

10/11/73

Minutes to be prepared by
Mr. Smith.

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POST OFFICE BOX 340

October 9, 1973

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

Dear Pat:

Re: \$48,500,000 General Obligation Bonds of the
State of South Carolina

I enclose herein the original and eight copies of a Resolution to be adopted by the State Budget and Control Board making provision for the above captioned bonds. This should be adopted at an early meeting of the Board and certainly on or before the publication date which is set for October 17, 1973.

Omitted from the Resolution are the Exhibits and Schedules. The first of these consists of the schedules relating to the items for which the proceeds will be expended. Bill Putnam is working on this and hopefully will come up with a schedule which will, among other things, show (1) all projects which bonds are authorized pursuant to Act 1377, last amended and (2) projects which are now authorized. Having in mind the arbitrage regulations, I would like to see the projects approved for a sum somewhat in excess of \$35 million, as quite obviously it will take a considerable period of time for the moneys to be expended. I must, of course, make certain that Grady is in a position to give the certifications now required by Internal Revenue Service regulations relating to "arbitrage bonds." It is for this reason I want to establish that all of the proceeds will in any event be spent shortly.

With this in mind, I invite your particular attention to recitation 5 in Section 1 and to the proviso in Section 8.

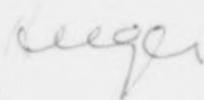
Honorable P. C. Smith
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If any of you getting copies of this letter and copies of the Resolution have any questions, please advise. I expect to make up and send on in due course, the several Exhibits and Schedules which are required. These include the bond form, which does not really change, and the tables showing the form of advertisement which has already been prepared and finally the tables showing bonds outstanding and bonds to be outstanding. All of the information in connection with the bonds outstanding is available in the form of a computer run-off.

It would be extremely helpful if the Resolution could be adopted one day this week.

With kind regards,

Sincerely yours,



HS:jr
Encs.

CC: Grady L. Patterson, Jr., Esq.
William T. Putnam, Esq.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA:

SECTION 1.

As an incident to the adoption of this Resolution the State Budget and Control Board of South Carolina (the State Board) has made the following findings:

(1) The State Board is authorized by Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377) to make provision for the issuance of State Capital Improvement Bonds in order to raise funds for the expenditures authorized by Act 1377.

(2) Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during its 1969, 1970, 1971, 1972 and 1973 Sessions.

(3) Limitations now limit the aggregate amount of State Capital Improvement Bonds that may be issued to the sum of \$308,016,700, and provide further that no more than \$250 Million shall be outstanding at any one time.

(4) As of this date, six series of State Capital Improvement Bonds have been issued in the aggregate principal amount of \$154,380,000. As of this date, \$137,750,000 of

State Capital Improvement Bonds are outstanding. The issuance of \$35,000,000 State Capital Improvement Bonds authorized by this Resolution, together with all other State Capital Improvement Bonds heretofore issued, will not exceed the debt or other limitations imposed upon the issuance of State Capital Improvement Bonds.

(5) Many undertakings and projects have been authorized by Act 1377. These are listed in the Schedules shown as Exhibit "A" hereto. This Board has approved the institution of projects set forth in Exhibit "A" whose total cost will exceed \$35,000,000. After due investigation, it has determined that the proceeds of the sale of the State Capital Improvement Bonds authorized by this Resolution will be expended at or prior to the occasion when the next series of State Capital Improvement Bonds will be issued, which is now scheduled for the fiscal year to begin July 1, 1974. Notwithstanding, it is entirely possible that due to the progress of the work involved on the many projects authorized by Act 1377, one institution or agency may require more funds than that intended by the schedule shown in Exhibit "A", while others may not use all of the funds herewith provided therefor. For that reason, it is herein provided that notwithstanding that approval has been given to expenditures for projects set forth in Schedule A which indicates a potential expenditure in excess of \$35,000,000 therefor,

if it shall hereafter develop that funds to the extent herein provided are not so required for any approved item, then, in such event, such funds may be diverted therefrom by appropriate action of the State Board and applied to other authorized items as set forth in said Act 1377; PROVIDED, ALWAYS, that the aggregate provided as to any item shall not exceed the authorization therefor.

(6) Accordingly, in order to provide \$35,000,000 for projects authorized by Act 1377 as set forth in Exhibit "A" hereto attached, the State Board herewith provides for the issuance of \$35,000,000 of State Capital Improvement Bonds.

SECTION 2

Pursuant to the requirement of Section 6 of Act 1377, the State Board has found that the actual receipts for the preceding fiscal year, viz., that ended June 30, 1973, from the tax levied pursuant to Chapter 5, Title 65, Code of Laws of South Carolina, 1962, exceeded 150% of the maximum annual debt service requirements for all State Ports Bonds now outstanding, all State Capital Improvement Bonds now outstanding, and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and has further found that the estimate of collections from the aforesaid tax, for future fiscal years during which State Ports Bonds and State Capital Improvement Bonds are to be outstanding, will not be less than 150% of the maximum annual principal and interest requirements of all State Ports Bonds

now outstanding and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution. Such estimate is based upon the written report of the State Auditor to the State Board herewith attached as a part of Schedule No. 4.

SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$35,000,000 of State Capital Improvement Bonds in accordance with the provisions of this Resolution.

SECTION 4.

The said bonds shall be in the aggregate principal amount of \$35,000,000, shall be designated "State Capital Improvement Bonds, Series G", shall be in the denomination of \$5,000 each, and shall be numbered from G-1 to G-7000, inclusive.

SECTION 5.

Said bonds shall be dated December 1, 1973, and shall mature in annual series or installments, in numerical order, as follows:

\$ 1,500,000 on December 1 in each of the years
1974 to 1978, inclusive;
\$ 2,000,000 on December 1 in each of the years
1979 to 1983, inclusive; and
\$ 2,750,000 on December 1 in each of the years
1984 to 1988, inclusive.

The bonds maturing on and after December 1, 1984, being bonds numbered G-3501 to G-7000, inclusive, shall be subject to redemption, at the option of the State on December 1, 1983,

and all subsequent interest payment dates, at par, plus accrued interest to the date of redemption, plus a redemption premium of two per centum (2%) of the principal amount of each bond to be redeemed.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on June 1 and December 1 of each year, commencing June 1, 1974, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but:

- (1) No rate of interest named shall exceed 5%;
- (2) All bonds of the same maturity shall bear the same rate of interest;
- (3) All interest payments shall be evidenced by single coupons;
- (4) No interest rate named shall be more than 1% higher than the lowest rate of interest named;
- (5) Each interest rate named shall be a multiple of 1/8th or 1/20th of one per centum (1%); and
- (6) Any sum named by way of premium shall be paid in cash as part of the purchase price.

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from December 1, 1973, until their respective maturities, less any sum named by way of premium.

SECTION 7.

Both the principal of and interest on the bonds shall be payable in any coin or currency of the United States of

America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds will be issued as coupon bonds, payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, State of South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments will be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

(a) One shall be a bank organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, South Carolina; and

(b) The second shall be a bank or trust company organized under the laws of one of the States of the United States, or of the United States located in a City agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the

bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued:

To raise \$35,000,000 for the purposes set forth in Exhibit "A", and shall be expended by the State Treasurer for such purposes; PROVIDED, that if it shall hereafter develop that funds to the extent herein provided for any purpose herein approved are not so required for any approved item, then in such event such funds may be diverted therefrom by appropriate action of this Board and applied to other authorized items as set forth in Act 1377; PROVIDED, ALWAYS, that the aggregate as to any item shall not exceed the authorization therefor.

SECTION 9.

The bonds shall be signed by a facsimile signature of the Governor of South Carolina in office on the date of the adoption of this Resolution, and by the manual signature of the State Treasurer of South Carolina in office on the occasion of the execution of the bonds; the Great Seal of the State shall be reproduced thereon, attested by the manual signature

of the Secretary of State of South Carolina in office on the occasion of the execution of the bonds, but the coupons attached to said bonds shall be authenticated by the facsimile signature of the State Treasurer in office on the date of the adoption of this Resolution. The execution of the coupons in such fashion shall be valid notwithstanding a subsequent change in the personnel of the office of State Treasurer.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, and for the creation of a sinking fund to aid in the retirement and payment thereof, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and, in addition thereto, but subject to the provisions of Act 1377, all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax). The pledge of the revenues derived from the State Income Tax is subject to a prior pledge of such revenues heretofore made to secure the \$7,475,000 State Ports Bonds of the State of South Carolina which will be outstanding on the occasion of the delivery of the bonds authorized by this Resolution.

SECTION 11.

The form of the bonds, with interest coupons thereto attached, and the registration certificate to be endorsed

thereon shall be substantially as set forth in Exhibit "B" attached hereto and made a part hereof.

SECTION 12.

Both the principal of and interest on the bonds shall be exempt from all State, County, Municipal, School District, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

SECTION 13.

In case any bond shall become mutilated in respect to the body of such bond or the coupons, if any, appertaining thereto, or shall be believed by the State of South Carolina to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State of South Carolina, or upon receipt of evidence satisfactory to the State of South Carolina of such destruction, theft, or loss, and upon receipt also of indemnity satisfactory to the State of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor, State Treasurer and Secretary of State of South Carolina shall execute and deliver a new bond of the same maturity, and for the same aggregate principal amount, with the coupons, if any,

appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any or in lieu of and in substitution of the bond and coupons, if any, so lost, stolen or destroyed.

SECTION 14.

The bonds shall be sold at public sale, at not less than par and accrued interest. The said bonds shall be advertised for sale in the following publications:

"THE BOND BUYER," a financial journal published in the City of New York, State of New York; and

"THE STATE," a daily newspaper published in the in the City of Columbia, State of South Carolina;

which notice of sale shall appear at least once, not less than ten days prior to the date set for said sale. The form of notice, time and conditions of sale shall be substantially as set forth in Exhibit "C" attached hereto and made a part and parcel hereof.

SECTION 15.

The proceeds derived from the sale of the bonds shall be applied and disposed of as follows:

(1) Any accrued interest shall be applied to the payment of the first installment of interest to become due on the bonds;

(2) The premium, if any, shall be applied to the payment of the first installment of principal on said bonds; and

(3) The remaining proceeds shall be applied to meet the expenses in connection with the issuance of the bonds as authorized by Act 1377, and thereafter applied to the expenditures referred to in Section 8 hereof.

SECTION 16.

The bonds shall be printed and shall be forthwith executed in the manner set forth in Section 9 hereof, in order to effect their delivery on the occasion prescribed by the Notice of Sale.

SECTION 17.

If all of the Bonds, and coupons, representing interest thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section, if the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys which at any time shall be deposited with the Paying Agent, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby, assigned, transferred and set over to the Paying Agent in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably

appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Paying Agent to forthwith return said funds to the State of South Carolina. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to the provisions of this Section.

SECTION 18.

If bids are received in accordance with the terms and conditions of sale as herein provided, the Governor and the State Treasurer shall, and they are hereby authorized and empowered to award the sale of the bonds to the bidder naming the lowest interest cost to the State, without further action on the part of this Board.

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND.

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

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

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

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

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

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

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

That due notice of meeting of said Board, called to be
held in the Conference Room of the Finance Division in the
Wade Hampton Office Building, at Columbia, South Carolina, at
_____ .M., _____, the _____ day of October, 1973, was given
to all members in writing, and at least four days prior to said
meeting; that all members of said Board were present at said
meeting, with the exception of:

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

FOR MOTION

AGAINST MOTION

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

October _____, 1973

Secretary

E N D