sanitary landfill.

(11) "Solid waste" means any garbage, refuse, sludge from a waste treatment facility, water supply plant, or air pollution control facility and other discarded material, including solid, liquid, semisolid or contained gaseous material resulting from industrial, commercial, mining and agricultural operations and from community activities.

This term does not include solid or dissolved material in domestic sewage, or solid or dissolved materials in irrigation return flows or industrial discharges which are point sources subject to NPDES permits under the Federal Water Pollution Control Act, as amended, or the Pollution Control Act of South Carolina, as amended, or source, special nuclear, or byproduct material as defined by the Atomic Energy Act of 1954, as amended.

(12) "Sanitary landfill" means a method of disposing of solid waste on land without creating pollution, nuisances, environmental threats or hazards to public health and safety.

(13) "Board" means the South Carolina Board of Health and Environmental Control.

SECTION 5. The Board shall have the power to promulgate rules and regulations necessary to carry out the provisions, purposes and intent of this act; provided, however, such rules and regulations shall be approved by Joint Resolution of the General Assembly prior to becoming effective.

SECTION 6. The commissioner may designate trained employees of the department to be vested with police powers to enforce and administer the provisions of this act and all rules and regulations adopted thereunder. The commissioner shall also have authority to contract with other state and local governmental agencies having law enforcement capabilities for services and personnel reasonably necessary to carry out the enforcement provisions of this act. In addition, state highway patrol officers, wildlife officers,

fire marshals and police officers, and those employees of the Department of Health and Environmental Control and the Parks, Recreation and Tourism Department vested with police powers all shall enforce the provisions of this act and all rules and regulations adopted thereunder and are hereby empowered to issue citations to or arrest without warrant, persons violating any provision of this act or any of the rules and regulations adopted hereunder. All of the foregoing enforcement officers may serve and execute all warrants, citations and other process issued to enforce the provisions of this act.

SECTION 7. (A) No person shall dump, throw, drop, deposit, discard or otherwise dispose of litter or other solid waste upon any public property in the State or upon private property in this State or in the waters of this State whether from a vehicle or otherwise, including but not limited to any public highway, public park, beach, campground, forest land, recreational area, trailer park, highway, road, street or alley except:

(1) When such property is designated by the State for the disposal of litter and other solid waste and such person is authorized to use such property for such purpose;

(2) Into a litter receptacle in such a manner that the litter will be prevented from being carried away or deposited by the elements upon any part of such private or public property or waters.

(B) Responsibility for the removal of litter from property or receptacles shall be upon the owner of the property or upon the owner of the property where the receptacle is located.

(C) Any person violating the provisions of this section shall be guilty of a misdemeanor and upon conviction shall be fined not less than ten dollars nor more than two hundred dollars for each offense and notwithstanding any other provision of law, magistrates and municipal courts=shall have jurisdiction to try violations of this act. The court, in lieu of any monetary fine imposed, may direct the substitution of litter-gathering labor under the supervision of the court, not to exceed one hour for each five dollars of fine imposed. In addition to any other punishment authorized by this section, in the sound discretion of any court in which conviction is obtained, such person may be directed by the judge to pick up and remove from any public place or any private property with prior permission of the legal owner upon which it is established by competent evidence that such person has deposited litter, any or all litter deposited thereon by anyone prior to the date of execution of sentence.

SECTION 8. Pertinent portions of this act may be posted by the department along the public highways of this State and in all campgrounds and trailer parks, at all entrances to state parks,

forest lands and recreational areas, at all public beaches and at other public places in this State where persons are likely to be informed of the existence and content of this act and the penalties for violating its provisions.

SECTION 9. The department is authorized to solicit and accept grants or contributions from private and public sources to be used to carry out the provisions of this act. Notwithstanding any other provision of law, any contributions received by the department from private sources pursuant to thisssection shall be treated as a tax deductible charitable or benevolent contribution for income tax purposes.

SECTION 10. There is hereby created an account within the state general fund to be known as the "Litter Control Account". Grants and contributions received by the department pursuant to Section 9 shall be placed in this Litter Control Account. This account may be supplemented by the General Assembly through annual appropriation. The department may make such funds available to litter control organizations as it deems appropriate and the department shall be responsible for assuring that all entities receiving funds pursuant to the provisions of this act shall carry out the intent of this act.

SECTION 11. The department may allocate funds annually to study research and development in the field of litter control as well as to study methods for the implementation in this State of such research and development. In addition, funds may

be used for the development of public educational programs concerning litter problems and grants may be made available for these purposes to those persons deemed appropriate and qualified by the commissioner. Further, any monies received by the department may be used to match federal funds for the purpose of establishing or studying a resource recovery system.

SECTION 12. In addition to the direct support of tangible activities related to letter and open dump control, the department shall:

(1) Serve as the coordinating agency between the various industry and other organizations seeking to aid in the anti-litter and open dump closure effort.

(2) Cooperate with local governmental and other entities to accomplish coordination of local anti-litter and open dump closure efforts;

(3) Cooperate with local governmental and other entities to accomplish development of educational programs in the elementary and secondary school systems;

(4) Encourage, organize and coordinate voluntary local campaigns seeking to focus the attention of the public on the programs of this State to control and remove litter and open dumps;

(5) Investigate the availability of and apply for funds available from any private or public source to be used to implement the provisions of this act, and to coordinate and to make recommendations regarding the expenditure of all funds in the possession of

private or public sources which are designated for litter control.

(6) Encourage industry and other organizations which are active in anti-litter efforts to provide active cooperation with the department so that additional effect may be given to the anti-litter and open dump closure campaign of this State;

(7) Hire temporary employees, including but not limited to, students enrolled in educational institutions in South Carolina to participate in summer work programs of litter and open dump control;

(8) Make demonstration grants to county and municipal governments and other state agencies;

(9) Seek contributions from public and private sources;

(10) Analyze the cost benefit of recycling and neutilizing litter and, whenever determined to be cost effective, promote such practices;

(11) Encourage the use of litter receptacles at public places and by commercial establishments where litter is a byproduct of the operations of such establishments.

SECTION 13. The department may hire, train and equip individuals who shall be designated Litter Control Officers and who shall be vested with police powers as set forth in Section 6 and whose duties shall include:

(1) Educating and informing the public and commercial entities of provisions governing the regulation and control of solid wastes;

(2) Periodically investigate and file written reports of the investigation to the department on sanitary landfill operations;

(3) Investigate and file written reports of the investigation on all complaints citing violations of this act;

(4) Patrol and monitor the public highways in areas of responsibility to be designated by the department to police violation of this act;

(5) Issue citations for violations of this act;

(6) Institute and prosecute actions for violations of this act;

(7) Promote public awareness of the problems sought to be remedied by the provisions of this act.

SECTION 14. The department shall contract with as many counties as funding permits for litter removal along public roads and beaches using prison inmates subsidized by the State on a per mile or per square mile basis. Participation by the counties shall be entirely voluntary. The rate of subsidy per mile or per square mile shall be negotiated between the department and the counties, if necessary, taking into accounty specified varying conditions that affect the cost of litter removal. The rates established shall not exceed the cost of doing the same

work with civilian labor. The department shall contract intially with no more than three counties for a period of at least six months in a carefully designed and monitored experiment to determine the costs of litter removal under varying conditions. Upon completion of these experiments the board shall issue a written statement of the factors to be incorporated in determining the per mile or per square mile rate of subsidy and, subject to published alterations in this State, shall negotiate all subsequent contracts on the basis of the factors specified in the statement. The State Reorganization Commission shall review the published statement and comment in writing to the board and the General Assembly concerning any necessary alterations.

SECTION 15. Section 24-3-20 of the 1976 Code is amended by adding at the end:

"(c) Notwithstanding the provisions of Section 24-3-10 or any other provisions of law, the board shall make available for use in litter control and removal of any or all prison inmates not engaged in programs determined by the board to be more beneficial in terms of rehabilitation and cost effectiveness. Provided, however, that the Board of Corrections shall not make available for litter control those inmates who, in the judgment of the board, pose a significant threat to the community or who are not physically, mentally or emotionally able to perform work required in litter control. The Board of Corrections shall

include in its annual report to the Budget and Control Board an analysis of the job and program assignments of inmates. This plan shall include such programs as litter removal, prison industries, work release, education and counseling. The Department of Corrections shall make every effort to minimize not only inmate idleness but also occupation in marginally productive pursuits. The State Reorganization Commission, the State Budget and Control Board and the Governor's Office shall comment in writing to the board concerning any necessary alterations in this plan."

SECTION 16. Section 24-13-230 of the 1976 Code is amended to read:

"Section 24-13-230. The Commissioner of the Department of Corrections may allow any prisoner in the custody of the department, who is assigned to a productive duty assignment, a reduction from the term of his sentence of zero to one day for every two days so employed; provided, however, no inmate suffering the penalty of life imprisonment shall be entitled to credits under this provision. A maximum annual credit shall be limited to one hundred eighty days. The amount of credit to be earned for each duty classification shall be determined by the commissioner and published by him in a conspicuous place available to inmates at each correctional institution. No credits earned under this section shall be applied in a manner which would prevent full participation in the department's prerelease program."

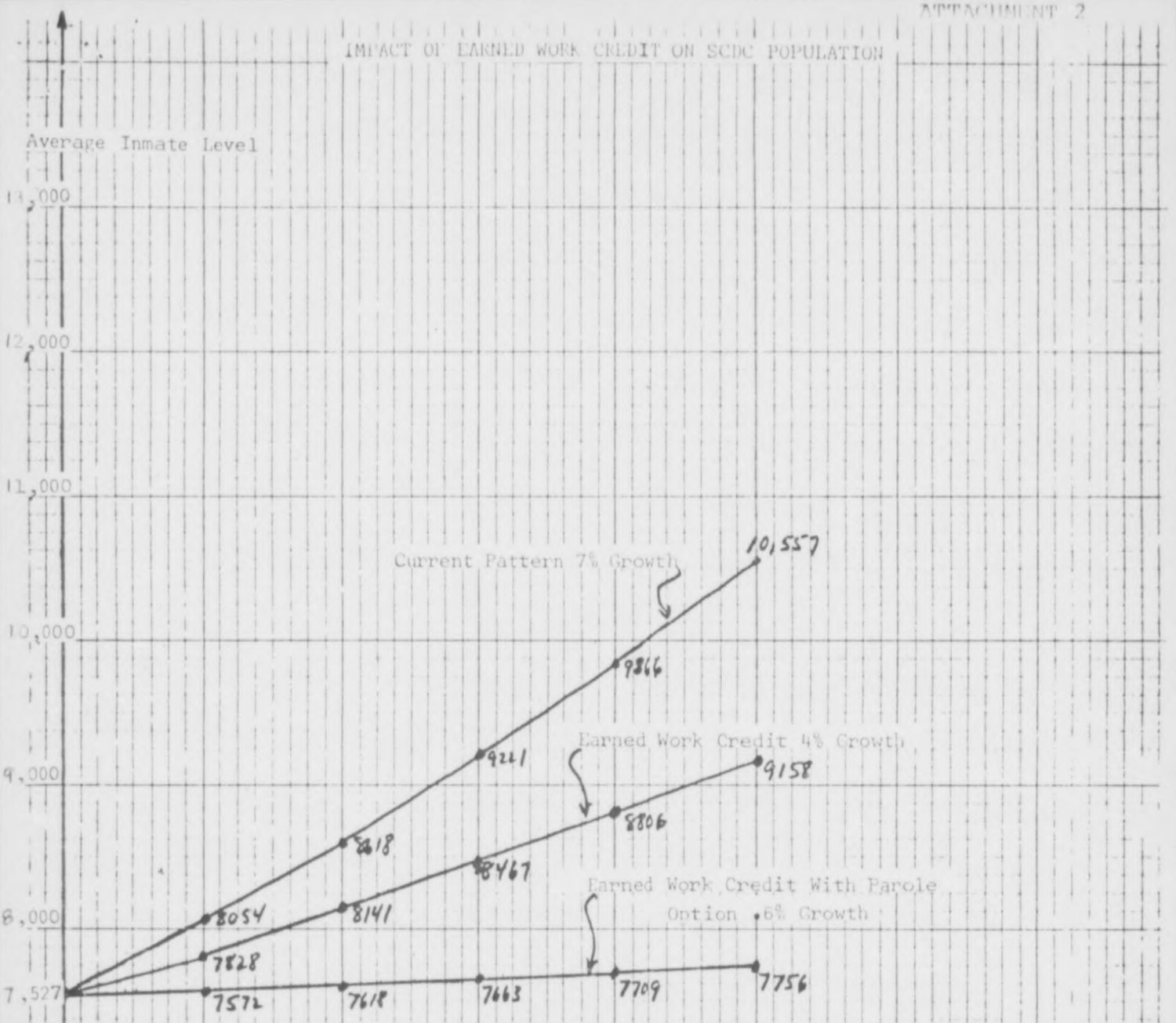
SECTION 17. For the purpose of determining the time required to be served by a prisoner before he shall be eligible to be considered for parole, notwithstanding any other provision of law, all prisoners shall be given benefit of earned work credits awarded pursuant to Section 16.

SECTION 18. No vehicle shall be driven or moved on any public highway unless such vehicle is so constructed or loaded as to prevent any of its load from dropping, sifting, leaking or otherwise escaping therefrom, except that sand, salt or other chemicals may be dropped for the purpose of securing traction, and water or other substance may be sprinkled on a roadway in the cleaning or maintaining of such roadway by public authority having jurisdiction. Any person operating a vehicle from which any glass or objects have fallen or escaped, which would constitute an obstruction or injure a vehicle or otherwise endanger travel upon such public highway shall immediately cause the public highway to be cleaned of all such glass or objects and shall pay any costs therefor.

SECTION 19. This act shall take effect upon approval by the Governor.

ATTACHMENT 2

IMPACT OF EARNED WORK CREDIT ON SCDC POPULATION



NOTE 1. Estimated reductions in inmate growth are not reflective of any changes in judiciary sentencing or parole granting practices. Adjustments by these groups in response to the earned work credit could substantially increase expected inmate levels.

NOTE 2. The dollar saving (for both operating and capital costs) as anticipated with attenuated inmate growth will be realized in future time periods as a reduced financial need. Consequently, this saving provides only for a slower rate of expansion in financial resources needed to serve the attendant inmate population. With the parole option fully operational, the rate of financial increase is reduced further, but not to the point of restoring SCDC to a financial base lower than currently provided.

ATTACHMENT 3

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

TEN YEAR CAPITAL IMPROVEMENT PLAN
OVERVIEW - PHASES I, II, & III

PHASE I

Status	Description	Beds	Location	Current or Projected Cost
	Type I Medium	576	Oaklawn	$ 9,728,720
	Type II Minimum	528	Cross Anchor	7,485,040
	Type II Minimum	96	Wateree	460,000
Approved	Prototype Design Fees			1,050,000
&	Abattoir		Columbia	250,000
Funded	Renovations:		MacDougall	40,000
			Wateree	377,000
			State Pk. Hosp.	180,000
			Kirkland	150,000
	Total Phase I	1,200		$19,720,760

PHASE II

	Type II Minimum	528	Region I	8,920,000
	Type III Work Release	96	Region I	829,000
	Type III Work Release	144	Region I	1,440,000
	Infirmary (20 Bed)		Region I	600,000
Submitted to	Type III Work Release	96	Region III	1,075,000
Budget &	Type II Minimum	96	Region II	552,000
Control Bd.	Renovations		Miscellaneous	1,485,000
Approval &	Construction Personnel			1,561,000
Funding	Construction Equipment			420,936
Pending	Type I Medium	576	Region II	13,414,000
	Type I Medium	528	Region I	12,618,000
	Type I Medium	528	Region III	11,911,000
	Type II Minimum	528	Region I	8,745,000
	Type III Work Release	96	Region III	829,000
	Total Phase II	3,216		$64,399,936
	With Accreditation			
	Less Accreditation			4,385,000
	Total Phase II Without Accreditation			$60,014,936

PHASE III

	Type I Maximum	48	Region II	396,000
	Type III Work Release	96	Region I	899,600
	Type III Work Work Release	144	Region II	842,000
Approved In	Type II Minimum	96	Region II	475,200
Principle	Type III Work Release	144	Region II	1,274,400
No Formal	Type I Medium	480	Region I	9,719,200
Request	Type II Minimum	384	Region I	1,900,800
Until 1980	Type II Minimum	432	Region III	6,168,960
	Type III Work Release	96	Region I	899,600

Cont'd Next Page

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

TEN YEAR CAPITAL IMPROVEMENT PLAN
OVERVIEW - PHASES I, II, & III
CONT'D

PHASE III

Status	Description	Beds	Location	Current or Projected Cost
	Type II Minimum	384	Region II	1,900,800
	Type III Work Release	48	Region II	184,800
	Type I Medium	288	Region III	5,771,520
Approved In	Type III Work Release	144	Region I	1,324,400
Principle	Type II Minimum	528	Region II	7,639,840
No Formal	Type III Work Release	96	Region III	528,000
Request	Type III Work Release	144	Region III	1,324,800
Until 1980	Type III Work Release	48	Region III	184,800
	Type I Maximum	48	Region II	369,000
	Warehouse		Region I	115,000
	Warehouse		Region II	230,000
	Warehouse		Region III	115,000
	R.C.C.O.		Region I	118,000
	R.C.C.O		Region II	118,000
	R.C.C.O		Region III	118,000
	Construction Personnel			1,346,000
	Construction Equipment			351,000
	Total Bedspaces 1976 Dollars	3,648		$41,803,720
	R.C.C.O. Whses., & Construction Personnel & Equipment			2,511,000
	Adjustments For Inflation to 1981 Dollars			43,132,280
	Total Phase III			$87,447,000
	Accreditation Phase III	$2,101,000 Inflated		

SUMMARY

	Beds	
Phase I	1,200	$ 19,720,760
Phase II	3,216	64,399,936
Phase III	3,648	87,447,000
Total Phase I, II, III	8,064	171,567,696
Less Stephen Carter Estimates		116,094,440
Differential of Projected Costs Above Stephen Carter's Estimates		$ 55,473,256

EXHIBIT VIII
1/25/78

MEMORANDUM

TO: Mr. William T. Putnam
State Auditor

FROM: George F. Oliver
Grants Services Administrator
Grants and Contracts Review Unit

DATE: January 25, 1978

SUBJECT: Summary of Federal Funds Requests Approved by Budget and Control Board, July 15, 1977 - January 9, 1978

The attached is a summary of federal fund requests approved by the Budget and Control Board since July, 1977. The summary has been developed for each state agency with total number of requests and dollar amounts associated with these actions.

In addition, a separate summary of subcontracts between state agencies is provided for each state agency.

The Grants and Contracts Review Unit has also developed a recording system by agency for each project since July, 1977, if additional information is desired.

dc
Enclosure

SUMMARY - B & C BOARD ACTION

DATE OF ACTION	# PROJECTS	FEDERAL	STATE	OTHER	TOTAL	INDIRECT	NEW PERSONNEL PERM.	NEW PERSONNEL TEMP.
July - December, 1977	793	858,296,056	119,268,243	54,829,256	1,032,393,555	4,028,733	1,986.64	411.33
Subcontracts	179	-45,842,898			-45,842,898			
January 9, 1978	76	20,256,672	5,546,324	1,220,685	27,023,681	520,230	126.15	88.25
Subcontracts	15	-1,449,880			-1,449,880			
Subtotal	869	878,552,728	124,814,567	56,049,941	1,059,417,236	4,548,963	2,112.79	499.58
Subcontracts	194	-47,292,778			-47,292,778			
TOTAL		831,259,950	124,814,567	56,049,941	1,012,124,458	4,548,963	2,112.79	499.58

JULY 1977 - JANUARY 9, 1978

AGENCY NUMBER	AGENCY	# PROJECTS	FEDERAL	STATE	OTHER	TOTAL	INDIRECT	NEW PERSONNEL PERM.	NEW PERSONNEL TEMP.
A20	Legislative Audit Council	2	39,467			39,467		3	
B04	Judicial Dept	2	45,392	8,711		54,103			
D10	SLED	2	132,058	229		132,287			
D15	Division of Admin	38	170,695,060	952,874	3,204,338	174,852,272	194,521	8	97
D25	Health & Social Dev	3	536,635	74,886	115,770	727,291	20,815	3	
D30	Economic Opp	5	1,767,960	33,142	420,670	2,221,772	5,200	5	
D35	Disaster Preparedness	8	969,468	323,766		1,293,234	69,992		
E04	Lt. Governor's Office	2	19,003	3,635		22,638	3,395	1.5	1
E20	Attorney General	13	1,231,712	219,105	80,723	1,531,540		22.75	
F08	Research & Statistical	4	257,000			257,000	6,970	3	1.5
F16	Motor Vehicle Mgmt	2	395,079	250	83,000	478,329		6	
F24	State Personnel	3	257,279	144,848	103,562	505,689		2	
H03	Comm on Higher Educ	3	365,403	182,943	62,377	610,723	14,560	.3	4
H06	Higher Ed Tuition Grants	2	734,958	8,217,379	4,000	8,956,337			
H09	The Citadel	5	105,602	11,361		116,963		5	20
H12	Clemson	30	1,064,401	63,441	19,844	1,147,686	56,474	15.5	4
H15	College of Charleston	17	1,919,956	411,605	20,766	2,352,327	36,452	6	43
H18	Francis Marion	4	173,482	25,107		198,589	3,057	1.5	50
H21	Lander	3	94,548	356	19,523	114,427	4%		
H24	S. C. State	10	819,176		101,962	921,138	10,789	3	1
H27	USC	56	18,411,013	5,158,680	134,415	23,704,108	310,832	122.94	57.5
H31	USC Aiken	2	39,252			39,252	7,317		.75
H35	USC Coastal	1	3,855			3,855			
H39	USC Spartanburg	2	7,416	395		7,811	1,092		.33
H43	USC Two Yr Reg	7	67,952	10,955		78,907	4,153	.5	
H47	Winthrop	15	637,239	57,203	28,153	722,595	8,022	13.5	13
H51	MUSC	122	15,545,388	1,372,745	1,622,534	18,540,667	2,152,889	170.5	24
H55	Adv Coun, Voc & Tech Ed	1	205,436			205,436	324	1	
H59	Tech & Comp Ed	58	13,832,336	1,123,240	3,253,283	18,208,859	75,983	295.3	48
H63	Dept Education	55	103,499,375	3,769,576	860,820	108,129,771	120,489	402.35	
H67	ETV	13	117,261	122,701	1,871,495	2,111,457	15,272	12	4
H71	Opportunity School	6	146,498	9,000	15,072	170,570			
H75	School for Deaf/Blind	7	545,879	39,596		585,475	9,347	20.25	
H79	Archives & History	12	220,536	114,456	92,370	427,362		1	
H87	State Library	9	2,685,308	7,050,844		9,736,152			
H91	Arts Commission	20	971,272	146,009	616,598	1,733,879		5	15
H95	Museum Com	4	48,345	27,059	12,936	88,340	357	1.5	.5
J04	DHEC	86	27,280,887	9,355,692	12,033,698	48,670,277	287,586	145.2	44
J12	Mental Health	7	751,910	366,782		1,118,692	63,923	8	
J16	Mental Retardation	21	16,355,035	1,803,905	41,200	18,200,140	9,807	574	
J20	Alcohol & Drug Abuse	6	403,966	77,283	81,939	563,188	4,822	8	6

AGENCY NUMBER	AGENCY	# PROJECTS	FEDERAL	STATE	OTHER	TOTAL	INDIRECT	NEW PERSONNEL PERM.	NEW PERSONNEL TEMP.
L04	DSS	21	369,867,243	70,009,271	26,016,304	465,892,818		1	4.75
L08	Vocational Rehabilitation	12	4,937,692	51,322	25,489	5,014,503	4,042	2	
L12	John de la Howe	1	88,450			88,450			
L16	Foster Care for Children	3	56,696			56,696		4	2
L24	Comm for Blind	4	464,854			464,854			
L28	Aging	1	80,005			80,005			
L32	Housing Authority	1	1,249,496			1,249,496		4	
N04	Corrections	31	3,410,664	401,171	10,586	3,822,421	132,958	96	8
N12	Youth Services	10	1,357,691	325,032		1,682,723	159,239	5.8	
N16	Juvenile Plcmt & Aftercare	3	116,633	12,959		129,592		6	
N20	Law Enf Trng Council	3	53,742	12,270		66,012			
P04	Water Resources	3	170,750	78,250	15,000	264,000		2	.25
P08	Land Resources	11	729,098	82,636	47,955	859,689	10,701	20	2
P12	Forestry	10	225,735	94,005	50,200	369,940	840	2.9	
P24	Wildlife & Marine Res	31	3,145,071	984,873	246,877	4,376,821	125,384	19	5
P25	Coastal Council	1	609,332	133,217	19,329	761,878	22,413	1	4
P28	PRT	7	4,839,074	225,677	4,675,362	9,740,113	884	12	
P32	Development Board	2	100,000			100,000			
P36	Patriots Point	4	4,362,500	2,240,000		6,602,500			
P40	Clark Hill	1	10,000	10,000		20,000			
R36	Labor	7	2,224,412	996,268		3,220,680	187,232	32	
R48	ABC Commission	1	22,200			22,200			
R52	Ethics	1	2,802			2,802			6
R60	Employment Security	12	13,339,241	176,922		13,516,163	410,830	28.5	1
U04	Aeronautics	3	80,029	12,595		92,624		6	2
Y08	Old Exchange Bldg	3	700,000	650,000		1,350,000			
Z04	Highways & Pub Trans	14	82,909,520	7,038,340	41,791	89,989,651		4	30
	Total	869	878,552,728	124,814,567	56,049,941	1,059,417,236	4,548,963	2,112.79	499.58
	Subcontracts	194	-47,292,778			-47,292,778			
	TOTAL		831,259,950	124,814,567	56,049,941	1,012,124,458	4,548,963	2,112.79	499.58

SUBCONTRACTS

AGENCY NUMBER	AGENCY	# PROJECTS	FEDERAL	STATE	OTHER	TOTAL	INDIRECT	NEW PERSONNEL PERM.	NEW PERSONNEL TEMP.
A20	Legis Audit Cous	2	39,467			39,467			
B04	Judicial	2	45,392			45,392			
D10	SLED	1	130,000			130,000			
D15	DOA	2	426,405			426,405			
D25	Health & Soc Dev	2	73,937			73,937			
E04	Lt. Governor	1	240			240			
E20	Attorney General	12	1,031,712			1,031,712			
F08	Research & Statistics	1	42,000			42,000			
F16	Motor Veh Mgmt	1	63,079			63,079			
H09	Citadel	1	27,353			27,353			
H12	Clemson	6	257,329			257,329			
H15	College of Charleston	1	71,255			71,255			
H27	USC	3	67,478			67,478			
H43	USC 2 Yr Reg	1	32,867			32,867			
H47	Winthrop	2	34,501			34,501			
H51	MUSC	3	111,935			111,935			
H59	Tech & Comp Ed	16	5,988,157			5,988,157			
H67	ETV	2	4,900			4,900			
H63	Dept of Education	10	2,255,858			2,255,858			
H71	Opportunity School	4	80,498			80,498			
H75	Sch for Deaf/Blind	4	395,903			395,903			
H91	Arts Commission	4	376,862			376,862			
J04	DHEC	14	1,358,707			1,358,707			
J12	Mental Health	3	249,456			249,456			
J16	Mental Retardation	14	15,095,113			15,095,113			
J20	Alcohol & Drug Abuse	3	36,530			36,530			
L04	Social Services	4	179,130			179,130			
L08	Vocational Rehabilitation	4	965,476			965,476			
L12	John de la Howe	1	88,450			88,450			
L16	Foster Care for Children	3	56,696			56,696			
L28	Aging	1	80,005			80,005			
N04	Corrections	28	3,132,690			3,132,690			
N12	Youth Services	8	1,256,229			1,256,229			
N16	Juvenile Plcmt & Aftercare	3	116,633			116,633			
N20	Law Enf Trng Council	3	53,742			53,742			
P08	Land Resources	6	480,246			480,246			
P28	PRT	2	88,349			88,349			
R36	Labor Dept	3	884,579			884,579			
R48	ABC	1	22,200			22,200			
R52	Ethics	1	2,802			2,802			

AGENCY NUMBER	AGENCY	# PROJECTS	FEDERAL	STATE	OTHER	TOTAL	INDIRECT	NEW PERSONNEL PERM.	NEW PERSONNEL TEMP.
R60	Employment Sec	10	11,581,939			11,581,939			
U04	Aeronautics	1	6,678			6,678			
	TOTAL	194	-47,292,778			-47,292,778			

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
1	Division of Administration	8-D15-040	474,916	5-6-77 12-31-77	474,916 100%	0	0	0	To provide training and services to migrant and seasonal farm workers	Approve	
2	State Personnel Division	8-F24-006	59,601	1-1-78 10-30-78	29,246 49%	6,674 11%	23,631 40%	0	To provide a supervisory and management growth and development training program (7 projects)	Approve	These are flow-through funds and are carried over from previous year funding. Indirect costs were not utilized in original award. Agency is in process of establishing an indirect cost rate. All future programs will indicate this requirement.
3	Clemson University	8-H12-032	104,652	7-18-77 7-14-78	104,652 100%	0	0	18 (PT)	To assist 15 individuals with mental/emotional problems in Anderson, Oconee, and Pickens Counties in developing their capabilities through a horticultural training and work program	Approve	
4	University of South Carolina	8-H27-054	1,525	7-1-77 6-30-78	1,525 100%	0	0	0	Archeological survey in the area of the Cooper River Rediversion Project	Approve	

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
5	University of South Carolina	8-H27-062	346,839	6-1-78 6-30-80	315,948 91%	30,891 9%	0	0	A program to identify, recruit and sponsor economically disadvantaged students to prepare for, enter, and succeed in postsecondary institutions	Approve	A continuing project. 1.5 full-time and 3 part-time positions are currently funded.
6	Medical University	8-H51-144	75,238	7-1-78 6-30-79	73,378 98%	1,860 2%	0	1	Research project to study the chemical properties of antibodies	Approve	2 personnel shifted to federal funds from state funds
7	Medical University	8-H51-145	78,299	7-1-77 6-30-78	68,934 88%	9,365 12%	0	1	Research study on enzymes and reastions responsible for healthy tissues	Approve	
8	Medical University	8-H51-146	57,970	9-1-78 8-30-80	57,970 100%	0	0	1.2	To study mechanism of RNA mutations, increasing knowledge of genetic mutations	Approve	
9	Medical University	8-H51-147	47,378	2-1-78 1-31-79	36,035 76%	11,343 24%	0	0	To study the role of relaxin during pregnancy in higher mammals	Approve	
10	Medical University	8-H51-148	75,600	10-1-77 9-30-78	75,600 100%	0	0	0	To expand the primary residency training program in internal medicine and pediatrics	Approve	
11	Medical University	8-H51-149	50,410	3-1-77 8-30-78	31,000 61%	19,410 39%	0	1	Program to establish continuing education programs for a consortium of Charleston Higher Education Commission schools	Approve	

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
12	Medical University	8-H51-150	426,407	7-1-77 6-30-78	330,851 77%	71,356 17%	24,200 6%	0	To train and deploy primary care physicians' assistants in SC	Approve	
13	Medical University	8-H51-151	355,527	7-1-78 6-30-79	255,150 72%	74,241 21%	26,136 7%	0	To train and deploy primary care physicians' assistants in SC	Approve	
14	Medical University	8-H51-152	82,157	7-1-78 6-30-79	65,305 80%	16,852 20%	0	4.55	To expand an existing residency in general dentistry to train dental practitioners to function at higher skill and broader levels	Approve	
15	Medical University	8-H51-153	155,000	7-1-77 6-30-78	155,000 100%	0	0	0	To provide family planning services to Trident Health District	Approve	
16	Medical University	8-H51-154	21,540	7-1-78 6-30-79	21,540 100%	0	0	0	To provide salary support during sabbatical of Dr. William E. Forran, Jr., to accept Senior International Fellowship in London	Approve subsequent to B&C Board approval of foreign travel	
17	Medical University	8-H51-155	311,764	7-1-78 6-30-79	284,907 91%	26,857 9%	0	6 FT 21 PT	To provide basic residency grants and training to qualified students of psychiatry	Approve	
18	Medical University	8-H51-156	370,563	7-1-78 6-30-79	38,110 10%	332,453 90%	0	0	To augment state funds in teaching of psychiatry and to provide stipends for qualified students	Approve	

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
19	Technical and Comprehensive Education (Midlands)	8-H59-060	62,000	7-1-77 6-30-78	62,000 100%	0	0	0	To increase retention rate of special student groups by providing support services	Approve	Grant was approved 7-1-77 and project was continued at that time
20	Technical and Comprehensive Education (Midlands)	8-H59-066	60,587	1-1-78 9-30-78	60,587 100%	0	0	13 PT	To employ 12 unemployed persons for training as groundskeepers (CETA VI)	Conditional Approval	To conform with B&C action re CETA Titles II and VI
21	Technical and Comprehensive Education (Orangeburg-Calhoun)	8-H59-067	94,574	7-1-78 6-30-79	63,546 67%	0	31,028 33%	0	To provide remedial and other special services for low income students with academic potential	Approve	
22	Technical and Comprehensive Education (Aiken)	8-H59-068	720	12-19-77 2-18-78	390 54%	330 46%	0	0	To produce printed publicity for a showing of the Russell Dam film, "A Question of Values"	Approve	
23	Technical and Comprehensive Education (Trident)	8-H59-071	19,950	7-1-78 6-30-79	9,975 50%	0	9,975 50%	0	Use of video classroom presentations to free instructor for time to deal with individuals	Approve	
24	Technical and Comprehensive Education	8-H59-073	81,182	9-1-78 8-30-79	81,182 100%	0	0	3	To educate women in engineering and industrial technology programs	Approve	
25	Technical and Comprehensive Education	8-H59-074	12,750	7-1-77 12-31-77	12,750 100%	0	0	0	To administer the classroom training component of the Migrant and Seasonal Farm Workers Program	Approve	

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
26	Technical and Comprehensive Education (Spartanburg)	8-H59-083	38,298	7-1-77 6-30-78	30,639 80%	0	7,659 20%	0	To provide means for financially deprived to continue educations and at the same time be provided work experience	Approve	
27	Technical and Comprehensive Education (Spartanburg)	8-H59-087	6,717	7-1-78 6-30-79	5,370 80%	0	1,347 20%	0	To purchase closed circuit TV equipment to be used in arts and sciences division	Approve	
28	Department of Education	8-H63-049	16,622	7-1-78 6-30-79	16,622 100%	0	0	.66	To provide technical educational assistance to 4 school districts (Williamsburg, Fairfield, McCormick, and Sumter #17)	Approve	
29	Department of Education	8-H63-052	2,548,935	7-1-77 9-30-78	1,703,693 67%	354,848 14%	490,394 19%	0	To improve vocational education program in all school districts in SC	Approve	3 personnel are currently employed on this program
30	Department of Education	8-H63-053	29,673,594	7-1-77 9-30-78	6,814,774 23%	16,215,691 55%	6,643,129 22%	0	Provide for vocational educational program in postsecondary technical centers and various adult and special vocational educational projects	Approve	67 personnel are currently employed on this program
31	S. C. Arts Commission	8-H91-026	60,000	7-1-78 6-30-79	30,000 50%	0	30,000 50%	0	To implement a major long-range program of community arts agency development in SC	Approval on the condition that modification will be made when indirect cost rate is established	

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
32	Health and Environmental Control	8-J04-011	472,382	7-1-77 12-31-78	472,382 100%	0	0	0	To provide comprehensive immunization services in order to reduce the spread and occurrence of communicable diseases	Approve	Amendment to project approved by Board on 9-14-77. New totals are: federal, $654,465; state, $195,000; for a total project cost of $849,465.
33	Mental Health	8-J12-008	26,321	7-1-78 6-30-79	26,321 100%	0	0	0	To provide a basic residency training in psychiatry	Approve	
34	Commission for the Blind	8-L24-005	177,401	7-1-77 6-30-78	73,657 42%	103,744 58%	0	0	To provide services for Title XX eligible clients through mobility instructors, home teachers, and radio services	Approve	
35	Commission for the Blind	8-L24-006	19,545	7-1-77 6-30-78	19,545 100%	0	0	3	To provide employment for unemployed as horticulture assistant, and screening specialist and secretary, leading to an increase in services	Approve	
36	Commission for the Blind	8-L24-007	13,333	9-1-77 8-31-78	12,000 90%	1,333 10%	0	0	To provide training to the staff of the commission through conference, training sessions, and development of library resources	Approve	
37	Department of Corrections	8-N04-035	66,416	11-1-77 6-30-78	49,812 75%	16,604 25%	0	7	To amend the existing contract to provide for 7 positions for the Title XX Psychiatric Unit at Kirkland	Approve	The new contract total is $639,553: federal, $470,360; state, $158,707; other $10,586

FEDERAL

GRANTS AND CONTRACTS

	State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	GCR Recommendation	Remarks
38	Department of Corrections	8-N04-045	22,415	1-1-78 12-31-78	11,208 50%	11,207 50%	0	0	To provide for alcohol abuse services through counselors who are responsible for developing working relationships with community resources	Approve	
39	Public Service Commission	8-R04-001	6,197	3-1-78 2-28-79	5,147 83%	1,050 17%	0	0	To purchase CB radios for inspectors' patrol cars to assist in controlling motor carriers	Approve	

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Division of Administration

Title of Project: Migrant and Seasonal Farmworkers

Proposed Dates: Beginning: 5-6-77 Ending: 12-31-77

Date of Report: 1-12-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: U. S. Department of Labor

Control Number: 8-D15-040 Federal Catalog No. 17.230

I. Program

a. Purpose: To provide skilled training and services to migrant and seasonal farmworkers.

b. Public Benefit: To provide training and services to migrant and seasonal farmworkers.

c. Permanence as to Federal Financing: Funding is expected to continue.

II. Financial

a. Total Amount: $474,916

b. Amount Federal: $474,916 100% Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes ☐ No ☐

Amount: $ n/a

d. Fringe Benefits Included: Yes ☒ No ☐

Amount: $8844

e. Indirect Cost: $3789

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: State Personnel Division

Title of Project: Seven Intergovernmental Personnel Projects

Proposed Dates: Beginning: 1-1-78 Ending: 10-30-78

Date of Report: 1-1-78 Prepared by: George F. Oliver

Federal Source: U. S. Civil Service Commission

Control Number: 8-F24-006 Federal Catalog No. 27.012

I. Program

a. Purpose: To provide and support training efforts in supervisory and management growth and development

b. Public Benefit: Improve personnel administration in 7 state and county personnel sections

c. Permanence as to Federal Financing: A 9 month project

II. Financial

a. Total Amount: $ 59,601

b. Amount Federal: $ 29,246 49 % Amount State: $ 6,674 11 %

Amount Other: $ 23,681 40 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 6,674

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ indirect cost rate applied for

f. Cost Sharing: In Kind: $ 3,257 Cash: $ 3,417

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

NOTE: State Personnel Division is using carry-over funds to support these seven projects. Indirect cost rate was not established on prior award, and is currently being applied for. Indirect cost rate will be utilized on future use of IPA funds.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Clemson University

Title of Project: Title VI - CETA

Proposed Dates: Beginning: 7-18-77 Ending: 7-14-78

Date of Report: 12-28-77 Prepared by: Elmer C. Whitten, Jr.

Federal Source: U. S. Department of Labor through office of Manpower

Control Number: 8-H12-032 Federal Catalog No. 17.232

I. Program

a. Purpose: To assist fifteen (15) individuals with mental/emotional problems in Anderson, Oconee and Pickens counties in developing their potential capabilities through participation in a horticultural training and work programs.

b. Public Benefit: To provide participants with employment and training which may enable them to obtain employment.

c. Permanence as to Federal Financing: May continue.

II. Financial

a. Total Amount: $ 104,652

b. Amount Federal: $ 104,652 100% Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes ☐ No ☐

Amount: $ n/a

d. Fringe Benefits Included: Yes ☒ No ☐

Amount: $ 12,107

e. Indirect Cost: $ 0 (see note)

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 18 Amount: $ 80,280

NOTE: The allowable administration/indirect cost is utilized in the amount of $10,465 for the three graduate assistants and staff travel.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: University of South Carolina

Title of Project: Archeological, Historical, and Cultural Resources of the Cooper River Rediversion Project

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-6-77 Prepared by: George F. Oliver

Federal Source: U. S. Army Corp of Engineers

Control Number: 8-H27-054 Federal Catalog No. contract

I. Program

a. Purpose: Archeological survey work in the area of the rediversion of the Cooper River project

b. Public Benefit: Preserve the historical and archological information as prescribed by state and federal EPA laws

c. Permanence as to Federal Financing: 12-month project

II. Financial

a. Total Amount: $ 1,525

b. Amount Federal: $ 1,525 100% Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [x]

Amount: $ n/a

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 184

e. Indirect Cost: $ 268

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: University of South Carolina

Title of Project: Trio Programs (Upward Bound, Talent Search, and Special Services)

Proposed Dates: Beginning: 6-1-78 Ending: 6-30-80

Date of Report: 1-6-77 Prepared by: Goerge F. Oliver

Federal Source: U. S.Office of Education

Control Number: 8-H27-062 Federal Catalog No. 13.492; 13.483; 13,482

I. Program

a. Purpose: To identify, recruit, and sponsor economically and/or educationally disadvantaged students to prepare for, enter, and succeed in postsecondary educational institutions

b. Public Benefit: Provides educational assistance to potential and enrolled students to enable them to complete a college career

c. Permanence as to Federal Financing: A continuous program

II. Financial

a. Total Amount: $ 346,839

b. Amount Federal: $ 315,948 91 % Amount State: $ 30,891 9 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 30,891

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 27,341

e. Indirect Cost: $ 23,404

f. Cost Sharing: In Kind: $ 0 Cash: $ 30,891

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

NOTE: This project funds 1.5 full-time positions and 3 part-time positions as well as 3 part-time students for $194,281.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Quantative Protein Sequencing Using Mass Spectrometry

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 12-27-77 Prepared by: George F. Oliver

Federal Source: National Science Foundation

Control Number: 8-H51-144 Federal Catalog No. 13.859

I. Program

a. Purpose: Research project to study the chemical properties of antibodies

b. Public Benefit: Increase scientific information as to the structural similarities in the framework amino acid composition

c. Permanence as to Federal Financing: 1st year of a 36-month study

II. Financial

a. Total Amount: $ 75,238

b. Amount Federal: $ 73,378 98 % Amount State: $ 1,860 2 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 1,860

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 2,491

e. Indirect Cost: $ 7,928

f. Cost Sharing: In Kind: $ 1,860 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 1

b. Number of personnel shifted to federal funds as a result of new program or service: 2 ($4,875)

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 10,084

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Lysosomal Proteases of Oral Tissues

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-10-78 Prepared by: George F. Oliver

Federal Source: National Institute of Health

Control Number: 8-H51-145 Federal Catalog No. 13.341

I. Program

a. Purpose: A research project to identify the enzymes and reactions responsible for the maintenance of healthy tissues

b. Public Benefit: Increases knowledge to identify the defects responsible for the various connective tissue diesases and thereupon develop corrective actions

c. Permanence as to Federal Financing: 1st year of a 4-year study

II. Financial

a. Total Amount: $ 78,299

b. Amount Federal: $ 68,934 88 % Amount State: $ 9,365 12 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 9,365

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 2,617

e. Indirect Cost: $ 8,692

f. Cost Sharing: In Kind: $ 9,365 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 1

b. Number of personnel shifted to federal funds as a result of new program or service: .35

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 16,400

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: RNA Polymerase Mediated Mutagenesis

Proposed Dates: Beginning: 9-1-78 Ending: 8-30-80

Date of Report: 1-11-78 Prepared by: George F. Oliver/RAE

Federal Source: National Science Foundation

Control Number: 8-H51-146 Federal Catalog No. 13.393

I. Program

a. Purpose: To study the mechanism of RNA mutations induced by a substance formed by a combination of two or more molecules

b. Public Benefit: The research should result in a better knowledge of genetic mutations

c. Permanence as to Federal Financing: A request for two-year funding; 100% federal

II. Financial

a. Total Amount: $ 57,970

b. Amount Federal: $ 57,970 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [x]

Amount: $ n/a

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 4,366

e. Indirect Cost: $ 13,899

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 1.20

b. Number of personnel shifted to federal funds as a result of new program or service: .20

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 26,225

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: The Structure and Function of Relaxin

Proposed Dates: Beginning: 2-1-73 Ending: 1-31-79

Date of Report: 1-11-78 Prepared by: George F. Oliver/RAE

Federal Source: National Institute of Health

Control Number: 8-H51-147 Federal Catalog No. 13.231

I. Program

a. Purpose: To study the role relaxin (a hormone) plays during pregnancy in higher mammals in order for humans to be treated through therapeutic administration of relaxin to deficient patients to alleviate complications during pregnancy

b. Public Benefit: Increasing the knowledge of professionals to improve the public's health

c. Permanence as to Federal Financing: Second year for funding for four year project

II. Financial

a. Total Amount: $ 47,378

b. Amount Federal: $ 36,035 76 % Amount State: $ 11,343 24 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 11,343

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 4,389

e. Indirect Cost: $ 8,821

f. Cost Sharing: In Kind: $ 11,343 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

1.4 positions to be re-funded @ 16,644

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Primary Care Residency Program in SC

Proposed Dates: Beginning: 10-1-77 Ending: 9-30-78

Date of Report: 1-11-78 Prepared by: George F. Oliver/RAE

Federal Source: Public Health Service

Control Number: 8-H51-148 Federal Catalog No. 13.884

I. Program

a. Purpose: To expand the primary residency training program in internal medicine and pediatrics

b. Public Benefit: An opportunity for traditional specialities to realign and update their efforts in response to the critical national need for primary care physicians

c. Permanence as to Federal Financing: One year

II. Financial

a. Total Amount: $ 75,600

b. Amount Federal: $ 75,600 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 8,250

e. Indirect Cost: $ 5,600

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

The final decision as to personnel has not been made, but $49,545 has been budgeted for personnel.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Continuing Educational Opportunities

Proposed Dates: Beginning: 3-1-77 Ending: 8-30-78

Date of Report: 1-13-78 Prepared by: George F. Oliver

Federal Source: U. S. Office of education, Title I (Subcontract, SC Higher Education Commission)

Control Number: 8-H51-149 Federal Catalog No. 13.491

I. Program

a. Purpose: The Charleston Higher Education Commission, composed of Baptist College, College of Charleston, Citadel, Marine Resources Division, Medical University, and Trident Technical College, has established a program of continuing educational opportunitites for Low Country students

b. Public Benefit: Increase the opportunity for citizens to gain college credits without formally pursuing a college degree

c. Permanence as to Federal Financing: A continuing project

II. Financial

a. Total Amount: $ 50,410

b. Amount Federal: $ 31,000 61 % Amount State: $ 19,410 39 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 19,410

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 1,770

e. Indirect Cost: $ 2,480

f. Cost Sharing: In Kind: $ 19,410 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 1

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 10,629

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: South Carolina Physicians' Assistants Program

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 7-1-77 Prepared by: George F. Oliver/RAE

Federal Source: Public Health Service, DHEW

Control Number: 8-H51-150 Federal Catalog No. 13.305

I. Program

a. Purpose: To train and deploy primary care physicians' assistants in SC requiring 70-80 quarter hours credit and certification as an assistant to a primary care physician

b. Public Benefit: In relieving primary medical care problems, the public is benefitted

c. Permanence as to Federal Financing: An on-going program since 1972

II. Financial

a. Total Amount: $ 426,407

b. Amount Federal: $ 330,851 77 % Amount State: $ 71,356 17 %

Amount Other: $ 24,200 6 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 71,356

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 26,749

e. Indirect Cost: $ 24,507 (8% of direct costs allowed)

f. Cost Sharing: In Kind: $ 71,356 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

12 positions re-funded at $167,000

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Training of Physicians' Assistants in SC

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: Public Health Service, DHEW

Control Number: 8-H51-151 Federal Catalog No. 13.305

I. Program

a. Purpose: To train and deploy primary care physicians' assistants in SC giving them 70-80 quarter hours of training credit

b. Public Benefit: In relieving primary medical care problems, the public is benefitted

c. Permanence as to Federal Financing: An on-going program since 1972

II. Financial

a. Total Amount: $ 355,527

b. Amount Federal: $ 255,150 72 % Amount State: $ 74,241 21 %

Amount Other: $ 26,136 7 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 74,241

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 26,751

e. Indirect Cost: $ 18,900 (8% of direct charges allowable by DHEW)

f. Cost Sharing: In Kind: $ 74,241 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

12 positions re-funded at $167,697

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: General Practice Residency in Dentistry

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: Public Health Service, DHEW

Control Number: 8-H51-152 Federal Catalog No. 13.320

I. Program

a. Purpose: To expand an existing residency in general dentistry to train dental practitioners to function at higher skill and broader levels

b. Public Benefit: Better trained dental professionals

c. Permanence as to Federal Financing: An extension of an existing grant; the first year funding request of a three-year project

II. Financial

a. Total Amount: $ 82,157

b. Amount Federal: $ 65,305 80 % Amount State: $ 16,852 20 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 16,852

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 7,233

e. Indirect Cost: $ 4,837 (8% of direct charges allowed by DHEW)

f. Cost Sharing: In Kind: $ 0 Cash: $ 16,852

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 4.55

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 51,557

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Family Planning Services for Charleston County

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: S. C. Department of Health and Environmental Control (subgrant)

Control Number: 8-H51-153 Federal Catalog No. 13.766

I. Program

a. Purpose: The provision of family planning services in accordance with the statewide and Trident Health District family planning programs to patients in the Trident Health District in need of subsidized services who accept such services

b. Public Benefit: This is a most important service to the state in general

c. Permanence as to Federal Financing: One year request for a continuing program

II. Financial

a. Total Amount: $ 155,000

b. Amount Federal: $ 155,000 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 15,660

e. Indirect Cost: $ 0

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

16 positions re-funded at $121,891

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Teaching of Infectious Diseases

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: John E. Fogarty International Center

Control Number: 8-H51-154 Federal Catalog No. 13.407

I. Program

a. Purpose: Salary support during sabbatical leave for Dr. William Edmund Forran, Jr., to accept a Senior International Fellowship at St. George's Hospital Medical School, University of London, London, England

b. Public Benefit: To better prepare young physicians

c. Permanence as to Federal Financing:

One time request

II. Financial

a. Total Amount: $ 21,540

b. Amount Federal: $ 21,540 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ 0

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Psychiatry Basic Residency--NIHM Training Grants

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: National Institute of Mental Health

Control Number: 8-H51-155 Federal Catalog No. 13.244

I. Program

a. Purpose: To provide basic residency grants and training to qualified students of psychiatry

b. Public Benefit: A better qualified health services provider

c. Permanence as to Federal Financing: One year request for funding; program has been in existence since 1971

II. Financial

a. Total Amount: $ 311,764

b. Amount Federal: $ 284,907 91 % Amount State: $ 26,857 9 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 26,847

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 9,257

e. Indirect Cost: $ 21,104

f. Cost Sharing: In Kind: $ 0 Cash: $ 26,857

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 6

b. Number of personnel shifted to federal funds as a result of new program or service: 6

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 38,003

e. Number of temporary positions: 21 Amount: $ 220,800

All salary support is paid by the grant--positions re-funded

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Medical University

Title of Project: Undergraduate Psychiatry Training Grants

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-12-78 Prepared by: George F. Oliver/RAE

Federal Source: National Institute of Mental Health

Control Number: 8-H51-156 Federal Catalog No. 13.244

I. Program

a. Purpose: To augment state funds in the teaching of psychiatry and to provide stipends for qualified students

b. Public Benefit: A better qualified health care professional

c. Permanence as to Federal Financing: One year funding request for a program which has been in existence since 1971

II. Financial

a. Total Amount: $ 370,563

b. Amount Federal: $ 38,110 10 % Amount State: $ 332,453 90 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 332,453

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 50,805

e. Indirect Cost: $ 2,823 (8% of direct charges allowed by HEW)

f. Cost Sharing: In Kind: $ 285,000 Cash: $ 47,453

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 13 Amount: $ 7,800

5 positions re-funded at $23,487
Now funded under grant

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Midlands)

Title of Project: Special Services Project

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-9-78 Prepared by: R. Archie Ellis

Federal Source: HEW--Office of Education

Control Number: 8-H59-060 Federal Catalog No. 13.482

I. Program

a. **Purpose:** To increase the retention rate of special student groups by providing support services as an aid towards the goal of graduation and successful employment

b. **Public Benefit:** Midlands TEC proposes to identify, select, and enroll into the special services project 150 students that are enrolled in any 1 and/or 2 year program of study by September 1979

c. Permanence as to Federal Financing: 2nd year funding request; will apply for third year

II. Financial

a. Total Amount: $ 62,000

b. Amount Federal: $ 62,000 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 7,092

e. Indirect Cost: $ 4,582 (rate approved by HEW for service projects)

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

5 positions re-funded at $48,326 plus fringe of $7,092

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Midlands)

Title of Project: CETA Title VI--Training for Groundskeepers

Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78

Date of Report: 1-12-78 Prepared by: R. Archie Ellis

Federal Source: Manpower Division, Governor's Office

Control Number: 8-H59-066 Federal Catalog No. 17.232

I. Program

a. Purpose: To employ 12 unemployed persons under CETA (Title VI) for training as groundskeepers

b. Public Benefit: Providing a suitable work situation to increase proper trai ning in horticulture

c. Permanence as to Federal Financing: 9 months funding request

II. Financial

a. Total Amount: $60,587

b. Amount Federal: $60,587 100 % Amount State: $ 0 %

Amount Other: $0 %

c. Funds Available to Match Program: Yes [ ] No [x]

Amount: $n/a

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $5,400

e. Indirect Cost: $0--rate applied for--contract will be modified to reflect indirect when rate is established

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$0

III. Personnel

a. Number of new federally funded personnel: 13

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 59,400 (includes fringe)

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Midlands)

Title of Project: CETA Title VI--Training for Groundskeepers

Proposed Dates: Beginning: 1-1-78 Ending: 9-30-78

Date of Report: 1-12-78 Prepared by: R. Archie Ellis

Federal Source: Manpower Division, Governor's Office

Control Number: 8-H59-066 Federal Catalog No. 17.232

I. Program

a. Purpose: To employ 12 unemployed persons under CETA (Title VI) for training as groundskeepers

b. Public Benefit: Providing a suitable work situation to increase proper training in horticulture

c. Permanence as to Federal Financing: 9 months funding request

II. Financial

a. Total Amount: $60,587

b. Amount Federal: $60,587 100 % Amount State: $0 %

Amount Other: $0 %

c. Funds Available to Match Program: Yes [ ] No [x]

Amount: $n/a

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $5,400

e. Indirect Cost: $0--rate applied for--contract will be modified to reflect indirect when rate is established

f. Cost Sharing: In Kind: $0 Cash: $0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$0

III. Personnel

a. Number of new federally funded personnel: 13

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $59,400 (includes fringe)

e. Number of temporary positions: 0 Amount: $0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Orangeburg-Calhoun)

Title of Project: Special Services for Disadvantaged Youth

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-10-78 Prepared by: R. Archie Ellis

Federal Source: HEW--Office of Education

Control Number: 8-H59-067 Federal Catalog No. 13.482

I. Program

a. Purpose: To provide remedial and other special services for youths with academic potential from low-income families, thus increasing the retention and graduation rate of such students

b. Public Benefit: An effort to channel the potentially productive students to a meaningful and contributing career

c. Permanence as to Federal Financing: Second year request for a two-year project ending 6-30-79

II. Financial

a. Total Amount: $ 94,574

b. Amount Federal: $ 63,546 67 % Amount State: $ 0 %

Amount Other: $ 31,028 33 % (institutional and local funds)

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 31,028

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 9,886

e. Indirect Cost: $ 4,707 (8% of salaries & fringe allowed by HEW on service grants)

f. Cost Sharing: In Kind: $ 0 Cash: $ 31,028

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amourt: $ 0

5 personnel re-funded at $58,839 including fringe benefits

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: State Board for Technical and Comprehensive Education (Aiken)

Title of Project: Minigrant--S. C. Committee for the Humanities

Proposed Dates: Beginning: 12-19-77 Ending: 2-18-78

Date of Report: 1-12-78 Prepared by: R. Archie Ellis

Federal Source: S. C. Committee for the Humanities (subgrant)

Control Number: 8-H59-068 Federal Catalog No. 45.129

I. Program

a. Purpose: To produce printed publicity for a showing of the Russell Dam film--"A Question of Values"

b. Public Benefit: To give the public the facts concerning Russell Dam

c. Permanence as to Federal Financing: A two-months project

II. Financial

a. Total Amount: $ 720

b. Amount Federal: $ 390 54 % Amount State: $ 330 46 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 330

d. Fringe Benefits Included: Yes [ ] No [x]

Amount: $ n/a

e. Indirect Cost: $ none allowed

f. Cost Sharing: In Kind: $ 0 Cash: $ 330

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amourt for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Trident)

Title of Project: Equipment and Materials to Improve Undergraduate Instruction

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-13-78 Prepared by: R. Archie Ellis

Federal Source: U. S. Office of Education, Library and Learning Resources

Control Number: 8-H59-071 Federal Catalog No. 13.518

I. Program

a. Purpose: Using video classroom presentations, thus allowing television to assume some of the role of content presenter of teaching materials. The instructor will be free for more time to deal with individual student problems

b. Public Benefit: A better prepared graduate

c. Permanence as to Federal Financing: One year request

II. Financial

a. Total Amount: $ 19,950

b. Amount Federal: $ 9,975 50 % Amount State: $ 0 %

Amount Other: $ 9,975 50 % (local funds)

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 9,975

d. Fringe Benefits Included: Yes [ ] No [x]

Amount: $ n/a

e. Indirect Cost: $ not allowable

f. Cost Sharing: In Kind: $ 0 Cash: $ 9,975

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education

Title of Project: Female Access to Courses in Engineering and Industrial Technology

Proposed Dates: Beginning: 9-1-78 Ending: 8-30-79

Date of Report: 1-12-78 Prepared by: R. Archie Ellis

Federal Source: Office of Education--DHEW

Control Number: 8-H59-073 Federal Catalog No. 13.554

I. Program

a. Purpose: To educate women in engineering and industrial technology programs which are open to them and the jobs available once these programs are successfully completed

b. Public Benefit: To alleviate a need for skilled workers in engineering and industrial crafts in the Trident area

c. Permanence as to Federal Financing:
A one-year request

II. Financial

a. Total Amount: $ 81,182

b. Amount Federal: $ 81,182 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 5,610

e. Indirect Cost: $ 24,172 -- 42%

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 3

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 33,000

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education

Title of Project: CETA, Title III, Migrant and Seasonal Farm Workers

Proposed Dates: Beginning: 7-1-77 Ending: 12-31-77

Date of Report: 1-13-78 Prepared by: R. Archie Ellis

Federal Source: U. S. Department of Labor

Control Number: 8-H59-074 Federal Catalog No. 17.230

I. Program

a. Purpose: To administer the classroom training component of the Migrant and Seasonal Farm Workers Program

b. Public Benefit: Providing specific skills to participants who are otherwise seasonally unemployed

c. Permanence as to Federal Financing: 6 months

II. Financial

a. Total Amount: $ 12,750

b. Amount Federal: $ 12,750 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [x]

Amount: $ n/a

d. Fringe Benefits Included: Yes [ ] No [x]

Amount: $ n/a

e. Indirect Cost: $ 0--contract signed prior to 7-1-77 and expired 12-31-77

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Technical and Comprehensive Education (Spartanburg)

Title of Project: Work-Study

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-13-73 Prepared by: R. Archie Ellis

Federal Source: Regional Office of Education

Control Number: 8-H59-083 Federal Catalog No. 13.463

I. Program

a. Purpose: To provide a method for financially deprived citizens to continue their education and at the same time provide work experience

b. Public Benefit: Filling special students' needs

c. Permanence as to Federal Financing: One year funding requested. An on-going project

II. Financial

a. Total Amount: $ 38,293

b. Amount Federal: $ 30,639 80 % Amount State: $ 0 %

Amount Other: $ 7,659 20 % (local funds)

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 7,659

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ 4% allowed for administration

f. Cost Sharing: In Kind: $ 0 Cash: $ 7,659

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Board for Technical and Comprehensive Education (Spartanburg)

Title of Project: Equipment and Materials to Improve Undergraduate Instruction

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-13-78 Prepared by: R. Archie Ellis

Federal Source: U. S. Office of Education--Libraries and Learning Resources

Control Number: 8-H59-087 Federal Catalog No. 13.518

I. Program

a. Purpose: To purchase closed circuit television equipment which will be used in the college's arts and sciences division

b. Public Benefit: Better instruction for students

c. Permanence as to Federal Financing: One-time application

II. Financial

a. Total Amount: $ 6,717

b. Amount Federal: $ 5,370 80 % Amount State: $ 0 %

Amount Other: $ 1,347 20 % (local funds)

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 1,347

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ 0--not allowable for equipment purchases

f. Cost Sharing: In Kind: $ 0 Cash: $ 1,347

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Department of Education

Title of Project: State Technical Assistance--"Follow through"

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-6-78 Prepared by: George F. Oliver

Federal Source: U. S. Office of Education

Control Number: 8-H63-049 Federal Catalog No. 13.433

I. Program

a. Purpose: To provide technical educational assistance to four school districts (Williamsburg, Fairfield, McCormick, and Sumter #17)

b. Public Benefit: Improve the quality of education through coordination between state educational administration and follow through project directors

c. Permanence as to Federal Financing: A continuous program

II. Financial

a. Total Amount: $ 16,622

b. Amount Federal: $ 16,622 100% Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 2,068

e. Indirect Cost: $ 2,243

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: .66

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 12,311

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: South Carolina Department of Education

Title of Project: Vocational--Program Improvement--Sub-part 3

Proposed Dates: Beginning: 7-1-77 Ending: 9-30-78

Date of Report: 1-10-78 Prepared by: George F. Oliver

Federal Source: U. S. Office of Education

Control Number: 8-H63-052 Federal Catalog No. 13.495

I. Program

a. Purpose: Funds are used to improve the state's vocational educational system by funding projects from school districts for research development, pilot programs, new curriculum development, and development of new courses and occupations

b. Public Benefit: To advance and improve vocational education in South Carolina and increase ability of youth to become gainfully employed

c. Permanence as to Federal Financing: A continuous program

II. Financial

a. Total Amount: $ 2,548,935

b. Amount Federal: $ 1,703,693 67 % Amount State: $ 354,848 14 %

Amount Other: $ 490,394 19 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 845,242

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 12,810

e. Indirect Cost: $ 27,121

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

13 positions re-funded from continuation of program funding

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: South Carolina Department of Education

Title of Project: Vocational Education--Basic Grant, Sub-part 2

Proposed Dates: Beginning: 7-1-77 Ending: 9-30-78

Date of Report: 1-10-78 Prepared by: George F. Oliver

Federal Source: U. S. Office of Education

Control Number: 8-H63-053 Federal Catalog No. 13.493

I. Program

a. Purpose: This program provides for vocational education in postsecondary and adult programs (15%), vocational education to handicapped (10%), disadvantaged (20%), cooperative education, day care services, special adult categories, and self equality

b. Public Benefit: Increases the types of vocational educational programs available in various categories to SC citizens

c. Permanence as to Federal Financing: A formula grant (continuous program)

II. Financial

a. Total Amount: $ 29,673,594

b. Amount Federal: $ 6,314,774 23 % Amount State: $ 16,215,691 55 %

Amount Other: $ 6,643,129 22 % (local funds)

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 25,160,686

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 35,778

e. Indirect Cost: $ 58,671

f. Cost Sharing: In Kind: $ 0 Cash: $ 16,215,691

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 67*

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

*NOTE: Program requires a 50/50 matching over all sub parts of vocational technical program. This part (sub part 2) reflects all the remaining state allocation to vocational education that was not reported in sub parts 3, 4, and 5 under P. L. 94-482

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Arts Commission

Title of Project: Community Arts Agency Development

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 1-10-78 Prepared by: R. Archie Ellis

Federal Source: National Foundation for the Arts and Humanities

Control Number: 8-H91-026 Federal Catalog No. 45.007

I. Program

a. Purpose: To implement a major long-range program of community arts agency development in SC to be administered through a grant-in-aid program for community arts development program and neighborhood arts development program

b. Public Benefit: An attempt to provide for orderly growth through long-range planning at the grass roots level

c. Permanence as to Federal Financing: One year request

II. Financial

a. Total Amount: $ 60,000

b. Amount Federal: $ 30,000 50 % Amount State: $ 0 %

Amount Other: $ 30,000 50 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 30,000

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ 0--rate applied for--this project will be modified when rate is established

f. Cost Sharing: In Kind: $ 10,000 Cash: $ 20,000

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Health and Environmental Control

Title of Project: Disease Control--Immunization

Proposed Dates: Beginning: 7-1-77 Ending: 12-31-78

Date of Report: 12-28-77 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW

Control Number: 8-J04-011 Federal Catalog No. 13.268

I. Program

a. Purpose: To raise the immunity levels of the children under 15 years of age 90% series complete and establish full access mechanisms to make available comprehensive immunization services to 100% of approximately 46,000 children born each year.

b. Public Benefit: Reduction in the occurrence and spread of communicable disease

c. Permanence as to Federal Financing: Expected to continue

II. Financial

a. Total Amount: $ 472,382 (this amount reflects the increase in federal funds)

b. Amount Federal: $ 472,382 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 50,300

e. Indirect Cost: $ 61,965

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

NOTE: This is an amendment to the project approved by the B&C Board 9-14-77. The federal award for $654,465 of federal funds and $195,000 state funds was delayed because of delay in passing HEW Appropriation Bill.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Department of Mental Health

Title of Project: Psychiatry--Basic Residency Training

Proposed Dates: Beginning: 7-1-78 Ending: 6-30-79

Date of Report: 12-27-77 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW

Control Number: 8-J12-008 Federal Catalog No. 13.244

I. Program

a. **Purpose:** To provide competent, qualified and motivated physicians with a comprehensive, integrated, and eclectic training program which will enable them to reach a high level of professional competence

b. **Public Benefit:** Development of physicians' skills in psychiatry

c. Permanence as to Federal Financing: Expected to continue through 6-30-80

II. Financial

a. Total Amount: $ 26,321

b. Amount Federal: $ 26,321 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 22,174

e. Indirect Cost: $ 4,147

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Commission for the Blind

Title of Project: Title XX

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-13-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW through DSS

Control Number: 8-L24-005 Federal Catalog No. 13.754

I. Program

a. Purpose: To provide services for the blind to eligible clients by acquiring the services of a radio announcer and assistants, Mobility Instructors, Home Teachers, and Electronic Technicians and secretaty.

b. Public Benefit: Provisions of services to enable eligible clients to work toward achieving a self-supporting or self-maintenance status.

c. Permanence as to Federal Financing: Expected to continue.

II. Financial

a. Total Amount: $ 177,401

b. Amount Federal: $ 73,657 42 % Amount State: $ 103,744 58%

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 103,744

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 15,035

e. Indirect Cost: $ 25,706

f. Cost Sharing: In Kind: $ 0 Cash: $ 103,744

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

Total number of personnel funded: 8 for 83,392

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Commission for the Blind

Title of Project: CETA Title VI Project

Proposed Dates: Beginning: 7-1-77 Ending: 6-30-78

Date of Report: 1-13-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: U. S. Department of Labor through Manpower

Control Number: 8-L24-006 Federal Catalog No. 17.232

I. Program

a. Purpose: To provide for a horticulture assistant to work in the horticulture complex and for two persons to work in the screening program to identify persons who may be legally blind or have glaucoma problems

b. Public Benefit: Reduce unemployment of the disadvantaged

c. Permanence as to Federal Financing: Expected to continue

II. Financial

a. Total Amount: $ 19,545

b. Amount Federal: $ 19,545 100 % Amount State: $ 0 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [ ] No [X]

Amount: $ n/a

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 967

e. Indirect Cost: $ 819

f. Cost Sharing: In Kind: $ 0 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 3

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 17,759

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Commission for the Blind

Title of Project: Inservice Training

Proposed Dates: Beginning: 9-1-77 Ending: 8-31-78

Date of Report: 1-13-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW

Control Number: 8-L24-007 Federal Catalog No. 13.629

I. Program

a. Purpose: To provide training to the staff of the commission through the development of library resources and conferences or training sessions

b. Public Benefit: Improved staff capability through a more individualized approach to staff development

c. Permanence as to Federal Financing:

II. Financial

a. Total Amount: $ 13,333

b. Amount Federal: $ 12,000 90 % Amount State: $ 1,333 10 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 1,333

d. Fringe Benefits Included: Yes [ ] No [X]

Amount: $ n/a

e. Indirect Cost: $ 0--applicable to salaries and wages only

f. Cost Sharing: In Kind: $ 0 Cash: $ 1,333

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Department of Corrections

Title of Project: Title XX

Proposed Dates: Beginning: 11-1-77 Ending: 6-30-78

Date of Report: 1-12-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW through Department of Social Services

Control Number: 8-N04-035 Federal Catalog No. 13.754

I. Program

a. **Purpose:** This is an amendment to the existing Title XX contract for seven additional positions for the Title XX Psychiatric Unit at Kirkland

b. **Public Benefit:** Provision of services to inmates to ensure that psychiatric evaluations and necessary services are provided

c. Permanence as to Federal Financing: Expected to continue

II. Financial

a. **Total Amount:** $ 66,416

b. Amount Federal: $ 49,812 75 % Amount State: $ 16,604 25 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 16,604

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 7,316

e. Indirect Cost: $ 0 (see note)

f. Cost Sharing: In Kind: $ 16,604 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 7

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 45,253

e. Number of temporary positions: 0 Amount: $ 0

NOTE: This is an amendement to a existing contract which has already been approved by the Budget and Control Board on 12-7-77 (See 8-N04-035). This brings the total Title XX contract to $639,553--Federal, $470,260; state, $158,707; other, $10,586.

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Department of Corrections

Title of Project: Utilization of Local Resources

Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78

Date of Report: 1-12-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: HEW through Commission on Alcohol and Drug Abuse

Control Number: 8-N04-045 Federal Catalog No. 13.257

I. Program

a. Purpose: To provide alcohol abuse counselors who are also responsible for developing working relationships with community resources to ensure that SCDC can meet the needs of the alcohol-related offender

b. Public Benefit: Provision of services to the alcohol-related offender through utilization of local resources

c. Permanence as to Federal Financing: Federal funds will be available for 25% of the program operation next year. After that, the State will have to pay for 100% of the program

II. Financial

a. Total Amount: $ 22,415

b. Amount Federal: $ 11,208 50 % Amount State: $ 11,207 50 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [X] No [ ]

Amount: $ 11,207

d. Fringe Benefits Included: Yes [X] No [ ]

Amount: $ 1,514

e. Indirect Cost: $ not permitted

f. Cost Sharing: In Kind: $ Cash: $ 11,207

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

Total number of personnel employed: 2 at $18,043

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: Public Service Commission

Title of Project: CB's for PSC

Proposed Dates: Beginning: 3-1-78 Ending: 2-28-79

Date of Report: 1-12-78 Prepared by: Elmer C. Whitten, Jr.

Federal Source: DOT through Office of Highway Safety

Control Number: 8-R04-001 Federal Catalog No. 20.600

I. Program

a. Purpose: To provide citizens band radios for inspectors' patrol cars to assist in controlling motor carriers

b. Public Benefit: Improved enforcement activity of commercial motor carriers and increased monitoring of Channel 9 in SC

c. Permanence as to Federal Financing: One-time funding

II. Financial

a. Total Amount: $ 6,197

b. Amount Federal: $ 5,147 83 % Amount State: $ 1,050 17 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 1,050

d. Fringe Benefits Included: Yes [ ] No [x]

Amount: $ n/a

e. Indirect Cost: $ not allowed

f. Cost Sharing: In Kind: $ 0 Cash: $ 1,050

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 0

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 0

e. Number of temporary positions: 0 Amount: $ 0

EXHIBIT IX
1/25/78

STATE BUDGET AND CONTROL BOARD

MEETING OF January 25, 1978 AGENDA ITEM NUMBER 7

Agency: Finance Division, Grants & Contracts Review Unit

Subject: Educational Television Writer-in-Residence Project

The referenced project was disapproved at the 12/21/77 meeting because no indirect cost was requested.

ETV General Manager Cauthen now requests reconsideration of this project. He indicates that the $5,586 of indirect costs will be transferred to the General Fund from ETV's Operating Revenue Account.

Board Action Requested:

Grants & Contracts Review Unit recommends approval.

Staff Comment:

Attachments:

Oliver 1/20/78 memo to Putnam; Cauthen 1/18/78 letter to Oliver; analysis sheet on referenced project.

STATE OF SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR
P. O. BOX 11333
COLUMBIA
29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

MEMORANDUM

TO: Mr. William T. Putnam
State Auditor

FROM: George F. Oliver
Grants Services Administrator
Grants and Contracts Review Unit

DATE: January 20, 1978

RE: Request from ETV Network for reconsideration of The Writer-in-Residence Project

The Budget and Control Board disapproved the Writer-in-Residence project submitted by ETV because no indirect cost was requested from the National Endowment for the Arts.

The General Manager of ETV, Mr. Henry J. Cauthen has requested the Board to reconsider this disapproval as his agency will transfer to the General Fund the requested indirect cost of $5,586 from funds available to this agency - (see attached Letter of Commitment).

The Office of Grants and Contracts Review recommends approval of this request as they now have indirectly complied with the Budget and Control Board policy on indirect cost recovery.

Attachment

cs

RECEIVED
JAN 20 1978
GRANTS & CONTRACTING
REVIEW UNIT

South Carolina ETV Network
drawer L · 2712 millwood avenue · columbia, south carolina 29250
HENRY J. CAUTHEN
general manager

January 18, 1978

Mr. George Oliver
Grants Officer
Budget and Control Board
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. Oliver:

RE: Your GCR-5 disapproving our Writer-In-Residence Grant, Control Number 8-H67-007.

After reconsideration, ETV will transfer indirect costs in the amount of $5,586 to the General Fund from "Other Funds" (Operating Revenue Account) upon completion of the grant period. This should satisfy the requirements outlined in your memorandum of December 22, 1977.

Sincerely,

Henry J. Cauthen
President & General Manager

HJC/brs

members of the commission R.M. JEFFERIES, JR., chairman J. WILLIAM BRADFORD · C.K. CONNELLY, JR., MRS. T.C. COXE, JR., DAVID G. ELLISON · JOHN M. RIVERS · RICHARD E. TUKEY ex officio members SEN. REMBERT C. DENNIS · SEN. J. RALPH GASQUE · REP. F. JULIAN Lea MOND · REP. HUDSON L. BARKSDALE · CYRIL B. BUSBEE

STATE AUDITOR'S OFFICE
GRANTS AND CONTRACTS REVIEW SUMMARY SHEET

Name of Agency: South Carolina ETV Commission

Title of Project: Writer-in-Residence Program

Proposed Dates: Beginning: 1-1-78 Ending: 12-31-78

Date of Report: 11-29-77 Prepared by: George F. Oliver

Federal Source: National Endowment for the Arts

Control Number: 8-H67-007 Federal Catalog No. 45.004

I. Program

a. Purpose: To continue the writer-in-residence program and create a forum for unknown contemporary writers from the new south

b. Public Benefit: Provide public information and break down outdated stereotypes of life in the south

c. Permanence as to Federal Financing: A continuing 12-month program

II. Financial

a. Total Amount: $ 40,630

b. Amount Federal: $ 20,240 50 % Amount State: $ 20,390 50 %

Amount Other: $ 0 %

c. Funds Available to Match Program: Yes [x] No [ ]

Amount: $ 20,390

d. Fringe Benefits Included: Yes [x] No [ ]

Amount: $ 2,790

e. Indirect Cost: $ 8,790 (used as match for program) {5,581 Federal match / 3209 State Contributed to Cost

f. Cost Sharing: In Kind: $ 20,390 Cash: $ 0

g. Amount of state dollars freed up as a result of receipt of federal dollars:

$ 0

III. Personnel

a. Number of new federally funded personnel: 1

b. Number of personnel shifted to federal funds as a result of new program or service: 0

c. Number of new state funded positions resulting from program: 0

d. Total amount for new positions: $ 20,240 (includes fringe benefits)

e. Number of temporary positions: 0 Amount: $ 0

EXHIBIT X
1/25/78

STATE BUDGET AND CONTROL BOARD

MEETING OF January 25, 1978 AGENDA ITEM NUMBER 8

Agency: Occupational Therapy Board

Subject: Civil Contingent Fund Request

An advance of $1,550 is requested to enable this recently-established Board to begin its licensing process. This Board will be supported by fees and agrees to repay the requested advance on or before June 30, 1978.

Board Action Requested:

Consider referenced request

Staff Comment:

Attachments:

Occupational Therapy Board 12/12/77 letter to Board

Copy II

The South Carolina Occupational Therapy Association Inc.

MEDICAL UNIVERSITY OF SOUTH CAROLINA
OCCUPATIONAL THERAPY 4SW
171 ASHLEY AVENUE
CHARLESTON, SOUTH CAROLINA 29403

DECEMBER 12, 1977

S. C. BUDGET AND CONTROL BOARD
c/o State Auditor's Office
P. O. Box 11333
Columbia, SC 29211

The South Carolina Occupational Therapy Board was established by Governor James B. Edwards on June 1, 1977 when he signed into law (R224, S103)"An Act To Provide For The Regulation of Occupational Therapists; To Create The South Carolina Board Of Occupational Therapy And To Provide Penalties For Violations". The South Carolina Occupational Therapy Practice Act was enacted to provide protection of those consumers requiring occupational therapy services. The members of the Board were appointed in October. Because of the timing of the signing of the bill (R224, S103) and the identification of the Board members, a budget was not established until December 1977.

The Board will be self-sustaining, in that fees from occupational therapists in the state will provide the capitol needed for the Board's operation. However, until this necessary system can be arranged by the Occupational Therapy Board, it is requested that $1,550.00 be advanced from the Civil Contingent Fund. These monies will allow the Board to begin the licensure process, and once that has begun, revenue will be forthcoming. The $1,550.00 will be repaid on or before June 30, 1978.

I. Administration

Personal Service

Other Personal Service

Temporary-Part time help	300
Per Diem - Boards & Commissions	450
Total Personal Service	750

Other Operating Expense

Travel	300
Telephone - Telegraph	150
Printing Binding Advertising	50
Other Contractural Services	75
Office Supplies	50
Postage	100
Insurance	50
Contributions	25
Total Other Operating	800
Total Administration	1,550
Total Occupational Therapy	1,550

Respectfully,

Marilyn Collier

Marilyn Collier, OTR

Donna R. Toole, OTR

Donna Toole, OTR

DT/acm

MCV

Board Approval?

MEMORANDUM

TO: Thad Dreher

FROM: George N. Dorn, Jr.

DATE: December 29, 1977

SUBJECT: The South Carolina Occupational Therapy Association Inc.

Recommend approval of this matter and original was lost in the mail.

GND,Jr/fhb

cc: E. C. Garvin
E. A. Vaughn, Jr.

EXHIBIT XI
1/25/78

STATE BUDGET AND CONTROL BOARD

MEETING OF January 25, 1978 AGENDA ITEM NUMBER 9

Agency: Motor Vehicle Management Division

Subject: Vehicle Assignment Criteria Clarification

Division Director Spence requests that the Board clarify its position with respect to the application of the assignment criteria to full-time commissioners.

Board Action Requested:

Director Spence recommends that full-time commissioners receive the same type car as large agency directors.

Staff Comment:

Attachments:

Spence agenda notes and Enclosures (1) and (2).

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7818

STATE BUDGET AND CONTROL BOARD
AGENDA ITEMS
January 25, 1978

Mr. Allan J. Spence, Director, Division of Motor Vehicle Management (DMVM), requests permission to appear before the State Budget and Control Board (SB&CB) to discuss the following items:

a. Division of Motor Vehicle Management. The Director, DMVM, requests SB&CB clarification on the vehicle assignment criteria with respect to full time commissioners.

Recommendation: It is recommended that full time commissioners receive the same type car as large agency directors. The vehicle on State contract this particular year is the Ford LTD. Of the fifteen (15) commissioners in question, nine (9) are presently driving units comparable or smaller than the Ford LTD. The assignment of the LTD type unit is also in line with the Boards approval of a recommendation at its meeting on August 29, 1975, to effect a reduction in class as a voluntary conservation measure. This has already affected the Commissioner of DHEC (assignment of a 1976 Chrysler Newport in lieu of a Buick Electra) and the Commissioner of DSS (assignment of a 1976 Buick LeSabre in lieu of a Buick Electra), to mention just two cases. With respect to the current model year, the President, University of South Carolina and the President, College of Charleston have both ordered a Ford LTD. Please refer to enclosures (1) and (2).

travel in cars from the motor pool as other lower echelon officials and employes have done.

State cars, unless exceptions are approved, will have to be used for four years or 60,000 miles before being traded, a recommendation prompted by a corresponding increase in manufacturers' warranties, Spence reported.

This new depreciation schedule supercedes the former policy under which the state cars were replaced every three years or after they logged 50,000 miles.

New assignment classifications generally dictate a "step down" in models for executives, supervisory and general use categories, the budget board was told.

Eligible heads of agencies, boards and commissions as well as presidents of colleges and universities with budgets exceeding $15 million a year would get cars in the category of Pontiac Bonneville, Buick LeSabre or Mercury Marquis, comfortable but not considered "top of the line."

Those corresponding officials with agency budgets of less than $4 million a year but who travel over 20,000 miles per year would be eligible to drive Dodge Royal Monaco, Ford LTD, Chevrolet Impala and Plymouth Gran Fury Custom, still full-sized but less expensive vehicles.

Agency heads and their deputies driving 18,000 miles a year would qualify for intermediates such as Dodge Coronet, Ford Torino, Chevrolet Chevelle, Plymouth Fury or American Motors Matador.

Compacts such as Dodge Dart, Mercury Comet, Chevrolet Nova and Ford Maverick, to mention a few, would be assigned to supervisors and employes driving over 18,000 miles a year and to general pools.

All of the vehicles would be air conditioned and some, particularly the higher-priced vehicles would have such features as power steering and brakes.

A major change in the state's purchase policy, Spence said, is that low bids will be accepted from manufacturers based on specifications.

Constitutional officers and executives in the "Class I Prestige" category which includes the governor, will get vehicles purchased "as required" and will be able to choose the model. In the past, they have drawn such luxury cars as large-sized Buicks, Oldsmobiles, and Cadillacs.

Gov. James B. Edwards, who pledged as an administration goal to bring the fleet-car system under tighter controls, said constitutional officers "should have any kind of car they want," since they have to face the voters as elective officials.

The move to require 18,000 miles a year travel before becoming eligible for a permanently-assigned car brought a comment from State Auditor and board secretary Pat Smith. "Anybody driving 1,500 miles per month is doing a lot of driving and is not getting much work done," Smith said.

But Furman McEachern, head of the General Services Division said that em-

VEHICLE ASSIGNMENTS - FULL TIME COMMISSIONERS

ABC Commission

*	Mr. Powell	1977 Ford LTD
	Mr. Ingram	1975 Buick Lesabre
*	Mr. Allen	1976 Pontiac LeMans

EMPLOYMENT SECURITY COMMISSION

*	Mr. Harper	1976 Ford LTD
*	Mr. Cromer	1976 Ford LTD
*	Mr. Baldwin	1976 Ford LTD

Industrial Commission

*	Mr. MacMillan	1976 Plymouth Gran Fury
	Mr. Reid	1975 Pontiac Bonneville
	Mr. Nelson	1975 Chrysler Newport
	Mr. Dreher	1974 Mercury Monterey
*	Ms. Leverette	1977 Pontiac LeMans (General Serv. Motor Pool)
*	Mr. Addis	1977 Pontiac LeMans (General Serv. Motor Pool)

Public Service Commission

None. Commissioners drive own vehicles.

Tax Commission

	Mr. Wasson	1975 Oldsmobile 88
	Mr. Finch	1975 Pontiac Bonneville
*	Mr. Plowden	1976 Ford LTD

*Units of comparable type or smaller than the Ford LTD

Enclosure (1)

The State

Served By Washington, Piedmont, Pee Dee and West Carolina Bureaus

Section B • Columbia, S.C., Saturday, August 30, 1975 Page One

FUR

Policy To Control State Cars Okayed

SBJCB meeting of 29 Aug 1975

By DOUGLAS MAULDIN
Governmental Affairs Staff

The State Budget and Control Board moved Friday to tighten control and use of state-owned motor vehicles by adopting a series of cost-cutting recommendations from its new division of motor vehicle management.

Policies quickly approved at a board meeting would assign less costly and prestigious cars to some high level state officials, require cars to be used for one year longer before being replaced; and that only one manufacturer's model be used in each of several classifications. Use of gas-saving intermediates and compacts will also be increased.

The cars, assigned by the state based on the budget of various agencies, departments and institutions, run from the so-called prestige cars designated for constitutional officers and executives to the subcompacts for metropolitan short-range use.

In another effort to get a grip on the heretofore elusive state's vehicle fleets, the budget board directed that the vehicle management division carry out a central title and inventory registry so that an accurate count and record can be kept.

Allen Spence, director of the vehicle management division set up earlier this year, submitted the policy changes to the board along with specifications for nearly a dozen categories of 1976 model vehicles to be purchased on bids. They were accepted with little debate.

Spence reported the state bought 933 cars of the 1975 models, but had no indication now on how many would be required of the 1976 models. "I would like to cut it down to 700 purchases and a reduction in class," the former Marine colonel said. "It is realistic and it can be done."

One of the major changes made in the vehicle assignment policy was that assignment to an individual for exclusive use will be on a "tightly-controlled" basis predicated on official travel requirements of 18,000 or more miles each year.

This was expected to cut down on the number of state cars assigned to some state officials who in the past only had to drive 12,000 or more a year to qualify

travel in cars from the motor pool as other lower echelon officials and employes have done.

State cars, unless exceptions are approved, will have to be used for four years or 60,000 miles before being traded, a recommendation prompted by a corresponding increase in manufacturers' warranties, Spence reported.

This new depreciation schedule supercedes the former policy under which the state cars were replaced every three years or after they logged 50,000 miles.

New assignment classifications generally dictate a "step down" in models for executives, supervisory and general use categories, the budget board was told.

Eligible heads of agencies, boards and commissions as well as presidents of colleges and universities with budgets exceeding $15 million a year would get cars in the category of Pontiac Bonneville, Buick LeSabre or Mercury Marquis, comfortable but not considered "top of the line."

Those corresponding officials with agency budgets of less than $4 million a year but who travel over 20,000 miles per year would be eligible to drive Dodge Royal Monaco, Ford LTD, Chevrolet Impala and Plymouth Gran Fury Custom, still full-sized but less expensive vehicles.

Agency heads and their deputies driving 18,000 miles a year would qualify for intermediates such as Dodge Coronet, Ford Torino, Chevrolet Chevelle, Plymouth Fury or American Motors Matador.

Compacts such as Dodge Dart, Mercury Comet, Chevrolet Nova and Ford Maverick, to mention a few, would be assigned to supervisors and employes driving over 18,000 miles a year and to general pools.

All of the vehicles would be air conditioned and some, particularly the higher-priced vehicles would have such features as power steering and brakes.

A major change in the state's purchase policy, Spence said, is that low bids will be accepted from manufacturers based on specifications.

ENC (2)

Constitutional officers and executives in the "Class I Prestige" category which includes the governor, will get vehicles purchased "as required" and will be able to choose the model. In the past, they have drawn such luxury cars as large-sized Buicks, Oldsmobiles, and Cadillacs.

Gov. James B. Edwards, who pledged as an administration goal to bring the fleet-car system under tighter controls, said constitutional officers "should have any kind of car they want," since they have to face the voters as elective officials.

The move to require 18,000 miles a year travel before becoming eligible for a permanently-assigned car brought a comment from State Auditor and board secretary Pat Smith. "Anybody driving 1,500 miles per month is doing a lot of driving and is not getting much work done," Smith said.

But Furman McEachern, head of the General Services Division said that employes of the State Tax Commission, Public Service Commission and Alcoholic Beverage Control Commission, among others, drive that much in carrying out official duties.

"Conservatively," Spence advised the board, "if we buckle down on office to domicile travel, one third of the total miles we travel could be done away with." An estimated $1-million a year could be saved, he said.

Savings have already been accomplished by the Department of Corrections by reducing the number of assigned vehicles by 30, Spence said. The department may be able to get by another year without new vehicles, the division chief said.

Among Spence's recommendations was one that two thirds of new vehicles purchased for the central motor pool be compact cars and the rest intermediates.

The State Highway Patrol will purchase 200 full-sized heavy-duty police cars but 100 intermediates with less equipment will be used by other police activities under wildlife and ABC agents. The State Law Enforcement Division (SLED) will also switch from larger Oldsmobiles to a smaller vehicle in the class of the mid-sized Pontiac LeMans.

The governor praised McEachern and Spence for their efforts in vehicle management, noting the "difficult situation" they inherited. But he also mentioned the lack of data on vehicles. "I'm impressed with how little we know to base value judgments on," he said.

EXHIBIT XII
1/25/78

STATE BUDGET AND CONTROL BOARD

Supplemental # 1

POLL OF January 25, 1978

POLL ITEM NUMBER _____

Agency: Highways and Public Transportation

Subject: Selection of Engineering Firm

State Highway Engineer E. S. Coffey advises that the following firms, listed in preference order, have been selected to provide the engineering services required in connection with the replacement of a bridge on S. C. Route 34, Fairfield and Newberry Counties:

(1) Hensley-Schmidt, Inc., Atlanta;
(2) Wilbur Smith & Associates, Inc., Columbia; and
(3) Ralph Whitehead & Associates, Charlotte.

The required selection procedure has been followed.

Board Action Requested:

Approve the selection of Hensley-Schmidt, Inc., to provide the engineering services required for the referenced project, pursuant to 1976 Code Sections 10-5-10, et seq.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Coffey 1/16/78 and Caughman 1/24/78 letter to State Auditor plus attachments.

SOUTH CAROLINA
DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION
BOX 191
COLUMBIA, S. C. 29202

January 16, 1978

File No. 2036.411 - F. A. Project No. F-FG-064(71) - Replace Bridge Over Broad River and Southern Railway on S. C. Route 34 Fairfield & Newberry Counties - Consultant Agreement

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

Dear Sir:

The Department has interviewed three (3) consultants for the above bridge project. The project was advertised for qualified consultant submission of resumes in the following newspapers on the dates stated below:

The State (Columbia)	- July 22, 1977
The Greenville News	- July 22, 1977
The News and Courier (Charleston)	- July 22, 1977

Proof of publication is attached.

In addition, the Department sent copies of the public notice to eight (8) consultant firms in South Carolina, Georgia and North Carolina.

As a result of our solicitations, ten (10) firms expressed an interest in the project. Of these ten firms, three were selected for interviews in order to further examine qualifications and ability to perform the work in the time desired by the Department. Representatives of these three firms were interviewed on September 29 and 30, 1977. The firms are as listed below:

2 Wilbur Smith & Assoc., Inc. - Columbia, S. C. See Attached Fee
3 Ralph Whitehead & Assoc. - Charlotte, N. C. $76,652 Fees
1 Hensley-Schmidt, Inc. - Atlanta, Ga. 0 Contracts

As a result of the interviews and further review of qualifications and ability to perform the work in the time allotted, the firm of Hensley-Schmidt, Inc. of Atlanta, Georgia was selected to submit a proposal. Such proposal, in the amount of $72,238.00, was submitted and is attached as Appendix 'A' to the proposed supplemental agreement, one copy of which is attached.

Your concurrence in the Department's selection of the firm of Hensley-Schmidt, Inc. to perform the work outlined in the proposed agreement is requested. You will note that the supplemental agreement has been signed by Departmental officials. However, it is realized that such agreement will not go into effect until approved by the State Budget and Control Board and the Federal Highway Administration.

The following consulting firms now have active contracts with the Department for preparation of bridge plans in the total monetary amount as follows:

Wilbur Smith & Assoc., Columbia, S. C.	- $215,000.00
Patchen, Mingledorff & Assoc., Augusta, Ga.	- $134,866.00
Davis & Floyd Engineers, Greenwood, S. C.	- $ 63,120.00
Hensley-Schmidt, Inc., Atlanta, Ga.	- $ 70,819.00
Howard, Needles, Tammen & Bergendoff, Atlanta, Ga.	- $107,954.00
Fellers & Associates and Blauvelt Engineering Co., Beaufort, S. C. and New York, N. Y.	- $ 97,265.00
Rummel, Klepper & Kahl, Baltimore, Maryland	- $183,464.00

If additional information is required, please advise. Your immediate attention to this matter would be greatly appreciated as the Department is very anxious to proceed with this project due to the substandard condition of the old bridge now in place.

Yours very truly,

E. S. Coffey
State Highway Engineer

Attachments: (one copy of proposed agreement and one copy each of proof of publication)

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

January 24, 1978

File 2036.411 - F. A. Project No. F-FG-064(71) - Replace Bridge over Broad River and Southern Railway on S. C. Route 34 - Fairfield and Newberry Counties - Consultant Agreement

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

Dear Sir:

Please refer to the State Highway Engineer's letter of January 16, 1978, requesting your concurrence in a consultant agreement with the firm of Hensley-Schmidt, Inc., Atlanta, Georgia, for a fee in the amount of $72,238.00.

The purpose of this letter is to supplement the information contained in Mr. Coffey's letter by furnishing information that consideration was given to the amount of State work that this firm has been awarded during the past two years. This firm has performed no work for the Department during the past two-year period. Neither have they performed any work for other State agencies.

Yours very truly,

H. R. Caughman, Jr.
Deputy State Highway Engineer

SUPPLEMENT TO THE
ORIGINAL AGREEMENT BETWEEN

Hensley-Schmidt, Inc.

and

South Carolina Department of Highways
and Public Transportation

*

*

*

I. GENERAL RECITAL

This Supplement to the Original Agreement dated October 6, 1977, made and entered into this _____ day of _____, 19 , by and between Hensley-Schmidt, Inc. with principal offices at 2840 Professional Parkway, Atlanta, Georgia 30339, hereinafter designated the CONSULTANT, and the South Carolina Department of Highways and Public Transportation, Columbia, South Carolina, hereinafter designated the STATE.

WITNESSETH:

WHEREAS, the STATE desires to construct a new bridge structure over the Broad River on that section of the State Highway System designated as S. C. Route 34 at the Fairfield-Newberry County Line as hereinafter more particularly described; and,

WHEREAS, the CONSULTANT is presently employed to render professional services for the design of other bridge structures in South Carolina; and,

WHEREAS, the Original Agreement makes provisions in Section VI and IX for the preparation of a Supplement to the Original Agreement to perform additional work; and,

WHEREAS, the STATE deems it necessary to enter into this Supplement to the Original Agreement with the CONSULTANT to perform said engineering services as hereinafter described; and,

WHEREAS, Section 33-72 of the 1962 Code of Laws of the State of South Carolina authorizes the Department of Highways and Public Transportation to enter into agreements for such services;

NOW, THEREFORE, in consideration of these premises and of the mutual covenants herein set forth, it is agreed by and between the parties hereto as follows:

The CONSULTANT shall perform the engineering services hereinafter described for the additional bridge project listed below, with compensation to be made as noted herein.

It is agreed that all other provisions of the Original Agreement shall be and remain in full force and effect except as may be hereinafter noted.

II. DESCRIPTION OF PROJECT

The bridge structure covered by this Supplement to the Original Agreement as indicated on the attached map, Exhibit 1, and described below:

Item	County	Route	Crossing	Improvement	Approximate Length	Approximate Width
3	Fairfield-Newberry	S.C. 34	Bridge over Broad River	New Construction	1,520'	41.33' o. to o.

III. SCOPE OF SERVICES

The services to be rendered by the CONSULTANT on the above-described bridge project shall be in accordance with the Scope of Services for Phase B - Final Design only as outlined in Section III of the Original Agreement and in accordance with the preliminary plans furnished by the STATE.

IV. WORK TO BE DONE BY STATE

The work to be performed by the STATE shall be as outlined in Section IV of the Original Agreement with the additional provision that preliminary plans, already prepared by the STATE, shall be furnished to the CONSULTANT.

V. FEE

For engineering services rendered by the CONSULTANT under this Supplement, the CONSULTANT shall be paid a total lump sum fee amount of Seventy-two Thousand Two Hundred Thirty-eight Dollars ($72,238.00) for work listed in Section III of this Supplement, in accordance with the fee schedule which is itemized in the attached summary sheet in Appendix A.

The above total lump sum amount is in accordance with the determination of total engineering fee as shown in Appendix A attached hereto and made a part of this Supplement.

Partial payment to the CONSULTANT and retainage shall be as outlined in Section IX of the Original Agreement.

Should this bridge project be deleted from this Supplement, the fee amount shall be reduced in accordance with the amount for this project

as set forth in the breakdown of cost as shown in Appendix A.

That portion of the CONSULTANT'S fee for work as shown in Appendix A includes an amount equivalent to five (5) percent of the work for review of shop drawings on this project and also for consultation during construction. Should this work be necessary and the CONSULTANT not perform this work during construction as requested, then the five (5) percent amount shall be deducted from the CONSULTANT'S fee.

VI. SCHEDULE

Work to be performed under this Supplement to the Original Agreement shall commence immediately upon written notice to proceed, and shall be completed within 90 calendar days.

Inasmuch as time is of the essence in completion of the work described in this Supplement to the Original Agreement, the above schedule is based on expeditious work by the CONSULTANT and expeditious reviews by the STATE and the Federal Highway Administration. Should, for reasons beyond the CONSULTANT'S control, review time or delays occur, the schedule shall be adjusted as mutually agreed by both parties hereto.

IN WITNESS WHEREOF, the parties have caused this Supplement to the Original Agreement to be executed on the day and year first above written.

Signed, sealed and executed for the CONSULTANT.

HENSLEY-SCHMIDT, INC.

In presence of:

_____ By: _____

_____

Signed, sealed and executed for the STATE.

SOUTH CAROLINA DEPARTMENT OF HIGHWAYS
AND PUBLIC TRANSPORTATION

ATTEST:

_____ By: _____
Secretary-Treasurer Chief Commissioner

Witnesses as to South Carolina Department of Highways and Public Transportation:

_____ RECOMMENDED:

_____ _____
State Highway Engineer

APPENDIX "A"

APPENDIX A

Determination of Engineer Fee

Item No. 1 County Fairfield, Newberry Route S.C. Route No. 34

Crossing Over Broad River

I. Direct Payroll Costs

Senior Professional	-	944 Manhours @	$15.98	= $15,085.12
Professional	-	962 Manhours @	10.68	= 10,274.16
Technician	-	1204 Manhours @	8.81	= 10,607.24
Draftsman	-	542 Manhours @	6.66	= 3,609.72
Total Direct Payroll Costs				= $39,576.24

II. Miscellaneous Direct Cost

Reproduction	$ 850.00
Computer Services	1,000.00
Supplies	75.00
Communications	100.00
Travel	600.00
Total Miscellaneous Direct Cost	= $ 2,625.00

III. Overhead(1) = 56.34% of Direct Payroll Cost = $22,297.25

IV. Profit = $ 7,740.00

$72,238.00

(1) Overhead includes, but not limited to, taxes, insurance, office and administrative supplies, legal and audit, telephone and postage, and employee benefits, and other items, all as defined in Subpart 1-15.2 of the Federal Procurement Regulations.

APPENDIX A

Bridge Project Cost Summary

ITEM NO.	ROUTE NAME OR NUMBER	COUNTY	TYPE OF IMPROVEMENT	CROSSING DESCRIPTION	ESTIMATED CONSTRUCTION COST	LUMP SUM FEE	NET LENGTH	PROPOSED WIDTH
1	S.C. Route No. 34	Fairfield Newberry	new construction	over Broad River	$2,000,000	$72,238	1520'	41.33'

It is to be noted that five percent (5%) of the fee for Design Services may be deducted should the CONSULTANT not perform the review of shop drawings as provided in Section III, of the Agreement.

APPENDIX A

RATES OF PAY
FOR DIRECT LABOR COSTS
BRIDGE PROJECTS

EMPLOYEE CLASSIFICATION	AVERAGE BASE PAY PER HOUR	*ADDITIVES PER HOUR	TOTAL PAYROLL COST PER HOUR	PER DAY
Sr. Professional	$11.75	$4.23	$15.98	$127.84
Professional	7.85	2.83	10.68	85.44
Technician	6.48	2.33	8.81	70.48
Draftsman	4.90	1.76	6.66	53.28

*Additives - Social Security; State and Federal Unemployment Taxes; Workmen's Compensation; General Liability Insurance; Vacation; Holidays; Sick Leave, Hospital, Medical and Accident Insurance.

APPENDIX A

ESTIMATED NUMBER OF DRAWINGS

ITEM	CROSSING	BRIDGE	ESTIMATED DRAWINGS INFORMATIONAL	TOTAL
1	S.C. Route No. 34 over Broad River	37	3	40

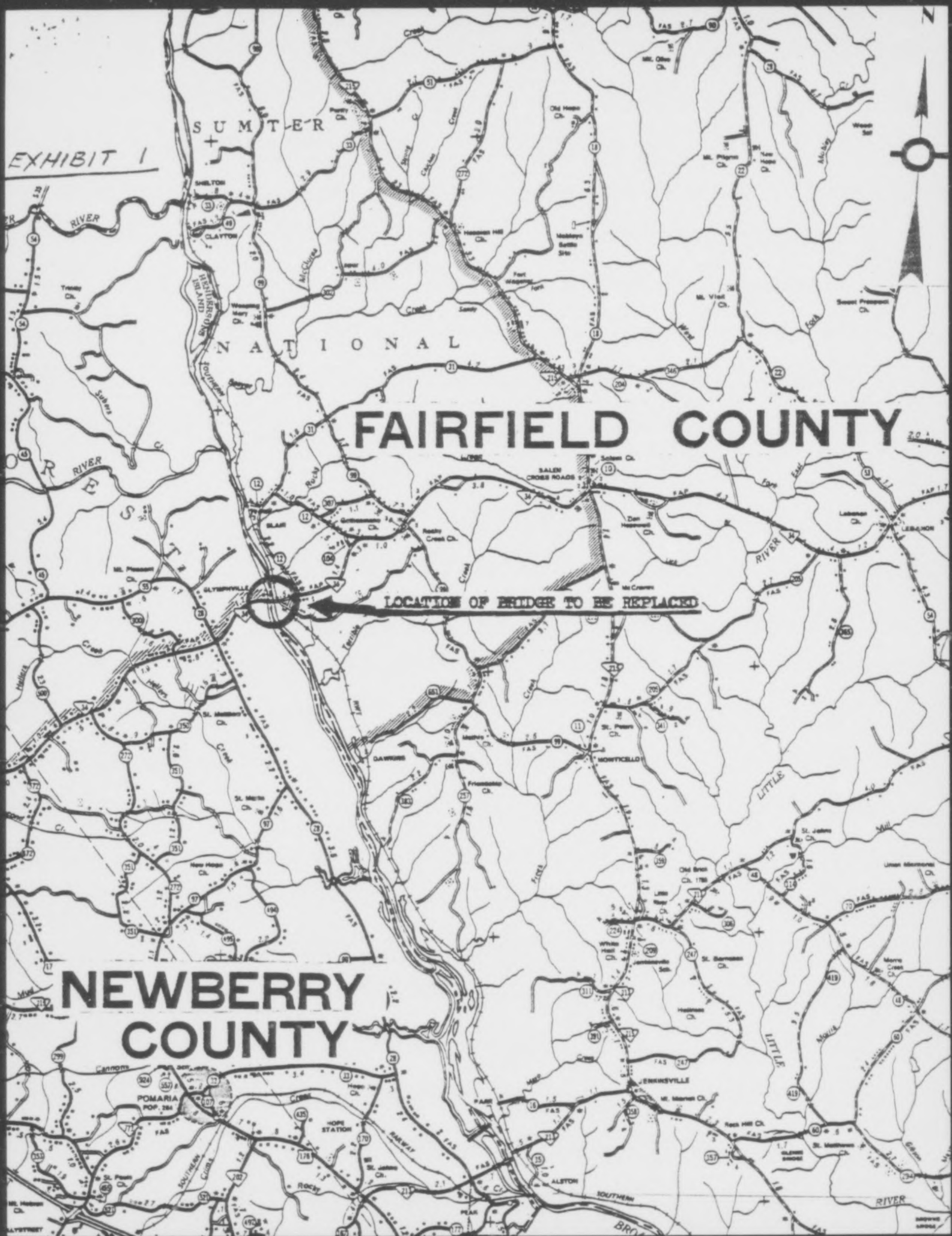


EXHIBIT 1
SUMTER
NATIONAL
FAIRFIELD COUNTY
LOCATION OF BRIDGE TO BE REPLACED
NEWBERRY COUNTY
RIVER
LITTLE
SALEM CROSS ROADS
MONTICELLO
JENKINSVILLE
POMARIA
POP. 284
HOPE STATION
ALSTON
SOUTHERN RAILWAY
N

WILBUR SMITH AND ASSOCIATES

State contracts during the past two years:

South Carolina Highway Department, SCHD Signs Review--$4,640.00

South Carolina Aeronautics Commission, Land Use Study around South Carolina Airports--$6,000.00

Office of Community Development, South Carolina Planning Legislation Review--$23,000.00

Division of Administration (Office of the Governor), South Carolina Retiree Study--$9,500.00

Office of the Governor, South Carolina State Transportation Model--$60,000.00

State of South Carolina, Office of the Governor, Arsenal Hill Master Plan--$10,329.00

State of South Carolina (Office of the Governor), Charleston Inner Belt Study--$20,000.00

South Carolina State Highway Department, James Island Expressway, Phase I--$227,800.00 (In association with Lucas and Stubbs)

State of South Carolina (Attorney General's Office), Expert Testimony-Widen Rosewood Drive--$2,500.00

Fire Academy Development, Phase I--$6,600.00

South Carolina Department of Corrections--$1,050,000 (Wilbur Smith and Associates--$500,000 - Hellmuth, Obata & Kassabaum, Inc.--$500,000 - Consultants--$50,000)

The following projects were administered by The State with the fee paid by Amoco:

South Carolina Public Railways Commission, South Carolina Railroad Study--$35,000.00

South Carolina Public Railways Commission, E. C. & B. Railroad Design--$275,000.00

South Carolina Public Railways Commission, E. C. & B. Railroad Surveys--$18,000.00

COLUMBIA NEWSPAPERS, INC.

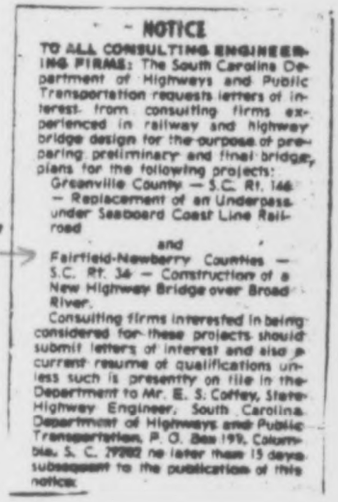
Publishers of

The State — *Mornings and Sunday* AND The Columbia Record — *Evenings*

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager **of THE STATE, and makes oath that the advertisement,**

Notice -
Railway and Highway Bridge Design



- NOTICE

TO ALL CONSULTING ENGINEERING FIRMS: The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:

Greenville County — S.C. Rt. 146 — Replacement of an Underpass under Seaboard Coast Line Railroad

and

Fairfield-Newberry Counties — S.C. Rt. 34 — Construction of a New Highway Bridge over Broad River.

Consulting firms interested in being considered for these projects should submit letters of interest and also a current resume of qualifications unless such is presently on file in the Department to Mr. E. S. Coffey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P. O. Box 191, Columbia, S. C. 29202 no later than 15 days subsequent to the publication of this notice.

a clipping of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

July 22, 1977

Carl M. Regal

Subscribed and sworn to before me
this 22nd **day of** July **19**77.

Evans Lee Sandlin **Notary Public**

THE GREENVILLE NEWS-PIEDMONT COMPANY

POST OFFICE BOX 1688

GREENVILLE, SOUTH CAROLINA 29602

AFFIDAVIT

Allen Dedwyler, being duly sworn, says that he is the legal representative

of { THE GREENVILLE NEWS / ~~GREENVILLE PIEDMONT~~ a newspaper printed and published in the

City of Greenville, in the State of South Carolina. That the attached advertisement ap-

peared in 2½ inches in the issue

of July 22, 1977

A. Dedwyler

Sworn to and subscribed before me

this 22nd day of July 19 77.

Notary Public for State of S.C.

Total Due $

Notice

To All Counsulting Engineering Firms: The South Carolina Department of Highways and Public Transportation request letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:

Greenville County — S. C. Rt. 146 — Replacement of an Underpass under Seaboard Coast Line Railroad and Fairfield-Newberry Counties — S. C. Rt. 34 — Construction of a New Highway Bridge over Broad River.

Consulting firms interested in being considered for these projects should submit letters of interest and also a current resume of qualifications unless such is presently on file in the Department to Mr. E. S. Coffey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P. O. Box 191, Columbia, S. C. 29202 no later than 15 days subsequent to the publication of this notice. 20983

The News and Courier

State of South Carolina
COUNTY OF CHARLESTON

Personally appeared before me

J.Altine advertising Clerk of The News and Courier, a newspaper published in the City of Charleston, County and State aforesaid, who, being duly sworn, says that the advertisement of

Copy Attached

appeared in the issues of said newspaper on the following

day(s): July 22, 1977

Subscribed and sworn to before me this 26th day of July A. D. 19 77

J. Altine

Frances W Peters
NOTARY PUBLIC, S. C.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

→ NOTICE
TO ALL CONSULTING ENGINEERING FIRMS: The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:
Greenville County - S.C. Rt. 146 - Replacement of an Underpass under Seaboard Coast Line Railroad
and
Fairfield-Newberry Counties - S.C. Rt. 34 - Construction of a New Highway Bridge over Broad River.
Consulting firms interested in being considered for these projects should submit letters of interest and also a current resume of qualifications unless such is presently on file in the Department to Mr. E.S. Cathey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P.O. Box 191, Columbia, S.C. 29202 no later than 15 days subsequent to the publication of this notice.

P.O. # 15315

Form No. 3020

Supplemental # 2

STATE BUDGET AND CONTROL BOARD

POLL OF January 25, 1978 POLL ITEM NUMBER _____

Agency: Highways and Public Transportation

Subject: Selection of Engineering Firm

State Highway Engineer Coffey advises that the following firms, listed in preference order, have been selected to provide the engineering services required in connection with the design of two bridges (underpasses) located in Greenville County:

(1) Ralph Whitehead & Associates, Charlotte;
(2) Wilbur Smith & Associates, Inc., Columbia; and
(3) Hensley-Schmidt, Inc., Atlanta.

The required selection procedure has been followed.

Board Action Requested:

Approve the selection of Ralph Whitehead & Associates for the referenced project, pursuant to 1976 Code Sections 10-5-10, et seq.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Coffey 1/17/78 and Caughman 1/24/78 letter to State Auditor plus attachments.

SOUTH CAROLINA
DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION
BOX 191
COLUMBIA, S. C. 29202

January 17, 1978

Consultant Agreement With Ralph Whitehead and Associates of Charlotte, North Carolina for the Performance of Preliminary Engineering Work on:
Underpass Under S.C.L. Railroad - Route 146 - Greenville County and
Underpass Under S.C.L. Railroad - Golden Strip Freeway - Greenville County

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

Dear Sir:

The Department has interviewed three (3) consultants for the above bridge projects. The projects were advertised for qualified consultant submission of resumes in the following newspapers on the dates stated below:

The State (Columbia)	- July 22, 1977 and July 28, 1977
The Greenville News	- July 22, 1977 and July 28, 1977
The News and Courier (Charleston)	- July 22, 1977 and July 28, 1977

Proof of publication is attached.

In addition, the Department sent copies of the public notice regarding the Route 146 project to eight (8) consulting firms in South Carolina, North Carolina and Georgia. Copies regarding the Golden Strip Freeway project were sent to ten (10) firms in South Carolina, North Carolina, Georgia, Maryland and Pennsylvania.

As a result of our solicitations, ten (10) firms expressed an interest in the Route 146 project and thirteen (13) firms in the Golden Strip Freeway project. Of these firms, four were selected for interviews in order to further examine qualifications and ability to perform the work. Representatives of these firms were interviewed on September 29 and 30, 1977. The firms are as listed below:

2	Wilbur Smith & Assoc., Inc.	- Columbia, S. C. - see Attached Fee
1	Ralph Whitehead & Assoc.	- Charlotte, N. C. - 76.652 Fee
3	Hensley-Schmidt, Inc.	- Atlanta, Ga. "D" Contracts
4	Flood & Associates	- Jacksonville, Fla.

As a result of the interviews and further review of qualifications and ability to perform the work required, the firm of Ralph Whitehead and Associates of Charlotte, North Carolina was selected to submit a proposal.

Such proposal in the maximum amount of $65,748.00, was submitted and is attached as Appendix 'A' to the proposed agreement, one copy of which is attached.

Your concurrence in the Department's selection of the firm of Ralph Whitehead and Associates to perform the work outlined in the proposed agreement is requested. You will note that the agreement has been signed by Departmental officials. However, it is realized that such agreement will not go into effect until approved by the State Budget and Control Board and the Federal Highway Administration.

The following consulting firms now have active contracts with the Department for preparation of bridge plans in the total monetary amount as follows:

Wilbur Smith & Assoc., Columbia, S. C.	- $215,000.00
Patchen, Mingledorff & Assoc., Augusta, Ga.	- $134,866.00
Davis & Floyd Engineers, Greenwood, S. C.	- $ 63,120.00
Hensley-Schmidt, Inc., Atlanta, Ga.	- $ 70,819.00
Howard, Needles, Tammen & Bergendoff, Atlanta, Ga.	- $107,954.00
Fellers & Assoc. and Blauvelt Engr. Co., Beaufort, S. C. and New York, N. Y.	- $ 97,265.00
Rummel, Klepper & Kahl, Baltimore, Maryland	- $183,464.00

If additional information is required, please advise. Your immediate attention to this matter would be greatly appreciated as the Department is anxious to proceed with preparation of plans for these projects by the consultant.

Yours very truly,

E. S. Coffey

E. S. Coffey
State Highway Engineer

Attachments (one copy of proposed agreement and copy each of proof of publication)

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

January 24, 1978

Consultant Agreement with Ralph Whitehead and Associates of Charlotte, North Carolina, for the performance of preliminary engineering work on: Underpass under S.C.L. Railroad - Route 146 - Greenville County and Underpass under S.C.L. Railroad - Golden Strip Freeway - Greenville County

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

Dear Sir:

Please refer to the State Highway Engineer's letter of January 17, 1978, requesting your concurrence in a consultant agreement with the firm of Ralph Whitehead & Associates, Charlotte, North Carolina, for a fee in the amount of $65,748.00.

The purpose of this letter is to supplement the information contained in Mr. Coffey's letter by furnishing information that consideration was given to the amount of State work that this firm has been awarded during the past two years.

This firm has performed work for the Department for fees in the amount of $ 76,652.00 during the past two-year period. They have performed no work for other State agencies.

Yours very truly,

H. R. Caughman, Jr.
Deputy State Highway Engineer

AGREEMENT BETWEEN

RALPH WHITEHEAD & ASSOCIATES

AND

SOUTH CAROLINA DEPARTMENT OF HIGHWAYS
AND PUBLIC TRANSPORTATION

I. GENERAL RECITALS

THIS AGREEMENT AND CONTRACT, made and entered into this _____ day of _____, 19__, by and between Ralph Whitehead & Associates, with principal offices at Charlotte, North Carolina, hereinafter designated the CONSULTANT, and the South Carolina Department of Highways and Public Transportation, Columbia, South Carolina, hereinafter designated the STATE.

WITNESSETH:

WHEREAS, the STATE desires to construct certain railway bridge structures designated as the SCL Railroad Underpass for Woodruff Road (S.C. 146), including permanent track changes, in Greenville County, and SCL Railroad Underpass for the Golden Strip Freeway at interchange with U.S. Rt. 276, including permanent track changes, in Greenville County; and

WHEREAS, the STATE desires to employ the CONSULTANT to furnish personnel and render professional engineering services for the use and benefit of the STATE in the study and design of said bridge structures, including trackwork as hereinafter more particularly described, and;

WHEREAS, Section 33-72 of the 1962 Code of Laws of the State of South Carolina authorizes the Department of Highways and Public Transportation to enter into agreements for such services;

NOW THEREFORE, in consideration of these premises and of the mutual covenants herein set forth, it is agreed by and between the parties hereto as follows:

The CONSULTANT will perform the required professional engineering services as hereinafter stated for those bridge projects described below:

II. DESCRIPTION OF PROJECTS

The bridge structures covered by this Agreement are estimated by the STATE to cost $1,920,000, and shall consist of the new construction of these bridges, as indicated in the list as follows:

Item	County	Route	Crossing	Improvement	Approximate Length	Approximate Width
1.	Greenville	SC 146 Woodruff Rd.	SCL RR Over SC 146	Widening Existing Road	160'	20'
2.	Greenville	Golden Strip Freeway	SCL RR Over Freeway	New Construction	520'	20'

III. SCOPE OF SERVICES

The services to be performed by the CONSULTANT on each heretofore described bridge project shall consist of two distinct phases as follows:

Phase A - Preliminary Design

Utilizing surveys and data furnished by the STATE, the CONSULTANT will develop preliminary bridge and track change plans in suitable and acceptable form for submittal and review by the STATE, the U. S. Department of Transportation, Federal Highway Administration (FHWA) and the Seaboard Coast Line Railroad. Roadway design, i.e., approaches, access roads, and/or main line roadways, shall not be a part of the CONSULTANT'S work under this Agreement. No right-of-way work or plans will be prepared by the CONSULTANT except to note any changes in right-of-way limits required by the bridge design on the existing right-of-way plans for the project or projects. The CONSULTANT shall submit track plans for detour or permanent realignment in such detail that the railroad construction easements or additional right-of-way can be fully delineated.

In developing preliminary bridge plans, the CONSULTANT shall conform to the roadway alignments, profiles, and geometric designs prepared and furnished by the STATE. The preliminary drawings shall include plans, elevations, typical sections, and other pertinent physical features of the proposed structure and detour or permanently realigned track. Types of substructure and superstructure will be in sufficient detail to provide a complete review. Preliminary plans shall also include recommended methods of handling highway traffic and rail service during construction when applicable. The preliminary bridge plans shall conform to the roadway design plans to be furnished by the STATE and to the location and data previously set forth in Section II. The preliminary plans to be furnished to the STATE as hereafter prescribed shall also consist of, but not be limited to, a title sheet showing location and description of the projects, railroad and bridge plan-profiles and railroad and bridge typical sections.

Applicable criteria, such as horizontal and vertical clearances, dimensions and structural design, shall be included along with preliminary estimates of quantities and costs. The STATE, upon request, will furnish unit cost data for similar type structures as may be available.

Alternative structure types for each bridge will be investigated with full consideration given to aesthetics, economics, traffic and construction. Such investigations, alternatives, and preliminary plans shall conform to those prepared by the STATE on similar bridges where such information is available.

Upon completion of the preliminary plans, the CONSULTANT shall submit 3 sets of full-size white prints to the STATE for review. After initial review, the STATE shall return one set of plans to the CONSULTANT marked up with desired changes, if any, for correction by the CONSULTANT. After revision, the CONSULTANT shall provide 5 sets of full-size white prints, as revised, for review by the Federal Highway Administration, Seaboard Coast Line Railroad, and also for obtaining borings.

Comments received from the Federal Highway Administration and Seaboard Coast Line Railroad resulting from their review of the preliminary plans will be forwarded to the CONSULTANT along with any further instructions by the STATE, if any. After further revisions, if any, the CONSULTANT shall provide the STATE 8 sets of full-size white prints of the preliminary plans.

The Consultant will not be required to prepare the railroad force account estimate or drawings for signal, electrical and communication alterations for Seaboard Coast Line Railroad.

Phase B - Final Design

Upon review and subsequent modification, if any, resulting from a review of the preliminary plans by the STATE, the FHWA and Seaboard Coast Line Railroad, the CONSULTANT will prepare detailed construction plans for each bridge structure in accordance with priorities established by the STATE.

Final plans shall be prepared in conformity with current practices of the STATE with regard to method of presentation, scales, billing of pay items, special drawings and summaries thereof. Standard Drawings of the STATE shall be made use of to the extent feasible and shall be furnished by the STATE, to be modified by the CONSULTANT to fit the particular needs of each project. The STATE'S "Standard Specifications for Highway Construction, 1973 Edition" and supplements thereto shall apply. The CONSULTANT shall prepare Special Provisions relating to items, work, materials or conditions not covered or not covered as described in the Standard Specifications. Plans will be prepared on Mylar film sheets to the size and standard markings of the STATE.

Upon completion of final plans, the CONSULTANT shall submit 3 complete sets of full-size white prints of the plans to the STATE for review and 4 additional sets will also be provided to the STATE for review by Seaboard Coast Line Railroad. Following review and subsequent modification, if any, of plans by the CONSULTANT

resulting from the aforementioned reviews the CONSULTANT shall complete the plans and furnish such to the STATE in suitable reproducible form for advertisement and construction.

Following award of contracts and during construction, the CONSULTANT shall check the Contractor's shop drawings and specifications as may be required and in a timely manner.

The CONSULTANT shall not be responsible for receiving and analyzing construction bids, nor for the layout, inspection or supervision of construction, nor for obtaining right-of-way.

IV. WORK TO BE DONE BY STATE

A. The STATE shall furnish the CONSULTANT ground surveys, prints of applicable plans, roadway and right-of-way plans, plotted cross-sections, roadway alignment and profile geometrics, previous studies and other pertinent data as may be available to the STATE on each bridge project.

B. Any necessary ground surveys or additional ground surveys shall be made and furnished by the STATE.

C. Borings and subsurface data shall be obtained and furnished by the STATE.

D. Reproducible copies of standard drawings applicable to the bridge projects shall be furnished by the STATE for use as part of the final plans.

E. Direct supervision of construction will be performed by the STATE.

V. GENERAL PROVISIONS

The CONSULTANT shall at all times work closely with the designated representatives of the STATE and shall keep them fully advised as to the status of the work. The CONSULTANT will be present at all conferences, field inspections and other meetings, being represented by a responsible individual from the firm as

requested by the STATE. Conferences or consultations may be called at any time by either party to this Agreement. The plans and work of the CONSULTANT will be available to the STATE and to the appropriate representatives of the FHWA and Seaboard Coast Line Railroad for review at all times. Liaison will be conducted by the CONSULTANT through their office in Charlotte, North Carolina.

The CONSULTANT shall conform to design standards and criteria based on the policies and guidelines of the American Association of State Highway and Transportation Officials and the American Railway Engineering Association and such modifications as may be directed by the STATE, the FHWA and Seaboard Coast Line Railroad.

The CONSULTANT shall save harmless the STATE and other agencies of the Government from claims and liability due to activities of himself, his subcontractors, agents or employees.

The CONSULTANT and his subcontractors shall keep and preserve all books, documents, papers, accounting records, and other evidence pertaining to cost incurred and to make such materials available to their respective offices at reasonable times during the contract period and for three years from the date of final payment under the contract, for inspection by the STATE, FHWA, or any authorized representative of the Federal Government and copies thereof shall be furnished if requested.

The CONSULTANT agrees to maintain his cost records in such manner as to comply with the policies set forth in the Federal-Aid Highway Program Manual, FHPM 1-7-2 dated October 21, 1974 "State Contract Administration" and also in Parts 1 - 15 of the Federal Procurement Regulations and other directives as appropriate.

The CONSULTANT shall not assign, sublet, or transfer any of the work, except as otherwise provided for under the terms of this contract or with written

consent of the STATE. Such consent does not release or relieve the CONSULTANT, as principal, from any of his obligations and liabilities under the contract.

The CONSULTANT shall comply with all laws, ordinances and regulations, Federal, State and local, applicable to the work.

The CONSULTANT shall not employ the services of any person or persons now in the employment of the STATE, or who may be employed by the STATE during the time of this Agreement.

The CONSULTANT shall sign as approved plans, specifications and estimates prepared and delivered under the terms of this Agreement.

The CONSULTANT warrants that he has not employed or retained any company or person, other than a bona fide employee working solely for the CONSULTANT, to solicit or secure this contract, and that he has not paid or agreed to pay any company or person, other than a bona fide employee working solely for the CONSULTANT, any fee, commission, percentage, brokerage fee, gifts, or any other consideration, contingent upon or resulting from the award or making of this contract. For breach or violation of this warranty, the STATE shall have the right to annul this contract without liability, or, in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift, or contingent fee.

VI. CHANGES IN CONTRACT, TERMINATION OR ABANDONMENT OF CONTRACT

The STATE may desire the CONSULTANT to render services for minor changes in connection with this project in addition to that provided for by the expressed intent of this Agreement. This will be considered as Extra Work, subject to an agreement change order, supplemental to this Agreement, setting forth the nature and scope thereof and the compensation therefor, as determined by mutual agreement between the STATE and the CONSULTANT. Work under such change order shall not

proceed until approved and authorized by the Federal Highway Administration and the STATE.

The STATE shall have ownership of all work completed or partially completed in event of termination of the contract by the agency of Government or in case the CONSULTANT is not complying with its terms or the progress or quality of work is unsatisfactory. Appropriate adjustment in compensation for the work done shall be on a quantum meruit basis.

In any dispute concerning a question or fact in connection with the work of this Agreement, or compensation thereof, the decision of the State Highway Engineer in the matter shall be final and conclusive for both parties.

VII. DELAYS AND EXTENSIONS

Reasonable extensions of the scheduled time shall be mutually arrived at by both parties in the event of unavoidable delays.

In the event of excessive delays during the CONSULTANT'S work caused by the STATE which may result in increased engineering cost, the CONSULTANT may request a re-negotiation of fee. Such fee would be determined by mutual agreement of both parties.

VIII. CONTROL

All work by the CONSULTANT is to be done in a manner satisfactory to the STATE and Seaboard Coast Line Railroad and in accordance with the established customs, practices, and procedures of the STATE, said Railroad and in conformity with the standards adopted by the American Association of State Highway and Transportation Officials and approved by the Secretary of Transportation as provided in Title 23, U. S. Code, Section 109-B as amended and in accordance with the current American Railway Engineering Association Design Manual. The decision of the STATE

is to control in all questions regarding location, type of design, dimension of design and similar questions.

IX. FEE

For engineering services described herein, the CONSULTANT shall be paid a maximum total amount of Sixty-Five Thousand Seven Hundred Forty-Eight and no/100 Dollars ($65,748.00) for all items as listed and detailed in Section II, in accordance with the fee schedule which is itemized in the attached summary sheet in Appendix A.

The above maximum amount is in accordance with the determination of the total engineering cost estimate plus fixed fee as shown in Appendix A attached hereto and made a part of this Agreement.

Partial payments shall be made to the CONSULTANT based upon the estimated completion of each structure plan and submission of monthly invoices to the STATE. Progress schedules showing the relative percent complete of the principal phases of work for each structure shall be submitted with the monthly invoices. Final payment to the CONSULTANT, including retainage, shall be made within sixty (60) days after approval and acceptance of the completed Final Design Plans by the STATE.

All monthly payments will have a ten (10) percent retainer withheld until completion of plans for each structure. Intermediate payments are to be made in accordance with items and phases on the summary sheet in Appendix A.

Should a bridge project or phase of a bridge project be deleted from this Agreement, the fee amount shall be reduced in accordance with the amount for that project or phase as set forth in the breakdown of cost as shown in Appendix A. Similarly, should any additional bridge project or extension or addition to a phase of a bridge project be added to this Agreement, the fee amount shall be increased based on a cost breakdown similar to that presented in Appendix A and in accordance with Section VI of this Agreement.

That portion of the CONSULTANT'S fee for Phase B work as shown in Appendix A includes an amount equivalent to five (5) percent of the Phase B work for review of shop drawings on those projects for which such drawings are necessary, and also for consultation during construction. Should this work be necessary and the CONSULTANT not perform this work during construction as requested, then the five (5) percent amount shall be deducted from the CONSULTANT'S Phase B fee.

X. SCHEDULE

Work to be performed in all phases shall commence immediately upon written notice to proceed. The following schedule is projected in calendar days:

Phase A - Preliminary Plans:

Item 1 - 30 Days after receiving executed Contract

Item 2 - 45 Days after receiving executed Contract

Phase B - Final Plans Including Special Provisions:

Item 1 - 90 Days after approval of Preliminary Plans by the Department and Seaboard Coast Line Railroad Company

Item 2 - 120 Days after approval of Preliminary Plans by the Department and Seaboard Coast Line Railroad Company

The above schedule is based on no delays in the furnishing of survey data, boring information, etc. by the STATE or the Seaboard Coast Line Railroad Company.

Inasmuch as time is of the essence in completion of the work in this Agreement, the above schedules are based on expeditious work of the CONSULTANT and expeditious reviews by the STATE, the Seaboard Coast Line Railroad and FHWA. Should, for reasons beyond the CONSULTANT'S control, review time or delays occur, the schedules shall be adjusted as mutually agreed by both parties hereto.

XI. COMPLIANCE WITH TITLE VI OF THE CIVIL RIGHTS ACT OF 1964 FOR FEDERAL AID CONTRACTS

During the performance of this Agreement, the CONSULTANT, for itself, its assignees and successors in interest (hereinafter referred to as the "CONSULTANT"), agrees as follows:

1. Compliance with Regulations: The CONSULTANT shall comply with the Regulations of the Department of Transportation relative to nondiscrimination in Federally-assisted programs of the Department of Transportation (Title 49, Code of Federal Regulations, Part 21, hereinafter referred to as the Regulations), which are herein incorporated by reference and made a part of this Agreement.

2. Nondiscrimination: The CONSULTANT with regard to the work performed by it after award and prior to completion of the contract work, shall not discriminate on the ground of race, color, religion, sex or national origin in the selection and retention of subcontractors, including procurements of materials and leases of equipment. The CONSULTANT shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the Regulations, including employment practices when this Agreement covers a program set forth in Appendix B of the Regulations.

3. Solicitations for Subcontractors, Including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding or negotiation made by the CONSULTANT for work to be performed under a subcontract, including procurements of materials or leases of equipment, each potential subcontractor, supplier or lessor shall be notified by the CONSULTANT of the CONSULTANT'S obligations under this Agreement and the Regulations relative to nondiscrimination on the ground of race, color, religion, sex or national origin.

4. Information and Reports: The CONSULTANT shall provide all information and reports required by the Regulations, or directives issued pursuant thereto,

and shall permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the STATE or the Federal Highway Administration to be pertinent to ascertain compliance with such Regulations or directives. Where any information required of a CONSULTANT is in the exclusive possession of another who fails or refuses to furnish this information, the CONSULTANT shall so certify to the STATE or the Federal Highway Administration as appropriate and shall set forth what efforts it has made to obtain the information.

5. Sanctions for Noncompliance: In the event of the CONSULTANT'S noncompliance with the nondiscrimination provisions of this Agreement, the STATE shall impose such contract sanctions as it or the Federal Highway Administration may determine to be appropriate, including, but not limited to,

a. withholding of payments to the CONSULTANT under the Agreement until the CONSULTANT complies, and/or

b. cancellation, termination or suspension of the Agreement in whole or in part.

6. Incorporation of Provisions: The CONSULTANT will include the provisions of paragraph (1) through (6) in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Regulations or directives issued pursuant thereto. The CONSULTANT shall take such action with respect to any subcontract or procurement as the STATE or the Federal Highway Administration may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that, in the event a CONSULTANT becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, the CONSULTANT may request the STATE to enter into such litigation to protect the interests of the STATE, and, in addition, the CONSULTANT may request the United States to enter into such litigation to protect the interest of the United States.

XII. CERTIFICATION OF CONSULTANT

I hereby certify that I am the President and duly authorized representative of the firm of Ralph Whitehead & Associates, whose address is Post Office Box 4301, Charlotte, North Carolina 28204, and that neither I nor the above firm I here represent has:

(a) employed or retained for a commission, percentage, brokerage, contingent fee, or other consideration, any firm or person (other than a bona fide employee working solely for me or the above CONSULTANT) to solicit or secure this Agreement:

(b) agreed, as an express or implied condition for obtaining this Agreement, to employ or retain the services of any firm or person in connection with carrying out the Agreement, or

(c) paid, or agreed to pay, to any firm, organization or person (other than a bona fide employee working solely for me or the above CONSULTANT) any fee, contribution, donation, or consideration of any kind for, or in connection with, procuring or carrying out the contract except as here expressly stated (if any):

I acknowledge that this certificate is to be furnished to the STATE and the Federal Highway Administration, U. S. Department of Transportation, in connection with this Agreement involving participation in Federal-aid highway funds, and is subject to applicable State and Federal laws, both criminal and civil.

November 30, 1977
(Date)

Ralph L. Whitehead
(Signature)

XIII. CERTIFICATION OF STATE

I hereby certify that I am the State Highway Engineer of the Department of Highways and Public Transportation of the State of South Carolina and that the above CONSULTANT or his representative has not been required, directly or indirectly as an express or implied condition in connection with obtaining or carrying out this Agreement to:

(a) employ or retain, or agree to employ or retain, any firm or person, or

(b) pay, or agree to pay, to any firm, person, or organization, any fee, contribution, donation, or consideration of any kind, except as here expressly stated (if any):

I acknowledge that this certificate is to be furnished the Federal Highway Administration, U. S. Department of Transportation, in connection with this Agreement involving participation of Federal-aid highway funds, and is subject to applicable State and Federal laws, both criminal and civil.

1-4-78
(Date)

(Signature)

XIV. SUCCESSORS AND ASSIGNS

The STATE and CONSULTANT each binds himself, his successors, executors, administrators, and assigns to the other party with respect to these requirements, and also agree that neither party shall assign, sublet, or transfer his interest in the Agreement without the written consent of the other.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the day and year first above written.

Signed, sealed and executed for the CONSULTANT.

In the Presence of:

Albert C. Smith

Secretary
(Title)

RALPH WHITEHEAD & ASSOCIATES, A CORPORATION

By: Ralph L. Whitehead

President
(Title)

Signed, sealed and executed for the STATE.

ATTEST:

Secretary-Treasurer

SOUTH CAROLINA DEPARTMENT OF HIGHWAYS
AND PUBLIC TRANSPORTATION

By: Paul W. Cobb
Chief Commissioner

Witnesses as to S. C. Department of Highways and Public Transportation:

RECOMMENDED:

State Highway Engineer

APPENDIX "A"

APPENDIX "A"

DETERMINATION OF ENGINEERING FEE Revised 11-29-77

Item No. 1, SCL Railroad Underpass for Woodruff Road (SC Route 146), Including Permanent Track Changes, File No. 23.774, Greenville County, S. C.

I. Direct Payroll Cost

PHASE A - PRELIMINARY DESIGN

Classification	Hours	Rate	Total
Principal (Prin. 2)	9.0	$20.42	$ 184
Project Engineer (Des. 20)	45.0	12.56	565
Sr. Design Engineer (Des. 18)	31.5	11.78	371
Sr. Design Engineer (Des. 16)	18.0	11.00	198
Jr. Design Engineer (Des. 9)	58.5	8.25	483
Sr. Draftsman (Drft. 14)	22.5	7.35	165
Jr. Draftsman (Drft. 10)	18.0	6.26	113
Clerical 16	4.5	6.81	31
Subtotals	207.0		$2,110

PHASE B - FINAL DESIGN

Classification	Hours	Rate	Total
Principal (Prin. 2)	9.0	$20.42	$ 184
Project Engineer (Des. 20)	108.0	12.56	1,356
Sr. Design Engineer (Des. 18)	72.0	11.78	848
Sr. Design Engineer (Des. 16)	157.5	11.00	1,733
Jr. Design Engineer (Des. 12)	139.5	9.42	1,314
Jr. Design Engineer (Des. 9)	180.0	8.25	1,485
Sr. Draftsman (Drft. 14)	202.5	7.35	1,488
Jr. Draftsman (Drft. 10)	193.5	6.26	1,211
Clerical 16	13.5	6.81	92
Subtotals	1,075.5		$9,711

Total Direct Payroll Cost (Including Direct Additives)	$11,821
General Overhead, 73.35% of $11,821	8,671
Total Labor Cost (Including All Overhead)	$20,492

II. Direct Non-Salary Expenses

Hewlett-Packard Computer, 3.0 Hrs. @ $20	$60	
Time-Sharing Computer, 2.0 Hrs. @ $30	60	
Auto Rental, 2.0 Days @ $7.50	15	
Auto Mileage, 450 Miles @ $0.15	68	
(Round Trips to Columbia & Site from Charlotte)		
Air Fare (Charlotte-Jacksonville), 1 Round Trip @ $98	98	
Comm. Auto Rental, 1 Day @ $30	30	
Meals, 3 Days @ $12	36	
Lodging, 2 Nights @ $20	40	
Long Distance Telephone	50	
Miscellaneous (Parking, Photos, etc.)	33	
Reproductions	118	
		$ 608

Total Estimated Cost (I + II)	$21,100
Fixed Fee	3,165
Total Cost Plus Fixed Fee	$24,265

Five (5) percent of Phase B - Final Design or 0.05($9,711) x 1.7335 x 1.15 = $968.00 is included in the Total Cost Plus Fixed Fee for the review of shop drawings during construction.

APPENDIX "A"

DETERMINATION OF ENGINEERING FEE Revised 11-29-77

Item No. 2, SCL Railroad Underpass For Golden Strip Freeway, Including Permanent Track Changes, At Interchange with U.S. Route 276, Greenville County, S. C.

I. Direct Payroll Cost

PHASE A - PRELIMINARY DESIGN

Classification	Hours	Rate	Total
Principal (Prin. 2)	9.0	$20.42	$ 184
Project Engineer (Des. 20)	67.5	12.56	848
Sr. Design Engineer (Des. 18)	58.5	11.78	689
Sr. Design Engineer (Des. 16)	36.0	11.00	396
Jr. Design Engineer (Des. 9)	90.0	8.25	743
Sr. Draftsman (Drft. 14)	36.0	7.35	265
Jr. Draftsman (Drft. 10)	36.0	6.26	225
Clerical 16	4.5	6.81	31
Subtotals	337.5		$3,381

PHASE B - FINAL DESIGN

Classification	Hours	Rate	Total
Principal (Prin. 2)	22.5	$20.42	$ 459
Project Engineer (Des. 20)	202.5	12.56	2,543
Sr. Design Engineer (Des. 18)	112.5	11.78	1,325
Sr. Design Engineer (Des. 16)	274.5	11.00	3,020
Jr. Design Engineer (Des. 12)	261.0	9.42	2,459
Jr. Design Engineer (Des. 9)	274.5	8.25	2,265
Sr. Draftsman (Drft. 14)	292.5	7.35	2,150
Jr. Draftsman (Drft. 10)	414.0	6.26	2,592
Clerical 16	22.5	6.81	153
Subtotals	1,876.5		$16,966

Total Direct Payroll Cost (Including Direct Additives)	$20,347
General Overhead, 73.35% of $20,347	14,925
Total Labor Cost (Including All Overhead)	$35,272

II. Direct Non-Salary Expenses

Hewlett-Packard Computer, 5.0 Hrs. @ $20	$100	
Time-Sharing Computer, 4.0 Hrs. @ $30	120	
Auto Rental, 2.0 Days @ $7.50	15	
Auto Mileage, 450 Miles @ $0.15	68	
(Round Trips to Columbia & Site from Charlotte)		
Air Fare (Charlotte-Jacksonville), 1 Round Trip @ $98-	98	
Comm. Auto Rental, 1 Day @ $30	30	
Meals, 3 Days @ $12	36	
Lodging, 2 Nights @ $20	40	
Long Distance Telephone	60	
Miscellaneous (Parking, Photos, etc.)	33	
Reproductions	200	$ 800

Total Estimated Cost (I + II)	$36,072
Fixed Fee	5,411
Total Cost Plus Fixed Fee	$41,483

Five (5) percent of Phase B - Final Design or 0.05($16,966) x 1.7335 x 1.15 = $1,691 is included in the Total Cost Plus Fixed Fee for the review of shop drawings during construction.

APPENDIX "A"

RATES OF PAY
FOR DIRECT LABOR COSTS
BRIDGE PROJECTS

Employee Classification	Base Pay Per Hour	(36.13%) Direct Additives Per Hour	Total Payroll Costs Per Hour
Principal (Prin. 2)	$15.00	$5.42	$20.42
Project Engineer (Des. 20)	9.23	3.33	12.56
Sr. Design Engineer (Des. 18)	8.65	3.13	11.78
Sr. Design Engineer (Des. 16)	8.08	2.92	11.00
Jr. Design Engineer (Des. 12)	6.92	2.50	9.42
Jr. Design Engineer (Des. 9)	6.06	2.19	8.25
Sr. Draftsman (Drft. 14)	5.40	1.95	7.35
Jr. Draftsman (Drft. 10)	4.60	1.66	6.26
Clerical 16	5.00	1.81	6.81

Additives: Vacation, Sick Leave, Overtime Premium Pay, Incentive Bonuses, Social Security (FICA) Taxes, Fed. Unemployment (FUTA) Taxes, State Unemployment (SUTA) Taxes, Workmen's Compensation Insurance, Group Hospitalization and Term Life Insurance, Group Ordinary Life Insurance and Group Disability Insurance.

APPENDIX "A"

ESTIMATED NUMBER OF DRAWINGS

ITEM	CROSSING DESCRIPTION	ESTIMATED DRAWINGS BRIDGE	TRACK	TOTAL
1.	SCLRR Over SC Rt. 146 (Woodruff Road)	16	9	25
2.	SCLRR Over Golden Strip Freeway	27	11	38

WILBUR SMITH AND ASSOCIATES

State contracts during the past two years:

South Carolina Highway Department, SCHD Signs Review--$4,640.00

South Carolina Aeronautics Commission, Land Use Study around South Carolina Airports--$6,000.00

Office of Community Development, South Carolina Planning Legislation Review--$23,000.00

Division of Administration (Office of the Governor), South Carolina Retiree Study--$9,500.00

Office of the Governor, South Carolina State Transportation Model--$60,000.00

State of South Carolina, Office of the Governor, Arsenal Hill Master Plan--$10,329.00

State of South Carolina (Office of the Governor), Charleston Inner Belt Study--$20,000.00

South Carolina State Highway Department, James Island Expressway, Phase I--$227,800.00 (In association with Lucas and Stubbs)

State of South Carolina (Attorney General's Office), Expert Testimony-Widen Rosewood Drive--$2,500.00

Fire Academy Development, Phase I--$6,600.00

South Carolina Department of Corrections--$1,050,000 (Wilbur Smith and Associates--$500,000 - Hellmuth, Obata & Kassabaum, Inc.--$500,000 - Consultants--$50,000)

The following projects were administered by The State with the fee paid by Amoco:

South Carolina Public Railways Commission, South Carolina Railroad Study--$35,000.00

South Carolina Public Railways Commission, E. C. & B. Railroad Design--$275,000.00

South Carolina Public Railways Commission, E. C. & B. Railroad Surveys--$18,000.00

APPENDIX "A"

Bridge Cost Summary

Revised 11-29-77

ITEM NO.	ROUTE NAME OR NUMBER	COUNTY	TYPE OF IMPROVEMENT	CROSSING DESCRIPTION	ESTIMATED CONSTRUCTION COST	FEE DISTRIBUTION PHASE A	PHASE B	TOTAL	LENGTH	WIDTH
1.	SC Rt. 146 Woodruff Road	Greenville	Widening Exist. Road	SCLRR Over SC Rt. 146	$420,000	$4,331	$19,934	$24,265	160'	20'
2.	Golden Strip Freeway	Greenville	New Construction	SCLRR Over Freeway	$1,500,000	$6,893	$34,590	$41,483	520'	20'

4-A

The cost plus fixed fee distribution is set forth above for each item and phase to facilitate monitoring intermediate and partial payments of the total cost plus fixed fee and for any amounts to be deducted when such item or phase is deleted. It is to be noted that five percent (5%) of the fee for Final Design Services in Phase B may be deducted should the CONSULTANT not perform the review of shop drawings.

The amounts shown above under "Fee Distribution" shall be considered as "Maximum Amounts Payable" for each phase of the work.

COLUMBIA NEWSPAPERS, INC.

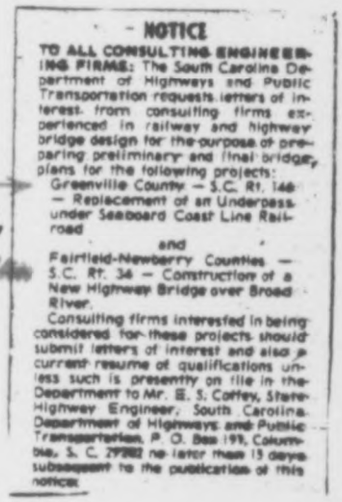
Publishers of

The State — Mornings and Sunday AND The Columbia Record — Evenings

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager of THE STATE, and makes oath that the advertisement,

Notice -
Railway and Highway Bridge Design



NOTICE

TO ALL CONSULTING ENGINEERING FIRMS: The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:

Greenville County — S.C. Rt. 146 — Replacement of an Underpass under Seaboard Coast Line Railroad

and

Fairfield-Newberry Counties — S.C. Rt. 34 — Construction of a New Highway Bridge over Broad River.

Consulting firms interested in being considered for these projects should submit letters of interest and also a current resume of qualifications unless such is presently on file in the Department to Mr. E. S. Coffey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P. O. Box 191, Columbia, S. C. 29202 no later than 15 days subsequent to the publication of this notice.

a clipping of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

July 22, 1977

Carl M. Regal

Subscribed and sworn to before me
this 22nd day of July 1977.

Emma Lee Sandlin Notary Public

COLUMBIA NEWSPAPERS, INC.

Publishers of

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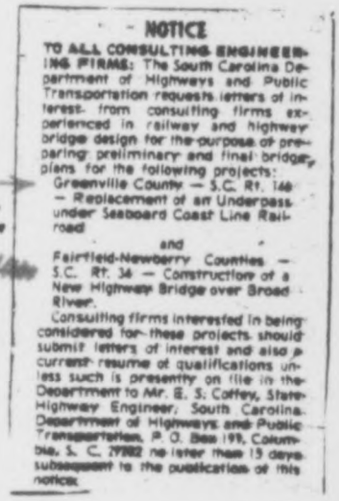

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Carl M. Regal

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this 22nd day of July 1977.

Emma Lee Sandlin Notary Public

THE GREENVILLE NEWS-PIEDMONT COMPANY

POST OFFICE BOX 1688

GREENVILLE, SOUTH CAROLINA 29602

AFFIDAVIT

Allen Dedwyler, being duly sworn, says that he is the legal representative

of { THE GREENVILLE NEWS / ~~GREENVILLE PIEDMONT~~ a newspaper printed and published in the

City of Greenville, in the State of South Carolina. That the attached advertisement ap-

peared in 2½ inches in the issue

of July 22, 1977

A. Dedwyler

Sworn to and subscribed before me

this 22nd day of July 19 77 .

Notary Public for State of S.C. Total Due $

Notice

To All Consulting Engineering Firms: The South Carolina Department of Highways and Public Transportation request letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:

Greenville County — S. C. Rt. 146 — Replacement of an Underpass under Seaboard Coast Line Railroad and Fairfield Newberry Counties — S. C. Rt. 34 — Construction of a New Highway Bridge over Broad River.

Consulting firms interested in being considered for these projects should submit letters of interest and also a current resume of qualifications unless such is presently on file in the Department to Mr. E. S. Coffey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P. O. Box 191, Columbia, S. C. 29202 no later than 15 days subsequent to the publication of this notice. 22093

The News and Courier

State of South Carolina
COUNTY OF CHARLESTON

Personally appeared before me

J.Altine advertising Clerk of The News and Courier, a newspaper published in the City of Charleston, County and State aforesaid, who, being duly sworn, says that the advertisement of

Copy Attached

appeared in the issues of said newspaper on the following day(s): July 22, 1977

Subscribed and sworn to before me this 26th day of July A. D. 19 77

J. Altine

Frankye W Pettus
NOTARY PUBLIC, S. C.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

NOTICE

TO ALL CONSULTING ENGINEERING FIRMS: The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for the following projects:

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PO # 15516

Form No. 3020

COLUMBIA NEWSPAPERS, INC.

Publishers of

The State — *Mornings and Sunday* AND The Columbia Record — *Evenings*

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager of THE STATE, and makes oath that the advertisement,

Notice - Railway and Highway Bridge Design

a clipping of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

July 28, 1977

Carl M. Regal

Subscribed and sworn to before me this 28th day of July 1977.

Emma Lu Sandlin Notary Public

NOTICE

TO ALL CONSULTING FIRMS:

The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for a portion of the proposed Golden Strip Freeway from Road S-48 (Bethel Road) to and including the interchange with U. S. Route 276 near Mauldin, S. C. in Greenville County.

Consulting firms interested in being considered for all or a portion of these bridge projects should submit letters of interest and also a current resume of qualifications unless such is presently on file with the Department to Mr. E. S. Coffey, State Highway Engineer, South Carolina Department of Highways and Public Transportation, P. O. Box 191, Columbia, S. C. 29202 no later than 15 days after publication of this notice.

THE GREENVILLE NEWS-PIEDMONT COMPANY

POST OFFICE BOX 1688

GREENVILLE, SOUTH CAROLINA 29602

AFFIDAVIT

Allen Dedwyler, being duly sworn, says that he is the legal representative

of { THE GREENVILLE NEWS / ~~GREENVILLE PIEDMONT~~ a newspaper printed and published in the

City of Greenville, in the State of South Carolina. That the attached advertisement ap-

peared in 2¼ inches in the issue

of July 28, 1977

Ad Dedwyler

Sworn to and subscribed before me

this 28th day of July 19 77 .

[illegible]

Notary Public for State of S.C.

Total Due $_____

Notice

To All Consulting Firms: The South Carolina Department of Highways and Public Transportation requests letters of interest from consulting firms experienced in railway and highway bridge design for the purpose of preparing preliminary and final bridge plans for a portion of the proposed Golden Strip Freeway from Road S-48 (Bethel Road) to and including the interchange with U. S. Route 276 near Mauldin, S. C. in Greenville County.

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The News and Courier

State of South Carolina
COUNTY OF CHARLESTON

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J.Altine advertising Clerk of The News and Courier, a newspaper published in the City of Charleston, County and State aforesaid, who, being duly sworn, says that the advertisement of

CopyAttached

appeared in the issues of said newspaper on the following

day(s): July 28, 1977

Subscribed and sworn to before me this 29th day of July A. D. 19 77

J. Altine

Frankye W Peters
NOTARY PUBLIC, S. C.
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

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Form No. 3020