

MINUTES OF BUDGET AND CONTROL BOARD MEETING

APRIL 20 1976

The Budget and Control Board met in the conference room of the Governor's office at 10:00 a. m. on April 20, 1976, with the following members in attendance.

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

Mr. F. Julian LeaMond was absent as he was confined to the hospital in Charleston.

Also in attendance was W. T. Putnam.

The following business was conducted.

MINUTES OF PREVIOUS MEETINGS - All Budget and Control Board members had been previously furnished with copies of the minutes of the meeting of April 6, 1976. Upon a motion by Mr. Patterson, seconded by Mr. Mills, these minutes were approved as written.

W. T. Putnam reported that at the Budget and Control Board meeting on March 2, 1976, approval was given a Petition from Beaufort County for the issuance of Industrial Revenue Bonds in the amount of \$900,000 on behalf of the Alexander Dawson Company. However, through error, this action was omitted from the minutes of that meeting. Without objection, Governor Edwards authorized the correction of the Budget and Control Board minutes of the meeting of March 2, 1976, so as to include this action.

BOARD OF ECONOMIC ADVISORS - Dr. James Morris, Mr. Thomas Evans and Mr. Robert Wasson appeared before the Budget and Control Board to present the quarterly report of the Board of Economic Advisors with respect to the financial status of the State of South Carolina.

The discussions which followed indicated that Dr. Morris and Mr.

Evans still feel that the general fund revenue estimate for the fiscal year 1975-76 should not be altered and that expectations of reaching the estimate of \$940,000,000 still appears to be realistic. However, both admitted that this estimate might be missed by as much as one percent.

Mr. Robert Wasson, Chairman of the South Carolina Tax Commission, indicated that he believed that revenue collections would fall short of the \$940,000,000 by as much as \$25,000,000.

In view of the fact that the majority of the members of the Board of Economic Advisors felt that the current estimate is still realistic, Budget and Control Board members agreed that no change should be made in the official estimate.

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

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

UNIVERSITY OF SOUTH CAROLINA - PRINTING EQUIPMENT -

Mr. McEachern advised that officials of the University of South Carolina have requested permission to purchase a factory rebuilt offset printing press at a cost of approximately \$7,300 and a used sorter for approximately \$6,000. Board members unanimously approved a motion by Mr. Mills, seconded by Mr. Patterson, authorizing the acquisition of this equipment.

SOUTH CAROLINA STATE COLLEGE - PRINTING EQUIPMENT -

Upon the recommendation of Mr. McEachern, Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. Mills, authorizing officials of South Carolina State College to purchase a binding machine at an approximate cost of \$2,150.

PRINTING COSTS - STATE OWNED PRINT SHOP - Mr.

McEachern reported that Mr. R. D. Counts of the General Services Division and Mr. Tom Alewine of the Division of Administration had made a study of the internal print shop costs of the facility located at the Edgar A. Brown Building and operated by the General Services Division. Copies of the findings of this study were distributed to all Board members who were asked to study the report prior to Budget and Control Board action at some future date.

Mr. McEachern also requested permission to rent a copier on a per copy cost basis. This piece of equipment will be used to print documents for the Attorney General and will replace an older copier. Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, authorizing the renting of this equipment.

Data pertaining to the items as presented by Mr. McEachern has been retained in these files and are collectively identified as Exhibit II.

RETIREMENT DIVISION - PROPOSED REGULATIONS - Mr. Purvis Collins, Director of the Retirement Division, appeared before the Budget and Control Board and recommended approval of a regulation to establish the employee and employer contribution rate for non-member service under the South Carolina Retirement System. Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. Mills, approving the regulations as recommended by Mr. Collins.

A copy of the approved regulations has been retained in these files and is identified as Exhibit III.

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

DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL - STIPEND

REQUESTS - Dr. Kenneth Aycock appeared before the Budget and Control

Board to request permission for authority for the Department of Health and Environmental Control to grant nine stipends to be awarded for the academic year beginning in September, 1976. Dr. Aycock advised that most of these stipends would be granted in the nursing field so as to acquire specialists who would be willing to work in rural areas. He reported that the total cost of the stipends would be \$80,498 of which \$33,000 would be furnished from State appropriated funds.

Board members questioned the necessity for educating employees at State expense and felt that possibly additional recruiting efforts might provide ready trained applicants. Board members agreed that the matter should be carried over to a subsequent meeting and requested that Dr. Aycock furnish a statement as to the location of the jobs in question and an outline of the recruiting efforts which had been made to obtain trained employees.

BOARD OF TECHNICAL AND COMPREHENSIVE EDUCATION - EDUCATIONAL LEAVE - Officials of Midlands Technical College have requested authority to grant educational leave to Mr. Peter M. Moanfeldt, an instructor, to attend Florida State University to work for a Ph.D. degree in educational administration. The amount of the stipend, if approved, would be \$ 10,526.

Governor Edwards questioned the real need for another Ph. D. in the Technical Education System and Board members unanimously approved a motion by Senator Dennis, seconded by Mr. Patterson, to carry the matter over for further discussion at a subsequent meeting.

Data pertaining to the items as presented by the Personnel Division have been retained in these files and are collectively identified as Exhibit IV.

FOREIGN TRAVEL REQUESTS - Upon a motion by Mr. Patterson, Budget and Control Board members unanimously approved the following requests for

foreign travel.

Mr. J. Don Lane of the State Board for Technical and Comprehensive Education to travel to Ingolstadt, Germany for a period of seven days, departing on May 16, 1976. The German firm of Schubert and Salzer has announced the establishment of a facility to be located at North Augusta for the manufacture of textile equipment. Mr. Lane will visit the German plants to design a training program for technicians who will work in the North Augusta facility.

Dr. Thomas A. Mahvi of the Medical University of South Carolina to visit the Ferdowsi University School of Medicine in Meshed, Iran. Dr. Mahvi will consult with the faculty of that institution to evaluate their curriculum for the purpose of future exchange programs between the two universities. All expenses of the trip will be paid by the University in Meshed, Iran.

Data pertaining to the above mentioned requests have been retained in these files and are collectively identified as Exhibit V.

CLEMSON UNIVERSITY - CIVIL ENGINEERING FIRM - Officials of Clemson University requested permission to hire the engineering firm of Farmer and Simpson to provide aerial topographic and consulting civil engineering assistance to the Physical Plant Division of the University.

After being assured that all legal requirements for the selection of engineering firms had been met by Clemson University, Board members unanimously approved a motion by Mr. Mills, seconded by Mr. Patterson, authorizing the hiring of this firm as requested.

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

POLLUTION CONTROL FACILITIES BONDS - GREENWOOD COUNTY - The Budget and Control Board received a Petition from Greenwood County requesting authority to issue Pollution Control Facilities Bonds in the amount of \$1,000,000 on behalf of Riegal Textile Corporation.

After being assured that all data had been reviewed by both the State Auditor's office and the Attorney General's office and had been found to be in order, Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, approving the issuance of these bonds.

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

POLLUTION CONTROL FACILITIES BONDS - MARLBORO COUNTY - The Budget and Control Board has received a Petition from Marlboro County for authority to issue two Pollution Control Facilities Revenue Notes totaling \$5,000,000 on behalf of J. P. Stevens and Company, Inc.

Budget and Control Board members were advised that data had been received pertaining to this matter and had been reviewed by the State Auditor's office and found to be in order. However, a final review had not been accomplished by the Office of the Attorney General.

Upon a motion by Mr. Patterson, seconded by Mr. Mills, Board members gave unanimous approval for the issuance of the Pollution Control Facilities Revenue Notes as requested contingent upon final review and approval by the Office of the Attorney General.

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

MEDICAL UNIVERSITY - PLANT IMPROVEMENT BONDS - Board members were advised that a Plant Improvement Bond Anticipation Note in the amount of \$3,295,000 had previously been issued by the Medical University of South Carolina and would become due on May 1, 1976. The Budget and Control Board has now been requested to authorize an extension of this Note until September 1, 1976, at which time Plant Improvement Bonds will be issued and the Anticipation Note will be paid.

Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis authorizing the extending of this Note.

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

UNIVERSITY OF SOUTH CAROLINA - STUDENT FACILITIES REVENUE BONDS - Officials of the University of South Carolina have requested permission to issue \$5,500,000 of Student Facilities Revenue Bonds to finance various

projects at the University. At the present meeting, Board members unanimously approved a motion by Mr. Patterson, seconded by Senator Dennis, authorizing the issuance of these bonds.

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

SALE OF COMPUTER SYSTEMS - DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL - At its meeting of March 2, 1976, the Budget and Control Board received a request from the Department of Health and Environmental Control for permission to sell a portion of the Health Management Information System to the Department of Defense and to enter into a contract with that Federal agency for further development of the computer system. After much discussion, the Budget and Control Board gave tentative approval for the negotiation of such a contract but made this approval contingent upon a review by the Division of Computer Management and Mr. Charles Burr, its director.

At the present meeting, Board members were advised that the review has now been accomplished and that a very lengthy meeting had been held between officials of the Department of Health and Environmental Control, the Governor and his staff, and members of the staff of the Computer Management Division. The outgrowth of this meeting was a policy statement pertaining to computer software and systems which was presented to the Budget and Control Board at the present meeting for approval.

After thoroughly discussing this matter, Board members unanimously approved a motion by Mr. Mills, seconded by Mr. Patterson, adopting the entire policy statement as the official position of the Budget and Control Board. A copy of this statement has been retained in these files and is identified as Exhibit XI.

DEPARTMENT OF SOCIAL SERVICES - CONTRACT FOR AUDIT SERVICES -
Budget and Control Board members were advised that the Department of Social Services presently has a contract with Blue Cross/Blue Shield which provides for rather extensive auditing services by that company on behalf of the State

agency. The Department of Social Services has now proposed to extend that contract so as to include an additional ten skilled nursing homes and one additional hospital as well as taking care of certain other aspects as required by Title XIX. It is anticipated that the total billings by Blue Cross/Blue Shield under the present contract will amount to approximately \$260,000 during the current fiscal year. The additional billings under the proposed changes would amount to no more than \$30,000.

After thoroughly discussing this matter, Board members unanimously agreed to authorize the extension of the contract as requested.

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

FUTURE BUDGET AND CONTROL BOARD MEETINGS - Board members confirmed the meeting which had previously been planned for May 6, 1976, at 10:00 a. m. and agreed that it would be held for the specific purpose of approving a contract for health insurance for State and Public School employees. The Board also unanimously agreed that its next regular meeting would be held at 2:30 p. m. on May 13, 1976.

DEPARTMENT OF CORRECTIONS - VACANCIES - W. T. Putnam reported that the Department of Corrections has requested permission to fill numerous vacancies which have been created by attrition. Since that agency has given notice that it will be operating at a deficit during the latter part of this fiscal year, Budget and Control Board direction was requested as to how approval for the filling of vacancies should be handled.

Board members unanimously agreed that the State Auditor's office could authorize the filling of any vacancy of the Department of Corrections where the position in question was directly connected with the care of prisoners. But that all other vacancies should be reported to the Budget and Control Board before filling.

Without objection, Governor Edwards ordered that this procedure **558** should be followed.

COLLEGE OF CHARLESTON - FACULTY POSITIONS - W. T. Putnam advised that President Stern of the College of Charleston reported that twenty-one faculty members had left his staff and will have to be replaced. In addition, he has requested ten new faculty positions for the fiscal year 1976-77. It was requested that blanket authority be given by the Budget and Control Board for the filling of all of these thirty-one positions.

After a short discussion, Board members unanimously agreed that the positions should be filled. Therefore, without objection, Governor Edwards directed that the State Auditor's office might authorize the filling of the thirty-one positions.

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

DEPARTMENT OF SOCIAL SERVICES - TRANSFER OF FUNDS - Dr. R. Archie Ellis has requested permission to transfer \$99,400 from this appropriation for data processing equipment to the operation of day care centers. Of this amount, \$60,000 would be used to pay for the renovations made to the Blythewood School and the remaining \$39,400 would be used to pay salaries of employees working in two day care centers.

After a thorough discussion of this matter, in which Board members questioned the necessity for this transfer, the Board unanimously approved a motion by Senator Dennis that the Governor's office and the State Auditor's office work together to resolve this matter.

GENERAL SERVICES DIVISION - 91 ASHLEY AVENUE - Mr. McEachern reported that during the year 1973, Palmer College transferred to the Board for Technical and Comprehensive Education a piece of property located at 91 Ashley Avenue in the City of Charleston, South Carolina. This property is no longer in good repair and Trident TEC has transferred the deed to the General Services Division. Mr. McEachern has recommended that the property be disposed of and has recommended the following steps.

- (1) That the property be appraised.
- (2) That the conditions of the contract be investigated to see if there are any limitations upon its disposition.
- (3) That the property be first offered to Harleston Village.
- (4) That the State comply with all zoning ordinances when disposing of the property.

Board members unanimously approved a motion by Mr. Patterson, seconded by Mr. Mills, authorizing Mr. McEachern to proceed to dispose of 91 Ashley Avenue under the conditions as outlined above.

SOUTH CAROLINA STATE COLLEGE - FOREIGN TRAVEL - Board members were advised that Dr. Maceo Nance, President of South Carolina State College, had the opportunity to engage in foreign travel and to study abroad. The funds for this study and foreign travel would be provided from sources other than the general fund appropriations.

Board members unanimously agreed that Dr. Nance was a credit to the State of South Carolina and that this foreign travel and study should be approved. Without objection, Governor Edwards directed approval of the foreign travel request for Dr. Nance.

SECRETARY'S NOTE: Board members were advised that all additional business pertained to either personnel or contractual arrangements. It was, therefore, unanimously agreed that the balance of the meeting should be held in Executive Session.

The Economic and Revenue Outlook
April 1976

EXHIBIT I
APRIL 20, 1976

Economic results of the first quarter highlight the fact that recovery from the 1973-75 recession is well under way and is gathering momentum. Gross National Product in real terms increased at an annual rate of 7.5 percent, price inflation declined to an annual rate of 3.8 percent and unemployment was reduced significantly. The economies of the nation and state have just about reached pre-recession peaks and continue to expand. Basic industries like textiles are expanding, automobile sales are above expectations and some movement in the construction and plant and equipment sectors is now visible. The economic outlook is very favorable, at least through mid-1977, barring some unforeseen contingencies.

Revenues are now reflecting more adequately the economic upturn, after a lag of response in consumption and miscellaneous tax sources. Income tax receipts, especially individual income taxes, are now surging, but the refund situation is such that the full effect of this trend will not be felt until next year. In addition tax laws changes, particularly those providing Shelters for Keogh and IRA pensions, will reduce this year's yield from income taxes.

The concensus of the Board of Economic Advisors is that the 1975-76 revenue estimate of \$940 million will likely be attained within a 1 percent range of error. The Chairman of the Tax Commission, however, is predicting a \$25 million shortfall. For 1976-77 the concensus is firmer that the previous estimate of \$1055 million is attainable. There are prospects for a higher yield in this first full recovery year, but the data now available do not provide a reasonable basis for a higher estimate.

Board of Economic Advisors
April 20, 1976

JAM/jem

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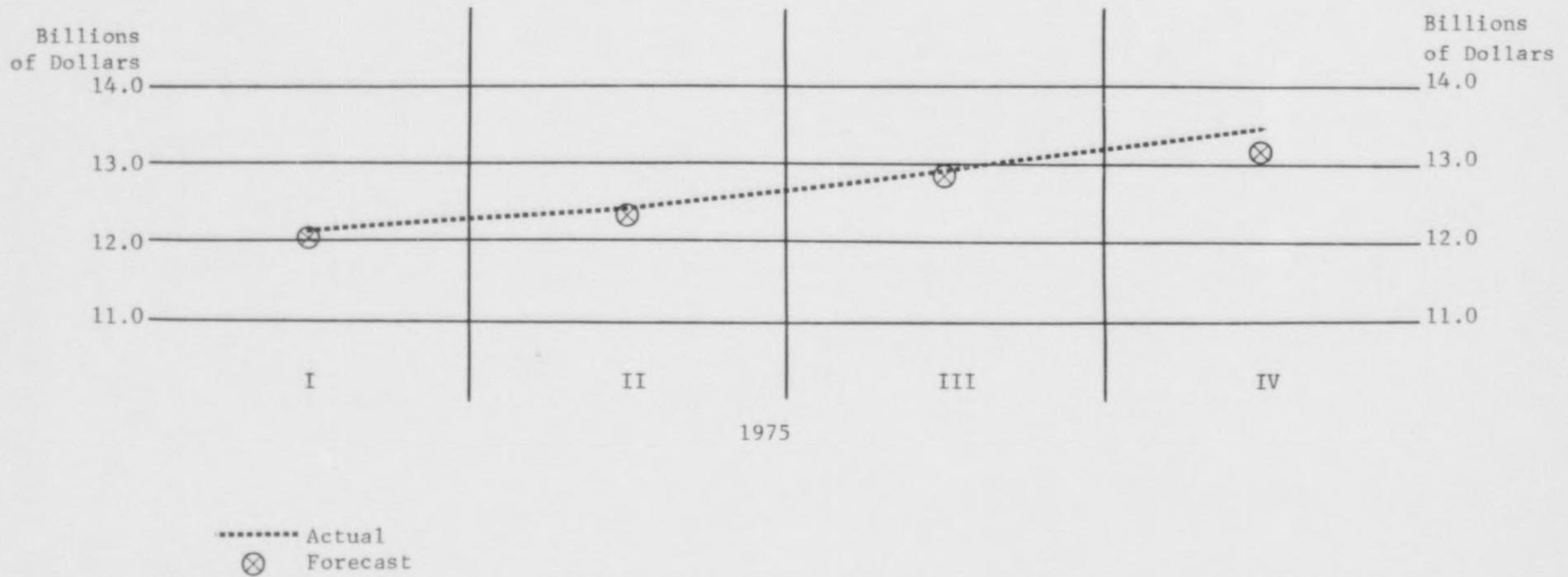
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Board of Economic Advisors
April 20, 1976

JAM/jem

Personal Income, South Carolina
SCOPE FORECAST of March 1975
and
U.S. Department of Commerce Revised (April 1976) Data
Compared



Division of Research and
Statistical Services
April 19, 1976

General Services Print Shop
Public Printing
Analysis

Objectives: The objective of this analysis was to determine whether the House printing requirements (Digest, Journal, Calendar and Permanent Journal) should be handled by the print shop rather than done commercially as it is now.

Additional objectives uncovered during the analysis were to determine appropriate costs to be billed by the print shop, including depreciation and overhead allocation; and to establish intra-governmental service fund accounting principles for the recording of operating costs and revenues.

Findings: The present printing requirements are handled by State Printing Company which typesets and prints the Journal, Calendar and Permanent Journal; and Midlands TEC which offset prints the Digest from computer produced camera ready copy. The print shop proposed to offset print all of the printing requirements. Thus, we compared the costs of typeset printing commercially, offset printing commercially and offset printing by the print shop. Results are summarized as follows:

	<u>Typeset (Comm'l)</u>	<u>Annual Costs</u> <u>Offset (Comm'l)</u>	<u>Offset (Print Shop)</u>
Printing Costs	\$100,900	\$ 63,600	\$ 56,700
Computer Costs	-	52,700	52,700
Capital Costs	-	-	4,300
Total Costs	<u>\$100,900</u>	<u>\$116,300</u>	<u>\$113,700</u>

To produce camera ready copy by computer will require new systems design costs plus costs of computer data input and operation. The print shop will require a capital contribution of \$61,500 to purchase the required offset printing equipment to handle camera ready copy produced by computer. This cost of capital is shown as 7% of \$61,500, the investment earnings lost to the state through equipment purchase.

While there were some initial errors and delays in the production of the House printing requirements, quality and timeliness criteria have consistently been met by current production methods. The print shop is dedicated to the highest levels of quality and service, but it appears that the print shop chance of failing to meet quality and timeliness criteria is as great as or greater than that of commercial enterprises. This finding is based on the print shop's lack of profit incentive and inability to attract the most skilled printing technicians through the state salary program.

Recommendations:

1. House printing requirements should not be met through the print shop, since the total cost of print shop offset printing is greater than commercial typeset printing and the extra cost does not purchase improved quality and service.
2. Bids for this work should be solicited through Requests for Proposal (RFP) to include both typeset and offset operations by commercial enterprises and the print shop bi-annually. Total costs, including operating, capital and computer should be applied to select the lowest bid.
3. The print shop should account for revenues and costs using intra-governmental service fund accounting principles. These principles require a budget rather than appropriation and the full recovery through billings of costs, including rent, depreciation and administrative overhead allocation.
4. The annual audit of the print shop should include analysis of cost effectiveness and comparisons with commercial rates to provide similar service, as well as funds accountability.
5. Cash requirements for operation of the print shop should be scheduled at least quarterly and carefully controlled since analysis indicates a deficit cash position for the next two fiscal years.

TCA:dm

General Services Print Shop
Analysis Schedules

- I. Analysis of Public Printing Costs
- II. Pro-Forma Statement of Operations - July 1, 1975 to June 30, 1980
Incorporating Public Printing Revenues and Costs
- III. Pro-Forma Balance Sheet - June 30, 1975 to June 30, 1980
- IV. Bases used for calculating Revenues
- V. Bases used for calculating Expenses
- VI. Fringe Benefits and Overhead to be applied
- VII. Depreciation Schedule
- VIII. Cash Flow Analysis - June 30, 1976 to June 30, 1980
Incorporating Public Printing Revenues and Costs
- IX. Pro-Forma Statement of Operations - July 1, 1976 to June 30, 1977
Not including Public Printing Revenues and Costs
- X. Cash Flow Analysis - June 30, 1975 to June 30, 1977
Not including Public Printing Revenues and Costs
- XI. Public Printing Computer Costs

TAC:dm

Schedule I

Public Printing Costs

3/25/76

	1	2	3	4	5	6
		Comm'l (Expense)		Comm'l (Offset)		Gen. Svcs (Offset)
1						
2	Direct:					
3	* Printed by FEC	\$ 19,107.07		\$ 19,107.07		
4	** Computer Costs to					
5	produce camera-					
6	ready copy	18,128.00		18,128.00		18,128.00
7						
8	Estimated 6,912 pages					
9	@ \$3.35 per page					23,155.-
10						
11	Journal:					
12	Estimated 3,575 pages					
13	@ \$10.47 per page	37,430.25				
14	Estimated 3,575 pages					
15	@ \$4.84 per page			17,303.-		
16	Estimated 3,575 pages					
17	@ \$3.60 per page					12,870.-
18						
19	Calendar:					
20	Estimated 1,675 pages					
21	@ \$7.49 per page	12,529.-				
22	Estimated 1,675 pages					
23	@ \$4.84 per page			8,107.-		
24	Estimated 1,675 pages					
25	@ \$3.60 per page					6,030.-
26						
27	Permanent Journal:					
28	Estimated 3,575 pages					
29	@ \$8.40 per page	30,030.-				
30	Estimated 3,575 pages					
31	@ \$4.84 per page			17,303.-		
32	Estimated 3,575 pages					
33	@ \$3.60 per page					12,870.-
34						
35	Total Public Printing Costs	\$ 100,909.12		\$ 65,632.27		\$ 67,378.00
36						
37	Computer Production Costs - \$47,000 + \$ 700			5,755.-		5,755.-
38						
39	Capital Costs - 70% \$61,500					4,300.-
40						
	Total Costs	100,909.12		116,587.27		118,793.10

4805 - Buff
5806 - Blue
6806 - Green

566

Schedule II

The Firm Statement of Operations
 July 1, 1975 - June 30, 1980

	1975 - 1976	1976 - 1977	1977 - 1978	1978 - 1979	1979 - 1980
Revenue					
Contract Production	\$ 94,225 -	\$ 102,000 -	\$ 102,000 -	\$ 102,000 -	\$ 102,000 -
Printing		55,000 -	55,000 -	55,000 -	55,000 -
Production of Work		92,500 -	92,500 -	92,500 -	92,500 -
Total Revenue	\$ 94,225 -	\$ 254,500 -	\$ 254,500 -	\$ 254,500 -	\$ 254,500 -
Expenses					
Cost of Service	\$ 32,985 -	\$ 87,075 -	\$ 87,075 -	\$ 87,075 -	\$ 87,075 -
Printing	55,705 -	88,315 -	88,315 -	88,315 -	88,315 -
Production of Work	5,290 -	8,670 -	8,670 -	7,979 -	7,215 -
Production of Materials	3,075 -	3,275 -	3,275 -	3,275 -	3,275 -
Total Cost of Service	\$ 95,055 -	\$ 203,335 -	\$ 203,335 -	\$ 203,335 -	\$ 203,270 -
Expense of Revenue on Cost of Service	\$ (825 -)	\$ 5,075 -	\$ 5,075 -	\$ 5,145 -	\$ 5,220 -
Other Operating Costs					
Printing	\$ 10,385 -	\$ 10,385 -	\$ 10,385 -	\$ 10,385 -	\$ 10,385 -
Production of Work	13,225 -	13,225 -	13,225 -	13,225 -	13,225 -
Production of Materials	720 -	720 -	720 -	720 -	720 -
Production of Work	200 -	200 -	200 -	200 -	200 -
Production of Materials	215 -	215 -	215 -	215 -	215 -
Production of Work	12,675 -	12,675 -	12,675 -	12,675 -	12,675 -
Total Other Operating Costs	\$ 37,420 -	\$ 43,725 -	\$ 43,725 -	\$ 43,725 -	\$ 43,725 -
Expense of Revenue on Cost	\$ (32,245 -)	\$ 7,040 -	\$ 7,040 -	\$ 7,040 -	\$ 7,995 -

Schedule III

General Services Unit
 The Home Rehabilitation Shop
 June 30, 1975 - June 30, 1980

March 25, 1976

Account	6/30/75	6/30/76	6/30/77	6/30/78	6/30/79	6/30/80
Assets						
Current Assets						
Cash	2839.64	(311.47)	(1303.68)	2887.72	1871.572	3473.822
Due from Other Funds	1122.972	18497.1	4916.774	4916.774	4916.774	4916.774
Total Current Assets	1406.672	16185.23	3693.152	5285.656	6788.346	8470.656
Exp. Assets						
Prepaid Equipment	67854-	67854-	129554-	129554-	129554-	129554-
Less Allowance for Depreciation	23105-	25115-	62665-	60735-	63705-	63705-
Total Exp. Assets	29749-	24457-	77289-	72619-	60649-	53454-
Other Equipment	4850-	4850-	4850-	4850-	4850-	4850-
Less Allowance for Depreciation	2520-	2745-	3760-	4175-	4390-	4605-
Total Exp. Assets	1320-	1105-	810-	675-	410-	245-
Total Assets	4117.92	43752.23	115110.52	122579.2	129879.24	137326.56
Liabilities, Cont. Liab. on Fund Balance						
Current Liabilities						
Accounts Payable	600.01	922.77	320.72	390.72	380.72	380.72
Due to Other Funds						
Total Current Liabilities	600.01	922.77	320.72	390.72	380.72	380.72
Cont. Liab. from Other Funds						
Fund Balance	44537.61	34779.23	97720.52	97720.52	97720.52	97720.52
Total Liabilities & Cont. Liab. on Fund Balance	45137.62	35702.00	115110.52	115110.52	115110.52	115110.52

Schedule III

General Savings Fund
 The Fama School Staff
 June 30, 1975 - June 30, 1980

March 25, 1976

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	6/30/75	6/30/76	6/30/77	6/30/78	6/30/79	6/30/80
Assets						
Current Assets						
Due From Other Funds	2859.64	(311.01)	(1303.68)	2887.74	1831.52	3473.82
	11229.72	18497.11	4916.74	4916.74	4996.74	4996.74
Total Current Assets	14089.36	18186.23	3613.06	5856.56	6781.56	8470.56
Fixed Assets						
Equipment + Furniture	67854 -	67854 -	129354 -	129354 -	129354 -	129354 -
Less: Accum. Depreciation	23105 -	47305 -	62005 -	60725 -	68705 -	79200 -
	29749 -	24459 -	77289 -	29619 -	60699 -	53154 -
Other Equipment	4850 -	4850 -	4850 -	4850 -	4850 -	4850 -
Less: Accum. Depreciation	2550 -	2745 -	3760 -	4175 -	4390 -	4605 -
	1200 -	1105 -	290 -	296 -	460 -	245 -
Total Fixed Assets	31049 -	25564 -	77174 -	67294 -	61109 -	56759 -
Total Assets	45139.36	43752.23	11330.06	12586.06	12892.56	13820.56
Liabilities, Contributions on Grand Balance						
Current Liabilities						
Accounts Payable	600.00	987.77	3807.32	2807.32	3807.32	3807.32
Due to other funds						
Total Current Liabilities	600.00	987.77	3807.32	2807.32	3807.32	3807.32
Contributions from Other Funds						
Grand Balance	44539.36	36764.46	9990.63	9778.74	2211.24	9790.63
Total Liabilities, Contributions on Grand Balance	45139.36	40752.23	11511.06	12586.06	12892.56	13820.56

7CA
Schedule IV

General Services Print Shop
Bases Used for Calculating
Revenues

3/25/76

	1	2	3	4	5	6
1	<u>Current Production</u>					
2						
3	Billings from 7/1/75 - 1/31/76			\$517,277.00		
4	Estimated Billing 2/1/76 - 6/30/76 @ \$88.50 / Month			42,500.00		
5						
6	Revenue Estimate 1975-76			<u>\$594,227.00</u>		
7						
8	Revenue Estimate 1976-77 @ \$88.50 / Month			<u>\$102,000.00</u>		
9						
10	<u>Public Printing</u>					
11						
12	Journal - 3,575 pages @ \$3.60 per page			\$12,870.00		
13	Journal - 1,675 pages @ \$3.60 per page			6,030.00		
14	Digest - 6,912 pages @ \$3.35 per page			23,155.00		
15	Business Journal - 3,575 pages @ \$3.60 per page			12,870.00		
16						
17	Revenue Estimate 1976-77			<u>\$54,925.00</u>		
18						
19	<u>Additional Work</u>					
20						
21	Attorney General					
22	1,380,000 pages @ .05 per page			67,500.00		
23						
24	Miscellaneous Revenue @ \$2,500 / Month			30,000.00		
25						
26				<u>97,500.00</u>		
27						
28						
29						
30						
31	<u>Estimated Revenues</u>					
32	1975-76					
33	Current Production			<u>\$594,225.00</u>		
34						
35	1976-77 and General					
36	Current Production			\$102,000.00		
37	Public Printing			54,000.00		
38	Additional Work			97,500.00		
39						
40				<u>\$254,500.00</u>		

General Services Print Shop
Basis Used in Calculating
Expenses

3/25/76

		1	2	3	4	5	6
						1975-76	1976-77
1	<u>Costs of Services</u>						
2							
3	Printers Supplies - Paper, ink, chemicals, plates - 35% of Materials					\$32,975	\$89,075
4	1975-76 .35 x \$94,225 =						
5	1976-77 .35 x \$254,500 =						
6							
7							
8	Direct Labor					\$37,050	\$83,150
9	Printer Technicians + 20% of Supplies (including materials) + fringe benefit						
10	Rate of .1537						
11							
12	(8,504.46550)	1975-76	846,550	+ 7,154.74	=	53,704.74	
13		1976-77	576,550	+ 11,765.74	=	88,315.74	
14							
15	Equipment Depreciation					\$2,900	\$670
16	See Depreciation Schedule						
17							
18	Equipment Maintenance					\$3,075	\$3,275
19	1975-76 - Service Contracts \$595 + Service Calls \$2500 =						
20							
21	1976-77 - Service Contracts \$595 + Service Calls \$2700 =						
22							
23							
24	Equipment Rental						\$1,400
25	Year 2000 to provide lettering General Printing Requirements @ \$1,200/Month						
26							
27							
28	<u>Total Costs of Services</u>					<u>\$95,050</u>	<u>\$207,725</u>
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							570
39							
40							

	1	2	3	4	5	6
					1975-76	1976-77
1	<u>Other Operating Costs</u>					
2						
3	Indirect Labor				\$10,385-	\$10,385-
4	80% of Superior (including increments) \$11,250					
5	+ fringe benefit rate of .1537					
6	1975-77 \$9,000 + 1,383.30 = 10,383.30					
7						
8	Rent				13,225-	13,225-
9	2645 sq ft @ \$5.00 per sq ft per year					
10						
11	Telephone				720-	720-
12	Contract charge per year					
13						
14	Office Supplies				200-	200-
15	Estimated supplies per year					
16						
17	Office Equipment Depreciation				215-	215-
18	See Depreciation Schedule					
19						
20	Overhead Allocation				12,675-	18,980-
21	Overhead rate of .2281846 X labor charge					
22	(not including fringe benefits)					
23	1975-76 - .2281846 X \$55,550 = 12,675.65					
24	1976-77 - .2281846 X \$83,550 = 18,978.92					
25						
26	<u>Total Other Operating Costs</u>				<u>37,420-</u>	<u>43,725-</u>
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						

TCA
Page 1
Schedule III

Schedule of Fringe Benefits + Overhead to be Applied to Print Shop Operations

3/25/76

Applied Rate	Rate	Base	Amount
Overhead Rate	.2281846	(5680.20 / 24,893)	
Fringe Benefit Rate	.1537		
<u>Total Applied Rate</u>	<u>.3818846</u>		
<u>Cost Recovery</u>			
Retirement	.071	\$ 24893-	\$ 176740
Health Insurance	\$ 20088	3 employees	60264
FICA	.0585	\$ 24893-	145624
Overhead Allocation	1.0974781	\$ 517565-	<u>568020</u>
<u>Total Cost to be Recovered</u>			<u>\$ 950648</u>
<u>Cost Applied</u>			
Applied Rates	3819	\$ 24893	<u>\$ 950664</u>
Excess Profits			<u>\$ 16</u>

Schedule of Fringe Benefits
 to be applied
 to Print Shop Operations

3/25/76

1	2	3	4	5	6
Fringe Benefit	State Contributions			Rate	
1 Retirement	\$.071 per personal Salary Dollar			.071	1
2					2
3					3
4 FICA	\$.0585 per personal Salary Dollar			.0585	4
5					5
6					6
7 Health Insurance	\$200.89 per employee per year Divided by Personal Salary Dollars \$24,893 = .0242 per personal Salary Dollar			.0242	7
8					8
9					9
10					10
11					11
12					12
13					13
14					14
15 Total Fringe Benefit				<u>.1537</u>	15
16					16
17					17
18					18
19					19
20					20
21					21
22					22
23					23
24					24
25					25
26					26
27					27
28					28
29					29
30					30
31					31
32					32
33					33
34					34
35					35
36					36

Schedule of Administrative Overhead
To Be Applied
To Print Shop Operations

3/25/72

	1	2	3	4	5	6
1 <u>General Services Overhead</u>						<u>Amount</u>
2 A. Administration						\$ 342,813 -
3 Less Temporary / Part Time						24,000 -
4 Total						\$ 318,813 -
5 B. Administrative Services						150,952 -
6 C. Agency Services						478,000 -
7						
8 <u>Total Overhead to be Applied</u>						<u>\$ 517,565 -</u>
9						
10 <u>General Services Units</u>						
11 A. Administration				0006 7/1/75		
12 Lands and Legal				General Service Overhead Factor		Net Amount
13 Annual Reports						
14 B. Administrative Services						
15 C. State Insurance						
16 D. Agency Services						
17 Computer Center						
18 Central Purchasing						
19 State Printing						
20 Central Supply						
21 Printing and Duplicating						
22 Surplus Property						
23 Food Facility						
24 E. Inspection Services						
25 Administration						
26 Field Services						
27 F. Engineering Services						
28 Property Management						
29 Buildings & Grounds						
30 Central Telephone						
31						
32 <u>Totals</u>						<u>\$ 2268197 - 99999860 \$ 51756500</u>
33						
34 <u>Print Shop Overhead Rate</u>						<u>574</u>
35						
36 \$ 5680.20 / 34,893 = 2281846						

Schedule X

Cash Flow Analysis
June 30, 1975 - June 30, 1977

3/29/76

1 2 3 4 5 6

1975-76

1976-77

Beginning Cash Balance
Beginning AIR Balance
Selling
Total Cash Available

5 288964
1122928
94225 -
\$10839392

522781
1849984
184500 -
\$20247706

Less:

Private Savings
Direct Salary
Savings - Abatement

5 32980 -
4545054
3075 -

64575 -
58375 -
3075 -
14400 -

Bank of Montreal
Post
Telephone

9000 -

10385 -
13225 -
720 -

Other Savings
Alcohol Abatement

200 -

200 -
13600 -

Total Expenses

\$ 9070534

\$ 178555 -

Beginning AIR Balance

60031

98899

Total After Deductions

\$ 9130585

\$ 17954399

Ending AIR Balance (10108316)

(98899)

(194475)

Total Paid Deductions

\$ 9031686

17759924

Total Cash Balance

\$ 1797706

2487782

Ending AIR Balance (1708299)

1849984

3458914

Ending Cash Balance

\$ 522781

\$ 971132

578

Schedule II

Computer Costs

3/29/76

	1	2	3	4	5	6
			Annual Costs			
1	Data Entry Clerk - 2 @ \$5,300		\$ 12,600 -			1
2						2
3	Overhead Allowance - 30%		3,780 -			3
4						4
5	Computer Manuals - 2 @ \$2,400		4,800 -			5
6						6
7	Telephone Lines - 2 @ \$300		600 -			7
8						8
9	Modems (Data Sets) 4 @ \$1,200		4,800 -			9
10						10
11	Magnetic Tapes (Archival Storage)		500			11
12						12
13	Computer Time and Storage		20,000 -			13
14						14
15	Total Annual Costs		\$ 47,080			15
16						16
17	Systems Design and Programming					17
18	8 Man Months Prog/Anal @ \$1,500			\$ 12,000 -		18
19	Computer Time			3,500 -		19
20	Installation Costs			1,500 -		20
21						21
22	Total Systems Costs			\$ 17,000 -		22
23	\$17,000 / 3 years			5,675		23
24						24
25	Total Annualized Costs			<u>52,755</u>		25
26						26
27						27
28						28
29						29
30						30
31						31
32						32
33						33
34						34
35						35
36						36
37						37
38						38
39						39
40						40

EXHIBIT III COPY ALL
APRIL 20, 1976

South Carolina Retirement System

PURVIS W. COLLINS
DIRECTOR



BANKERS TRUST TOWER
P. O. BOX 11960

Columbia
29211

April 13, 1976

Mr. Bill Putnam, Assistant State Auditor
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

I am enclosing a copy of the proposed regulation for Board adoption at the meeting on Tuesday, April 20, 1976.

The proposal is prompted by an amendment to the Retirement Act, copy attached.

Sincerely yours,

Purvis W. Collins

PWC:cfb

REGULATION TO ESTABLISH THE EMPLOYEE AND EMPLOYER
CONTRIBUTION RATE FOR NON-MEMBER SERVICE UNDER THE
SOUTH CAROLINA RETIREMENT SYSTEM

RESOLVED, That the State Budget and Control Board, acting in accordance with Sections 61-34 and 61-54 of the South Carolina Code of Laws, as amended, hereby adopts an employee rate of four per cent of his annual earnable rate of compensation, or four per cent of the average of the three highest fiscal years of salary whichever is greater, at the time of payment, for each year of non-member service established and a proportionate part thereof for a portion of a year. The employer rate of contribution for non-member service shall be equal to the employee rate.

Regulation adopted by the Budget and Control Board of the South Carolina Retirement System at a meeting held on _____, 1976.

The State Budget and Control Board
for the South Carolina Retirement
System

Chairman

Attest:

Secretary

Senate: Dennis, Lindsay,
Taylor
Attorney: Bryan
Senate No.: 728-2594
Engr. No.: 425
Stenographer: Mills
Date: March 31, 1976

At a General Assembly Begun to
be Holden at Columbia, on the
Second Tuesday in January, in the
Year of Our Lord One Thousand
Nine Hundred and Seventy-Six,
and Thence Continued by Divers
Adjournments to the _____
day of _____

Provided, the member contribution for non-member service shall not be less than four percent of his annual earnable compensation, or four percent of the average of the three highest consecutive fiscal years of salary whichever is greater, at the time of payment, for each year of service and a proportionate part thereof for a portion of a year."

In the Year of Our Lord One Thousand Nine Hundred and Seventy-Six

AN ACT

To Amend Section 61-34, Code of Laws of South Carolina, 1962, as Amended, Relating to the Establishment of Previous Service under the South Carolina Retirement System, so as to Provide that the Amount of Contributions Required May be Estimated.

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

SECTION 1. Section 61-34 of the 1962 Code, as last amended by Act 872 of 1970, is further amended to read:

"Section 61-34. Any teacher or employee whose membership in the system was contingent on his own election and who elected not to become a member of the system may apply for and be admitted to membership. Anything herein contained to the contrary notwithstanding, any such person shall receive prior service credit for service rendered prior to the date he was first eligible to become a member and membership service credit for service rendered subsequent thereto provided he pays to the system, by a single payment prior to his retirement or death, the contributions which he would have made had he in fact belonged to the system during the period he was eligible, together with regular interest thereon. Any former member who withdrew his contributions and has again become a member of the system may have the service credited to him under the system at the time he withdrew his contributions restored to him provided he pays to the system, by a single payment prior to his retirement or death, the amount of the contributions previously withdrawn, together with the interest which would have been credited thereon had such contributions remained in the system to the date of his payment of such amount to the system. The Board may estimate the amount of contributions required by this section in an equitable and uniform manner.

SECTION 2. This act shall take effect upon approval by the Governor.

—XX—

In the Senate House the _____ day of _____
in the Year of Our Lord One Thousand Nine Hundred and
Seventy-six _____

President of the Senate

Speaker of the House of Representatives

Approved the _____ day of _____

Governor

EXHIBIT IV
APRIL 20, 1976

583

SOUTH CAROLINA DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL
Stipends to be Offered for the Academic Year Beginning September, 1976

<u>CURRICULUM</u>	<u>NUMBER OF STIPENDS</u>	<u>(FOR) CLASSIFICATIONS</u>	<u>SLOTS AUTHORIZED</u>
Master of Clinical Nursing	4	Clinical Nurse Specialist	4
Master of Social Work	2	Clinical Social Worker I	26
Master of Nursing or Master of Public Health	1	Program Nurse Consultant	15
Bachelor of Science in Nursing	1	Community Health Nurse Team Leader	53
Bachelor of Science in Nursing	1	Nurse Practitioner	44

(As of 3/8/76)

FACULTY AND STAFF DEVELOPMENT PROGRAM
SOUTH CAROLINA TECHNICAL EDUCATION SYSTEM

EDUCATIONAL LEAVE APPLICATION AND CONTRACT

To Midlands Technical College
(Institution)

I, Peter M. Moanfeldt, hereby apply for Educational Leave
from September 1, 1976, to August 31, 1977, for educational
purposes as follows: Attend Florida State University to take class work for
Ph. D. in Educational Administration

I have been a permanent full-time continuous employee of this institution since
August 15, 1964. My current salary is \$ 21,052* for 12 months of
service per year.

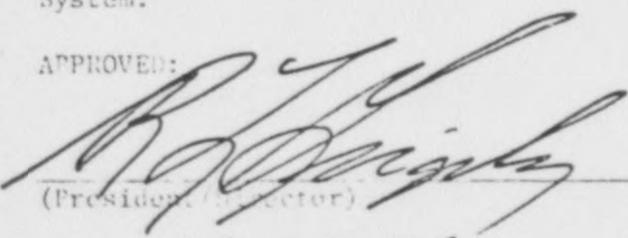
1. Educational Leave without Stipend: I understand that I shall receive no
stipend (salary), but if my educational leave involves postsecondary courses of study,
I shall receive reimbursement of the expense of tuition and course related fees in the
amount of \$ _____ for courses completed satisfactorily during my educational leave.

2. Educational Leave with Stipend: I understand that I shall receive a stipend
consisting of a basic living allowance of \$ 10,526, payable in regular pay periods
during my leave period, and if my educational leave involves postsecondary courses of
study, I shall receive reimbursement of the expense of tuition and course related fees
in the amount of \$ 0 for courses completed satisfactorily during my educational
leave.

If granted educational leave, without stipend or with stipend, I hereby agree to
abide by the regulations governing leave as set forth in the Educational Leave Program
for the South Carolina Technical Education System and will fulfill my service obliga-
tion of 18 months based on the period of this leave, or if I terminate my employment
or fail to complete my service obligation, I will repay within 30 calendar days the
expenses of my educational leave incurred on my behalf by the institution in proportion
to my unfilled service obligation unless I am released from my obligation for good
cause which is limited to mean long-term disability from personal illness or injury,
or illness within the immediate family (spouse or child) which makes it necessary for
the family to relocate. (See attached addendum.)

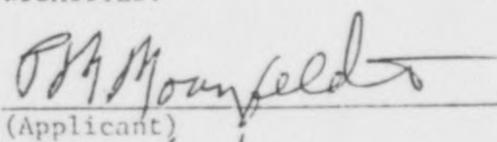
I understand that my employer, in approving my application for educational leave,
agrees to fulfill employer obligations to me in accordance with the regulations set
forth in the Educational Leave Program for the South Carolina Technical Education
System.

APPROVED:


(President/Director)

Date 4-15-76

SUBMITTED:


(Applicant)

Date 4/15/76

* This figure reflects actual salary either paid or committed from July 1, 1975,
through June 30, 1976.

Or, at the agency's option, I may be permitted to sign a promissory note providing for the repayment of the amount owed plus interest, at an annual rate of seven (7) per cent, in scheduled monthly payments over a period not to exceed three years.



CHARLES E. PALMER
EXECUTIVE DIRECTOR

THE STATE BOARD

OFFICERS

Y. W. SCARBOROUGH, JR.
CHAIRMAN

TRACY J. GAINES
VICE-CHAIRMAN

CHARLES E. PALMER
SECRETARY

MEMBERS

Y. W. SCARBOROUGH, JR.
Charleston, S.C.
First Congressional District

WILLIAM A. HORGER
Orangeburg, S.C.
Second Congressional District

P. HENDERSON BARNETTE
Greenwood, S.C.
Third Congressional District

TRACY J. GAINES
Inman, S.C.
Fourth Congressional District

FRANCIS L. BELL
Fort Mill, S.C.
Fifth Congressional District

JOHN G. WELLMAN
Johnsonville, S.C.
Sixth Congressional District

JOHN L. BAUER
Greenville, S.C.
At-Large

HERBERT A. DeCOSTA
Charleston, S.C.
At-Large

CYRIL B. BUSBEE
Columbia, S.C.
Superintendent of Education
Ex-Officio

W. MILTON FOLDS
Columbia, S.C.
State Development Board
Ex-Officio

STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

1429 Senate Street Columbia, South Carolina 29201 803-758-3171

April 6, 1976

Mr. P. C. Smith, Secretary
State Budget and Control Board
Wade Hampton Building
Post Office Box 11333
Columbia, South Carolina 29201

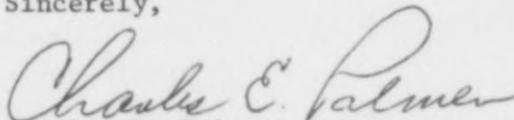
Dear Mr. Smith:

Approval is requested to send Mr. J. Don Lane, Industrial Training Consultant of our Industrial Services Division, to Ingolstadt, Germany for a period of seven days, departing on or about May 16, 1976.

The purpose of this trip is for Mr. Lane to visit the manufacturing plant of Schubert and Salzer. This German company has announced a manufacturing facility to be located in North Augusta, South Carolina for the manufacture of textile equipment. It is considered important by the German officials and personnel of this office that Mr. Lane visit this plant to observe the German manufacturing process and work with company officials in designing a training program that will require technical skills.

An early, favorable reply will be appreciated so that the German officials can be advised that Mr. Lane will visit their manufacturing facility.

Sincerely,


Charles E. Palmer
Executive Director

586

DIRECTOR OF BUSINESS OPERATIONS
(803) 792-3046



Medical University of South Carolina

80 BARRE STREET / CHARLESTON, SOUTH CAROLINA 29401

April 5, 1976

Mr. William T. Putnam
Assistant State Auditor
P. O. Box 11333
Columbia, South Carolina 29201

Dear Mr. Putnam:

I have a request from Dr. Thomas A. Mahvi to obtain approval for him to visit Ferdowsi University School of Medicine in Meshed, Iran to consult with their faculty and then evaluate their curriculum for the purpose of future exchange programs with that Institution.

Dr. Mahvi has received enthusiastic approval from his departmental chairman as well as other University officials to make this trip for the stated purpose subject to approval of the State Budget and Control Board.

As a matter of information, all expenses related to this foreign travel will be paid by the University in Meshed, Iran.

We hope that the Budget and Control Board will give favorable approval of this request within the very near future.

Sincerely yours,

L. W. Michaelis
Director, Business Operations

LWM/slc

RECD
4/7/76
WTP

587

DIRECTOR OF BUSINESS OPERATIONS
(803) 792-3046



Medical University of South Carolina

80 BARRE STREET / CHARLESTON, SOUTH CAROLINA 29401

April 5, 1976

Mr. William T. Putnam
Assistant State Auditor
P. O. Box 11333
Columbia, South Carolina 29201

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As a matter of information, all expenses related to this foreign travel will be paid by the University in Meshed, Iran.

We hope that the Budget and Control Board will give favorable approval of this request within the very near future.

Sincerely yours,

L. W. Michaelis
Director, Business Operations

LWM/slc

RECD
4/7/76
WTP

587

EXHIBIT III
APRIL 20, 1976



CLEMSON
UNIVERSITY

VICE PRESIDENT FOR BUSINESS AND FINANCE

April 5, 1976

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

Dear Mr. Smith:

Aerial Topographic and Consulting Civil Engineering Assistance

We have completed the first four steps of the State Budget and Control Board's procedures to be followed in selection of an engineering firm to provide Aerial Topographic and Consulting Civil Engineering assistance to our Physical Plant Division.

In accordance with Step 5 of these procedures we submit for approval the firm of Farmer & Simpson, and are attaching (1) a copy of a tentative contract, (2) certifications showing required newspaper announcements regarding 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, 1973, showing for each the nature of the project, the architects-engineers, and the original contract amount.

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

Sincerely,

A handwritten signature in cursive script that reads "Melford A. Wilson".

Melford A. Wilson

Vice President for Business and Finance

MAW:JB:pdh

Enclosures

588

Mr. M. A. Wilson

PPD-21

BID AND CONTRACT ON CONTINGENCY BASIS

CONTRACT NO. _____

DATE OF CONTRACT March 30, 1976

Name and Address of Contractor: Farmer & Simpson Engineers
P.O. Box 1692 - 1621 N. Main Street
Anderson, S. C. 29622

Department: PHYSICAL PLANT DIVISION, CLEMSON UNIVERSITY, CLEMSON, S. C.

Place:

THIS CONTRACT, entered into this date by Clemson University, hereinafter called the University, represented by the Vice President for Business and Finance, and the Corporation named above, hereinafter called the Contractor, do mutually agree as follows:

That the Contractor is to perform required engineering, surveying, designing and drafting services and to provide plans and specifications as needed by Clemson University, Physical Plant Division.

Remuneration will be in accordance with the attached proposal from Farmer & Simpson Engineers.

This contract may be rendered null and void by either party upon thirty days written notice of intention to do so.

Work to be started _____

Work to be completed _____

Payment are to be made in accordance with standard practices after invoice in triplicate covering completed work is submitted for approval and payment. Invoices will be submitted at the first of every month, or upon completion of the work. Invoices must be substantiated by time sheets.

Insurance coverage is listed on the REVERSE SIDE of this Contract and is to be incorporated as part of this Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date stated above.

ACCEPTED BY:

Farmer & Simpson Engineers

Contractor

J. C. James, Jr.

President

Signature

Title

CLEMSON UNIVERSITY
By

Melford A. Wilson
Vice President for Business and Finance

589 Rev. 10-70 6-62

LIABILITY INSURANCE

The Contractor hereby agrees to indemnify and save harmless the Owner or its agents, servants and employees, from and against any and all loss, expense, damage, or injury caused or occasioned, directly or indirectly, by his act or negligence, or the act or negligence of any sub-contractor or his agents or employees in performing any of the work called for in this Contract.

The Contractor shall maintain such insurance as shall protect him from claims under the Workmen's Compensation Acts and also such insurance as shall protect him from claims for damages for personal injury, including death and claims for damage to property which may arise from operations under this Contract, whether such operations be by himself or by any sub-contractor or anyone directly or indirectly employed by either of them. Minimum limits of such insurance are shown below.

Certificates as such insurance, as listed below, shall be filed with the Director of Physical Plant before any work is started. Such certificates shall contain a statement by the Insurance Carrier that in the event of any material change or cancellation of any of the policies, the Director of Physical Plant will be notified within 15 days prior to such change or cancellation.

- A. Workmen's Compensation, including:
 - 1. Workmen's Compensation Insurance - Statutory limits
 - 2. Employer's Liability - Statutory limits

- B. Comprehensive General Liability, including:
 - 1. Premises and Operations - 100/300 B.I.; 50/100 P.D.
 - 2. Elevator Liability - 100/300 B.I.; 50/100 P.D.
 - 3. Contractor's Protective Liability - 100/300 B.I.; 50/100 P.D.
 - 4. Products Liability, including Completed Operations Coverage - 100/300 B.I.; 50/100 P.D.
 - 5. Contractual Liability - 100/300 B.I.; 50/100 P.D.

- C. Comprehensive Automobile Liability, including:
 - 1. All Owned Automobiles 100/300 B.I.; 50 P.D.
 - 2. Non-Owned Automobiles 100/300 B.I.; 50 P.D.
 - 3. Hired Car Coverage 100/300 B.I.; 50 P.D.

- D. Contractor's Contingent Insurance, if some part of the work is sublet to other contractors.

All policies shall be subject to the approval of the Owner for form and adequacy of protection.

UNEMPLOYMENT INSURANCE, OLD AGE PENSIONS, ETC.

Contractor agrees to indemnify and save Owner harmless, and to assume full responsibility for payment of all State and Federal taxes for unemployment insurance, old age pensions, or any other Social Security legislation as to all employees engaged in the performance of this Contract, and further agrees to meet all requirements that may be specified in regulations now or hereafter promulgated from time to time by administrative officials. The Contractor must comply with President's Executive Order 11246 as an Equal Opportunity Employer.

EQUAL OPPORTUNITY

The Contractor shall comply with the Owner's Equal Employment Opportunity, Employment of the Handicapped, and Affirmative Action policies. Prior to execution of this contract the Contractor will certify his compliance by execution of the Owner's forms, CUAAP - 1 thru 5, as appropriate.



FARMER & SIMPSON ENGINEERS

P. O. BOX 1692, ANDERSON, SOUTH CAROLINA 29622

March 30, 1976

PROPOSAL TO CLEMSON UNIVERSITY:

Rates for Engineering Services

Engineer	at	\$18.00 per hour
Draftsman	at	\$10.00 per hour
2-man Survey Party	at	\$16.00 per hour
3-man Survey Party	at	\$20.00 per hour
4-man Survey Party	at	\$24.00 per hour
5-man Survey Party	at	\$28.00 per hour

Engineering Services include the following:

1. Office time
2. Field time (includes travel time one way)
3. Construction inspections
4. Drawings, computations, and specifications
5. Prints and reproductions
6. Travel expense to and from Clemson University

Thank you for the opportunity to submit this proposal and for your consideration.

Sincerely yours,

J. A. Farmer, Jr.
J. A. Farmer, Jr.

591

FEB 23 2 10 PM '76
CLEMSON UNIVERSITY
BUSINESS AND FINANCE

INVOICE AND AFFIDAVIT

THE GREENVILLE NEWS-PIEDMONT COMPANY

PHONE (803) 242-5011 P.O. BOX 1688
GREENVILLE, SO. CAROLINA 29602

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 _____ $4\frac{1}{2}$ inches in the issue

of February 20, 21, 22, 1976

Allen Dedwyler

Sworn to and subscribed before me

this 23rd day of February 19 76

Howard G. Lennard
Notary Public for State of S.C.

Total Due \$ _____

Consulting Engineer
Qualification Request
Clemson University re-
quests resumes from
firms interested in pro-
viding consulting engi-
neering assistance to the
Physical Plant Division
on civil engineering
projects.
Essentially, the work
will be engineering de-
sign of site work, land
surveying preparation of
topographic drawings,
coordination of aerial
mapping, and other civil
engineering design. It is
contemplated that com-
pensation will be by a
multiple of direct ex-
penses. The successful
firm will be required to
maintain accounting re-
cords in an acceptable
accounting approved by
Owner.
Resumes must be re-
ceived in the office of
Roy M. Rochester, As-
sistant Vice President
for Physical Plant,
Clemson University,
Clemson, S.C. 29631, not
later than March 8,
1976.

133931

CLEMSON UNIVERSITY
BUSINESS AND FINANCE

THE GREENVILLE NEWS-PIEDMONT COMPANY FEB 23 1976

PHONE (803) 242-5011 P.O. BOX 1688
GREENVILLE, SO. CAROLINA 29602



MULTIMEDIA

TO
Clemson University
Clemson, South Carolina 29631
Attn: Melford A. Wilson
Vice President for Business
and Finance

02/23/76
DATE

LEGAL ADVERTISING	DATE	AMOUNT DUE
Re: CONSULTING ENGINEER QUALIFIC ATION REQUEST	February 20, 21, 22, 1976	66.70
		66.70 BALANCE

GAP-81030

ENGINEERING FIRMS SUBMITTING RESUMES
TO PROVIDE AERIAL TOPOGRAPHIC AND CIVIL ENGINEERING
ASSISTANCE TO PHYSICAL PLANT DIVISION

April 5, 1976

1. Farmer & Simpson Engineers
Box 1692
Anderson, S. C. 29622
2. Baldwin & Cranston Assoc., Inc.
P. O. Box 458
Cashiers, N. C.
3. Piedmont Engineers-Architects-Planners
Box 1717
Greenville, S. C. 29602
4. Heaner Engineering Company, Inc.
Drawer 10
Greenwood, S. C. 29646
5. Century Southern, Inc.
P. O. Box 10342
Greenville, S. C. 29603
6. Hearst Coleman & Associates, Inc.
1207 Montague Street
Greenwood, S. C. 29646
7. R. S. Noonan, Inc.
P. O. Box 1388
Greenville, S. C. 29602
8. Stetson Architects & Engineers, Inc.
33 Villa Road
Greenville, S. C. 29607
9. Enwright Associates, Inc.
P. O. Box 5287, Station B
Greenville, S. C. 29606

ENGINEERING FIRMS WHOSE REPRESENTATIVES WERE INTERVIEWED
IN CONNECTION WITH PROVIDING AERIAL TOPOGRAPHIC
AND CONSULTING CIVIL ENGINEERING ASSISTANCE TO
PHYSICAL PLANT DIVISION

April 5, 1976

1. Farmer and Simpson Engineers
P. O. Box 1692
Anderson, S. C. 29622
2. Piedmont Engineers-Architects-Planners
P. O. Box 1717
Greenville, S. C. 29602
3. Enwright Associates, Inc.
P. O. Box 5287
Greenville, S. C. 29606

copy

CLEMSON UNIVERSITY
CONSTRUCTION PROJECTS SINCE JANUARY 1, 1973

596

Date of E-1	Project No.	Name	Original Contract Amount	Architects	Nature of Project
5/15/73	9-102	Biological Sciences Bldg.	\$5,350,000	Riley/Bultman/Coulter Columbia, S. C.	Laboratory building
5/15/73	9-103	Agricultural Administration and Forest & Recreation Resources Facility	\$4,350,350	Lucas & Stubbs Assocs., Ltd. Charleston, S. C.	Office & teaching
9/10/74	9-110	Renov. & Addition to Agricultural Engr. Bldg.	\$2,236,126	J. E. Serrine Company Greenville, S. C.	Office & teaching
6/19/74*	9-112	Nursing Building	\$2,349,120	Riley/Bultman/Coulter	Office & teaching
10/11/74	9-114	Renov. of Serrine Hall	\$ 800,000 (est.)	McMillan, Bunes, Townsend and Bowen, Greenville, S.C.	Office & teaching
		<u>1</u> /Continuing Education Center	\$6,000,000 (est.)	Craig & Gauden, Greenville	Continuing educ. activities
7/24/75	9-120	Incinerator & Postmortem Facility	\$ 130,000 (est.)	Pearlstine-Anderson Columbia, S. C.	Postmortem facility for Livestock-Poultry Health Dept.
		University Golf Course	\$1,000,000 (est.)	George W. Cobb, Greenville	18-hole golf course
N/A	N/A	Consulting Engineering Assistance to Physical Plant Div.	N/A	Peritus Engineers, Inc. Greenville, S. C.	Additions, modifica- tions and renovations of various utility systems
N/A	N/A	Aerial Topographic and Civil Engineering Assistance to Physical Plant Division	N/A	Farmer and Simpson Box 1692 Anderson, S. C.	Aerial Topographic work for golf course and other Civil Engineering Assistance

*Original letter of agreement dated 11/22/71.

1/This contract terminated during schematic design phase due to withdrawal of funds by State Budget & Control Board.

PPD-JB-04/05/76

The State of South Carolina

EXHIBIT VII
APRIL 20, 1976



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

April 13, 1976

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

Re: \$1,000,000 Greenwood County, South Carolina
Pollution Control Facilities Revenue Note-
Series 1976 (Riegel Textile Corporation Project)

Dear Mr. Smith:

Regarding the above referenced bonds, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Act No. 156 of 1971 [57 STAT. 134 (1971)] 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
Enclosures

P. S. Bill:

The proposed resolution for the Budget and Control Board to sign was not included in the documents you gave me and so my letter refers only to the Petition and resolution of the Greenwood County governing body. Also, DHEC's finding is not attached to the Petition as is recited in paragraph 5 thereof.

KLH

E. 597

The State of South Carolina

EXHIBIT VII
APRIL 20, 1976



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

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Wade Hampton Office Building
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With kind regards,

Karen LeCraft Henderson

Karen LeCraft Henderson
Assistant Attorney General

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Enclosures
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The proposed resolution for the Budget and Control Board to sign was not included in the documents you gave me and so my letter refers only to the Petition and resolution of the Greenwood County governing body. Also, DHEC's finding is not attached to the Petition as is recited in paragraph 5 thereof.

KLH

E- 597

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 7, 1976

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

Dear Bill:

Re: \$1,000,000 Greenwood County, South Carolina,
Pollution Control Facilities Revenue Note,
Series 1976 (Riegel Textile Corporation)

Enclosed herewith are the following documents relating to
the above bonds:

- (1) certified copy of a Resolution of the Greenwood County
Council authorizing Petition to the State Budget and Control
Board;
- (2) original Petition to Budget and Control Board;
- (3) draft of proposed Loan Agreement between Greenwood
County and Riegel Textile Corporation.

Colin Sayer, of Riegel, will be forwarding to you current
financial information relating to Riegel. I understand that
Riegel's figures for the quarter ending March 31 will be
available on or about April 16, at which time Mr. Sayer will
forward such information. Riegel has been in communication with
the Department of Health and Environmental Control relative to
obtaining the necessary certificate from such department. We
are requesting that the Department of Health and Environmental
Control forward the executed certificate directly to you when
available.

We would appreciate your placing this bond issue on the
agenda for consideration at the Budget and Control Board's meeting
on Tuesday, April 20. Thank you for your assistance in this
matter. Best personal regards.

Yours very truly,

Low Hutcherson

TAH:wjh

Enclosures

cc: G. P. Callison, Esq.
Mr. Colin Sayer
Mr. Clayteen Lewis
Mr. C. H. Edmonston
Robert T. Lincoln, Esq.
Mr. W. David Rhodes, III
Mr. J. E. Haller

E. 598

A RESOLUTION

APPROVING THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AIR POLLUTION CONTROL FACILITIES IN GREENWOOD COUNTY BY RIEGAL TEXTILE CORPORATION THROUGH THE ISSUANCE OF NOT EXCEEDING ONE MILLION DOLLARS (\$1,000,000) GREENWOOD COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976 (RIEGEL TEXTILE CORPORATION); AND AUTHORIZING THE PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO ACT NO. 156 OF THE 1971 ACTS OF THE SOUTH CAROLINA GENERAL ASSEMBLY.

As an incident to the adoption of this Resolution, Greenwood County Council (the County Board) has made the following findings:

1. Riegel Textile Corporation, a Delaware corporation (the Industry), and the County Board have heretofore agreed that the County Board would undertake to finance the acquisition, construction and installation of new air pollution control facilities (the Facilities) to be owned by the Industry at the Industry's plant in Ware Shoals, at an estimated cost of \$1,000,000, through the issuance of a \$1,000,000 Greenwood County Pollution Control Facilities Revenue Note pursuant to the authorization of Act No. 156 of the 1971 Acts of the South Carolina General Assembly, as amended (the Act). The Industry has now advised the County Board that the cost of the Facilities will exceed \$1,000,000, including the costs incident to the issuance of the Note hereinafter described. The County Board adopts this Resolution to evidence its approval of the issuance of \$1,000,000 Greenwood County Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation) (the Note) to finance the Facilities and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

2. The County Board has determined that the Facilities are necessary and that the issuance of the Note to finance the Facilities will not give rise to any pecuniary liability

of Greenwood County or a charge against its general credit or taxing power; and that the Note shall be payable by the County solely out of the moneys to be derived by the County pursuant to the Loan Agreement hereinafter described.

3. The amount necessary from the County to finance the Facilities does not exceed One Million Dollars (\$1,000,000).

4. The proceeds derived from the sale of the Note will be loaned by the County to the Industry, and the Industry has submitted to the County Board an outline of the proposed Loan Agreement, under which the Industry will agree to repay such loan by making payments in the amount necessary to provide the payments of principal and interest on the Note as the same become due.

5. In the Loan Agreement the Industry agrees to effect the completion of the Facilities if the proceeds of the Note prove insufficient and the Industry will further obligate itself to make payments which shall be sufficient to pay the principal of and interest on the Note as they become due and payable, the cost of maintaining the Facilities in good repair, and the cost of keeping the Facilities properly insured. The Loan Agreement, as permitted by the Act, will provide that the Facilities shall be the property of the Industry, and the County shall have no interest therein.

6. The Note will be issued pursuant to a Resolution (the Resolution) to be adopted by the County Board which, among other things, will prescribe the terms and conditions of the Note and the security therefor. The Note will be dated the date of delivery thereof and will bear interest at a rate of 5 1/2% per annum, payable on May 1 and November 1 of each year, beginning November 1, 1976. The Note will mature in ten annual installments of \$100,000 each, payable on May 1 of each year beginning May 1, 1977.

7. The Industry has made application to the South Carolina Department of Health and Environmental Control for a finding that the Facilities are in furtherance of the purpose of abating or controlling air pollution.

8. In view of the well established credit of the Industry, it is unnecessary to establish reserve funds for the payment of principal and interest on the Note.

9. The Industry has advised the County Board that the Industry has arranged for the sale of the Note to Bankers Trust of South Carolina.

10. The Note will be issued as a tax exempt Note pursuant to the provisions of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY GREENWOOD COUNTY COUNCIL, IN MEETING DULY ASSEMBLED:

That the County Board finds that the facts set forth above are in all respects true and correct and on such basis has determined to finance the Facilities above described, and to authorize the sale of the Note by Greenwood County as aforesaid.

BE IT FURTHER RESOLVED:

That the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Petition shall be duly executed by the Chairman of the County Council and attested by the Executive Secretary of County Council.

Chairman

(SEAL)

Constituting the members of Greenwood County Council

Attest:

Executive Secretary, Greenwood County Council

STATE OF SOUTH CAROLINA

COUNTY OF GREENWOOD

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of Greenwood County Council (the County Board) pursuant to Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act) and in particular Section 14 thereof, respectfully shows:

1. The County Board is the governing body of Greenwood County, and as such is the "Governing Board" of Greenwood County referred to in the Act.

2. The Act authorizes the County Board, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control required by Sections 14 and 7 of the Act, respectively, to enter into agreements with any industry to construct pollution control facilities, to enter into loan agreements with such industry prescribing the terms and conditions of the payments to be made by the industry 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 pollution control facilities.

3. The County Board has heretofore agreed with Riegel Textile Corporation, a Delaware corporation (the Industry), that the County Board will undertake to finance the acquisition and construction of air pollution control facilities installed at the Industry's Ware Shoals plant.

4. The County Board is advised by the Industry that the cost of acquiring, installing and constructing the said air pollution control facilities (the Pollution Control Facilities), including the cost of issuing the note hereinafter described, will exceed \$1,000,000, and that it will therefore be necessary that the County Board issue its \$1,000,000 Greenwood County Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation) (the Note) the proceeds of which shall be loaned to the Industry and used to defray the cost of acquiring, installing and constructing the Pollution Control Facilities.

5. The Industry has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and in that connection there is attached hereto as Exhibit A said finding by the Department of Health and Environmental Control relating to the Pollution Control Facilities.

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

A. The Pollution Control Facilities will result in the elimination, mitigation and prevention of air pollution resulting from the operation of the Industry's textile plant in Ware Shoals, South Carolina, and the financing of the Pollution Control Facilities will serve the purposes of the Act.

B. By reason of the financing of the Pollution Control Facilities no pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing power.

C. The Loan Agreement to be entered into between the County and the Industry will contain a covenant obligating the Industry to effect the completion of the Pollution Control Facilities if the proceeds of the Note prove insufficient, and further obligating the Industry (a) to pay the principal of and interest on the Note; and (b) to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured. In view of the well established

credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

D. The Loan Agreement will further provide, as permitted by the Act, that the Pollution Control Facilities will be owned by the Industry, and the County shall have no interest therein.

E. The principal and interest on the Note shall be secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and the Note shall not 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.

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

A. The Pollution Control Facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of air pollution at the Industry's plant above described.

B. Pursuant to the request of the Industry, the Department of Health and Environmental Control has issued permits for the Pollution Control Facilities.

C. The cost of the Pollution Control Facilities exceeds \$1,000,000, including acquisition, installation and construction costs, financing costs, and all other expenses to be incurred in connection therewith and in connection with the issuance of the Bond.

D. The proposed Loan Agreement will provide in general:

(a) To finance the cost of the acquisition, installation and construction of the Pollution Control Facilities, the County will issue a \$1,000,000 Note which will be secured by a pledge of the payments to be made by the Industry pursuant to a Loan Agreement, and will be issued pursuant to a Resolution to be adopted by the County Board.

(b) Proceeds derived from the sale of the Note will be paid over to the Industry to reimburse the Industry for the payment of the costs incident to the acquisition, installation and construction of the Pollution Control Facilities (including the repayment to the Industry of any loans incurred or advances made for such purpose) and the issuance of the Note.

(c) Under the terms of the Loan Agreement, the Industry will obligate itself to effect the completion of the Pollution Control Facilities if the proceeds derived from the sale of the Note prove insufficient, to pay the amount necessary to meet the payments of principal and interest and premium, if any, on the Note as the same become due, and to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured.

(d) As permitted by the Act, the Loan Agreement will provide that the Pollution Control Facilities shall be the property of the Industry and the County shall have no interest therein.

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

8. It is the intent of the County Board that the Loan Agreement shall be finally executed and delivered in substantially the form of that document forwarded to the Budget and Control Board, and, although changes may be made in the form, it is not expected that there will be any changes which will substantially affect the undertaking of the County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described, and that the State Board, as soon as practical, make such investigation as it deems advisable, and that if it find that the Pollution Control Facilities are intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Pollution Control Facilities and the proposed financing thereof by the County through the issuance of the Note 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 give published notice of its approval in the manner set forth in Section 14 of the Act.

_____, 1976

Respectfully submitted,
GREENWOOD COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman, Greenwood County Council

Attest:

Executive Secretary, Greenwood
County Council

605

STATE OF SOUTH CAROLINA
COUNTY OF GREENWOOD.

I, the undersigned, Executive Secretary of Greenwood
County Council, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy
of the Resolution unanimously adopted by Greenwood County
Council at a duly called and regularly held meeting at which
all members attended and remained throughout on April 6,
1976.

That the said Resolution was proposed by Mr. Robinson,
and seconded by Mr. Conley, and the same is now in
full force and effect and has not been modified, amended,
repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and the
Seal of the said County Council this 6th day of April,
A. D., 1976.

(SEAL)

D. E. R. [Signature]
Executive Secretary, Greenwood
County Council

STATE OF SOUTH CAROLINA
COUNTY OF GREENWOOD

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of Greenwood County Council (the County Board) pursuant to Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act) and in particular Section 14 thereof, respectfully shows:

1. The County Board is the governing body of Greenwood County, and as such is the "Governing Board" of Greenwood County referred to in the Act.

2. The Act authorizes the County Board, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control required by Sections 14 and 7 of the Act, respectively, to enter into agreements with any industry to construct pollution control facilities, to enter into loan agreements with such industry prescribing the terms and conditions of the payments to be made by the industry 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 pollution control facilities.

3. The County Board has heretofore agreed with Riegel Textile Corporation, a Delaware corporation (the Industry), that the County Board will undertake to finance the acquisition and construction of air pollution control facilities installed at the Industry's Ware Shoals plant.

4. The County Board is advised by the Industry that the cost of acquiring, installing and constructing the said air pollution control facilities (the Pollution Control Facilities), including the cost of issuing the note hereinafter described, will exceed \$1,000,000, and that it will therefore be necessary that the County Board issue its \$1,000,000 Greenwood County Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation) (the Note) the proceeds of which shall be loaned to the Industry and used to defray the cost of acquiring, installing and constructing the Pollution Control Facilities.

5. The Industry has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and in that connection there is attached hereto as Exhibit A said finding by the Department of Health and Environmental Control relating to the Pollution Control Facilities.

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

A. The Pollution Control Facilities will result in the elimination, mitigation and prevention of air pollution resulting from the operation of the Industry's textile plant in Ware Shoals, South Carolina, and the financing of the Pollution Control Facilities will serve the purposes of the Act.

B. By reason of the financing of the Pollution Control Facilities no pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing power.

C. The Loan Agreement to be entered into between the County and the Industry will contain a covenant obligating the Industry to effect the completion of the Pollution Control Facilities if the proceeds of the Note prove insufficient, and further obligating the Industry (a) to pay the principal of and interest on the Note; and (b) to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured. In view of the well established

credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

D. The Loan Agreement will further provide, as permitted by the Act, that the Pollution Control Facilities will be owned by the Industry, and the County shall have no interest therein.

E. The principal and interest on the Note shall be secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and the Note shall not 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.

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

A. The Pollution Control Facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of air pollution at the Industry's plant above described.

B. Pursuant to the request of the Industry, the Department of Health and Environmental Control has issued permits for the Pollution Control Facilities.

C. The cost of the Pollution Control Facilities exceeds \$1,000,000, including acquisition, installation and construction costs, financing costs, and all other expenses to be incurred in connection therewith and in connection with the issuance of the Bond.

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(a) To finance the cost of the acquisition, installation and construction of the Pollution Control Facilities, the County will issue a \$1,000,000 Note which will be secured by a pledge of the payments to be made by the Industry pursuant to a Loan Agreement, and will be issued pursuant to a Resolution to be adopted by the County Board.

(b) Proceeds derived from the sale of the Note will be paid over to the Industry to reimburse the Industry for the payment of the costs incident to the acquisition, installation and construction of the Pollution Control Facilities (including the repayment to the Industry of any loans incurred or advances made for such purpose) and the issuance of the Note.

(c) Under the terms of the Loan Agreement, the Industry will obligate itself to effect the completion of the Pollution Control Facilities if the proceeds derived from the sale of the Note prove insufficient, to pay the amount necessary to meet the payments of principal and interest and premium, if any, on the Note as the same become due, and to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured.

(d) As permitted by the Act, the Loan Agreement will provide that the Pollution Control Facilities shall be the property of the Industry and the County shall have no interest therein.

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

8. It is the intent of the County Board that the Loan Agreement shall be finally executed and delivered in substantially the form of that document forwarded to the Budget and Control Board, and, although changes may be made in the form, it is not expected that there will be any changes which will substantially affect the undertaking of the County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described, and that the State Board, as soon as practical, make such investigation as it deems advisable, and that if it find that the Pollution Control Facilities are intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Pollution Control Facilities and the proposed financing thereof by the County through the issuance of the Note 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 give published notice of its approval in the manner set forth in Section 14 of the Act.

April 6, 1976

Respectfully submitted,
GREENWOOD COUNTY, SOUTH CAROLINA

(SEAL)

BY F. L. Jones
Chairman, Greenwood County Council

Attest:

J. E. Klump
Executive Secretary, Greenwood
County Council

CERTIFICATE

WHEREAS, RIEGEL TEXTILE CORPORATION (Riegel), has applied to the South Carolina Department of Health and Environmental Control (the Department) for approval of certain air pollution control facilities more fully described on the attached Exhibit "A", constructed and installed at Riegel's plant located in Ware Shoals, South Carolina, to be financed through the issuance of \$1,000,000 Greenwood County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation), pursuant to the authorization of Act No. 156 of 1971, as amended, and, in that connection, there must be obtained, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed air pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of ~~water~~ pollution; and

WHEREAS, the Commissioner of the Department has been duly authorized by the Department to determine whether or not the findings required by Section 7 of said Act No. 156 of 1971, as amended, can be made in the instance of any proposed pollution control facilities revenue bonds, and the Commissioner has made a determination in this instance that such findings can be made and is further empowered by the Department to issue its Certificate to that effect;

NOW, THEREFORE, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said air pollution control facilities on the attached Exhibit "A" described (i) are necessary, (ii) and that the design thereof will result in the elimination, mitigation and prevention of air pollution. It is to be clearly understood that this certification is for bonding purposes only,

and shall not be construed as a certification for the establishment of any property tax exemptions whatsoever.

DONE at Columbia, South Carolina, this 14th day of April, A. D., 1976.

SOUTH CAROLINA DEPARTMENT OF HEALTH
AND ENVIRONMENTAL CONTROL

By E. Kenneth Aycock
Commissioner

DESCRIPTION OF POLLUTION CONTROL FACILITIES

The Pollution Control Facility is an Electrostatic Precipitator that is designed to remove 98% of the pollutants from the flue gases emanating from the Number 5 and Number 7 Boilers at the Ware Shoals Plant at Riegel Textile Corporation. The Number 5 Boiler is an 80,000 lb. per hour Babcock and Wilcock's Boiler and the Number 7 Boiler is a 125,000 lb. per hour Riley Boiler. Both of these boilers are pulverized coal fired boilers with auxiliary oil firing. The pollutants removed by the Electrostatic Precipitator would normally be ejected into the environment.

*File with
April 20,*

GREENWOOD COUNTY, SOUTH CAROLINA

AND

RIEGEL TEXTILE CORPORATION

LOAN AGREEMENT

DATED AS OF MAY 1, 1976

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of _____, 1976, between GREENWOOD COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the Greenwood County Council, which is the governing body of Greenwood County, party of the first part, and RIEGEL TEXTILE CORPORATION, a corporation organized under the laws of the State of Delaware, duly qualified to conduct business in the State of South Carolina, party of the second part,

W I T N E S S E T H :

IN CONSIDERATION of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided, that in the performance of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or against its taxing powers but shall be payable solely out of the proceeds derived from this Loan Agreement and the sale of the Note referred to in Section 3.2 hereof):

ARTICLE I

DEFINITIONS

Section 1.1. Certain terms used in this Loan Agreement are defined herein. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise.

Section 1.2: The following terms are defined under this Loan Agreement:

"Act" means Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971.

"Agreement" or "Loan Agreement" means the within Loan Agreement between the County and the Industry.

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

"County Board" means the Greenwood County Council and any successor body.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and not an employee of either the County or the Industry.

"Independent Engineer" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of South Carolina and who or which is not a full time employee of either the County or the Industry.

"Industry" means: (i) the party of the second part hereto and its successors and assigns; and (ii) any surviving, resulting or transferee corporation as provided in Section 6.3 hereof.

"Note" means the \$1,000,000 Pollution Control Facilities Revenue Note, Series 1976 - Riegel Textile Corporation, of the County, the proceeds of which will be used to finance the acquisition and construction of the Pollution Control Facilities. The Note shall be substantially in the form of the attached "EXHIBIT B".

"Pollution Control Facilities" means the air pollution control facilities designed to collect, treat and dispose of atmospheric pollution originating at the Plant, which has been constructed and are to be operated and maintained by the Industry. The Pollution Control Facilities are more fully described in "EXHIBIT A", attached hereto.

"Plant" means the plant of the Industry located in Ware Shoals, in Greenwood County.

"Purchaser" means the original purchaser of the Note. Unless the context otherwise requires, the term "Purchaser" shall also include any subsequent holder of the Note.

Section 1.3: The words "hereof", "herein", "hereunder", and other words of similar import refer to this Loan Agreement as a whole.

Section 1.4: References to Articles, Sections, and other subdivisions of this Loan Agreement are to the designated Articles, Sections, and other subdivisions of this Loan Agreement as originally executed.

Section 1.5: The headings of this Loan Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

Section 2.1: Representations by the County. The County makes the following representations as the basis for the undertakings on its part herein contained:

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement. The Pollution Control Facilities will constitute "Pollution Control Facilities" within the meaning of the Act. By proper action by the County Board, the State Budget and Control Board of South Carolina, and the South Carolina Department of Health and Environmental Control, the County has been duly authorized to execute and deliver this Agreement.

(b) Heretofore, the County and the Industry did agree that the County would finance the cost of acquiring and constructing the Pollution Control Facilities. The Industry has acquired and constructed the Pollution Control Facilities at a cost of \$1,066,000 and on that basis the County now proposes to issue the Note in the aggregate principal amount of \$1,000,000, dated as of delivery, which will mature and bear interest and contain such other terms and conditions as are more fully set forth in the attached "EXHIBIT B", in order to finance the cost of acquiring and constructing the Pollution Control Facilities.

Section 2.2: Representations by the Industry. The Industry makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Industry is a corporation duly incorporated under the laws of Delaware, is in good standing under its charter and the laws of Delaware and the laws of South Carolina, and has power to enter into this Agreement and by proper

corporate action has been duly authorized to execute and deliver this Agreement.

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

(c) The processes carried out at the Plant result in the discharge of atmospheric pollutants which must be treated in order to comply with applicable statutes, rules and regulations. In reliance upon the County's agreement to assist the Industry in the financing of the Pollution Control Facilities, the Industry has acquired and constructed and Pollution Control Facilities to provide for the treatment and disposition of the atmospheric pollutants originating at the Plant at a cost to the Industry of approximately \$1,066,000.

(d) The Industry has requested the County to avail itself of the authorizations of the Act in order to assist the Industry in financing the acquisition and construction of the Pollution Control Facilities. The Industry proposes to operate and maintain the Pollution Control Facilities in accordance with all applicable statutes, rules and regulations for the treatment and disposition of the atmospheric pollutants originating at the Plant.

ARTICLE III

CONSTRUCTION OF POLLUTION CONTROL FACILITIES

Section 3.1: Agreement to Construct Pollution Control Facilities. The Industry has acquired and constructed the Pollution Control Facilities. The cost of such acquisition and construction, and the cost of the issuance of the Note exceed \$1,066,000.

Section 3.2. Agreement to Issue Note; Application of Note Proceeds. In order to provide funds for payment of the costs of the Pollution Control Facilities and related expenses, the County agrees that it will, on or before the 1st day of May, 1976, sell and cause to be delivered to the Purchaser hereof the Note in the principal amount of \$1,000,000, and will thereupon pay the proceeds of the Note to the Industry to reimburse the Industry for such costs.

Section 3.3. Industry Required to Pay Construction Costs in Event Note Proceeds Insufficient. In the event the Note proceeds available for payment of the costs of the Pollution Control Facilities and related expenses shall not be sufficient to pay the costs thereof in full, the Industry agrees to pay all that portion of the costs of the Pollution Control Facilities as may be in excess of the moneys available therefor from the sale of the Note. The County does not make any warranty, either express or implied, that the moneys which will be received from the sale of the Note will be sufficient to pay all the costs which have been or will be incurred in connection with the Pollution Control Facilities. The Industry agrees that if after exhaustion of the Note proceeds the Industry shall pay any portion of the said costs of the Pollution Control Facilities pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the County or from the Purchaser, nor shall it be entitled to any diminution of the payments required by Section 4.3 hereof.

ARTICLE IV

EFFECTIVE DATE OF THIS AGREEMENT; DURATION OF AGREEMENT;
REPAYMENT PROVISIONS; AND UNCONDITIONAL OBLIGATIONS
OF INDUSTRY

Section 4.1. Effective Date of this Agreement; Duration of Agreement. This Agreement shall become effective upon its delivery, and shall continue in full force and effect until the principal and interest on the Note has been fully paid, together with all sums to which the County is entitled hereunder.

Section 4.2. Possession and Ownership of Pollution Control Facilities. The Pollution Control Facilities shall be the property of the Industry, and the Industry shall have sole and exclusive possession of the Pollution Control Facilities (subject to the right of the County to enter thereon for inspection purposes pursuant to the provisions of Section 6.2 hereof).

Section 4.3: Repayment of Loan and Payment of Other Amounts Hereunder. The County has made available to the Industry in the form of a loan the proceeds derived from the sale of the Note, and the Industry shall repay such loan in accordance with the provisions of this Section 4.3. On or before November 1, 1976, and on or before each May 1 and November 1 thereafter until the principal of and interest on the Note shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions thereof, the Industry shall pay, in the manner prescribed in Section 4.4 hereof, for the account of the County: (i) if such date is November 1 a sum equal to the amount payable on such date as interest upon the Note, as provided therein; and (ii) if such date is May 1 a sum equal to the amount payable on such date as interest and principal upon the Note, after giving effect to any prepayment made in accordance with the provisions of this Agreement.

In any event each payment under this Section shall be sufficient to pay the amount of interest or interest and principal (whether at maturity or by redemption or acceleration as provided in the Note) payable on such May 1 or November 1, as the case may be, and on each payment date (whether or not such payment date is an interest payment date) the Industry shall pay an amount sufficient to make the required payments of principal (whether at maturity or by redemption or acceleration as provided in the Note) and interest on such date.

In the event the Industry shall fail to make any of the payments required in this Section 4.3, the item or installment unpaid shall continue as an obligation of the Industry until the amount shall have been fully paid, and the Industry agrees to pay the same with interest thereon at the rate of ___% per annum from the due date until fully paid.

Section 4.4: Place of Payments. The payments provided for in Section 4.3 hereof shall be paid directly to the Purchaser at its office in the City of Ware Shoals, South Carolina, for the account of the County and shall be applied to the payment of the Note.

Section 4.5. Obligations of Industry Hereunder Unconditional. The obligations of the Industry to make the payments required in Section 4.3 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim, and the Industry shall pay absolutely net during the term of this Agreement the payments to be made on account of the loan as prescribed in Section 4.3 and all other payments required hereunder free of any deductions and without abatement, diminution or set-off other than those herein expressly provided and, until such time as the principal of and interest on the Note shall

have been fully paid, the Industry: (i) will not suspend or discontinue any payments provided for in Section 4.3 hereof; (ii) will perform and observe all of its other agreements contained in this Agreement; and (iii) except as provided in Section 9.1 hereof, will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the taking of the Pollution Control Facilities by eminent domain, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Pollution Control Facilities, failure of the Pollution Control Facilities to comply with any statute, rule or regulation now or hereafter made applicable thereto, commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

ARTICLE V

OPERATION AND MAINTENANCE, TAXES AND
INSURANCE, CONDEMNATION

Section 5.1. Operation and Maintenance of Pollution Control Facilities. The Industry agrees that it will operate and maintain the Pollution Control Facilities at all times hereafter in accordance with all applicable laws, rules and regulations, and to that end it will, at its own expense, keep the Pollution Control Facilities and all other facilities necessary or incidental thereto in good repair and in good operating condition, and make, from time to time, all necessary repairs thereto and renewals and replacements thereof, and shall promptly pay and discharge all amounts due to be paid therefor.

Section 5.2. Taxes. The County and the Industry acknowledge that no part of the Pollution Control Facilities is subject to taxation in South Carolina. However, the Industry will pay, as the same become due, all taxes and governmental charges of any kind whatsoever, that may at any time be lawfully assessed or levied against or with respect to the Pollution Control Facilities and all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Pollution Control Facilities; subject, nevertheless, to the Industry's right, if it shall first notify the County of its intention so to do, to contest in good faith any such taxes and other charges.

Section 5.3. Insurance. The Industry shall at all times, at its own expense, keep the Pollution Control Facilities insured against loss or damage in accordance with the customary insurance practices of the Industry, and shall promptly pay and discharge all amounts due therefor. Copies or certificates of insurance required by this Section shall be delivered by the Industry to the County, including copies or certificates or any new or renewal policies. Subject to the provisions of

Section 9.1 hereof, the proceeds derived from any such insurance shall be promptly applied, together with such other funds as the Industry may be required to provide, in order to repair, restore or replace the Pollution Control Facilities to substantially the same condition thereof as existed prior to the event causing damage or destruction thereto.

The Industry shall not, by reason of the payment of any such excess cost to repair, rebuild or restore the Pollution Control Facilities, be entitled to any reimbursement from the County or the Purchaser, or to any abatement or diminution of the payments prescribed under Section 4.3 hereof.

Section 5.4. Condemnation. Subject to the provisions of Section 9.1, in the event that title to, or the temporary use of, the Pollution Control Facilities or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Industry shall apply the award to the restoration of the Pollution Control Facilities to substantially the same condition thereof as existed prior to the exercise of the said power of eminent domain. In the event such award is not adequate to cover the cost of such restoration, the Industry shall pay that portion of the cost in excess of the amount available from the award to the end that the Pollution Control Facilities shall remain in operation at all times. The Industry shall not, by reason of the payment of such excess cost, be entitled to any reimbursement from the County or the Purchaser, or to any abatement or diminution of the payments prescribed under Section 4.3.

ARTICLE VI

SPECIAL COVENANTS

Section 6.1: No Warranty of Condition or Suitability by the County. The County makes no warranty, either express or implied, as to the condition of the Pollution Control Facilities, or that they will be suitable for the Industry's purposes or needs.

Section 6.2. County's Right of Access to the Pollution Control Facilities. The Industry agrees that the County and the duly authorized agents of the County shall have the right at all reasonable times to enter upon, and to examine and inspect, the Pollution Control Facilities.

Section 6.3. Industry to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Industry agrees that during the term of this Agreement it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Industry may, without violating the agreement contained in this Section, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, is a solvent corporation organized under the laws of the United States of America, or any state, district or territory thereof, and assumes in writing all of the obligations and covenants of the Industry under this Agreement.

Section 6.4. Qualification in South Carolina. The Industry warrants that it is, and throughout the term of this Agreement it will continue to be, duly qualified to do business in South Carolina.

Section 6.5: Indemnification Covenants. The Act prescribes and the parties intend that the County shall not incur pecuniary liability by reason of making this Agreement, by reason of the issuance of the Note, by reason of the performance of any act required of it by this Agreement, or by reason of the performance of any act requested of it by the Industry. Nevertheless, if the County shall incur any such pecuniary liability, then in such event the Industry shall indemnify and hold the County harmless by reason thereof.

Section 6.6. Financial Statements of Industry. The Industry agrees to have an annual audit made by its regular independent certified public accountant and to furnish the Purchaser (within thirty days after receipt by the Industry) with a balance sheet and statement of income and surplus showing the financial condition of the Industry and its consolidated subsidiaries, if any, at the close of each fiscal year, and the results of operations of the Industry and its consolidated subsidiaries, if any, for each fiscal year, accompanied by a certificate of opinion of said accountants. The Industry further agrees to furnish to the Purchaser all financial statements which it sends to its shareholders.

ARTICLE VII

ASSIGNMENT, LEASING, MORTGAGING AND SELLING;
REDEMPTION; PREPAYMENT

Section 7.1: Assignment and Leasing. This Agreement may be assigned (provided the Pollution Control Facilities are at the same time leased, sold or otherwise disposed of to the assignee), as a whole or in part, by the Industry without the necessity of obtaining the consent of the County, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 6.3 hereof) leasing, sale or other disposition shall relieve the Industry from primary liability for any of its obligations hereunder, and in the event of any such assignment and lease, sale or other disposition, the Industry shall continue to remain primarily liable for the payments specified in Section 4.3 hereof and for the payment, performance and observance of the other obligations and agreements on its part herein provided to be performed and observed by it.

(b) The assignee, lessee or transferee shall assume in writing the obligations and covenants of the Industry hereunder to the extent of the interest acquired.

(c) The Industry shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the County and to the Purchaser a true and complete copy of each such assignment, lease, deed or other instrument, as the case may be.

Section 7.2. Assignment of this Agreement by the County. The County will assign its interest in and pledge any moneys receivable under this Agreement (except payments pursuant to Sections 6.5 and 8.4) to the Purchaser as security for payment of the principal of and interest on the Note.

Section 7.3. Restrictions on Sale of Pollution Control Facilities by Industry. The Industry agrees that, except as set forth in Sections 6.3 and 7.1 hereof, or other provisions of this Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Pollution Control Facilities during the term of this Agreement.

Section 7.4: Prepayment of Note. The County, at the request at any time of the Industry shall forthwith cooperate with the Industry to take all steps that may be necessary under the applicable provisions of the Note to effect the prepayment of all or part of the then outstanding balance, as may be specified by the Industry, on the earliest date on which such prepayment may be made under such applicable provisions.

Section 7.5: Prepayments. There is expressly reserved to the Industry the right, and the Industry is authorized and permitted at any time it may choose to prepay all or any part of the amounts payable under Section 4.3 hereof. All amounts so prepaid shall be credited on the payments specified in Section 4.3 hereof, in the order of their due dates.

Section 7.6: Reference to Note Ineffective After Note Paid. Upon payment in full of the Note all references in this Agreement to the Note shall be ineffective and the Purchaser shall thereafter have no rights hereunder, saving and excepting those that shall have theretofore vested.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Industry to pay the amounts required to be paid under the first two paragraphs of Section 4.3 of this Agreement at the times specified therein and continuing for a period of five days after notice by telegram, or if telegraphic service is not available then after notice by mail, given to the Industry by either the Purchaser or the County that the payment referred to in such notice has not been received.

(b) Failure by the Industry to observe and perform any covenant, condition or agreement in this Agreement on the part of the Industry to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Industry by the County or the Purchaser, unless the County and the Purchaser shall agree in writing to an extension of such time prior to its expiration (or in the case of any such default which cannot with due diligence be cured within such 30-day period, if Industry shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence within the 30 days that the time within which the Industry may cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence).

(c) The dissolution or liquidation of the Industry or the filing by the Industry of a voluntary petition in bankruptcy, or the commission by the Industry of any act of bankruptcy, or adjudication of the Industry as a bankrupt, or assignment by the Industry for the benefit of its creditors, or the entry by the Industry into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Industry in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Industry", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Industry resulting either from a merger or consolidation of the Industry into or with another corporation or a dissolution or liquidation of the Industry following a transfer of all or substantially all of its assets as an entity, provided, that the conditions permitting such actions contained in Section 6.3 hereof shall have been met.

The foregoing provisions of subsection (b) of this Section are subject to the following limitations: if by any reason of force majeure the Industry is unable in whole or in part to carry out the agreements of the Industry on its part herein contained, other than the obligations on the part of the Industry contained in Article IV and Section 6.5 hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or any

of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; storms; floods; wash-outs; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Industry, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Industry, and the Industry 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 Industry, unfavorable to the Industry.

Section 8.2: Remedies on Default. Whenever any event of default referred to in Section 8.1 hereof shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) The County or the Purchaser may, at its option, declare all payments payable under the first two paragraphs of Section 4.3 hereof for the remainder of the term of this Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) In the event any balance shall at the time be outstanding and unpaid on the Note, the County may have access to and inspect, examine and make copies of the books and records and any and all accounts, similar data and income tax and other tax returns of the Industry.

(c) The County may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due and thereafter to become due

or to enforce performance and observance of any obligation, agreement or covenant of the Industry under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be applied first to the costs of collection, including attorneys' fees, and the balance to payment of the Note.

No action taken pursuant to this Section shall relieve the Industry from the Industry's obligations pursuant to Section 4.3 and Section 8.2 (a) hereof, all of which shall survive any such action, and the County and the Purchaser may take whatever action at law or in equity as may appear necessary and desirable to collect the payments and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligation, agreement or covenant of the Industry hereunder.

Section 8.3: No Remedy Exclusive. No remedy herein conferred upon or reserved to the County is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Purchaser, and the Purchaser shall be deemed a third party beneficiary of all covenants and agreements herein contained.

Section 8.4: Agreement to Pay Attorneys' Fees and Expenses.

In the event the Industry should default under any of the provisions of this Agreement and the County or the Purchaser should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of any obligation or agreement on the part of the Industry herein contained, the Industry agrees that it will on demand therefor pay to the County or the Purchaser the reasonable fee of such attorneys and such other expenses so incurred by the County or the Purchaser.

Section 8.5. No Additional Waiver Implied by One Waiver.

In the event any agreement contained in this Agreement should be breached by the Industry and thereafter waived by the County or the Purchaser, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE IX

OPTIONS

Section 9.1: Option to Terminate by Industry. The Industry shall have, and is hereby granted, the following option to terminate this Agreement:

The Note is subject to prepayment at the option of the County at any time upon ten days' notice and without premium. At any time the Industry may terminate this Agreement by paying to the County an amount which will be sufficient to pay and retire the outstanding balance on the Note in accordance with the provisions of the Note (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest payment date, as the case may be, and any expenses in connection therewith) and by paying to the County any and all sums then due to the County under this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1: Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the Greenwood County Council, Greenwood County Courthouse, Greenwood, South Carolina; if to the Industry, at Southern Executive Offices, Ware Shoals, South Carolina, 29602; if to the Purchaser, at Ware Shoals, South Carolina, 29602. The County, the Industry and the Purchaser may, by notice given to all parties to this Agreement designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Recording and Filing. This Agreement as originally executed shall be recorded and indexed as a miscellaneous agreement in the Office of the Clerk of Court of Common Pleas and General Sessions for Greenwood County, South Carolina, or in such other office as may at the time be provided by law as the proper place for recordation thereof.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Industry and their respective successors and assigns, subject, however, to the limitations contained in Sections 6.3, 7.1, 7.2 and 7.3 hereof.

Section 10.4. 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.

ARTICLE X

MISCELLANEOUS

Section 10.1: Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the Greenwood County Council, Greenwood County Courthouse, Greenwood, South Carolina; if to the Industry, at Southern Executive Offices, Ware Shoals, South Carolina, 29602; if to the Purchaser, at Ware Shoals, South Carolina, 29602. The County, the Industry and the Purchaser may, by notice given to all parties to this Agreement designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Recording and Filing. This Agreement as originally executed shall be recorded and indexed as a miscellaneous agreement in the Office of the Clerk of Court of Common Pleas and General Sessions for Greenwood County, South Carolina, or in such other office as may at the time be provided by law as the proper place for recordation thereof.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Industry and their respective successors and assigns, subject, however, to the limitations contained in Sections 6.3, 7.1, 7.2 and 7.3 hereof.

Section 10.4. 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 10.5. Amounts Remaining After Payment of Note. It is agreed by the parties hereto that any amounts remaining to be paid hereunder, after payment in full of the Note and any amount due the County hereunder, shall belong to and be paid to the Industry as overpayments.

Section 10.6: Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Purchaser.

Section 10.7. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.8. Law Governing Construction Agreement. This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, GREENWOOD COUNTY, South Carolina, has executed this Agreement by causing its name to be hereunto subscribed by the Chairman of the Greenwood County Council, its corporate seal to be impressed hereon, and attested by the Executive Secretary of the said Greenwood County Council; and RIEGEL TEXTILE CORPORATION has executed this Agreement by causing its corporate name to be hereunto subscribed by its Chairman, Vice Chairman, President or one of its Vice Presidents, its corporate seal to be impressed hereon, and attested by its Secretary or one of its Assistant Secretaries, all being done as of the day and year first above written.

GREENWOOD COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Greenwood County
Council

ATTEST:

Executive Secretary of the
Greenwood County Council

Signed, Sealed and Delivered
in the Presence of:

RIEGEL TEXTILE CORPORATION

(SEAL)

By _____
Its _____

ATTEST:

Secretary

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF GREENWOOD

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

SWORN to before me, this
____ day of _____, 1976.

(L.S.)
Notary Public for South Carolina
My Commission Expires: _____.

STATE OF _____
COUNTY OF _____

PERSONALLY appeared before me _____
who, being duly sworn, says that he saw the corporate seal of
Riegel Textile Corporation, a Delaware corporation, affixed
to the foregoing Agreement, and that he also saw _____
as _____ and _____, as _____
Secretary of said corporation sign and attest the same, and
that deponent, with _____ witnessed the execution
and delivery thereof as the act and deed of the said Riegel
Textile Corporation.

SWORN to before me, this
____ day of _____, 1976.

(L.S.)
Notary Public of: _____
My Commission Expires: _____

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EXHIBIT "A"

DESCRIPTION OF POLLUTION CONTROL FACILITIES

EXHIBIT "B"

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

GREENWOOD COUNTY

POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976

(RIEGEL TEXTILE CORPORATION)

KNOW ALL MEN BY THESE PRESENTS that Greenwood County, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the "County"), for value received promises to pay, but only from the source and as hereinafter provided, to the order of Bankers Trust of South Carolina, at its office in the City of Ware Shoals, South Carolina, the sum of ONE MILLION DOLLARS (\$1,000,000) in ten (10) equal, successive, annual installments of One Hundred Thousand Dollars (\$100,000) each, on the 1st day of each May hereafter, commencing on the 1st day of May, 1977, and continuing through the 1st day of May, 1986, together with interest from the date hereof at the rate of Five and One-Half per centum (5 1/2%) per annum upon the principal balance from time to time outstanding, computable and payable semi-annually on each May 1 and November 1 hereafter, commencing November 1, 1976, until said principal sum is paid; principal of and interest on this Note being payable in lawful money of the United States of America.

This Note is issued for the purpose of obtaining funds to loan to Riegel Textile Corporation, a Delaware corporation (hereinafter called the "Industry"), and to be used to defray the cost of acquiring and constructing facilities designed for the elimination, mitigation and prevention of air pollution (hereinafter called the "Pollution Control Facilities"), to be installed at the Industry's plant located in the Town of Ware Shoals, in Greenwood County, South Carolina. The

County and the Industry have entered into a Loan Agreement dated as of May 1, 1976 (hereinafter referred to as the "Loan Agreement") defining the Industry's obligation to the County resulting from the loan of the Note proceeds to the Industry for the acquisition and construction of the Pollution Control Facilities. Under the Loan Agreement the Industry must pay to the County such amounts as will be fully sufficient to pay the principal of and interest on this Note as the same become due. Copies of the Loan Agreement are on file at the office of Bankers Trust of South Carolina, in the City of Ware Shoals, South Carolina, and are recorded in the office of the Clerk of Court of Greenwood County, South Carolina, and reference is made to the Loan Agreement for a description of the provisions, among others, with respect to the nature and extent of the security, the rights and remedies of the holder of this Note, the rights, duties and obligations of the County and the Industry, and the terms upon which this Note is issued and secured.

This Note may be prepaid at any time, in whole or in part and from time to time, upon giving the holder hereof not less than ten (10) days' notice in writing specifying the date of prepayment and the amount to be prepaid; and all such prepayments shall be applied to the next maturing principal installments in the order of their due dates.

In the event Greenwood County shall default in the payment of the principal or interest when the same shall become due hereunder, the holder of this Note may, at its option, if such default is not cured within five days after written notice thereof to the County by the payment of the amount in default and interest thereon at the rate of ___% per annum from the due date to the date of payment, declare the entire unpaid balance hereunder immediately due and payable.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the

General Assembly of the State of South Carolina, and pursuant to Resolutions duly adopted by the County Board of Commissioners of Greenwood County. In fulfillment of the requirements of said Act No. 156 of 1971, the South Carolina Department of Health and Environmental Control has found that the Pollution Control Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution, and the issuance of this Note and the Pollution Control Facilities have been approved by the State Budget and Control Board of South Carolina. This Note, both principal and interest, is a limited obligation of the County and is payable solely out of the moneys derived by the County pursuant to the Loan Agreement (except payments made pursuant to Sections 6.5 or 8.4 thereof).

This Note and the principal and interest payable hereunder are not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation, and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Pursuant to the Loan Agreement, the Industry is obligated to make payments sufficient for the prompt payment when due of the principal of and interest on this Note, and such payments have been pledged for that purpose.

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 this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Greenwood County, South Carolina, has caused this Note to be executed by the Chairman of the

Greenwood County Council, and its corporate seal to be impressed hereon, and attested by the Executive Secretary of the Greenwood County Council, all as of _____, 1976.

GREENWOOD COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Greenwood County
Council

ATTEST:

Executive Secretary of the Greenwood
County Council

ASSIGNMENT OF LOAN AGREEMENT

STATE OF SOUTH CAROLINA
COUNTY OF GREENWOOD

KNOW ALL MEN BY THESE PRESENTS that GREENWOOD COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the Greenwood County Council, in consideration of the sum of One Dollar (\$1.00) to it in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, has assigned, transferred and set over unto Bankers Trust of South Carolina, its successors and assigns, as security for the payment of \$1,000,000 Greenwood County Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation), dated as of _____, 1976.

ALL of the right, title and interest of said Greenwood County in and to the foregoing Loan Agreement, dated as of May 1, 1976, between said Greenwood County and Riegel Textile Corporation and all moneys, revenues and receipts received or to be received under the said Loan Agreement except amounts paid thereunder to the County pursuant to Sections 6.5 or 8.4 thereof.

This Assignment is made to secure the payment of the Greenwood County Pollution Control Facilities Revenue Note, Series 1976 (Riegel Textile Corporation) dated as of _____, 1976, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein and this Assignment shall remain in full force and effect until all of the indebtedness represented by the said Note, both principal and interest, has been fully paid.

IN WITNESS WHEREOF, Greenwood County, South Carolina,
has executed this Assignment by causing its name to be here-
unto subscribed by the Chairman of the Greenwood County Council,
the official seal of said County to be impressed hereon and
attested by the Executive Secretary of the Greenwood County
Council, all being done as of the 1st day of May, A. D.,
1976.

GREENWOOD COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Chairman of the Greenwood County
Council

Attest:

Executive Secretary of the
Greenwood County Council

Signed, Sealed and Delivered in
the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF GREENWOOD

PERSONALLY appeared before me _____,
who being duly sworn says that (s)he saw the corporate seal of
GREENWOOD COUNTY, SOUTH CAROLINA, affixed to the foregoing
Assignment of Loan Agreement, and that (s)he also saw
_____, as Chairman of the Greenwood
County Council and _____, as Executive
Secretary of the Greenwood County Council, sign and attest
the same, and that (s)he with _____ witnessed
the execution and delivery thereof as the act and deed of
said Greenwood County, South Carolina.

SWORN to before me this

_____ day of _____, A. D. 1976.

Notary Public for South Carolina (L.S.)

My Commission Expires _____.



RIEGEL
textile corporation

SOUTHERN EXECUTIVE OFFICES
WARE SHOALS, S.C. 29692 (803-456-4111)

April 15, 1976

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

Dear Mr. Putnam:

As requested in previous correspondence to you from our attorney, Mr. Thomas Hutcheson, I am enclosing for your information a copy of the 1975 Annual Report of Riegel Textile Corporation and the two subsequent quarterly reports to shareholders that have been issued thus far for the 1976 fiscal year. If you require further amplification of any of the information contained in these reports, I will be happy to assist you in any way I can.

Yours very truly,

Colin Sayer
Corporate Director of Budgets

CS:bc

Enclosures

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RIEGEL TEXTILE CORPORATION AND SUBSIDIARIES



CONSOLIDATED BALANCE SHEETS (Unaudited) (000's Omitted)

	<u>Dec. 27, 1975</u>	<u>Dec. 28, 1974</u>
ASSETS:		
Current Assets:		
Cash & short term investments	\$ 6,573	\$ 5,360
Receivables—less reserves	39,232	39,737
Inventories	37,188	34,755
Prepaid income taxes	3,011	2,772
Total Current Assets	86,004	82,624
Property, Plant & Equipment—less depreciation reserve	59,320	59,623
Investments, Prepaid Expenses	3,445	3,165
	<u>\$148,769</u>	<u>\$145,412</u>
LIABILITIES:		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,433	\$ 2,192
Accounts payable	7,463	8,308
Accrued liabilities and income taxes	15,786	8,818
Total Current Liabilities	24,682	19,318
Long-Term Debt, Noncurrent Portion	29,294	39,822
Deferred Credits	9,722	8,851
Stockholders' Investment	85,071	77,421
	<u>\$148,769</u>	<u>\$145,412</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT (Unaudited) (000's Omitted)

	<u>Dec. 27, 1975</u>	<u>Dec. 28, 1974</u>
Balance at beginning of quarter	\$ 82,405	\$ 77,342
Net Income	3,480	844
Cash dividends paid	(829)	(765)
\$0.32½ per share—1975		
\$0.30 per share—1974		
Stock Options exercised	15	—
Balance at end of year	<u>\$ 85,071</u>	<u>\$ 77,421</u>

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited) (000's Omitted)

	Quarters Ended	
	Dec. 27, 1975	Dec. 28, 1974
SOURCE OF FUNDS:		
Working capital provided from operations:		
Net Income	\$ 3,480	\$ 844
Add—Items not requiring current outlay of working capital:		
Depreciation	1,620	1,646
Increase in deferred credits	(197)	(22)
	<u>4,903</u>	<u>2,468</u>
APPLICATION OF FUNDS:		
Property additions	1,845	2,189
Dividends paid	829	765
Long-term debt reduction	219	1,148
Increase in other assets, net	(142)	160
	<u>2,751</u>	<u>4,262</u>
Increase (decrease) in Working Capital	<u>\$ 2,152</u>	<u>\$ (1,794)</u>
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in:		
Cash & short term investments	\$ (2,596)	\$ 2,462
Receivables	(723)	(6,387)
Inventories	4,152	(5,112)
Prepaid income taxes	(6)	613
Decrease (increase) in:		
Current maturities of long-term debt	(12)	(1,000)
Accounts payable	795	3,966
Accrued liabilities & income taxes	542	3,664
Increase (decrease) in Working Capital	<u>\$ 2,152</u>	<u>\$ (1,794)</u>

(Please turn over)

To The Stockholders

January 9, 1976

The '76 fiscal year has started well. The \$1.36 per share earnings in the first fiscal quarter are the highest in our history. Sales of \$68,827,000 are the highest ever billed in the first fiscal quarter and the second best quarter on record. We billed \$68,994,000 in the quarter ended June 29, 1974.

Every division and subsidiary of the Company was profitable in this quarter. That has not happened in a long time.

The decrease in the quarter of cash and short-term investments was \$2,596,000.

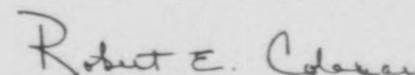
This resulted directly from the increase in inventories of \$4,152,000. The inventory increases were primarily in raw materials. Substantially all raw fibers and fiber content of various other categories of inventories are valued at the "Last-in, First-out" method. These inventories would have been higher by \$3,855,000 at September 27, 1975 and \$5,164,000 at December 27, 1975, had the "First-in, First-out" method been used.

In the current quarter, we expect property additions to be more than double the \$1,845,000 for the first fiscal quarter. These additions will be principally in our

Apparel Fabrics and Consumer Products Divisions.

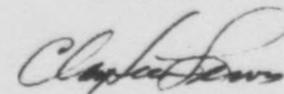
Our business continues strong. Value of order backlogs increased 11% during the first quarter and are 70% higher than a year ago. We anticipate results for the second fiscal quarter to be some better than the first quarter. During the first quarter, our plants were idle for the Christmas week. This is one of our two regular vacation weeks. We will operate a full thirteen weeks in the second quarter and our volume should be better than the first. Profits should reflect this better plant utilization and should be higher than the first quarter. We are concerned about the rapidly increasing costs that affect all of our products.

Our belief that '76 will be a good fiscal year in Riegel, continues to strengthen. Retail sales for Christmas were exceptional. Most of the indicators for the nation's economy are positive—and it is an election year.



Robert E. Coleman

Chairman of the Board
Chief Executive Officer



Clayteen Lewis

Vice Chairman of the Board
Chief Financial Officer

(Please turn over)

CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (000's Omitted)

	13 Weeks Ended	
	Dec. 27, 1975	Dec. 28, 1974
Net Sales	\$ 68,827	\$ 57,507
Income before provision for income taxes	6,540	1,589
Provision for income taxes	3,060	745
Net Income	\$ 3,480	\$ 844
Earnings per common share:		
Primary*	\$1.36	\$0.33
Fully Diluted**	\$1.23	\$0.32

*Based on average number of shares outstanding during period.

**Assuming conversion of all the Convertible Debentures.

2,552,915 2,551,235



RIEGEL
textile corporation

Quarterly Report to Stockholders

December 27, 1975



RIEGEL TEXTILE CORPORATION AND SUBSIDIARIES



CONSOLIDATED BALANCE SHEETS (Unaudited) (000's Omitted)

	Mar. 27, 1976	Mar. 29, 1975
ASSETS:		
Current Assets:		
Cash & short term investments	\$ 1,885	\$ 15,270
Receivables—less reserves	47,535	36,327
Inventories	38,989	31,525
Prepaid income taxes	2,869	2,782
Total Current Assets	<u>91,278</u>	<u>85,904</u>
Property, Plant & Equipment—less depreciation reserve	62,034	59,228
Investments, Prepaid Expenses	3,409	3,550
	<u>\$156,721</u>	<u>\$148,682</u>
LIABILITIES:		
Current Liabilities:		
Notes payable, short-term	\$ 2,000	\$ —
Current maturities of long-term debt	1,438	2,192
Accounts payable	9,768	8,274
Accrued liabilities and income taxes	16,616	11,655
Total Current Liabilities	<u>29,822</u>	<u>22,121</u>
Long-Term Debt, Noncurrent Portion	29,183	39,774
Deferred Credits	9,680	8,829
Stockholders' Investment	88,036	77,958
	<u>\$156,721</u>	<u>\$148,682</u>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT (Unaudited) (000's Omitted)

	26 Weeks Ended	
	Mar. 27, 1976	Mar. 29, 1975
Balance at beginning of year	\$ 82,405	\$ 77,342
Net Income	7,399	2,146
Cash dividends paid*	(1,787)	(1,530)
\$0.46½ per share—1975/76		
\$0.40 per share—1974/75		
Stock Options exercised	19	—
Balance at end of period	<u>\$ 88,036</u>	<u>\$ 77,958</u>

* Adjusted for 3 for 2 stock split

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited) (000's Omitted)

	26 Weeks Ended	
	Mar. 27, 1976	Mar. 29, 1975
SOURCE OF FUNDS:		
Working capital provided from operations:		
Net Income	\$ 7,399	\$ 2,146
Add—Items not requiring current outlay of working capital:		
Depreciation	3,738	3,445
Increase in deferred credits	(239)	(44)
	<u>10,898</u>	<u>5,547</u>
APPLICATIONS OF FUNDS:		
Property additions	7,853	3,755
Dividends paid	1,787	1,530
Long-term debt reduction	330	1,196
Increase in other assets, net	(1,358)	384
	<u>8,612</u>	<u>6,865</u>
Increase (decrease) in Working Capital	<u>\$ 2,286</u>	<u>\$(1,318)</u>
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in:		
Cash & short term investments	\$(7,284)	\$12,372
Receivables	7,580	(9,797)
Inventories	5,953	(8,342)
Prepaid income taxes	(148)	623
Decrease (increase) in:		
Notes payable, short-term	(2,000)	—
Current maturities of long-term debt	(16)	(1,000)
Accounts payable	(1,511)	3,999
Accrued liabilities & income taxes	(288)	827
Increase (decrease) in working Capital	<u>\$ 2,286</u>	<u>\$(1,318)</u>

(Please turn over)

To The Stockholders

April 12, 1976

The 3 for 2 stock split approved at the Stockholders' Meeting March 17, 1976 was effective March 26, 1976 and all information is reported on an after-split basis.

As expected, sales of \$75,379,000 together with profits of \$3,919,000 and per share earnings of \$1.02 are the highest for any quarter on record.

Business across all of our divisions continues good, with the exception of double knits and our retail fabric stores. Heavyweight cotton sportswear fabrics (excluding indigo denim) have not recovered as quickly as other lines. However, total order backlogs going into our third fiscal quarter are about 60% higher than a year ago.

During the recent quarter, cash and short-term investments decreased \$4,688,000 and at the end of the quarter, our short-term debt was \$2,000,000. This change in our cash position was due primarily to expenditures for property additions during the quarter of \$6,008,000 and accounts receivable increases required to support current business levels. Included in our capital expenditures was the purchase of a 190,000 square foot manufacturing facility in Whitmire, S. C. This plant will be used for the planned expansion of our Consumer Products Division.

In March, we sold our spinning mill in Ellsworth, Maine to local investors. We are continuing to purchase yarn from

this plant. Our LaFrance Texiles Canada, Ltd. subsidiary also sold its 50% interest in a contract carpet marketing company based in Toronto, Ontario. We are continuing to manufacture carpets for this company.

Going into the third fiscal quarter, there are some indications that retail inventories have been replenished. We are continuing our policies of stringent expense and inventory controls. We do not expect third quarter results to be significantly different from first-half results.

Cotton cloth imports from the Peoples Republic of China are growing at an alarming rate. The industry is watching this with great concern.

We feel that the general economic outlook is strong. Retailers appear to be determined to closely control inventories. This, along with a more moderate rate of inflation, gives us confidence for the balance of this year.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (000's Omitted)

	13 Weeks Ended		26 Weeks Ended	
	Mar. 27, 1976	Mar. 29, 1975	Mar. 27, 1976	Mar. 29, 1975
Net Sales	\$75,379	\$53,924	\$144,207	\$111,431
Income before provision for income taxes	7,399	2,367	13,939	3,956
Provision for income taxes	3,480	1,065	6,540	1,810
Net Income	\$ 3,919	\$ 1,302	\$ 7,399	\$ 2,146
Earnings per common share:				
Primary*	\$1.02	\$0.34†	\$1.93	\$0.56†
Fully Diluted**	0.92	0.32†	1.75	0.54†

* Based on average number of shares outstanding during period

3,830,265 3,826,852† 3,829,818 3,826,852†

** Assuming conversion of all Convertible Debentures.

† Restated to give retroactive effect to the 3 for 2 stock split, effective March 26, 1976.



RIEGEL
textile corporation

Quarterly Report to Stockholders

March 27, 1976

Robert E. Coleman

Robert E. Coleman
Chairman of the Board
Chief Executive Officer

Clayton Lewis

Clayton Lewis
Vice Chairman of the Board
Chief Financial Officer

(Please turn over)



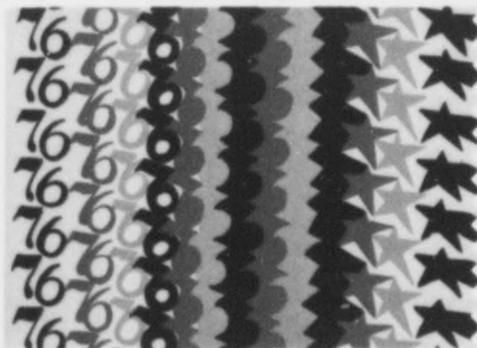
Riegel Textile Corporation

The American Flag, our country's best known textile design, served as the identifying mark of the National Design Competition sponsored by Riegel Textile Corporation



Julie Ballantyne
Texas Christian University
Sports Apparel Category

to help celebrate our nation's Bicentennial. The winning entries from over 350 colleges and art schools serve as illustrations for our



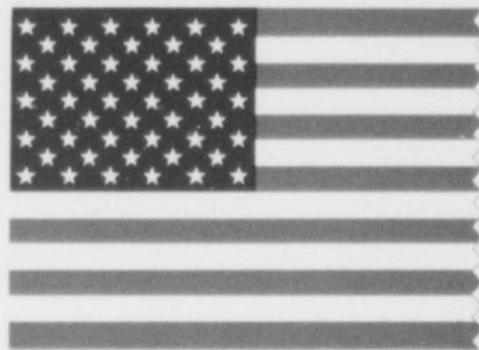
Renee Wieman
University of Washington
Sports Apparel Category

Annual Report in this Bicentennial year.

Americana — past, present, future — was the theme for the competition. We hoped to stimulate textile designers

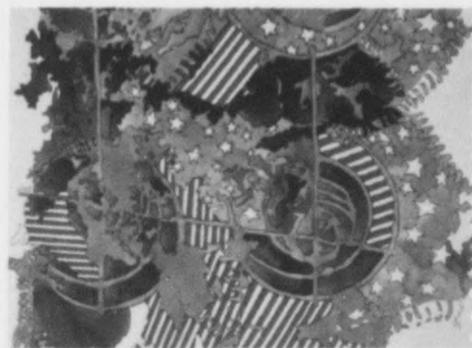


Carolyn Sabol
California State University
Home Furnishings Category



Annual Report 1975

of the future and to recognize one of America's first industries. The response to the competition and the originality and professional

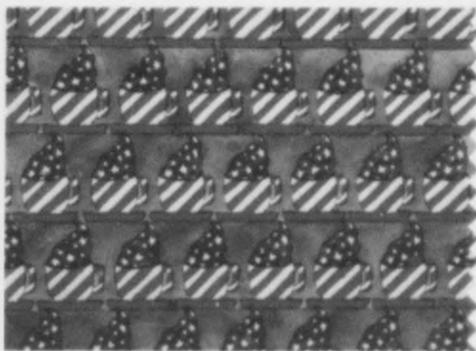


Elizabeth Munro
Texas Christian University
Sports Apparel Category

quality of the work are encouraging signs that intelligent and talented people can be attracted to our textile industry.

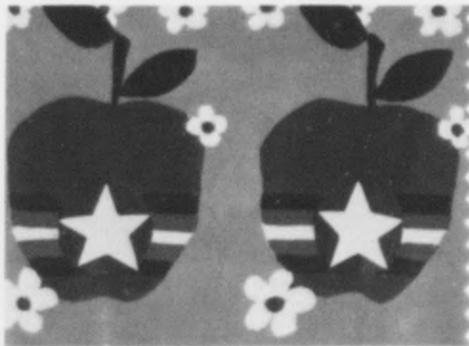
Riegel is a diversified, integrated company serving many different markets — Apparel, Industrial, Home Furnishings, Kitchen Textiles, Traditional Infants' Products and Disposable Diapers.

The Company is decentralized into Operating Divisions and Subsidiaries which are autonomous profit centers, each responsible for its own operation.



Elizabeth Munro
Texas Christian University
Kitchen and Dining Category

Riegel people take pride in their Zero Defects Program. The objectives of Zero Defects **ZD** are: to improve the quality of our products — to improve the services to our customers — and to improve the lives of Riegel people. The tenth anniversary of this program was celebrated on October 19, 1975.



Rosemary Hampp
Southern Connecticut State College
Sports Apparel Category

Annual Stockholders'
Meeting, Tuesday
January 20, 1976
Hotel Biltmore
New York, N. Y.



Highlights of Operations

(000's omitted except per share)

	Fiscal Year 1975	Fiscal Year 1974	Fiscal Year 1973
Net sales	\$236,628	\$260,049	\$224,244
Income before income taxes	15,306	16,830	16,030
Income taxes	7,130	7,965	7,550
Net income	8,176	8,865	8,480
Per common share—primary*	\$ 3.20	\$ 3.47	\$ 3.32
fully diluted**	2.95	3.19	3.06
Common dividends	3,126	2,934	2,423
Per common share	\$ 1.225	\$ 1.15	\$.95
Depreciation	7,498	5,928	5,872
Property additions	8,238	10,809	6,708
Current assets	85,177	91,048	88,565
Current liabilities	26,007	25,948	24,018
Working capital	59,170	65,100	64,547
Long-term debt	29,513	40,970	42,162
Stockholders' investment	82,405	77,342	71,411
Per common share	\$ 32.30	\$ 30.32	\$ 27.99
Number of employees	8,500	9,000	9,500
	2,551,485	2,551,235	2,551,235

*Based on average number of shares outstanding during the year.

**Assuming conversion of all the convertible debentures.

Quarterly Results

(000's omitted except per share)

	Fiscal Year 1974-1975 Quarters Ended				Fiscal Year 1973-1974 Quarters Ended			
	Sept., '75	June, '75	March, '75	Dec., '74	Sept., '74	June, '74	March, '74	Dec., '73
Net sales	\$64,859	\$60,338	\$53,924	\$57,507	\$61,719	\$68,994	\$68,266	\$61,070
Income before income taxes	6,353	4,997	2,367	1,589	3,366	5,209	4,566	3,689
Net income	3,378	2,652	1,302	844	1,761	2,759	2,396	1,949
Per common share:								
Primary*	\$1.32	\$1.04	\$.51	\$.33	\$.69	\$1.08	\$.94	\$.76
Fully diluted**	1.20	.95	.49	.32	.64	.98	.86	.71
Cash dividends per common share	\$.325	\$.30	\$.30	\$.30	\$.30	\$.30	\$.275	\$.275
Prices—New York Stock Exchange:								
High	17 ⁷ / ₈	14 ³ / ₄	12 ¹ / ₂	12 ¹ / ₄	14 ⁵ / ₈	15 ¹ / ₄	15 ³ / ₄	19
Low	14 ¹ / ₈	11 ¹ / ₂	10 ¹ / ₄	9 ¹ / ₂	10 ¹ / ₈	13	13 ³ / ₈	12 ¹ / ₂

To The Stockholders



Robert E. Coleman, Chairman E. Erwin Maddrey II, President Clayteen Lewis, Vice Chairman

In 1845, 69 years after the founding of our nation, our Trion Division's first mill was built in Northwest Georgia. The Charter stated that "The purpose of this company is to make a profit." This philosophy has not changed.

Sales were \$236,628,000, down 9% from last year. Our earnings for fiscal year ended September 27, 1975, were \$8,176,000 or \$3.20 per share. Dividends paid for the fiscal year totaled \$1.225 per share and the current dividend rate is \$1.30 per year. We have had five dividend increases since 1972.

During fiscal 1975, our diversified product lines were in some markets that were not as badly hit by the economic downturn as others.

The two year comparison of sales to our four major markets is:

	1975	1974
apparel fabrics	49.3%	47.2%
consumer items	24.3	21.7
home furnishings fabrics	19.2	20.5
industrial fabrics and yarn	7.2	10.6
	100.0%	100.0%

Apparel Fabrics Division sales, helped by the strong demand for denim, were down only 9% from last year. Sportswear fabric sales held up better than career apparel and industrial fabrics, which were hard hit by the recession. Double knits were and continue to be an industry problem of excess production.

Consumer Products Division sales were off 4% from last year, but volume on some major lines reached record levels. Our mer-

chandising, styling and distribution improved in this division during the year.

Convenience Products Division sales of disposable diapers increased 25% over last year. We are encouraged by the broader acceptance of our product. The many years and dollars spent in developing this business are proving to be a good investment. Engineering Services and Development contributed in many ways to the growth, efficiency and profitability of this division.

La France Division sales were hurt by the generally unfavorable conditions in the furniture business caused by the depressed housing industry. In this division, sales were off by 17%, but were cushioned by our participation in the reupholstery market.

Sewing Circle lost money this year even though sales volume was up slightly. We reduced the number of shops from 35 to 21 retail units. We closed the unprofitable stores and took our losses. We expect this subsidiary to make a profit in the 1976 fiscal year.

Again this year, wages and employee benefits were increased in all divisions of the company.

We were forced to curtail some production during the year, but we had one of the best operating schedules in the industry. Riegel employees responded well with improvement in quality and productivity—thus contributing to our overall results.



Our safety experience was much improved for the year. Our plants' Safety Committees, our corporate CARE Committee and most importantly, our employees themselves made this happen. We are pleased and thankful that many of our manufacturing units completed the year with no disabling injuries.

On the day we celebrated the first decade of our Zero Defects Program, approximately 23,000 people toured our plants—guided by Zero Defects Award Winners. After 10 years, we are even more convinced of the value of this program.

Management development continues to be one of our major objectives. Our Entry Level Management Program, Department Managers Training Institute and Advanced Management Development Programs are training our managers better for their increasing responsibilities. We have improved our ability to recruit and hire at the college level. All of our recruiting and training programs embrace our responsibilities for equal employment opportunities.

Capital expenditures were \$8,238,000. We plan to spend approximately \$12,500,000 during fiscal 1976. Our capital expenditures programs are primarily committed to improving productivity and quality. We are also continuing our expenditures for environmental improvements.

During the year, we had no short term debt and we prepaid

\$12,000,000 of installment promissory notes. On November 1, 1975, our cash and short term investments totaled \$11,500,000.

Two new directors, Benjamin R. Emory and E. Erwin Maddrey II were elected at our Annual Meeting on January 21, 1975. Mr. Emory serves on the Staff at the Center for Research and Advanced Study, University of Maine at Portland-Gorham, Portland, Maine. Mr. Maddrey is President and Chief Operating Officer of Riegel Textile Corporation.

At the Directors Meeting immediately following the Annual Meeting, Robert E. Coleman was elected Chairman of the Board and Chief Executive Officer; Clayteen Lewis was elected Vice Chairman of the Board and Chief Financial Officer; E. Erwin Maddrey II was elected President and Chief Operating Officer; Patricia E. Walter was elected Secretary of the Corporation.

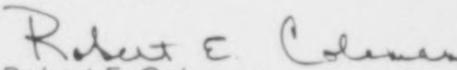
At the same meeting, William E. Reid, formerly Chairman and Chief Executive Officer, was elected a Corporate Executive until his retirement on September 1, 1975. He is continuing to serve Riegel as a Director and Consultant. We are pleased that his experience and advice are available to us. His 48 years in the industry—36 of which were with Riegel—will be of great help to the current management. Mr. Reid's stature as an industry leader, recognized both in the United States and abroad,

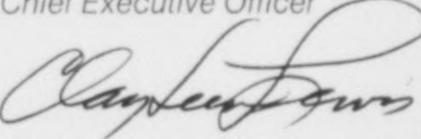
is an important and useful asset to management.

We believe the textile down-cycle was shortened by better control of inventories throughout the industry. Riegel people at all levels did an outstanding job in this regard.

We are starting our "76" fiscal year with strong sales, increasing backlog of orders, good running schedules, a healthy balance sheet—and a more promising national economy. With this outlook, earnings should improve in this fiscal year. Our costs are increasing on almost everything that constitutes our cost of goods sold. Stronger market demand may allow us to raise our prices on some lines, but we are determined to continue to reduce costs through productivity gains, conservation of materials and energy, and wise use of our finances.

We hope there will be a Riegel Textile Corporation when our nation celebrates its 300th birthday. We take pride in our past, we work in the present and we plan for the future.


Robert E. Coleman
Chairman of the Board
Chief Executive Officer


Clayteen Lewis
Vice Chairman of the Board
Chief Financial Officer
December 17, 1975

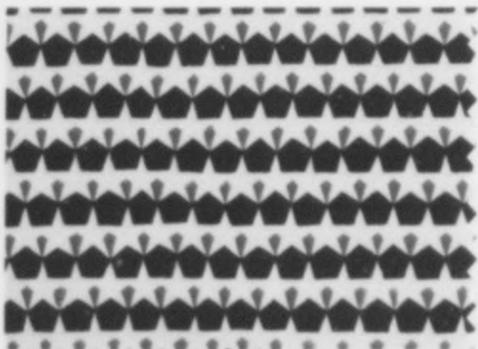
Apparel Fabrics Division



T. J. Meyer, Division President

This Division is headquartered in Riegel's Southern Executive Office, at Ware Shoals, South Carolina.

Marketing efforts are aimed at three major domestic markets—sportswear, career apparel and industrial. We serve these markets with sales people located in New York and other principal cities. Our styling and design studio for this Division is in our New York office. Fabrics for world markets produced by this Division are marketed by our export manager located in London and through sales agents located in Europe and the Far East.



*Susan Jean Evans
University of Washington*

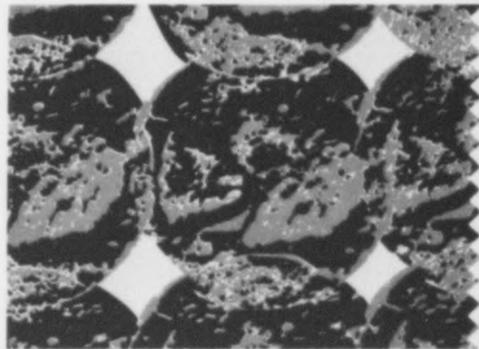
The Apparel Fabrics Division spins, weaves, knits, prints, dyes and finishes textile fabrics. Our sportswear fabrics, styled and produced for men, women and children, include highly styled cottons, polyester/cotton blends and polyester double knits. These fabrics are styled principally for jeans and other active sportswear, with a heavy commitment to the indigo denim market.



*Sandra Jabaily
Rhode Island School of Design*

Our career apparel fabrics are basically polyester/cotton blends. These are sold to manufacturers who distribute through industrial rental services, retail outlets, and uniform suppliers. Our industrial fabrics are sold to the work glove industry and for a variety of other industrial uses.

The Apparel Fabrics Division, Riegel's largest, operates plants at Trion and Alto, Georgia and Fort Payne, Alabama. Our Alto plant produces blended fabrics. At Fort Payne, we spin yarn for Trion, our largest plant which was



*Laura Sicklick
Smith College*

started in 1845. The Trion operation ships over 2,500,000 yards of cloth to our customers each week.

Our primary objective in the coming years can be simply stated. We intend to increase our business in the markets we serve. Each of our three markets—sportswear, career apparel, and industrial—provides us with a high potential for continued growth.

A handwritten signature in cursive script, appearing to read 'T. J. Meyer'.

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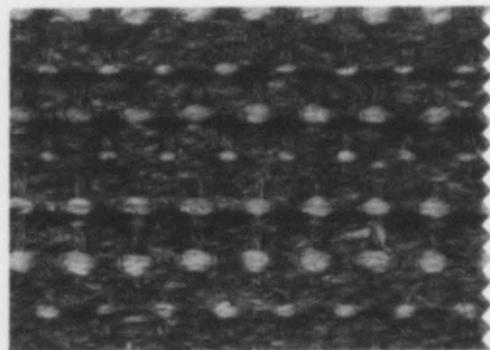
Handwritten cursive text, likely a signature or name, repeated multiple times in a decorative, overlapping manner. The text is written in a highly stylized, flowing cursive script. The name "John Hancock" is clearly visible in several instances, written in various orientations and overlapping each other.

La France Division



R. L. Morgan, Division President

In this Bicentennial year, it is fitting to note that the La France Division, founded as another company in 1838, is the oldest operating textile facility in the State of South Carolina. It should also be noted, however, that the division's present buildings and equipment are among the most modern in the industry. We are primarily suppliers to the home furnishings market, concentrating on the upholstery trade, with special expertise in fine quality velvets.



*Dana Ivy
W.C. State University*

The La France Division is a completely vertical textile operation. We begin with the raw fiber and spin the major portion of our yarns in Alto, Georgia and in Ellsworth, Maine. The yarns are woven into fabric—then dyed or printed and finished in our La France, South Carolina facilities.

There are two separate and entirely different ways we are set

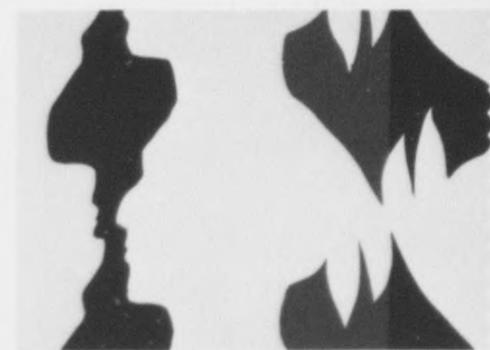


*Julie Ballantyne
Texas Christian University*

up to market our La France fabrics. The first is selling direct to manufacturers of upholstered furniture. We are fortunate to have the major manufacturing firms in the United States as our customers.

The second way we market upholstery fabrics is through our sales service centers, selling primarily to reupholsterers. The

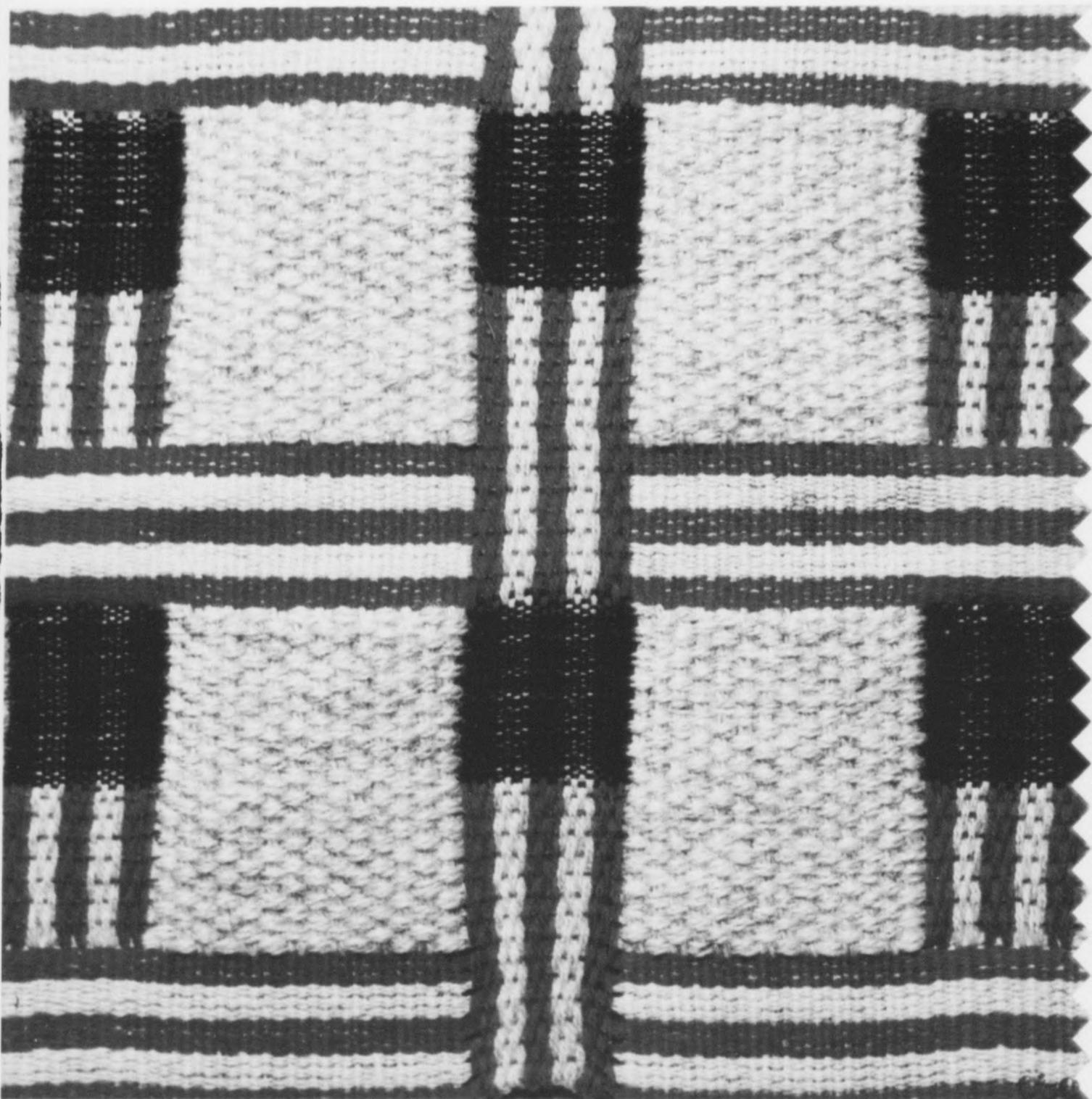
La France Sales Service Center operation includes warehousing and sales facilities in 23 cities throughout the United States. In addition to La France fabrics, our Sales Service Centers supply upholstery fabrics made by other manufacturers, decorative vinyl fabric and upholstery supplies. We are one of the country's largest suppliers of such merchandise to reupholsterers, interior decorators, small furniture manufacturers, department stores, and others who buy these products on a wholesale basis.



*Robert Patterson
Allan Hancock College*

The La France Division is proud of the diversity it contributes to Riegel's marketing and manufacturing. We also recognize the necessity for further expanding the scope of that diversity and our marketing plans are designed to accomplish that objective.

Robert L. Morgan



Consumer Products Division



M. S. Templeton, Division President

The Consumer Products Division is dedicated to three major markets for finished textile products—infants' wear, kitchen textiles, and institutional.

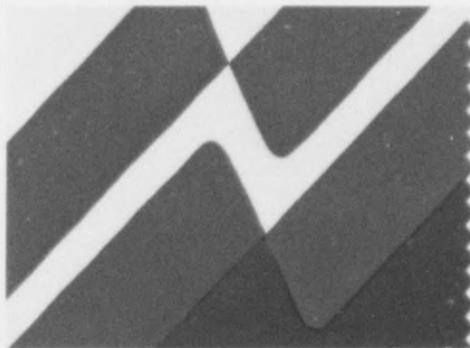
Our largest category is our infants' wear operation. We concentrate our marketing efforts upon America's youngest consumers or, more accurately, their mothers. Our product mix includes cloth diapers, blankets, sheets, underwear and sleepwear. In many of these categories, we are the dominant source.

Kitchen textiles have become a fashion business for us. Today's woman uses them to brighten up her kitchen—the quickest and least costly way to redecorate. Today we manufacture everything from potholders to kitchen terry towels in decorator ensembles. In these consumer markets, we are a major private label source to national chains. In addition, we market our *Babycare*[®] and *Homecare*[®] branded products to regional and local mass merchants through our sales force of

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over thirty people. These products are sold through national as well as regional chains. We have also developed special lines under our national brand *Nitey Nite*[®] for sale through wholesalers.

The scope of these efforts places us close to the consumer. Sales promotion is a vital ingredient of marketing our products and, this year particularly, we have used advertising and other communication techniques to strengthen our business.

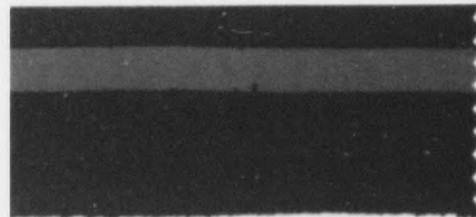


Kathy Fargo
California State University

Our third major merchandising category is directed toward the institutional market. Our institutional department focuses upon the sale of textile products to the hotel and motel trade, the health care industry and the rental and institutional laundry business. These products range from tablecloths to towels.

In August of 1975, the division was reorganized to combine the Ware Shoals spinning, weaving and finishing plant with the Consumer Products Division. This combination makes the division a completely vertical operation, paving the way for further growth

and more efficient marketing of our product lines.

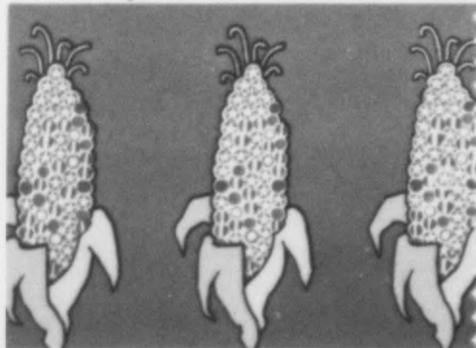


Dixie Carr
University of Idaho

Headquarters of the Consumer Products Division is in Johnston, S.C. Our three major sewing units are in Johnston, Lexington and McCormick, S.C. We have our own marketing and sales organization working with our customers throughout the country.

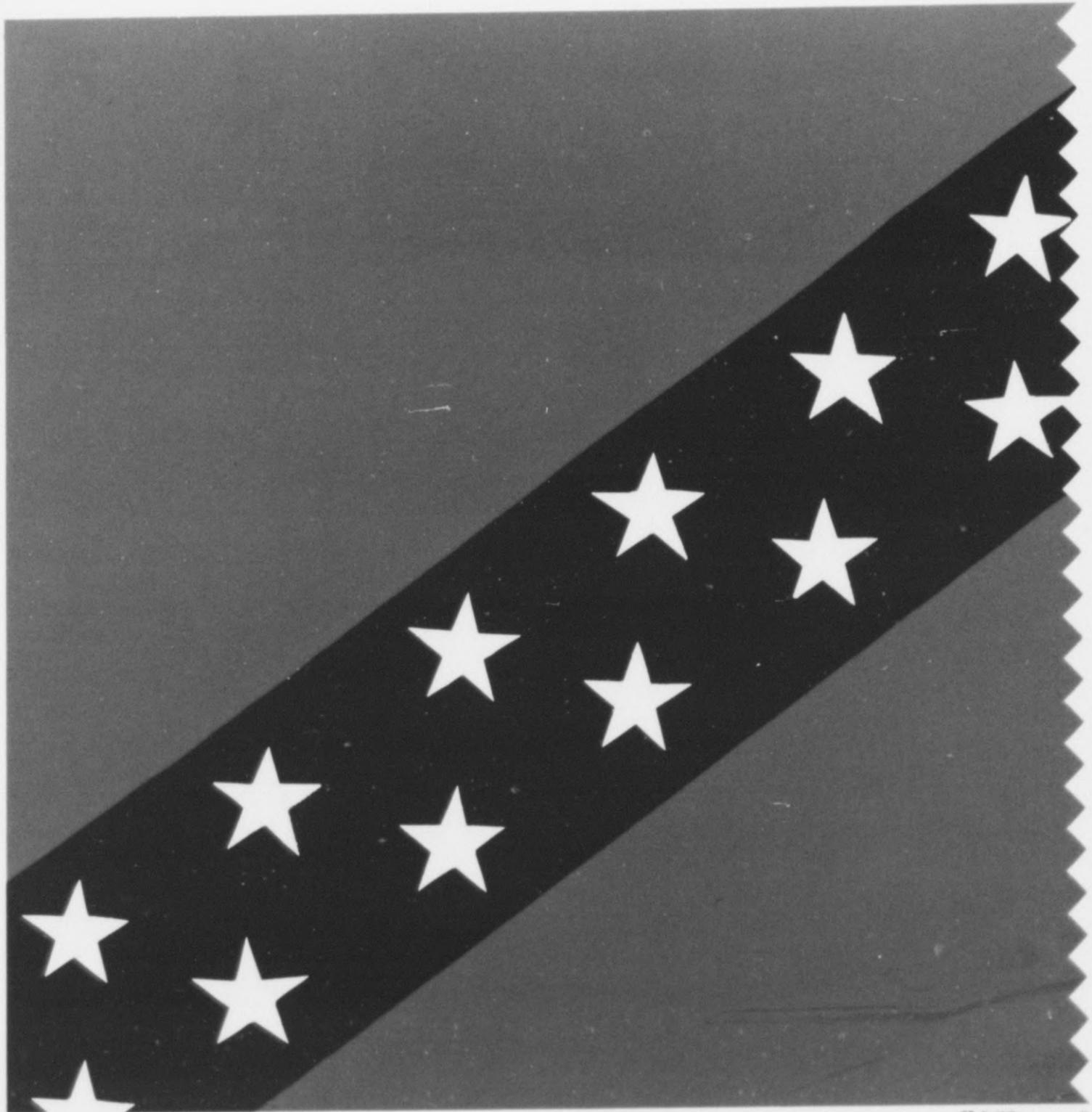
The marketing objective of the division is to further utilize Riegel's manufacturing capabilities to increase the sale of completed products for consumer use. We intend to continue a healthy and sustained growth in our current markets while working to develop new markets.

Manfred A. Templeton



Peggy Nakaguchi
Hollywood Art Center

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Convenience Products Division



H. W. Thurlow, Division President

The Convenience Products Division, headquartered in Aiken, South Carolina is engaged in selling and manufacturing disposable baby diapers. Trading on Riegel's expertise and reputation as a supplier of cloth diapers for nearly fifty years, we are following a plan to capture an increasing share of this still growing \$500,000,000 industry.

Our marketing efforts are directed towards the mass merchandising outlets—both national and regional. These include the discount, general merchandise, drug, and food chains. Our product is packaged under our customers' own brand names allowing them to offer better value than the higher priced, heavily advertised national brands.

In the photograph at right are some of our customers' packages, including many of the leading national and regional chains throughout the country. Our

smaller customers take advantage of our *Babycare*[®] brand which is promoted on other baby products manufactured by Riegel.

During the year we completed a new plant in Maryville, Missouri which provides a mid-west manufacturing and shipping point to complement our facility in Aiken, South Carolina. The two locations provide employment for approximately 225 people. Both plants have operated at nearly full running schedules during this difficult economic year.

1975 was a good year for the Convenience Products Division. We improved our product, our productivity and our distribution. An enthusiastic management team, comprised largely of young people, looks forward to the challenge of increasing Riegel's share of this important and growing market.

We believe our growing technology base, manufacturing "know-how" and marketing experience puts us in a position to enter other disposable markets in the future.

A handwritten signature in black ink, appearing to read "H. W. Thurlow". The signature is fluid and cursive, with a long, sweeping tail on the final letter.



International Division



D. J. Stevens, Corporate Vice President

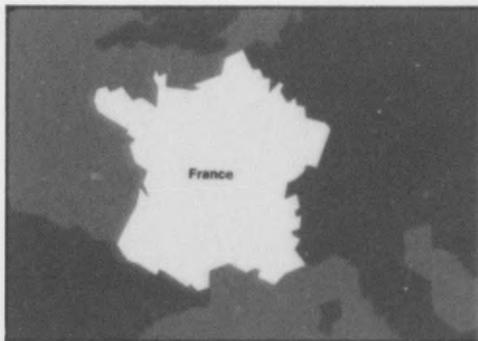
Riegel's International Division is involved directly or indirectly in textile-related operations, engineering services and licensing agreements in Canada, Europe and Africa.

Our major partner in our overseas operations is Etablissements Schaeffer & Cie, a textile-oriented holding company located in Mulhouse, France, with whom we have done business for many years. Last year, Riegel was pleased to be able to obtain a minority interest in this fine company.

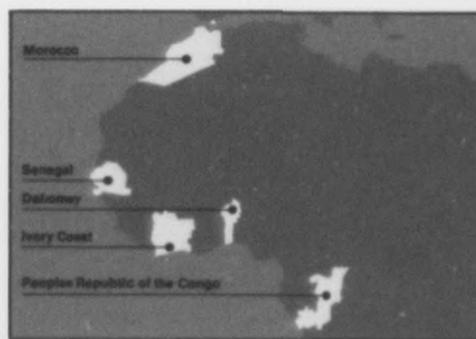
Schaeffer, Riegel and some leading French Africa Trading Companies have worked successfully together in developing projects in the Ivory Coast, Morocco, Senegal, Dahomey, People's Republic of the Congo, and the Island of Mauritius.

Although our international investments have not been large compared with our domestic operations, we are encouraged by our experience so far. These investments will allow us to participate in these international markets, while spreading our risks and positioning ourselves to participate in future opportunities.

In December 1974, Riegel formed an International Committee of the Board of Directors. This committee supervises and monitors the activities of the International Division, and makes recommendations to the full board regarding additional investment opportunities. The Chairman is William E. Reid, past Chairman and Chief Executive Officer of Riegel. Mr. Reid presently is a Director and Consultant to the company.



The policy followed for investments abroad basically is to take minority positions in a number of companies, to have knowledgeable marketing partners, to provide managerial and technical assistance, and to work closely with the host country governments to provide employment for nationals and economic development at all levels.



No production from any of the companies in our International Division is imported into the United States as their principal markets are West Africa, Western Europe and Canada.

D. J. Stevens 665

Engineering Services & Development



Richard K. Teed, Manager

Engineering Services consists of 25 highly skilled, trained, and experienced people. These individuals are specialists in a wide variety of technological fields ranging from textile and environmental chemistry to machine design and construction. The department is organized into two separate sections.

The technology section consists of engineers, chemists, environmental technologists, and textile technologists who serve as consultants to assist the company's divisions and plants in solving unusual process, product, or machinery problems.

Recent examples of the type of projects handled by this group are: improved production methods for indigo dyeing, improvements in open-end spinning, the responsibility for our corporate energy conservation program, and further refinement of *Riegelstat*[®]

static control fabric. *Riegelstat* is an anti-static fabric for use in operating rooms and other explosive environments. The technology group also works in conjunction with our merchandising people to develop new products and improve existing products.

The mechanical development section consists of design engineers and drafting and machine shop technicians who design, develop, and build specialized machinery. This type of machinery cannot be purchased through regular machinery sources.



This nameplate identifies special machinery made by Riegel.

Examples of our specialized *Riegelway*[™] machinery are our *Plastic Dot*[™] applicator, automatic cutting, sewing and packaging equipment and disposable diaper machinery.

R. K. Teed

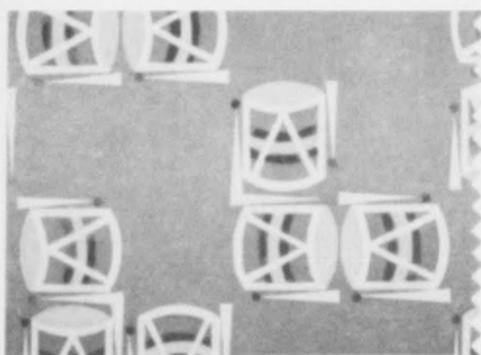
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Corporate Responsibility— The Americana Textile Design Competition

Corporate responsibility means different things to different people.

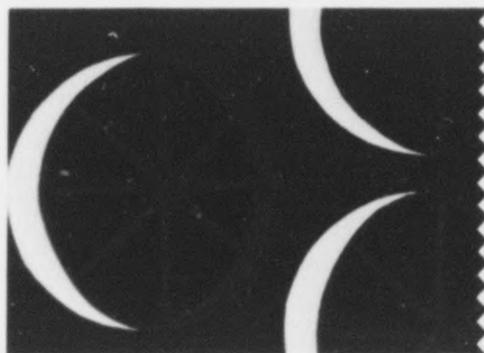
To our stockholders, the corporation has the responsibility to make a fair profit and give the stockholders a reasonable return on their investment. Realistically, making that fair profit is the first responsibility of the corporation. Without adequate profits, a company cannot meet its other obligations.

To our customers, the corporation's obligation is to deliver products which represent good value. High standards of quality are a fundamental corporate responsibility. We know our very existence depends on our customers' approval of our products and services.



*Christine Ann Simonson
Museum Art School
Sports Apparel Category*

To our employees, it is the corporation's responsibility to provide fair conditions of employment with respect for the dignity and rights of all individuals. Employees



*Dan McLaughlin
Paier School
Home Furnishings Category*

today ask more of their company than "just a place to work." The company must do everything within its ability to make work meaningful and fulfilling.

The broader responsibilities of the corporation involve its concerns and obligations with regard to the environment, to equal opportunity and to the hard-to-define, important quality we call "corporate citizenship." Riegel people do their best to reflect the character of an involved, concerned and public spirited organization.



*Joy E. Browning
U. C. Davis
Kitchen and Dining Category*

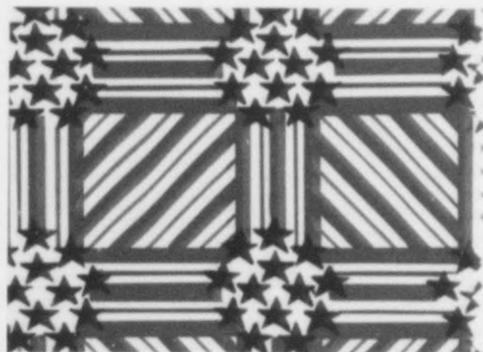
The Americana Textile Design Competition reflects a desire to participate in our country's Bicentennial. We do not apologize for being patriotic. The competition affords us an opportunity to recognize the contributions of the textile industry—one of the first industries in America—to our nation's development. It is also a way we can encourage the interest of young designers in textiles.



*Robert G. Townsend
Allan Hancock College
Home Furnishings Category*

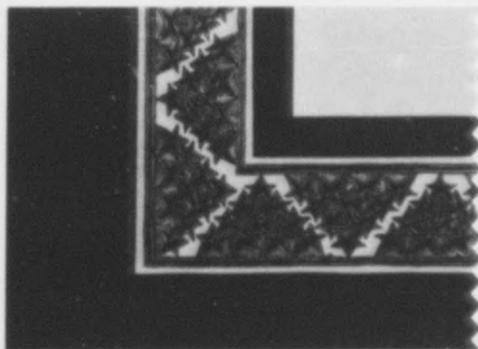
Response to the competition far exceeded our expectations. The grand prize of \$2,000 was won by Stephen Petegorsky of Amherst College. His design (see page 5), consisting of a unique treatment of the famous John Hancock signature, won out over 1,290 entries from 353 colleges and art schools.

The jury was composed of textile designer Jack Lenor Larsen, apparel designer Tom Taylor of the Bill Blass organization and Christian Rohlfing, curator of the Cooper-Hewitt Museum of Decorative Arts and Design of the Smithsonian Institution.



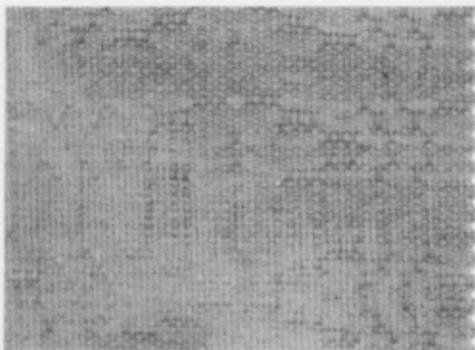
*Nancy Hulett
Syracuse University
Sports Apparel Category*

Other top winners were Joan Saltzman (page 7) of the University of California, Berkeley, who won \$1,000 for a woven home-furnishings design and Richard Gohrke (page 9) of the Cornish School of Allied Arts, who won \$1,000 for an American flag motif in a design for kitchen textiles. Ten honor awards of \$100 each were made in the three categories. In addition, the art departments of the winners' schools were given contributions equal to half of their students' awards.



*Katie Kennelly
University of Washington
Kitchen and Dining Category*

All of the 33 winning designs are shown on these pages. Included are the works of the three art students who won double awards, Elizabeth Munro and Julie Ballantyne of Texas Christian University and Renee Wieman of the University of Washington. The same two universities—Texas Christian University and the University of Washington—each produced three award winners. Special recognition is due the art instructors responsible, Richard Proctor and Anthony Jones.



*Margot Ammidown
University of Miami
Home Furnishings Category*

In every way, the competition was a heartening experience for us at Riegel. We hope sincerely that every stockholder of the company will feel a similar sense of participation in this celebration of the nation's two-hundredth birthday.

Robert E. Coleman



*Stephen Petegorsky
Amherst College
Grand Prize Winner*



*Joan Saltzman
University of California
Best-in-Category*



*Richard H. Gohrke
Cornish School of Allied Arts
Best-in-Category*

Summary of Operations

The following table summarizes the results of operations of the Company and its subsidiaries for the past five fiscal years:

	Fiscal Years Ended (000's Omitted)				
	Sept. 27, 1975	Sept. 28, 1974	Sept. 29, 1973	Sept. 30, 1972	Oct. 2, 1971
Net sales	\$236,628	\$260,049	\$224,244	\$202,804	\$171,112
Costs and expenses	219,503	239,935	205,712	191,917	163,295
Interest expense, net	1,819	3,284	2,502	2,536	2,658
Income tax expense	7,130	7,965	7,550	3,755	2,332
Net income	\$ 8,176	\$ 8,865	\$ 8,480	\$ 4,596	\$ 2,827
Earnings per common share:					
Primary	\$3.20	\$3.47	\$3.32	\$1.80	\$1.11
Fully diluted	2.95	3.19	3.06	1.73	1.11
Cash dividends per common share	\$1.225	\$1.15	\$.95	\$.80	\$.80

See note 1 to financial statements on page 21.

Managements Discussion and Analysis of the Summary of Operations

Fiscal Years 1975 and 1974

Sales decreased 9% from the comparable period in 1974. This decline was caused by reduced demand for the Company's products in practically all lines, reflecting the extensive reduction of inventories throughout the channels of distribution brought on by the economic recession. The Company's consumer items performed better than the corporate average during this difficult period, and denims remained in strong demand. Interest expense was 45% lower than in 1974 due to a reduction in debt, progressively declining interest rates and income on short term investments.

Net income dropped 8% during this same period. Although some major materials prices declined and stringent cost controls were maintained during this period, continuing fixed costs combined with reduced operating schedules offset a considerable part of these price and expense reductions.

Fiscal Years 1974 and 1973

Sales increased 16% from 1973, reflecting strong demand for most of the Company's products until the latter part of the fiscal year. Sales of consumer products and sportswear fabrics including denim were at record highs. Home furnishing fabrics sales were the best in the Company's history, but slowed down appreciably during the second half of 1974. Automotive upholstery fabrics reflected the decline in the number of passenger cars produced.

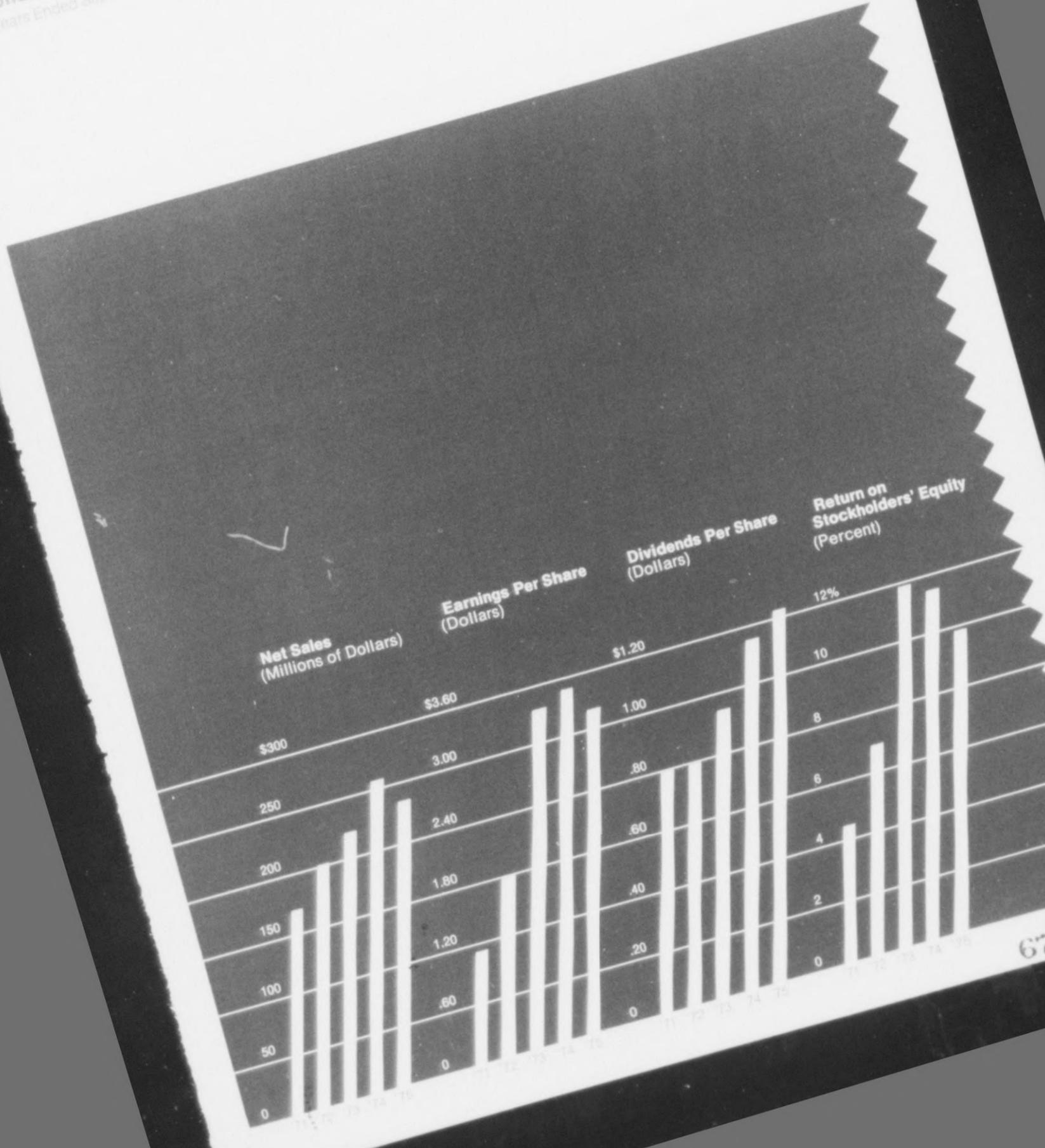
Net income increased 4.5% from 1973. This increase would have been comparable to the increase in sales, except for the change in accounting method explained in note 1 to financial statements on page 21. Raw material prices were in a state of turmoil throughout the year 1974 and energy costs were significantly higher. Interest expense was substantially higher in 1974, reflecting the unprecedented level of short-term interest rates, especially during the last half of the fiscal year.

FORM 10-K Available

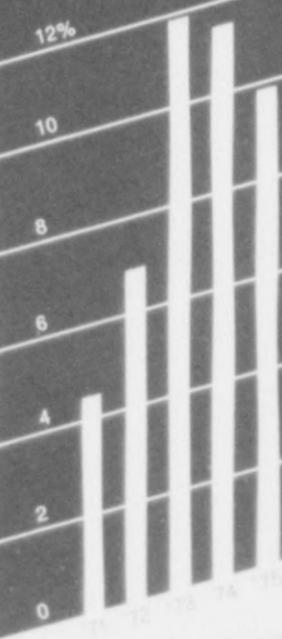
The Company's 1975 Annual Report to the Securities and Exchange Commission on Form 10-K provides certain additional information and will be available in January. A copy of this report will be furnished without charge to beneficial owners of Riegel stock on November 28, 1975 by writing: Riegel Textile Corporation, 260 Madison Avenue, New York, New York 10017
Attention: Secretary.



Riedel Textile Corporation and Subsidiaries
Consolidated Financial Statements
Fiscal Years Ended September 27, 1975 and September 28, 1974



Return on Stockholders' Equity (Percent)



Riegel Textile Corporation and Subsidiaries
Consolidated Statements of Income

	Year Ended September 27, 1975	Year Ended September 28, 1974
Net Sales	\$236,628,000	\$260,049,000
Costs and Expenses:		
Cost of goods sold	203,699,000	225,066,000
Selling and administrative expenses	16,202,000	15,483,000
Interest expense, net	1,819,000	3,284,000
Other income, net	(398,000)	(614,000)
	<u>221,322,000</u>	<u>243,219,000</u>
Income Before Provision for Income Taxes	15,306,000	16,830,000
Provision for Income Taxes (Note 5)	7,130,000	7,965,000
Net Income	<u>\$ 8,176,000</u>	<u>\$ 8,865,000</u>
Earnings Per Common Share:		
Primary	\$3.20	\$3.47
Fully diluted	<u>2.95</u>	<u>3.19</u>

Consolidated Statements of Stockholders' Investment

	Common Stock		Capital Surplus	Retained Earnings (Note 2)
	Shares	Amount		
Balance, September 29, 1973	2,551,235	\$10,205,000	\$9,172,000	\$52,034,000
Net income	—	—	—	8,865,000
Cash dividends paid (\$1.15 per share)	—	—	—	(2,934,000)
Balance, September 28, 1974	2,551,235	10,205,000	9,172,000	57,965,000
Net income	—	—	—	8,176,000
Cash dividends paid (\$1.225 per share)	—	—	—	(3,126,000)
Shares issued under stock option plan (\$12.63 per share)	1,000	4,000	9,000	—
Balance, September 27, 1975	<u>2,552,235</u>	<u>\$10,209,000</u>	<u>\$9,181,000</u>	<u>\$63,015,000</u>

The accompanying notes are an integral part of these statements.

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Riegel Textile Corporation and Subsidiaries
Consolidated Balance Sheets



	September 27, 1975	September 28, 1974
Assets:		
Current Assets:		
Cash, including short-term cash investments of \$5,500,000 in 1975	\$ 9,169,000	\$ 2,898,000
Receivables	41,596,000	47,771,000
Less—Reserve for doubtful accounts, discounts and claims	1,641,000	1,647,000
	<u>39,955,000</u>	<u>46,124,000</u>
Inventories (Note 1)—		
Raw materials and supplies	10,638,000	10,612,000
Work in process	11,807,000	13,664,000
Finished goods	10,591,000	15,591,000
	<u>33,036,000</u>	<u>39,867,000</u>
Prepaid income taxes (Note 5)	3,017,000	2,159,000
Total Current Assets	<u>85,177,000</u>	<u>91,048,000</u>
Property, Plant and Equipment:		
Land and improvements	1,778,000	1,695,000
Buildings	30,163,000	28,805,000
Machinery and equipment	100,605,000	97,401,000
	<u>132,546,000</u>	<u>127,901,000</u>
Less—Accumulated depreciation	73,451,000	68,821,000
	<u>59,095,000</u>	<u>59,080,000</u>
Investments, Prepaid Expenses, etc.	3,572,000	3,005,000
	<u>\$147,844,000</u>	<u>\$153,133,000</u>
Liabilities:		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,421,000	\$ 1,192,000
Accounts payable	8,258,000	12,274,000
Accrued liabilities	13,125,000	11,338,000
Accrued income taxes (Note 5)	3,203,000	1,144,000
Total Current Liabilities	<u>26,007,000</u>	<u>25,948,000</u>
Long-Term Debt, Noncurrent Portion (Note 2)	<u>29,513,000</u>	<u>40,970,000</u>
Deferred Credits:		
Deferred income taxes (Note 5)	7,144,000	6,640,000
Unamortized investment credit	2,775,000	2,233,000
	<u>9,919,000</u>	<u>8,873,000</u>
Commitments (Note 2)		
Stockholders' Investment (Note 3):		
Common stock, \$2 par value, \$4 stated value, 4,000,000 shares authorized	10,209,000	10,205,000
Capital surplus	9,181,000	9,172,000
Retained earnings (Note 2)	63,015,000	57,965,000
	<u>82,405,000</u>	<u>77,342,000</u>
	<u>\$147,844,000</u>	<u>\$153,133,000</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

	Year Ended September 27, 1975	Year Ended September 28, 1974
Source of Funds:		
Working capital provided from operations—		
Net income	\$ 8,176,000	\$ 8,865,000
Add—Items not requiring current outlay of working capital—		
Depreciation	7,498,000	5,928,000
Increase in deferred income taxes	504,000	621,000
Increase in unamortized investment credit	542,000	113,000
	<u>16,720,000</u>	<u>15,527,000</u>
Additional long-term debt	2,038,000	—
Property retirements	725,000	443,000
Issuance of common stock under stock option plan	13,000	—
	<u>19,496,000</u>	<u>15,970,000</u>
Application of Funds:		
Property additions	8,238,000	10,809,000
Dividends paid	3,126,000	2,934,000
Long-term debt reduction	13,495,000	1,192,000
Increase in other assets, net	567,000	482,000
	<u>25,426,000</u>	<u>15,417,000</u>
Increase (Decrease) in Working Capital	<u><u>\$ (5,930,000)</u></u>	<u><u>\$ 553,000</u></u>
Changes in Working Capital:		
Increase (decrease) in—		
Cash and short-term cash investments	\$ 6,271,000	\$(8,873,000)
Receivables	(6,169,000)	3,517,000
Inventories	(6,831,000)	7,599,000
Prepaid income taxes	858,000	240,000
Decrease (increase) in—		
Current maturities of long-term debt	(229,000)	(100,000)
Accounts payable	4,016,000	(3,059,000)
Accrued liabilities and income taxes	(3,846,000)	1,229,000
Increase (decrease) in working capital	<u><u>\$ (5,930,000)</u></u>	<u><u>\$ 553,000</u></u>

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

September 27, 1975 and September 28, 1974

**1. Summary of Accounting Policies:**

Basis of consolidation—The accompanying financial statements have been prepared on a consolidated basis, and accordingly include the accounts of all subsidiaries of the Company after elimination of intercompany accounts and transactions. Jointly-owned foreign investments are accounted for under the equity method and other foreign investments (less than 20%-owned) are carried at cost.

Property, plant and equipment—Property, plant and equipment is carried at cost. For financial reporting purposes, depreciation of property, plant and equipment is computed principally on the straight-line method at rates based on the estimated useful lives of the properties.

Inventories—Inventories are stated at the lower of cost or market. In 1974, the parent company extended its use of the last-in, first-out method of determining the cost of inventories to include substantially all raw fiber and the fiber content of various other categories of inventories. This change was made to more closely match current costs against current revenues to minimize the impact that inflation has on earnings. The effect of the change was to decrease net income in 1974 by approximately \$976,000 (or \$.38 per share). For this type of accounting change there is no cumulative effect on retained earnings as of the beginning of the fiscal year or pro-forma effect on prior years' reported results of operations.

The cost of inventories determined using the last-in, first-out method amounted to \$6,359,000 and \$6,418,000 in 1975 and 1974, respectively, and would have been higher by \$3,855,000 and \$5,674,000 in 1975 and 1974, respectively, had the first-in, first-out method been used. The cost of other inventories, including those of subsidiaries, is determined using principally the first-in, first-out method. Cost includes materials, direct labor and factory overhead. Market with respect to raw materials and supplies is replacement cost and for work in process and finished goods is net realizable value.

Income taxes—Deferred and prepaid income taxes result from timing differences in the recognition of various items for financial and tax reporting purposes. Income taxes that would be payable upon remission to the United States of undistributed earnings of the Company's foreign operations are not significant. Investment credits are accounted for on the deferred method whereby the credits are amortized over the depreciable lives of the related assets.

Translation of foreign currencies—Monetary accounts of foreign operations are translated using exchange rates in effect at year-end and nonmonetary accounts are translated

at applicable historical exchange rates. Revenues and expenses are translated at average rates during each year, except for provisions for depreciation which are based on historical rates. Net gains or losses, which are not significant, from changes in foreign exchange rates are included in other income.

Earnings per common share—Earnings per common share are based on the weighted average number of shares outstanding during each year. Fully diluted earnings per share give effect to assumed conversion of the 5% Convertible Subordinated Debentures and elimination of the related interest expense. No material dilution results from stock options outstanding in either year.

2. Indebtedness and Lease Commitments:

At September 27, 1975 and September 28, 1974, consolidated long-term debt consisted of the following:

	1975	1974
5.2% Promissory Notes, payable in annual installments of \$900,000 with a final payment of \$3,800,000 in May, 1986 . . .	\$12,800,000	\$13,700,000
5% Convertible Subordinated Debentures, due March, 1993 . . .	15,000,000	15,000,000
Promissory Note, repaid in 1975 . . .	—	12,000,000
Capitalized lease obligation, due \$31,000 monthly (including interest) through May, 1982	1,964,000	—
Other	1,170,000	1,462,000
	<u>30,934,000</u>	<u>42,162,000</u>
Less—Current maturities	1,421,000	1,192,000
	<u>\$29,513,000</u>	<u>\$40,970,000</u>

The 5% Convertible Subordinated Debentures are convertible into common stock at \$43.50 per share, subject to anti-dilution provisions, and may be redeemed at varying premiums through 1987. These debentures are to be retired in part through the operation of a sinking fund, starting in February, 1979, in an amount equal to 5% per year of the debentures outstanding in February, 1978. The capitalized lease obligation represents data processing equipment acquired in 1975 under a financing lease (implicit interest rate of 8%) recorded at the cost (\$2,038,000) of the equipment.

The Agreement covering the 5.2% Promissory Notes and the Indenture for the Subordinated Debentures contain, among other restrictions, certain provisions relative to the payment of dividends and reacquisition of common stock. Retained earnings at September 27, 1975, unrestricted under

Notes to Consolidated Financial Statements

September 27, 1975 and September 28, 1974

the most onerous of such provisions, amounted to \$28,087,000. The Agreement requires the Company to maintain consolidated working capital of \$43,000,000 and also contains restrictions on various other actions including additional borrowings, guarantees and leases.

Maturities of long-term debt as of September 27, 1975, are as follows: 1976—\$1,421,000; 1977—\$1,430,000; 1978—\$1,276,000; 1979—\$2,049,000; 1980—\$2,072,000; 1981 to 1985—\$9,136,000; and 1986 and thereafter—\$13,550,000.

The Company has short-term unsecured bank lines of credit of \$16,500,000, of which no amounts were outstanding at September 27, 1975. These lines informally require average compensating balances of \$1,650,000 on the loan commitments and increasing amounts when funds are drawn under the agreements. The Company had no short-term borrowings during 1975 and, in 1974, short-term borrowings averaged approximately \$3,167,000 (maximum outstanding of \$8,000,000) with an approximate average interest rate of 10%.

Rental expense for leased facilities (primarily fabric distribution stores) and certain machinery and equipment amounted to \$2,607,000 and \$2,529,000 in 1975 and 1974, respectively. The Company and subsidiaries pay the related taxes, insurance and maintenance costs with respect to most leased items and lease terms range up to ten years with varying renewal and purchase options. Future minimum rental payments under these leases aggregated \$4,366,000 at September 27, 1975, summarized as follows: 1976—\$1,155,000; 1977—\$860,000; 1978—\$657,000; 1979—\$572,000; 1980—\$445,000; 1981 to 1985—\$677,000. The Company and subsidiaries have no significant noncapitalized financing leases.

3. Capital Stock and Related Matters:

At September 27, 1975, officers and key employees held options to purchase 28,000 shares of common stock (11,985 shares exercisable currently) at option prices ranging from \$14.94 to \$20.13 per share. During fiscal 1975, no options were granted and options for 7,410 shares expired. At September 27, 1975, a total of 415,230 shares of common stock were reserved for stock options (70,402 shares) and for conversion of the 5% Convertible Subordinated Debentures (344,828 shares).

The Company also has 500,000 shares of Preferred Stock authorized, none of which has been issued at September 27, 1975. This stock is issuable in series, the terms of each series (within certain limits) to be established at the time of issuance.

4. Employee Benefit Plans:

The Company and certain of its subsidiaries have a profit-sharing retirement plan for nonsalaried employees. The plan provides that an amount of not less than 10% of net income after taxes, as defined, will be paid into a trust fund for each year in which net income is equal to at least 4% of stockholders' investment at the end of the preceding year. Benefits are paid to eligible employees upon retirement, termination or disability or to a beneficiary in the event of death. Contributions accrued with respect to this plan amounted to \$970,000 in 1975 and \$1,050,000 in 1974.

The Company has a funded noncontributory pension plan covering eligible salaried employees. Pension plan expense accrued for 1975 and 1974 was \$563,000 and \$449,000, respectively. In 1975, the excess funding determined in previous actuarial studies (being amortized for financial reporting purposes over 15 years) was eliminated and the Company recommenced funding the normal cost of the plan. Pension benefits payable under the plan to previously retired employees were increased in 1975 and the total estimated cost of this revision (\$420,000) was accrued currently. At the date of the latest annual actuarial study (December 30, 1974), the assets of the pension fund exceeded the actuarially computed value of vested benefits. Certain provisions of the Pension Reform Act of 1974 will become effective in 1976 and will require the Company to amend its pension plan. The effect of this amendment on annual pension expense is not expected to be significant.

The Company has a management incentive bonus plan that covers officers and key employees of the Company and its subsidiaries. This plan allows for maximum payments of up to 10% of income before income taxes (as defined) if net income is equal to at least 4% of stockholders' investment at the end of the preceding year. Bonus expense accrued with respect to this plan amounted to \$773,000 in 1975 and \$660,000 in 1974.

The Company also has an employee investment retirement plan to which it contributes a minimum of 25% of participating employees' eligible contributions. The amounts accrued under terms of this plan were \$133,000 and \$144,000 in 1975 and 1974, respectively. In addition, an employee stock purchase plan was implemented in 1975 covering substantially all employees except officers. The Company matches 10% (maximum of \$1.00 per week) of an employee's investment in this plan and pays all related brokers' commissions. The total expense to the Company amounted to \$5,000 in 1975.



5. Income Taxes:

The provision for income taxes for 1975 and 1974 consisted of the following:

	1975	1974
Currently payable—		
Federal	\$5,855,000	\$6,306,000
State	1,022,000	900,000
Foreign	65,000	231,000
	<u>6,942,000</u>	<u>7,437,000</u>
Deferred—		
Federal	(349,000)	289,000
State	(38,000)	31,000
Foreign	33,000	61,000
	<u>(354,000)</u>	<u>381,000</u>
Investment credit—		
Deferred	970,000	515,000
Amortization	(428,000)	(368,000)
	<u>542,000</u>	<u>147,000</u>
	<u>\$7,130,000</u>	<u>\$7,965,000</u>

Deferred income taxes are provided (credited) for timing differences in recognition of various items for financial and tax reporting purposes. The sources of these differences and the tax effect of each (estimated for 1975 pending filing of income tax returns) were as follows:

	1975	1974
Related to noncurrent balance sheet items—		
Accelerated depreciation for tax ..	\$ 556,000	\$428,000
Additional book depreciation to reduce knit equipment to replacement cost	(241,000)	—
Deferred DISC income	359,000	193,000
Lease obligation not capitalized for tax	(170,000)	—
	<u>504,000</u>	<u>621,000</u>
Related to current balance sheet items (not deductible for tax until paid or incurred)—		
Maintenance and equipment loss accruals	(556,000)	121,000
Pension expense accrual	(307,000)	(229,000)
Fabric distribution store closings accrual	(115,000)	(321,000)
Payroll expense accruals	66,000	98,000
Discounts and claims reserves ...	18,000	88,000
Other	36,000	3,000
	<u>(858,000)</u>	<u>(240,000)</u>
	<u>\$ (354,000)</u>	<u>\$381,000</u>

The accrual for closing of fabric distribution stores (pretax reduction of income of \$227,000 in 1975 and \$675,000 in 1974) relates primarily to lease obligations terminated in 1975 and to be terminated in 1976. The net sales and results of these operations were not significant in 1975 or 1974.

The total provision for income taxes amounted to 47% of pretax earnings in 1975 and 1974 and included the following components:

	1975	1974
Statutory Federal tax rate	48%	48%
Investment tax credit amortization	(2)	(2)
State income taxes, net of Federal tax benefit	3	3
Other	(2)	(2)
	<u>47%</u>	<u>47%</u>

Auditors' Report

To the Stockholders of Riegel Textile Corporation:

We have examined the consolidated balance sheets of Riegel Textile Corporation (a Delaware Corporation) and subsidiaries as of September 27, 1975, and September 28, 1974, and the related consolidated statements of income, stockholders' investment and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Riegel Textile Corporation and subsidiaries as of September 27, 1975, and September 28, 1974, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

Atlanta, Georgia,
November 14, 1975.

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Riegel Textile Corporation and Subsidiaries

Ten Year Financial Record

(In Thousands of Dollars) Fiscal Years ended about September 30

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Operating Results										
Net Sales	\$236,628	\$260,049	\$224,244	\$202,804	\$171,112	\$153,371	\$148,372	\$160,953	\$155,733	\$142,448
Income Before Income Taxes	15,306	16,830	16,030	8,351	5,159	4,400	2,055	8,615	15,045	15,121
Percent of Sales	6.5%	6.5%	7.2%	4.1%	3.0%	2.9%	1.4%	5.4%	9.7%	10.6%
Net Income	8,176	8,865	8,480	4,596	2,827	2,323	1,190	4,450	7,635	7,440
Percent of Sales	3.5%	3.4%	3.8%	2.3%	1.7%	1.5%	0.8%	2.8%	4.9%	5.2%
Per Share of Common Stock	\$ 3.20	\$ 3.47	\$ 3.32	\$ 1.80	\$ 1.11	\$ 0.91	\$ 0.47	\$ 1.77	\$ 3.02	\$ 2.93
Common Dividends	3,126	2,934	2,423	2,039	2,036	2,032	3,040	3,023	2,760	2,350
Per Share of Common Stock	\$ 1.225	\$ 1.15	\$ 0.95	\$ 0.80	\$ 0.80	\$ 0.80	\$ 1.20	\$ 1.20	\$ 1.10	\$ 1.00
Property Additions	8,238	10,809	6,708	6,181	5,801	2,700	8,714	8,520	15,570	17,959
Financial Position										
Current Assets	\$ 85,177	\$ 91,048	\$ 88,565	\$ 76,466	\$ 74,334	\$ 70,475	\$ 67,413	\$ 65,778	\$ 60,920	\$ 55,688
Current Liabilities	26,007	25,948	24,018	18,887	32,533	27,738	27,827	20,980	28,227	18,341
Working Capital	59,170	65,100	64,547	57,579	41,801	42,737	39,586	44,798	32,693	37,347
Ratio of Current Assets to Current Liabilities	3.3	3.5	3.7	4.0	2.3	2.5	2.4	3.1	2.2	3.0
Plant and Equipment, Net	59,095	59,080	54,642	55,379	56,256	56,562	59,475	56,389	52,971	41,274
Long-Term Debt	29,513	40,970	42,162	42,306	31,439	32,682	33,816	34,974	21,176	18,252
Preferred Stock	—	—	—	—	—	—	—	—	—	1,620
Common Stock Equity	82,405	77,342	71,411	65,354	62,755	61,909	61,584	63,399	61,818	56,937
Per Share of Common Stock	\$ 32.30	\$ 30.32	\$ 27.99	\$ 25.64	\$ 24.66	\$ 24.38	\$ 24.31	\$ 25.18	\$ 24.65	\$ 22.91
Net Income Percent of Equity	9.9%	11.5%	11.9%	7.0%	4.5%	3.8%	1.9%	7.0%	12.4%	12.8%
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING										
	2,551,485	2,551,235	2,551,235	2,549,218	2,545,269	2,539,552	2,533,403	2,518,215	2,508,272	2,485,770

Previously reported amounts have been restated to give retroactive effect to stock splits.

Divisions:

Apparel Fabrics

T. J. Meyer
President

Vice Presidents
J. M. Baugh
P. A. Evans
P. L. Holson
H. D. Kingsmore
G. E. Mewborne
R. A. Small

Plants

Alto, Georgia
Port Payne, Ala.
Trion, Georgia

La France

R. L. Morgan
President

D. K. Hill
Executive Vice President

Vice Presidents
J. G. Hinds
A. J. Locker

Plants

Alto, Georgia
Ellsworth, Maine
La France, S.C.

Consumer Products

M. S. Templeton
President

G. B. Milford
Executive Vice President

Vice Presidents
W. K. Campbell
J. L. Chambliss
R. W. Crawford
J. L. Ferguson
D. W. Kern
W. H. Schumacher

Plants

Johnston, S.C.
Lexington, S.C.
McCormick, S.C.
Fork Shoals, S.C.
Ware Shoals, S.C.

Convenience Products

H. W. Thurlow
President

Vice Presidents
R. E. Ashmore
R. W. Chastain

Plants

Aiken, S.C.
Maryville, Missouri

**Principal Subsidiaries
(Wholly Owned)**

La France Textiles Canada, Ltd.
Woodstock, Ontario

Riegel Fiber Corp.
Trion, Georgia

Sewing Circle Incorporated
Mooreville, North Carolina

Smith and Waters, Inc.
Ware Shoals, South Carolina

Ware Shoals Railroad Co.
Ware Shoals, South Carolina

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Board of Directors

Robert E. Coleman
Chairman of the Board
Greenville, South Carolina

Clayteen Lewis
Vice Chairman of the Board
Greenville, South Carolina

Benjamin R. Emory
Staff, Center for Research and Advanced Study
University of Maine at Portland-Gorham
Portland, Maine

German H. H. Emory
Retired Chairman of the Board
Southport, Connecticut

George T. Gardner
Retired Vice Chairman of the Board
Gray Court, South Carolina

Henry A. Hafner
Retired Executive Vice President
Delray Beach, Florida

Arthur Howe, Jr.
Educational Consultant
Lyme, Connecticut

Winthrop C. Lenz
Retired Vice Chairman
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Investment bankers
New York, New York

E. Erwin Maddrey II
President
Greenville, South Carolina

Winthrop R. Munyan
Attorney, Member of firm of
Curtis, Mallet-Prevost, Colt & Mosle
New York, New York

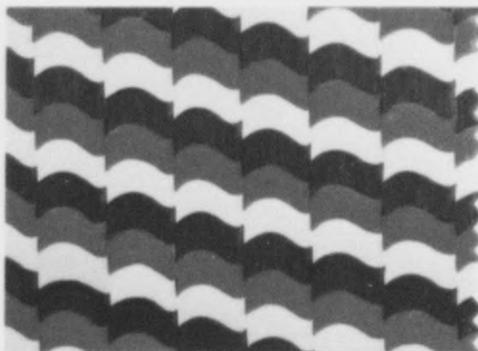
William E. Reid
Retired Chairman of the Board
New York, New York

Adrian L. Shuford, Jr.
Chairman, Jackson Buff Corporation
Manufacturer of buffing wheels and
abrasive products
Conover, North Carolina

John H. Stookey
President, National Distillers and
Chemicals Corporation
Diversified industrial corporation
New York, New York

James H. Styers
Retired President
Wachovia Corporation
Bank holding company
Winston Salem, North Carolina

Barry Wright, Jr.
Attorney, Member of firm of
Wright, Walther & Morgan
Rome, Georgia



Kerri Cobb
North Texas State University
Home Furnishings Category

Corporate Officers

Robert E. Coleman
Chairman of the Board and
Chief Executive Officer

Clayteen Lewis
Vice Chairman of the Board and
Chief Financial Officer

E. Erwin Maddrey II
President and
Chief Operating Officer

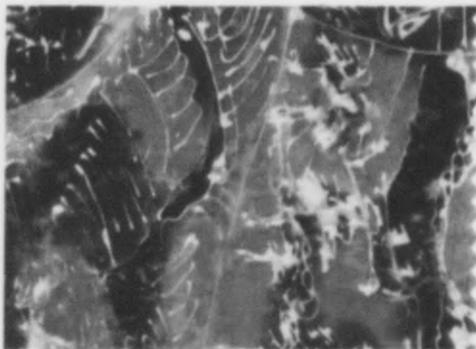
Vice Presidents
Joseph T. Allmon
Richard C. McEwan
Douglas J. Stevens

Charles H. Edmonston
Treasurer

Patricia E. Walter
Secretary

James L. Bennett
Controller

Assistant Secretaries
William M. Barker
Donald A. Miller



Janna Hughes
University of Colorado
Home Furnishings Category

Corporate Data

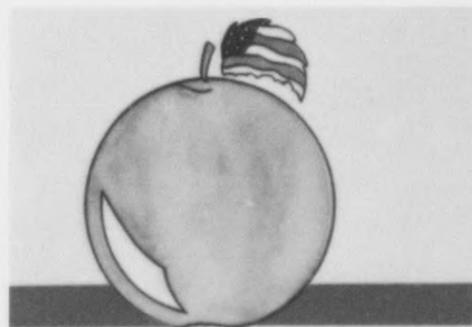
Corporate Headquarters
1457 Cleveland St. Ext.
P.O. Box 6807
Greenville, South Carolina 29606

Corporate Office
260 Madison Avenue
New York, New York 10016

General Counsel
Dunnington, Bartholow & Miller
New York, New York

Common Stock-RTX
Listed New York Stock Exchange
Transfer Agent, Registrar, and
Dividend Disbursing Agent
First National City Bank
New York, New York

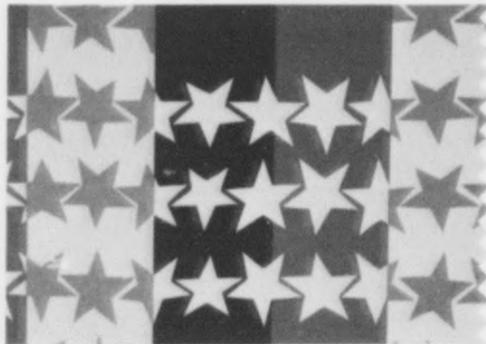
Subordinated Convertible Debentures
Listed New York Stock Exchange
Trustee, Transfer and Paying Agent
Manufacturers Hanover Trust Co.
New York, New York



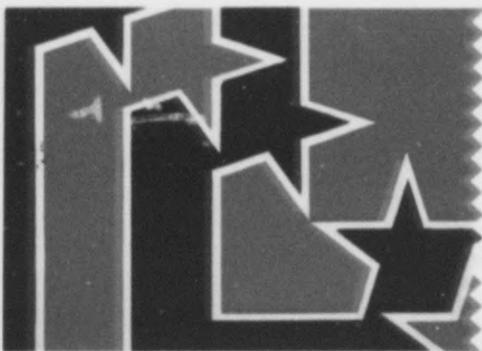
Samuel G. Ippolito
Rockland Community College
Kitchen and Dining Category



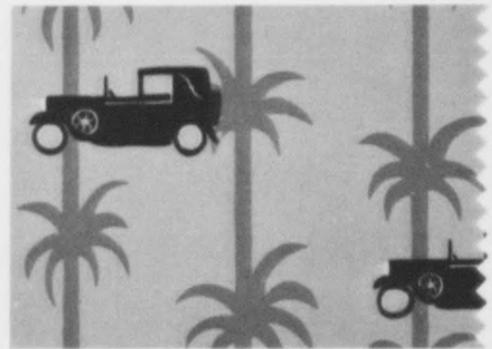
RIEGEL
textile corporation



*Donna J. Hajzl
The School of the Arts, Institute of Chicago
Kitchen and Dining Category*



*Donna Lounsbury
Miami University
Kitchen and Dining Category*



*Allred Salido
Woodbury University
Home Furnishings Category*



*Patricia Dodd
University of Hartford
Sports Apparel Category*

EXHIBIT VIII
APRIL 20, 1976

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 15, 1976

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

Re: \$4,000,000 Marlboro County, South Carolina, Pollution
Control Facilities Revenue Note, Series 1976-A
(J. P. Stevens & Co., Inc.)

and

\$1,000,000 Marlboro County, South Carolina, Pollution
Control Facilities Revenue Note, Series 1976-B
(J. P. Stevens & Co., Inc.)

Dear Bill:

Pursuant to our telephone conversation of this morning we now enclose the most recent annual and most recent quarterly report on J. P. Stevens. I understand that Karen Henderson's schedule will not permit a review of the initial working drafts of documents for this financing prior to the Board's meeting on Tuesday. However, it would seem to me appropriate for the Board to approve the financing contingent upon approval by the Attorney General. We would not, of course, publish notice of the State Board approval until such time as Karen has signed off on the documents.

With kind regards,

Sincerely yours,

Bill

M. William Youngblood, Jr.

MWY:jap
Encls.

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J.P. STEVENS & CO., INC.

March 2, 1976

TO THE SHAREOWNERS:

For the three months ended January 31, 1976 consolidated net sales were \$314,093,000 compared with \$224,595,000 for the corresponding three months of last year. Consolidated net income for the 1976 period, after provision for Federal and state income taxes of \$8,350,000, is estimated at \$9,303,000 equivalent to \$.80 per share. This compares with net income of \$3,632,000 equivalent to \$.31 per share for the corresponding 1975 period.

WHITNEY STEVENS
President

JAMES D. FINLEY
Chairman of the Board

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

(Amounts in thousands except per share data)

	Three months ended:	
	January 31, 1976	February 1, 1975
Net sales	\$314,093	\$224,595
Cost of goods sold	272,889	197,370
Selling, general and administrative expenses	20,027	16,354
Interest on indebtedness	4,072	4,763
Miscellaneous charges	190	344
Other income	(738)	(604)
	<u>296,440</u>	<u>218,227</u>
Income before taxes on income	17,653	6,368
Estimated taxes on income	8,350	2,736
Net income	<u>\$ 9,303</u>	<u>\$ 3,632</u>
Net income per share:		
Primary	\$.80	\$.31
Fully diluted	\$.76	\$.30
Shares outstanding (average-year to date)	11,636,478	11,634,596

J. P. STEVENS & CO., INC.
 CONDENSED CONSOLIDATED BALANCE SHEET
 As At January 31, 1976 and February 1, 1975 (Unaudited)
 (Amounts in thousands)

ASSETS	<u>1976</u>	<u>1975</u>
Current Assets:		
Cash	\$ 21,126	\$ 23,731
Receivables-net	216,959	189,590
Inventories	289,167	277,175
Other current assets	4,514	4,261
Total current assets	<u>531,766</u>	<u>494,757</u>
Fixed Assets, at cost	659,996	646,608
Less: Accumulated depreciation	<u>435,317</u>	<u>414,510</u>
	<u>224,679</u>	<u>232,098</u>
Other Assets and Deferred Charges	15,812	20,521
	<u>\$772,257</u>	<u>\$747,376</u>
 LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 32,275	\$ 38,185
Current installments of long term debt	14,238	13,034
Accounts payable and accrued expenses	84,479	67,432
Federal income and other taxes	22,979	15,894
Total current liabilities	<u>153,971</u>	<u>134,545</u>
Long Term Debt	<u>189,207</u>	<u>204,096</u>
Other Noncurrent Liabilities and Deferred Credits	<u>8,924</u>	<u>4,910</u>
 Shareowners' Equity:		
Capital stock	93,849	93,849
Capital in excess of par value	73,371	73,379
Accumulated earnings	<u>267,034</u>	<u>250,774</u>
	434,254	418,002
Less: Cost of stock held in treasury	<u>14,099</u>	<u>14,177</u>
Total shareowners' equity	<u>420,155</u>	<u>403,825</u>
	<u>\$772,257</u>	<u>\$747,376</u>

J. P. STEVENS & CO., INC.
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)
 (Amounts in thousands)

	Three months ended:	
	<u>January 31, 1976</u>	<u>February 1, 1975</u>
Source of Funds:		
Net income	\$ 9,303	\$ 3,632
Depreciation of plant and equipment	9,158	8,322
Other items not requiring current outlay of working capital	<u>569</u>	<u>913</u>
Working capital provided from operations	19,030	12,867
Disposals of plant and equipment	1,025	47
Issuance of long term debt		23,000
Other, net	<u>101</u>	
	<u>20,156</u>	<u>35,914</u>
Disposition of Funds:		
Cash dividend to shareowners	2,328	3,490
Additions to plant and equipment	6,113	28,986
Reduction of long term debt	5,316	6,259
Other, net		<u>7,180</u>
	<u>13,757</u>	<u>45,915</u>
Increase (decrease) in working capital	<u>\$ 6,399</u>	<u>\$ (10,001)</u>
Increase (decrease) in working capital, by component:		
Cash	\$ 4,039	\$ 692
Receivables	(21,846)	(56,739)
Inventories	36,853	25,254
Other current assets	2,698	1,675
Notes payable	(32,275)	(17,806)
Current installments of long term debt	81	335
Accounts payable and accrued expenses	21,715	33,533
Federal income and other taxes	<u>(4,866)</u>	<u>3,055</u>
	<u>\$ 6,399</u>	<u>\$ (10,001)</u>

J.P. STEVENS & CO., INC.
FIRST QUARTER
REPORT TO
SHAREOWNERS
JANUARY 31, 1976

J.P. STEVENS & CO., INC.

Stevens Tower
1185 Avenue of the Americas
New York, N.Y. 10036

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J.P. STEVENS
ANNUAL
REPORT
1975

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Any shareowner may receive without charge a copy of the Company's Form 10-K Annual Report filed with the Securities and Exchange Commission by requesting the same in writing from the Secretary of J. P. Stevens & Co., Inc., 1115 Avenue of the Americas, New York, N.Y. 10036.

J.P. STEVENS

Stevens makes fabrics and end products for apparel, home and industry. In the apparel area, Stevens sells woven, knitted and nonwoven fabrics made from natural and synthetic fibers. Stevens also sells women's panties, pantyhose and slippers, and makes yarns which are sold mainly to other weaving or knitting firms.

For the home, Stevens markets sheets, towels, blankets, bedspreads, draperies, tablecloths and carpet. For industry, Stevens fabrics are found in end uses ranging from boat covers to inflatable buildings.

Founded in 1813 and headquartered in New York City, Stevens services more than 20,000 customer accounts and employs 44,000 people in 85 manufacturing plants and in regional offices, showrooms and distribution centers in 24 cities in the United States. Stevens also is engaged in textile operations in Canada, Mexico, France, Australia, New Zealand and Japan... and has selling agents in principal countries throughout the world.

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22	Directors and Officers

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General Sales and Administrative Offices:
Stevens Tower, 1185 Avenue of the Americas
New York, N.Y. 10036
Telephone: Area Code (212) 575-2000

The Company's Capital Stock is listed on the New York Stock Exchange where such stock is traded under the symbol STN. Only holders of the Company's Capital Stock are entitled to vote at the Annual Meeting of Shareowners.

Transfer Agent and Registrar for Capital Stock:
Morgan Guaranty Trust Company of New York
30 West Broadway, New York, N.Y. 10015

Trustee for 4% Convertible Subordinated Debentures:
Irving Trust Company
One Wall Street, New York, N.Y. 10015

Annual Meeting

The Annual Meeting of Shareowners will be held at 3:30 p.m. on Tuesday, March 2, 1976, at the Stevens Tower, 1185 Avenue of the Americas New York, N.Y. 10036

A formal Notice of Meeting, Proxy Statement and Proxy will be mailed to all shareowners of record January 9, 1976.



STEVENS FACTS AT A GLANCE

Fiscal years ended November 1, 1975 and November 2, 1974.

	1975	1974
Sales	\$1,122,974,000	\$1,264,104,000
Net income	19,898,000	39,386,000
Per share	1.71	3.39
Cash dividends	10,471,000	12,797,000
Per share .....	.90	1.10
Working capital	371,396,000	370,213,000
Long term debt	194,523,000	187,355,000
Fixed assets—net	228,749,000	211,481,000
Depreciation charges	32,618,000	31,753,000
Capital expenditures	50,615,000	47,509,000
Shares outstanding	11,635,596	11,634,596
Total shareowners' equity	413,125,000	403,683,000
Book value per share	35.51	34.70
Number of shareowners	18,900	19,400
Number of employees	44,400	46,000

Stevens comparative operating results by quarter (per share)

Fiscal quarter	Net income	
	1975	1974
January	\$.31	\$.69
April .....	.16	.92
July .....	.41	1.12
October .....	.83	.66
Fiscal year total	<u>\$1.71</u>	<u>\$3.39</u>

Retroactively adjusted for two-for-one stock split effective June 7, 1974, where applicable.

Stevens styling leadership is dramatically illustrated in draperies, a tablecloth, *Gulistan Super 4* carpeting and a hand-painted jeans suit beautifully interpreted in Stevens all cotton brushed denim fabric.

TO THE SHAREOWNERS

Mr. James D. Finley
Chairman of the Board and
Chief Executive Officer



Sales and Earnings. Sales for the 1975 fiscal year were \$1,122,974,000 compared with \$1,264,104,000 during the fiscal year 1974. Net income for 1975 amounted to \$19,898,000 compared with \$39,386,000 for the same period in 1974. Net income per share was \$1.71 on the average 11,634,933 shares outstanding during the year compared with \$3.39 last year on the 11,634,786 shares then outstanding. Neither sales nor net income compared favorably with the results achieved in 1974 because of the textile recession which began in the late summer of 1974 and continued through the greater part of the Company's fiscal year 1975.

Financial. During the year the Company arranged an unsecured loan of \$18,000,000 from Manufacturers Hanover Trust Company for a period of seven years at a variable rate of interest tied to the prime rate. The proceeds from this loan were used to purchase three terry fabric production facilities which were described in last year's annual report. The Company also borrowed \$5,000,000 in the form of industrial revenue bonds issued by Oconee County, South Carolina in cooperation with Morgan Guaranty Trust Company of New York. The term of this loan is ten years at an interest rate of 6 $\frac{1}{8}$ % per annum. The proceeds will be used to finance certain environmental control facilities.

Working capital at the end of fiscal 1975 was \$371,396,000 compared with \$370,213,000 at the end of fiscal 1974. Depreciation for 1975 computed on an accelerated basis was \$32,618,000 compared with \$31,753,000 in 1974. Capital expenditures, exclusive of the terry fabric acquisition referred to above, amounted to \$32,415,000 during the year.

Dividends. A quarterly dividend of 30¢ per share was paid on January 31, 1975. At its meeting in March, 1975, the Board of Directors decreased the dividend rate to 20¢ per share and quarterly dividends of 20¢ per share were paid on April

30th, July 31st and October 31st. Dividends for the year amounted to 90¢ per share. A comparison of the dividends paid for each quarterly period during fiscal 1975 and fiscal 1974 together with the high and low sales price for the Company's capital stock as traded on the New York Stock Exchange is set forth in columnar form on page 20 of this annual report.

Directors. On May 15th Messrs. Ward Burns and Thomas B. Price were elected Directors of the Company. Mr. Burns joined the Company as Assistant Controller in 1965, and he has served as Controller of the Company since 1969. Mr. Price is a Group Vice President of the Company and has served in that capacity since 1974. Prior to that time he was a Vice President of the Company and President of the Domestic & Allied Products Division.

Outlook. The textile industry has experienced a recovery from the sharp downturn that drastically affected the results for fiscal 1975. Nearly every part of the Company's business is now better, and we have come out of the 1974-1975 recession in a far healthier condition than seemed possible at the beginning of the year. Most economic indicators suggest that the general economy will continue to improve during the coming year. Barring a reversal in these indicators, 1976 should be a significantly improved year for textiles and for your Company.

We are grateful to all Stevens employees for their individual contributions and support during this past, difficult year.



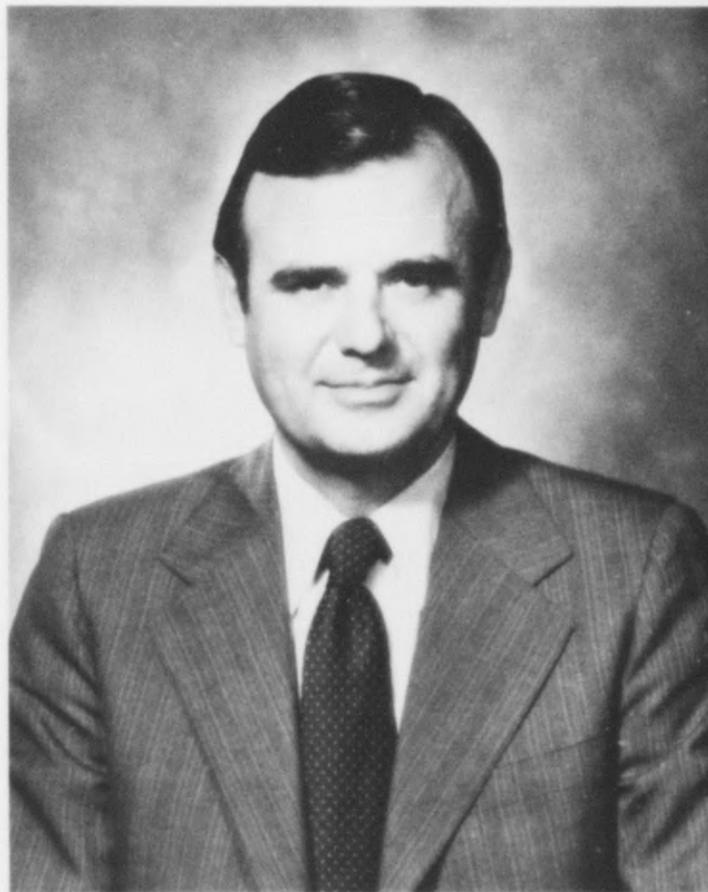
President



Chairman of the Board

December 15, 1975

Mr. Whitney Stevens
President



REVIEW OF OPERATIONS



Stevens towels are in the forefront of fashion. Pictured is Angelo Donghia's "Vera Cruz" pattern in the *Utica Fine Arts* collection.

The steep decline in economic activity affecting textiles, apparel, retailing, autos, housing and industry in general... accompanied by higher costs for energy and for many raw materials... made fiscal year 1975 a difficult one for Stevens. The Company responded with an intensified selling effort, and adopted vigorous cost reduction measures throughout the organization. Furthermore, continued consolidation and modernization of manufacturing facilities increased efficiency and lowered operating costs. These steps have strengthened the organization, and the gradual improvement in business during the second half of the year has positioned the Company for a significant earnings recovery provided there is further improvement in the general economy.

Stevens Apparel Fabrics & Hosiery

During the year the market for textured wovens in men's and women's sportswear was active and expanded considerably. Demand for cotton denim fabrics continued at an unprecedented rate, and sales of cotton corduroy fabrics were good. Toward the end of the year strong demand developed for wool and wool-blend fabrics for women's coats, sportswear and for menswear. The natural "homespun" look contributed to the growth of polyester-cotton fabrics for women's blouses, skirts and pants. 1975 was a difficult year for knits of all types due primarily to the continuing problem of overcapacity. In nonwovens, Stevens

increased its market share for *Kyron* interfacings for apparel and added new styles from the Company's new plant in High Point, North Carolina.

After a drop in demand early in the fiscal year, Stevens yarn business rebounded strongly. These products are used in such diverse areas as men's hosiery and underwear, draperies, sweaters, blankets and golf shirts.

The Stevens hosiery business, featuring the *Finesse* and *Fruit of the Loom* brands, was helped by marketing innovations such as the use of a bicomponent yarn to make pantyhose look better, feel softer, smoother and more comfortable and the introduction of printed knee-high stockings featuring the *Peanuts*® characters. These, together with other favorable developments, have created a new climate of optimism in this Division.

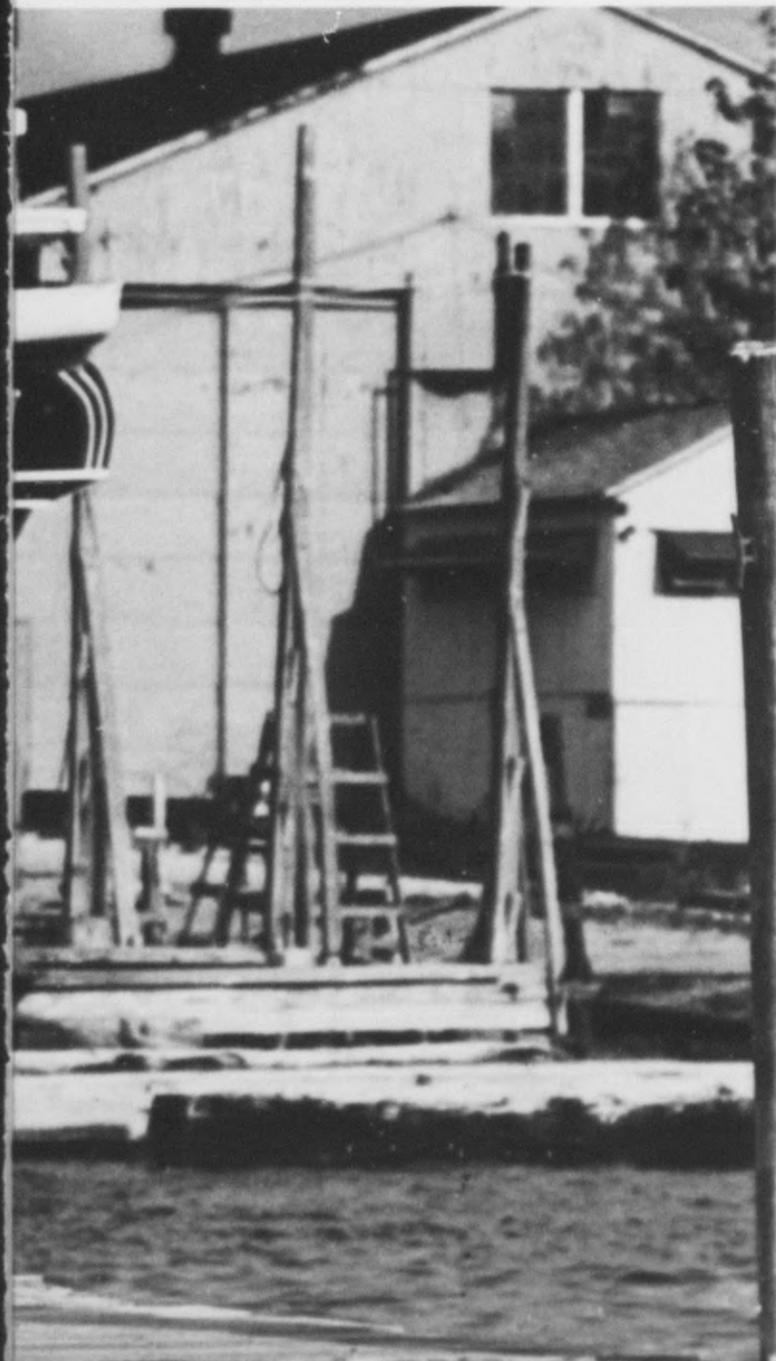
Stevens Home Furnishings

Styling leadership played a key role in enabling the Company to maintain its significant share of the home furnishings market. The Company's *Utica* and *Tastemaker* brands of sheets and towels continued to enjoy wide acceptance by retailers and consumers alike. The increased manufacturing capacity provided by three plants acquired in 1974 further strengthened the Stevens position as a major supplier of towels. These facilities also enabled the Company to move into the production of ultra-sonically bonded or stitchless bedspreads, and to market a coordinated line of bed-



Stevens is a prime resource for 100 per cent texturized polyester fabrics used in the man's trousers and the woman's leisure suit. Stevens also makes the glass fabric used in the fishing rod shown.

Stevens sportswear fabrics set the tone for contemporary good looks and casual comfort. Her blazer and skirt are styled in Stevens all wool fabrics. Her pantyhose are *Sheer Finesse* by Stevens. His blazer and slacks are made from Stevens 100 per cent texturized polyester fabrics, and his shirt features a Stevens 100 per cent cotton fabric.



spreads and ready-made draperies.

Stevens enhanced its market position as a supplier of *Gulistan* carpeting to major retailers, and one new style, known as "Fervor," was especially well received by both retailers and consumers. The consolidation of certain carpet manufacturing facilities resulted in substantial economies and should make *Gulistan* a stronger division.

Stevens Industrial Products

In spite of a slackening of demand in this sector of our business, the Company made gains in several areas. These included glass fabric insect screening, woven and nonwoven fabrics for air pollution control, glass fabric for marine insulation, and nonwoven substrates or backings for handbags, shoes, synthetic leather upholstery and luggage. There was increased market interest in synthetic fabrics for flood and soil erosion control. Business was good in certain elastomeric products such as pharmaceutical stoppers for the health care industry, and a promising market is developing in polyurethane cots and aprons used in the spinning process in textile manufacturing plants.

Conservation

In keeping with the Company's continuing program of environmental control, the construction of a major waste treatment facility was begun at Clemson, South Carolina to serve three Stevens manufacturing plants. The project is the culmination of a three-year Clemson University study, funded by a Stevens grant, to determine the best method for



treatment of effluent from these Stevens operations. The new facility has the capacity to handle more than four million gallons of water daily and incorporates the most modern methods for recovery of solids and chemicals, waste segregation, coagulation and sludge handling.

International Operations

The Company's export business increased, and Stevens continued to enjoy a strong position in world markets. In France, Stevens-Genin experienced increased demand for industrial synthetic and industrial glass fabrics. J. P. Stevens & Co. (Canada), Ltd., which serves the home products market in Canada, operated at a slightly reduced level of sales early in the fiscal year but showed gradual improvement toward year's end. Also in Canada, United Elastic Limited maintained its position as an important supplier of elastic fabrics for intimate apparel

and sportswear. In Australia, the carpet business of Stevens-Bremner Pty. Limited was adversely affected by the especially severe economic recession and high inflation in that country, but began to show gradual improvement late in the fiscal year. In New Zealand, the carpet yarn and tufting operation of Stevens-Bremner (N.Z.) Limited followed a similar sales pattern.

Employee Relations

Last year's report noted that the Company was engaged in negotiations with the Textile Workers Union of America. These negotiations are still in progress. The Company has offered terms of agreement which it considers to be fair and reasonable, but as yet, a contract has not been reached.

In February 1975, Stevens employees at the plants in Wallace, North Carolina voted against union representation.

Stevens has a long history of excellent relations with its dependable and talented employees who have contributed so much to the growth and development of the Company. The Company continues to place a high value on its human resources.

Management Changes

In December of 1974 Mr. Larry Klein was named President of the Hosiery Division following the retirement of Mr. Palen Flagler, a Vice President of the Company. In February of 1975 Mr. George W. Dunn, Vice President of the Company in charge of Quality Control, retired after 37 years of dedicated service.

Stevens products convey a mood of quiet elegance. The sheet and pillowcase pattern, "Applewood" by Utica, is repeated in bedside accessories including matching comforter and tablecloth, and accented by luxurious *Gulistan Super 4* carpeting. Woman's nightgown is fashioned in Stevens nylon tricot.

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J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
 CONSOLIDATED BALANCE SHEET
 As at November 1, 1975 and November 2, 1974

ASSETS

	1975	1974
	Amounts in thousands	Amounts in thousands
Current Assets:		
Cash	\$ 17,087	\$ 23,039
Receivables:		
Trade	234,631	241,516
Other	6,338	7,032
	<u>240,969</u>	<u>248,548</u>
Less: Allowance for doubtful accounts	2,164	2,219
	<u>238,805</u>	<u>246,329</u>
Inventories—Note B	252,314	251,921
Deferred Federal income taxes—current portion	1,816	2,586
Total current assets	<u>510,022</u>	<u>523,875</u>
Other Assets	<u>12,164</u>	<u>9,845</u>
Fixed Assets, at cost—Note C:		
Property, plant and equipment	658,173	619,315
Less: Accumulated depreciation	429,424	407,834
	<u>228,749</u>	<u>211,481</u>
Deferred Charges	<u>4,651</u>	<u>5,278</u>
	<u>\$755,586</u>	<u>\$750,479</u>

See accompanying notes

LIABILITIES AND SHAREOWNERS' EQUITY

	1975	1974
	Amounts in thousands	Amounts in thousands
Current Liabilities:		
Notes payable—banks		\$ 20,379
Current installments of long term debt	\$ 14,319	13,369
Accounts payable—trade	66,624	55,659
Accrued and other liabilities	39,570	45,306
Federal income and other taxes	18,113	18,949
Total current liabilities	<u>138,626</u>	<u>153,662</u>
Long Term Debt—Note D	<u>194,523</u>	<u>187,355</u>
Other Noncurrent Liabilities and Deferred Credits	<u>9,312</u>	<u>5,779</u>
Shareowners' Equity—Notes D, E and F:		
Capital stock—par value \$7.50 a share:		
	<u>Shares</u>	
Authorized	<u>20,000,000</u>	
Issued	<u>12,513,218</u>	
Capital in excess of par value	93,849	93,849
Accumulated earnings	73,377	73,379
	<u>260,059</u>	<u>250,632</u>
	427,285	417,860
Less: Cost of capital stock held in treasury, 877,622 shares in 1975 and 878,622 shares in 1974	14,160	14,177
Total shareowners' equity	<u>413,125</u>	<u>403,683</u>
	<u>\$755,586</u>	<u>\$750,479</u>

J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
AND ACCUMULATED EARNINGS

For the years (52 weeks) ended November 1, 1975 and November 2, 1974

	1975 Amounts in thousands	1974 Amounts in thousands
Net sales	\$1,122,974	\$1,264,104
Cost of goods sold	997,652	1,094,103
Selling, general and administrative expenses	71,808	77,904
Interest on indebtedness	17,976	19,847
Miscellaneous charges	1,773	1,697
Other income	(2,733)	(3,333)
	<u>1,086,476</u>	<u>1,190,218</u>
Income before taxes on income	36,498	73,886
Estimated taxes on income—Note G	<u>16,600</u>	<u>34,500</u>
Net income	19,898	39,386
Accumulated earnings at beginning of year	<u>250,632</u>	<u>224,043</u>
	270,530	263,429
Cash dividends	<u>10,471</u>	<u>12,797</u>
Accumulated earnings at end of year	<u>\$ 260,059</u>	<u>\$ 250,632</u>
Per share—Note H:		
Net income	\$1.71	\$3.39
Net income assuming conversion of convertible debentures and exercise of outstanding stock options	\$1.64	\$3.21
Shares outstanding (average)	11,634,933	11,634,786

Depreciation charged to operations amounted to
\$32,618,000 for 1975 and \$31,753,000 for 1974.

See accompanying notes

J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF CHANGES
 IN FINANCIAL POSITION

For the years (52 weeks) ended November 1, 1975 and November 2, 1974

	1975	1974
	Amounts in thousands	Amounts in thousands
<i>Source of Funds:</i>		
Net income	\$19,898	\$ 39,386
Depreciation of plant and equipment	32,618	31,753
Other items not requiring current outlay of working capital	5,113	1,030
Working capital provided from operations	57,629	72,169
Disposals of plant and equipment, less gains included in net income	549	394
Issuance of long term debt	23,000	50,000
Other, net	<u> </u>	<u>2,043</u>
	<u>81,178</u>	<u>124,606</u>
<i>Disposition of Funds:</i>		
Cash dividends to shareowners	10,471	12,797
Additions to plant and equipment	50,615	47,509
Reduction of long term debt	15,832	13,130
Other, net	3,077	<u> </u>
	<u>79,995</u>	<u>73,436</u>
Increase in working capital	<u>\$ 1,183</u>	<u>\$ 51,170</u>
<i>Increase (decrease) in working capital, by component:</i>		
Cash	\$ (5,952)	\$ (515)
Receivables	(7,524)	31,933
Inventories	393	2,751
Deferred Federal income taxes—current portion	(770)	1,246
Notes payable—banks	20,379	(5,804)
Current installments of long term debt	(950)	83
Accounts payable—trade	(10,965)	13,273
Accrued and other liabilities	5,736	(2,757)
Federal income and other taxes	836	10,960
	<u>\$ 1,183</u>	<u>\$ 51,170</u>

See accompanying notes

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J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies:

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany items and transactions have been eliminated in consolidation.

Inventories:

The inventories are stated at the lower of cost or market. Cost has been determined principally by the FIFO or average cost method or on the basis of standard costs.

Depreciation Policy:

The Company and its subsidiaries provide for depreciation principally by the sum-of-the-years'-digits method, based on the estimated lives of the depreciable assets.

Investment Tax Credits:

It is the policy of the Company to include investment tax credits in income when the related property is acquired ("flow-through" method).

Note B—Inventories:

The inventories are summarized as follows:

	1975	1974
Raw materials	\$ 30,051,000	\$ 35,693,000
Work in process	56,873,000	58,606,000
Goods in process	65,694,000	62,683,000
Finished goods	93,581,000	86,289,000
Supplies, waste, etc.	6,115,000	8,650,000
	<u>\$252,314,000</u>	<u>\$251,921,000</u>

Note C—Fixed Assets:

Property, plant and equipment consist of the following:

	1975	1974
Land	\$ 5,213,000	\$ 4,830,000
Buildings	194,908,000	180,287,000
Machinery, equipment, etc. .	445,132,000	422,328,000
Leasehold improvements ...	4,393,000	4,568,000
Construction in progress	8,527,000	7,302,000
	<u>\$658,173,000</u>	<u>\$619,315,000</u>

Note D—Long Term Debt:

Long term debt, exclusive of amounts due currently, consists of the following:

	1975	1974
2¾% Promissory notes, requiring prepayments of \$1,200,000 annually to 1975, and a payment of \$2,400,000 in 1976		\$ 2,400,000
4½% Promissory notes, requiring prepayments of \$1,000,000 annually to 1977, and \$2,400,000 annually from 1978 to 1981, the remaining unpaid balance becoming due in 1982	\$ 13,000,000	14,000,000
5% Promissory note, requiring prepayments of \$700,000 annually to 1980, the remaining unpaid balance becoming due in 1981	3,500,000	4,200,000
5¾% Promissory notes, requiring prepayments of \$3,695,000 annually to 1991, the remaining unpaid balance becoming due in 1992	62,830,000	66,525,000
8.55% Promissory notes, requiring prepayments of \$3,333,000 annually from 1980 to 1993, the remaining unpaid balance becoming due in 1994	50,000,000	50,000,000
Promissory notes—banks, payable in quarterly installments of \$360,000 to March 31, 1978, the remaining balance of \$1,580,000 becoming due June 30, 1978; interest at ½% above prime rate	3,740,000	5,180,000
Promissory notes—banks, payable in quarterly installments of \$1,140,000, the remaining balance of \$4,920,000 becoming due June 30, 1979; interest at ¼% to ½% above prime rate	16,320,000	20,880,000
Promissory note—bank, payable in quarterly installments of \$900,000 from February 28, 1977 to November 30, 1981; interest at prime rate to ½% above prime rate	18,000,000	

4% Convertible subordinated debentures due April 1, 1990, requiring annual sinking fund payments of \$1,512,000 from 1976 to 1989	21,174,000	22,686,000
Other	5,959,000	1,484,000
	<u>\$194,523,000</u>	<u>\$187,355,000</u>

The promissory notes and the indenture relating to the 4% convertible subordinated debentures include various restrictions which, among other matters, have the effect of limiting, by application of a formula, future payments of dividends (other than stock dividends) and future purchases of capital stock. As at November 1, 1975, such payments and purchases were limited to approximately \$51,000,000.

During 1975 the Company purchased \$1,512,000 of its 4% convertible subordinated debentures to apply to the sinking fund requirement for 1976. The gain on such purchases was not material.

As at November 1, 1975, 750,406 shares of capital stock were reserved for conversion of the debentures.

Note E—Shareowners' Equity:

Effective June 7, 1974, the authorized capital stock of the Company was changed from 10,000,000 shares of a par value of \$15.00 a share to 20,000,000 shares of a par value of \$7.50 a share and, to effect a two-for-one stock split, one additional share of capital stock was issued for each share outstanding and in the treasury.

Purchases of capital stock for the treasury were 868 shares (cost \$13,000) during 1974; 1,000 shares of treasury stock were issued under the stock option plan during 1975, resulting in a charge of \$2,000 to capital in excess of par value.

Note F—Stock Option Plans:

An employee stock option plan adopted in 1972 provides for the granting of options prior to March 1, 1977 for the purchase of up to a maxi-

mum of 350,000 shares of the Company's capital stock at a price not less than the fair market value on the date an option is granted. Options are also outstanding under a plan adopted in 1968. Changes in shares under option are summarized as follows:

	1975	1974
Outstanding, beginning of year	127,750	143,000
Granted (\$14.50 per share)	252,950	
Exercised (\$14.56 per share)	(1,000)	
Expired or cancelled	(4,750)	(15,250)
Outstanding, end of year	<u>374,950</u>	<u>127,750</u>
Exercisable, end of year	<u>92,512</u>	<u>66,358</u>
Available for option, end of year ...	<u>38,510</u>	<u>290,460</u>

Option prices range from \$13.44 to \$14.56 at November 1, 1975.

Note G—Estimated Taxes on Income:

Estimated taxes on income consist of:

	1975	1974
Income taxes currently payable:		
Federal and foreign ...	\$13,060,000	\$31,440,000
State	2,100,000	4,100,000
Investment tax credits ..	(2,170,000)	(2,590,000)
	<u>12,990,000</u>	<u>32,950,000</u>
Deferred Federal income taxes	3,610,000	1,550,000
	<u>\$16,600,000</u>	<u>\$34,500,000</u>

A reconciliation of the consolidated effective tax rate with the statutory 48% Federal income tax rate follows:

	1975	1974
Consolidated effective tax rate	45.5%	46.7%
Investment tax credits	5.9	3.5
State income taxes, net of Federal income tax benefit	(3.0)	(2.9)
Other, net	(.4)	.7
	<u>48.0%</u>	<u>48.0%</u>

Deferred Federal income taxes result from timing differences in the recognition of certain items for tax and financial reporting purposes. The deferred tax effect of the excess of tax reporting for depreciation over financial reporting for depreciation amounted to \$2,868,000 (1975) and \$1,988,000 (1974).

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J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS —(Continued)

Note H—Income per Share:

Computations of net income per share are based on the weighted average number of shares of capital stock outstanding during each of the years. The exercise of outstanding stock options would not have a material effect on such per share amounts and the convertible debentures are not deemed common stock equivalents.

Note I—Leases:

Certain plant machinery used by the Company is leased under financing leases for five year periods at the expiration of which the Company has the right, or at the lessor's option may be required, to purchase the machinery at the lessor's unamortized cost. At the expiration dates of such leases currently in effect, the purchase prices (lessor's unamortized cost) thereof will aggregate approximately \$13,025,000. The Company also leases transportation equipment under financing leases which are for four to eight year periods and provide for a nominal purchase price at the expiration of the leases.

Approximate minimum rental commitments under noncancelable leases, including commitments under the above-mentioned machinery and equipment leases, are as follows:

Fiscal years	Amounts in thousands		
	Financing leases		Other leases (principally real property)
	Plant machinery	Transportation equipment	
1976	\$5,299	\$338	\$ 4,898
1977	3,421	135	4,596
1978	1,538	32	4,250
1979	813	4	3,941
1980	609	—	3,505
1981-1985	—	—	20,334
1986-1990	—	—	22,301
1991-1995	—	—	21,801
After 1995	—	—	1,231

Certain of the leases contain escalation clauses relating to taxes, maintenance, etc. The financing leases generally provide that the Company

indemnify the lessor for taxes, claims, demands, liabilities, actions, costs and charges arising from the Company's operation, maintenance or use of the leased machinery or equipment.

The approximate present value of the minimum lease commitments under the financing leases aggregated \$10,133,000 (1975) and \$11,070,000 (1974) with respect to plant machinery and \$493,000 (1975) and \$1,000,000 (1974) with respect to transportation equipment. Interest rates implicit in the financing leases range from 5.25% to 9.75% (weighted average 6.71%).

If the Company had capitalized its financing leases and the related assets were amortized on the straight line method, net income would have been increased by approximately \$360,000 (1975) and \$879,000 (1974). There would have been no material effect on net income if the related assets were depreciated under the Company's normal accelerated method.

Rental expense during the two years is summarized as follows:

	1975	1974
Financing leases	\$ 6,121,000	\$ 7,780,000
Other leases	10,877,000	10,770,000
	<u>\$16,998,000</u>	<u>\$18,550,000</u>

Note J—Other Comments:

Authorized commitments for capital expenditures aggregate approximately \$45,000,000 at November 1, 1975.

Costs and expenses include charges approximating \$8,950,000 (1975) and \$9,670,000 (1974) for contributions under various formal and informal retirement plans for certain salaried and hourly paid employees. These charges include contributions of \$2,100,000 (1975) and \$4,145,000 (1974) under a profit sharing retirement plan for hourly paid employees which provides for the payment of 10% of net income after taxes into a trust fund for each year in which the Company earns at least a 4% return on its invested capital. The Company's policy is to fund pension costs accrued under its formal

retirement plan for salaried employees and under two formal plans of the United Elastic Division.

A management incentive plan provides for incentive compensation to certain officers and employees aggregating 6% of consolidated income before taxes, after deducting 6% of equity capital employed (as defined in the plan). Provisions of \$735,000 (1975) and \$3,015,000 (1974)

have been charged against income for awards under the plan.

The Company is involved in legal proceedings which are considered to be in the normal course of business. Management and its legal counsel believe that the resolution of these proceedings will not result in any material adverse effect on the financial position of the Company.

ACCOUNTANTS' REPORT

To the Shareowners and Board of Directors
J. P. Stevens & Co., Inc.

We have examined the consolidated balance sheet of J. P. Stevens & Co., Inc. and subsidiary companies as at November 1, 1975 and November 2, 1974, and the related consolidated statements of income and accumulated earnings and of changes in financial position for the years (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of J. P. Stevens & Co., Inc. and subsidiary companies at November 1, 1975 and November 2, 1974, and the consolidated results of their operations and consolidated changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. LEIDESDORF & CO.

100 East 42nd Street, New York, N.Y.
December 11, 1975

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J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
TEN YEAR FINANCIAL REVIEW

Consolidated Statement of Income for the fiscal year (in millions of dollars)

	<u>1975</u>	<u>1974</u>
Net sales	\$1,123.0	\$1,264.1
Less net sales from discontinued operations	—	—
Net sales from continuing operations	1,123.0	1,264.1
Cost of goods sold	997.6	1,094.1
Gross profit on sales	125.4	170.0
Selling, general and administrative expenses	71.8	77.9
Interest on indebtedness	18.0	19.8
Miscellaneous charges	1.8	1.7
Other income	(2.7)	(3.3)
	<u>88.9</u>	<u>96.1</u>
Income from continuing operations before taxes	36.5	73.9
Estimated taxes on income	16.6	34.5
Income from continuing operations	19.9	39.4
Income (loss) from discontinued operations	—	—
Income (loss) before extraordinary item	19.9	39.4
Extraordinary item	—	—
Net income	<u>\$ 19.9</u>	<u>\$ 39.4</u>
Depreciation charges	<u>\$ 32.6</u>	<u>\$ 31.8</u>

Per Share of Capital Stock[†] (in dollars)

Income from continuing operations before taxes	\$ 3.14	\$ 6.35
Estimated taxes on income	1.43	2.96
Income from continuing operations	1.71	3.39
Income (loss) from discontinued operations	—	—
Income (loss) before extraordinary item	1.71	3.39
Extraordinary item	—	—
Net income	1.71	3.39
Net income—fully diluted basis	1.64	3.21
Cash dividends .....	.90	1.10
Shareowners' equity	35.51	34.70

Condensed Consolidated Balance Sheet at the fiscal year end (in millions of dollars)

Cash and marketable securities	\$ 17.1	\$ 23.1
Receivables—net	238.8	246.3
Inventories	252.3	251.9
Other current assets	1.8	2.6
Total current assets	510.0	523.9
Total current liabilities	138.6	153.7
Working capital	371.4	370.2
Fixed assets, at cost	658.2	619.3
Accumulated depreciation	429.5	407.8
Net fixed assets	228.7	211.5
Other assets and deferred charges	16.8	15.2
	<u>616.9</u>	<u>596.9</u>
Long term debt	194.5	187.4
Other liabilities and deferred credits	9.3	5.8
	<u>203.8</u>	<u>193.2</u>
Net assets	<u>\$ 413.1</u>	<u>\$ 403.7</u>
Represented by shareowners' equity:		
Capital stock	\$ 79.7	\$ 79.7
Capital in excess of par value	73.4	73.4
Accumulated earnings	260.0	250.6
	<u>\$ 413.1</u>	<u>\$ 403.7</u>

[†]Retroactively adjusted for two-for-one stock split effective June 7, 1974.

*53 weeks

1973*	1972	1971	1970	1969	1968*	1967	1966
\$1,114.0	\$957.7	\$861.1	\$892.6	\$1,003.0	\$963.2	\$846.0	\$854.8
—	10.1	37.9	90.9	96.1	94.6	80.5	94.8
1,114.0	947.6	823.2	801.7	906.9	868.6	765.5	760.0
968.5	848.8	740.5	716.8	791.6	753.5	675.7	654.3
145.5	98.8	82.7	84.9	115.3	115.1	89.8	105.7
74.0	61.7	59.9	58.1	58.6	51.9	45.5	43.5
13.2	10.9	10.5	13.3	11.6	10.1	8.9	6.9
2.4	2.1	1.0	.5	.4	.3	.4	.5
(2.6)	(2.4)	(2.8)	(2.6)	(2.4)	(3.6)	(3.9)	(3.9)
87.0	72.3	68.6	69.3	68.2	58.7	50.9	47.0
58.5	26.5	14.1	15.6	47.1	56.4	38.9	58.7
27.7	10.9	7.0	6.6	24.0	28.7	15.6	25.7
30.8	15.6	7.1	9.0	23.1	27.7	23.3	33.0
—	(3.0)	(7.7)	(2.7)	3.5	2.8	1.4	2.5
30.8	12.6	(.6)	6.3	26.6	30.5	24.7	35.5
—	(6.8)	—	—	—	1.7	—	—
<u>\$ 30.8</u>	<u>\$ 5.8</u>	<u>\$ (.6)</u>	<u>\$ 6.3</u>	<u>\$ 26.6</u>	<u>\$ 32.2</u>	<u>\$ 24.7</u>	<u>\$ 35.5</u>
<u>\$ 30.5</u>	<u>\$ 29.6</u>	<u>\$ 30.9</u>	<u>\$ 31.8</u>	<u>\$ 31.5</u>	<u>\$ 32.3</u>	<u>\$ 31.5</u>	<u>\$ 28.3</u>
\$ 4.96	\$ 2.18	\$ 1.15	\$ 1.27	\$ 3.85	\$ 4.66	\$ 3.23	\$ 4.88
2.34	.90	.57	.53	1.96	2.38	1.29	2.13
2.62	1.28	.58	.74	1.89	2.28	1.94	2.75
—	(.24)	(.63)	(.23)	.29	.24	.11	.21
2.62	1.04	(.05)	.51	2.18	2.52	2.05	2.96
—	(.56)	—	—	—	.14	—	—
2.62	.48	(.05)	.51	2.18	2.66	2.05	2.96
2.49	.48	(.05)	.51	2.07	2.50	1.94	2.78
.81¼	.75	.97½	1.20	1.20	1.12½	1.12½	1.03⅞
32.41	29.95	30.06	31.05	31.68	30.85	29.45	28.52
\$ 23.6	\$ 28.4	\$ 14.7	\$ 18.5	\$ 15.9	\$ 17.3	\$ 27.3	\$ 20.8
214.4	190.0	173.0	184.3	205.1	197.5	173.6	168.5
249.2	219.3	218.1	221.1	234.1	228.5	196.2	190.0
1.3	4.3	—	—	—	—	—	—
488.5	442.0	405.8	423.9	455.1	443.3	397.1	379.3
169.4	114.7	103.3	99.5	118.8	116.9	96.7	103.7
319.1	327.3	302.5	324.4	336.3	326.4	300.4	275.6
583.7	553.9	545.2	525.2	505.9	475.5	462.3	419.8
386.7	365.2	348.1	330.6	306.9	281.0	259.5	235.7
197.0	188.7	197.1	194.6	199.0	194.5	202.8	184.1
14.6	13.6	14.8	8.3	7.8	11.8	11.9	11.1
530.7	529.6	514.4	527.3	543.1	532.7	515.1	470.8
150.5	164.0	143.3	141.9	149.5	154.3	155.9	123.0
3.1	2.2	3.1	4.6	3.8	3.9	3.5	4.6
153.6	166.2	146.4	146.5	153.3	158.2	159.4	127.6
<u>\$ 377.1</u>	<u>\$363.4</u>	<u>\$368.0</u>	<u>\$380.8</u>	<u>\$ 389.8</u>	<u>\$374.5</u>	<u>\$355.7</u>	<u>\$343.2</u>
\$ 79.7	\$ 87.2	\$ 88.6	\$ 88.9	\$ 89.6	\$ 88.3	\$ 87.7	\$ 86.9
73.4	73.4	73.3	73.2	73.1	71.0	70.9	71.0
224.0	202.8	206.1	218.7	227.1	215.2	197.1	185.3
<u>\$ 377.1</u>	<u>\$363.4</u>	<u>\$368.0</u>	<u>\$380.8</u>	<u>\$ 389.8</u>	<u>\$374.5</u>	<u>\$355.7</u>	<u>\$343.2</u>

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J. P. STEVENS & CO., INC. AND SUBSIDIARY COMPANIES
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS
 (A consolidated statement of income for ten years appears on pages 18 and 19.)

Fiscal Year 1975 Compared to 1974

Net Sales: Sales decreased \$141,130,000 or 11.2% compared to fiscal year 1974 as a result of the impact of the deep textile recession affecting most of the Company's products, which continued throughout most of the fiscal year. Recovery occurred in the fourth quarter during which sales surpassed those for the comparable 1974 period by \$9,564,000, or 2.8%.

Cost of Goods Sold: Cost of goods sold decreased \$96,451,000 or 8.8%, directly reflecting the sharply lower demand for textiles during the year, offset in part by continuing escalating costs of raw materials, labor, energy and virtually every other element of manufacturing expense.

Interest on Indebtedness: Interest costs decreased \$1,871,000 or 9.4% compared to the 1974 fiscal year. The combination of generally lower short term interest rates during 1975, together with the reduced levels of business activity throughout most of the year, accounted for substantially all of the decrease. These factors more than offset the interest charges on the increase in long term debt referred to on page 2.

Income Tax Expense: Taxes on income decreased \$17,900,000 or 51.9% compared to 1974, substantially mirroring the decrease in income before taxes. The effective tax rate was 45.5% (compared to 46.7% in 1974). Further details are set forth in Note G to the Financial Statements.

Net Income: Net income decreased \$19,488,000 or 49.5% when compared to the results for the record 1974 fiscal year. The acute recession experienced by the entire textile industry during the greater part of the Company's fiscal year and the pressure of increased manufacturing and selling costs were the main causes of the de-

crease, which could be offset only in part by broad cost reduction measures in effect throughout the year.

Fiscal Year 1974 Compared to 1973

Net Sales: The sales increase of \$150,119,000 or 13.5% compared to fiscal year 1973 reflected a continuing strong textile market, especially in the early part of 1974. Higher unit sales prices, believed to account for about 50% of the increase in sales, were caused by increased costs of raw materials, labor, energy and other production costs.

Cost of Goods Sold: Cost of goods sold increased \$125,568,000 or 13.0% compared to fiscal year 1973, primarily because of higher production levels required by increased sales in virtually all areas of the business. Continued increases in the cost of raw materials and the effect of inflation on other components of production costs, including maintenance and repairs, also contributed to the increase.

Interest Expense: Interest increased \$6,663,000 or 50.5% compared to the prior year. Unusually high interest rates during the year and the need for funds to finance the Company's capital additions program and higher trade receivables were the main causes of this increase.

Income Tax Expense: Federal and state income taxes increased by \$6,850,000 compared to the prior year, in proportion to the increase in income before taxes. The effective tax rate declined from 47.3% to 46.7%.

Net Income: Net income increased \$8,541,000 or 27.7% compared to the prior year. Contributing factors were the generally strong textile markets during the early part of the year, rigid cost controls, and better unit controls over inventories.

DIVIDEND AND PRICE RANGE DATA

	1975		1974			
	Dividend	Range of Market Prices		Dividend	Range of Market Prices	
		High	Low		High	Low
First Quarter	\$.30	\$13.375	\$10	\$.25	\$15.875	\$11.50
Second Quarter . . . . .	.20	15.875	10.875	.25	16	13.125
Third Quarter . . . . .	.20	19.125	14.50	.30	14.75	12.50
Fourth Quarter . . . . .	.20	17.75	14	.30	14.125	10.25
Year	<u>\$.90</u>	19.125	10	<u>\$1.10</u>	16	10.25

Retroactively adjusted for two-for-one stock split effective June 7, 1974, where applicable.

DISTRIBUTION OF THE STEVENS SALES DOLLAR

	1975 <u>cents</u>	1974 <u>cents</u>
Raw materials	40.3	41.5
Manufacturing wages, salaries and fringe benefit costs	31.0	29.2
Supplies and maintenance	11.4	10.0
Depreciation and amortization	2.9	2.5
Selling, general and administrative expenses	6.3	6.1
Interest costs	1.6	1.6
Other (net)	3.2	3.3
Taxes based on income	1.5	2.7
Total costs and expenses	<u>98.2</u>	<u>96.9</u>
To shareowners:		
As cash dividends .....	.9	1.0
As earnings reinvested .....	.9	2.1
Net income	<u>1.8</u>	<u>3.1</u>
Total sales dollar	<u>100.0</u>	<u>100.0</u>

SALES (by product)

	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
Apparel	48%	50%	52%	51%	57%
Home Furnishings	34	32	31	33	29
Industrial	18	18	17	16	14
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

FIBER CONSUMPTION (dollar value)

	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>
Man made	70%	61%	71%	69%	73%
Cotton	24	34	22	27	22
Wool	6	5	7	4	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The italicized product names in this Annual Report are trademarks of J. P. Stevens & Co., Inc. and its subsidiaries.

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R. Manning Brown, Jr., *Chairman and Chief Executive Officer*, New York Life Insurance Company
Ward Burns, *Controller*
E. Virgil Conway, *Chairman and President*, The Seamen's Bank for Savings
*James D. Finley, *Chairman and Chief Executive Officer*
Alester G. Furman, III, *President*, The Furman Co., Greenville, S.C.
*Wyndham L. Gary, *Treasurer*

*Member of the Executive Committee

*James W. Harrell, *Executive Vice President*
*Edwin D. Harrison, *Executive Vice President*
W. Gordon McCabe, Jr., *Group Vice President*
Thomas B. Price, *Group Vice President*
Horace N. Stevens, Jr., *Vice President*
John P. Stevens, Jr., *Private Investor*, New York, N.Y.
*Whitney Stevens, *President*
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Robert T. Stevens, *Director Emeritus*

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Edwin D. Harrison, *Executive Vice President*
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Wyndham L. Gary, *Treasurer*
Ward Burns, *Controller*
Allan T. Nance, *Secretary*

H. Hastings Foster, Jr., *General Counsel*

DIVISIONAL ORGANIZATION

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Cotton & Blended Fabrics Division
S. Peter Kamins, *President*
Domestics & Allied Products Division
Malcolm A. Shults, *President*
Glass Fabrics Division
John S. McBride, *President*
Gulistan Carpet Division
John A. McConnell, Jr., *President*
Hosiery Division
Larry Klein, *President*

International Division
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Printed in U.S.A.

DIRECTORS

R. Manning Brown, Jr., *Chairman and Chief Executive Officer*, New York Life Insurance Company
Ward Burns, *Controller*

E. Virgil Conway, *Chairman and President*, The Seamen's Bank for Savings

*James D. Finley, *Chairman and Chief Executive Officer*

Alester G. Furman, III, *President*, The Furman Co., Greenville, S.C.

*Wyndham L. Gary, *Treasurer*

*Member of the Executive Committee

*James W. Harrell, *Executive Vice President*

*Edwin D. Harrison, *Executive Vice President*

W. Gordon McCabe, Jr., *Group Vice President*

Thomas B. Price, *Group Vice President*

Horace N. Stevens, Jr., *Vice President*

John P. Stevens, Jr., *Private Investor*, New York, N.Y.

*Whitney Stevens, *President*

Sidney J. Weinberg, Jr., *Partner*, Goldman, Sachs & Co.

Robert T. Stevens, *Director Emeritus*

OFFICERS

James D. Finley, *Chairman and Chief Executive Officer*

Whitney Stevens, *President*

James W. Harrell, *Executive Vice President*

Edwin D. Harrison, *Executive Vice President*

W. Gordon McCabe, Jr., *Group Vice President*

Thomas B. Price, *Group Vice President*

John Wilson, *Group Vice President*

James J. Harrison, *Vice President*

William C. Hayes, *Vice President—Synthetic Fiber Procurement*

J. W. Jelks, *Vice President—Industrial Relations*

Donald C. Johnston, *Vice President*

S. Peter Kamins, *Vice President*

Furman B. Pinson, Jr., *Vice President—Purchasing*

Hampton Shuping, *Vice President*

Horace N. Stevens, Jr., *Vice President*

Frank X. Werber, *Vice President—Research and Development*

Wyndham L. Gary, *Treasurer*

Ward Burns, *Controller*

Allan T. Nance, *Secretary*

H. Hastings Foster, Jr., *General Counsel*

DIVISIONAL ORGANIZATION

Chemical Division

John R. Poer, *President*

Cotton & Blended Fabrics Division

S. Peter Kamins, *President*

Domestics & Allied Products Division

Malcolm A. Shults, *President*

Glass Fabrics Division

John S. McBride, *President*

Gulistan Carpet Division

John A. McConnell, Jr., *President*

Hosiery Division

Larry Klein, *President*

International Division

Edward B. Clark, *President*

Knit Fabrics Division

Roy Reubel, *President*

Nonwoven Products Division

Irwin J. Gusman, *President*

Synthetic Fabrics Division

Charles L. Langston, *President*

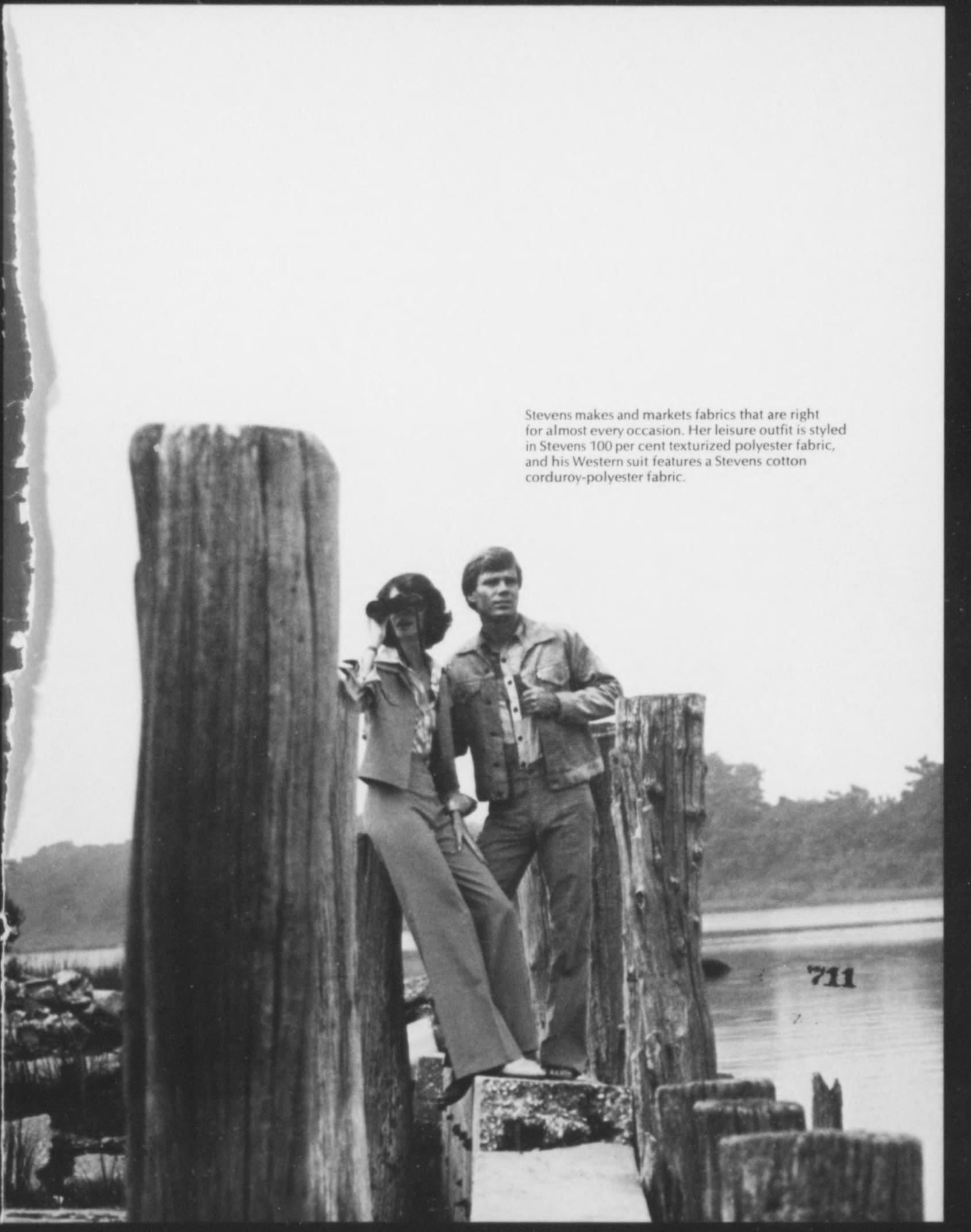
United Elastic Division

Frank J. Leach, *President*

Woolen & Womenswear Division

James J. Harrison, *President*

Printed in U.S.A.



Stevens makes and markets fabrics that are right for almost every occasion. Her leisure outfit is styled in Stevens 100 per cent texturized polyester fabric, and his Western suit features a Stevens cotton corduroy-polyester fabric.



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

April 30, 1976

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

Re: \$4,000,000 Marlboro County, South Carolina
Pollution Control Facilities Revenue Note,
Series 1976-A (J. P. Stevens & Co., Inc.
Project)
\$1,000,000 Marlboro County, South Carolina
Pollution Control Facilities Revenue Note,
Series 1976-B (J. P. Stevens & Co., Inc.
Project)

Dear Mr. Smith:

Regarding the above-referenced bonds, we have reviewed the Petitions and other documents submitted to the State Budget and Control Board for its approval pursuant to Act No. 156 of 1971 [57 STAT. 1134 (1971)] 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 & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 27, 1976

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

Re: \$4,000,000 Marlboro County, South Carolina, Pollution
Control Facilities Revenue Note, Series 1976-A
(J. P. Stevens & Co., Inc.)

and

\$1,000,000 Marlboro County, South Carolina, Pollution
Control Facilities Revenue Note, Series 1976-B
(J. P. Stevens & Co., Inc.)

Dear Bill:

We now enclose the original Petitions of the Marlboro County Council in connection with the captioned note issues. I understand that your office will call when Karen Henderson has had an opportunity to sign off on the documents. The parties are very hopeful to close this transaction during the month of May and we have tentatively scheduled publication of notice of the State Board's approval on Monday, May 3, 1976. By copy of this letter to Karen Henderson I would ask that if she is unable to complete her review by this Friday, she call so that I may halt the publication.

With warm personal regards,

Sincerely yours,

Bill

M. William Youngblood, Jr.

MWY:jap
Encl.
cc: Karen L. Henderson

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3. The County Board has heretofore by an Assistance Contract executed by the County on April 14, 1975, agreed with the Company that the County Board will undertake to finance, inter alia, the cost of the acquisition, construction and installation of air pollution control facilities to be installed at the Company's Delta Plant located in Marlboro County.

4. The County Board is advised by the Company that the cost of acquiring, constructing and installing air pollution control facilities (the Pollution Control Facilities), which are more fully described on the attached Exhibit "A", at the Company's Delta Plant located in Marlboro County, is estimated to be \$1,000,000; and the Company has requested the County Board to provide at this time for the issuance of a \$1,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note), the proceeds of which shall be loaned to the Company and used to defray the cost, or a portion thereof if the estimates prove inaccurate, of acquiring, constructing and installing the Pollution Control Facilities at the Company's Delta Plant.

5. The Company has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and the finding relating to the Pollution Control Facilities is enclosed herewith.

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

L. 715

(a) The Pollution Control Facilities will result in the elimination, mitigation and prevention of air pollution resulting from the operation of the Company's Delta Plant and the financing of the cost of the Pollution Control Facilities will serve the purposes of the Act.

(b) By reason of the financing of the Pollution Control Facilities no pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing powers.

(c) The Loan Agreement to be entered into between the County and the Company will contain a covenant obligating the Company to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if, as anticipated, the proceeds of the Note prove insufficient, and further obligating the Company (i) to pay the principal of and interest on the Note; and (ii) to pay the cost of maintaining the Pollution Control Facilities in good repair and keeping them properly insured. In view of the well-established credit of the Company, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

(d) The Loan Agreement will further provide, as permitted by the Act, that the Pollution Control Facilities will be owned by the Company upon the acquisition thereof, and the County shall have no

interest therein.

(e) The principal and interest on the Note shall be secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and neither the Note nor the interest thereon 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.

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

(a) The Pollution Control Facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of air pollution at the Company's Delta Plant.

(b) The South Carolina Department of Health and Environmental Control has found that the Pollution Control Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution.

(c) The cost of the Pollution Control Facilities is estimated to be \$1,000,000, including acquisition, construction and installation costs, financing costs, and all other expenses to be incurred in connection therewith

and in connection with the issuance of the Note.

(d) The proposed Loan Agreement will provide in general:

(i) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County will issue a Note in the aggregate principal amount of \$1,000,000 which will be secured by a pledge of the payments to be made by the Company pursuant to a Loan Agreement, and will be issued pursuant to a Note Resolution.

(ii) Proceeds derived from the sale of the Note will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities (including the repayment to the Company of any loans incurred or advances made for such purpose) and the issuance of the Note.

(iii) Under the terms of the Loan Agreement, the Company will obligate itself to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if, as anticipated, the proceeds derived from the sale of the Note prove insufficient to pay the amount necessary to meet the payments of principal and interest and premium, if any, on the Note as the same become due, and to pay the costs of maintaining the Pollution Control Facilities in good repair and of keeping them properly insured.

(iv) As permitted by the Act, the Loan Agreement will provide that the Pollution Control Facilities shall become the property of the Company upon the acquisition thereof, and the County shall have no interest therein.

(v) The Loan Agreement will contain 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 Note Resolution will be in conventional form and will prescribe the terms and conditions upon which the Note will be issued; will make provision for the issuance initially of the Note in the amount of \$1,000,000 pursuant thereto; will provide for the payment and prepayment of the Note, the establishment of a fund in which the proceeds of the payments made by the Company pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Note; and will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Pollution Control Facilities are intended to promote the purposes of the Act

and may be reasonably anticipated to effect such result,
that it approve the Pollution Control Facilities and the
proposed financing of the cost thereof by the County through
the issuance of a Note 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 give published notice of its approval in the manner
set forth in Section 14 of the Act.

Respectfully submitted,

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By William P. Wallace
Supervisor and Chairman of the
Marlboro County Council

Attest:

Joyce M. Huskater
Secretary of the Marlboro
County Council

April 8, 1976

EXHIBIT A

DESCRIPTION OF AIR POLLUTION CONTROL FACILITIES

1. Install 4 Dual Gas/Oil Burners with oil piping and pump and heater sets.
2. Install new combustion controls.
3. Modernize two CE 80,000 lb/hr Boilers, including new Detroit Stokers, and Traveling Grates.
4. Install new and larger forced and induced air fans.
5. Install new ash-handling equipment.
6. Engineering on above.

A RESOLUTION

APPROVING THE UNDERTAKING BY MARLBORO COUNTY TO FINANCE THE COST OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF CERTAIN AIR POLLUTION CONTROL FACILITIES TO BE INSTALLED AT THE DELTA PLANT OF J. P. STEVENS & CO., INC. IN MARLBORO COUNTY, THROUGH THE ISSUANCE OF A MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-B, IN THE PRINCIPAL AMOUNT OF \$1,000,000, PURSUANT TO ACT NO. 156 OF 1971, AS AMENDED; AND AUTHORIZING A PETITION TO THE SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD IN ACCORDANCE WITH THE PROVISIONS OF THE SAID ACT.

As an incident to the adoption of this Resolution, the Marlboro County Council (the County Board) has made the following findings:

1. J. P. Stevens & Co., Inc., a Delaware corporation (the Company), is now requesting the County Board to undertake to finance, inter alia, the cost of the acquisition, construction and installation of air pollution control facilities at the Delta Plant of the Company located in Marlboro County (the County). The Company has now requested the County Board to issue A Marlboro County, South Carolina, Pollution Control Facilities Revenue Note in the principal amount of \$1,000,000 pursuant to the authorization of Act No. 156 of the 1971 Acts of the South Carolina General Assembly, as amended (the Act) to finance the cost of the acquisition, construction and installation of certain air pollution control facilities (the Facilities), including the costs incident to the issuance of the Note hereinafter described. The County Board adopts this Resolution to evidence its approval of the issuance of

a \$1,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note) to finance such costs and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

2. The County Board has determined that the Facilities are necessary and that the issuance of the Note to finance the cost of the Facilities will not give rise to any pecuniary liability of Marlboro County or a charge against its general credit or taxing power; and that the Note shall be payable solely out of the moneys to be derived by the County pursuant to the Loan Agreement hereinafter described.

3. The amount necessary to finance the cost of the Facilities is estimated to be One Million Dollars (\$1,000,000).

4. The proceeds derived from the sale of the Note will be loaned by the County to the Company and the Company will enter into a Loan Agreement with the County pursuant to the Act under which the Company will agree to repay such loan by making payments in the amount necessary to provide the payments of principal and interest on the Note as the same become due.

5. In the Loan Agreement, the Company will agree to effect the completion of the Facilities if the proceeds of the Note prove insufficient and the Company will further

obligate itself to make payments which shall be sufficient to pay (i) the principal of and interest on the Note as they become due and payable, and (ii) the cost of maintaining the Facilities in good repair, and of keeping the Facilities properly insured. The Loan Agreement, as permitted by the Act, will provide that the Facilities shall be the property of the Company upon the acquisition thereof, and the County shall have no interest therein.

6. The Note will be issued pursuant to a Resolution to be adopted by the County Board (the Resolution) prescribing the terms and conditions of the Note and the security therefor. The Note will bear interest at the rate of 6% per annum and will mature over a ten year period.

7. The Company is making application to the South Carolina Department of Health and Environmental Control for a finding that the Facilities are in furtherance of the purpose of abating or controlling air pollution. In the event such a finding has been made by the South Carolina Department of Health and Environmental Control a certificate to that effect will be forwarded to the State Board.

8. In view of the well-established credit of the Company, it is unnecessary to establish reserve funds for the payment of principal and interest on the Note.

9. The Company has advised the County Board that the Company has arranged for the sale of the Note to The South Carolina National Bank, Columbia, South Carolina.

10. The Note will be issued as a tax exempt Note pursuant to the provisions of Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE MARLBORO COUNTY COUNCIL, IN MEETING DULY ASSEMBLED:

That the County Board finds that the facts set forth above are in all respects true and correct and on such basis determines to finance the cost of the Facilities, and to authorize the sale of the Note by Marlboro County as aforesaid.

BE IT FURTHER RESOLVED:

That the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Petition shall be duly executed by the Supervisor and Chairman of the Marlboro County Council and attested by the Secretary of said Marlboro County Council.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman of the
Marlboro County Council

Attest:

Secretary of the Marlboro
County Council

725

10. The Note will be issued as a tax exempt Note pursuant to the provisions of Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE MARLBORO COUNTY COUNCIL, IN MEETING DULY ASSEMBLED:

That the County Board finds that the facts set forth above are in all respects true and correct and on such basis determines to finance the cost of the Facilities, and to authorize the sale of the Note by Marlboro County as aforesaid.

BE IT FURTHER RESOLVED:

That the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Petition shall be duly executed by the Supervisor and Chairman of the Marlboro County Council and attested by the Secretary of said Marlboro County Council.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman of the
Marlboro County Council

Attest:

Secretary of the Marlboro
County Council

725

3. The County Board has heretofore by an Assistance Contract executed by the County on April 14, 1975, agreed with the Company that the County Board will undertake to finance, inter alia, the cost of the acquisition, construction and installation of air pollution control facilities to be installed at the Company's Delta Plant located in Marlboro County.

4. The County Board is advised by the Company that the cost of acquiring, constructing and installing air pollution control facilities (the Pollution Control Facilities), which are more fully described on the attached Exhibit "A", at the Company's Delta Plant located in Marlboro County, is estimated to be \$1,000,000; and the Company has requested the County Board to provide at this time for the issuance of a \$1,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note), the proceeds of which shall be loaned to the Company and used to defray the cost, or a portion thereof if the estimates prove inaccurate, of acquiring, constructing and installing the Pollution Control Facilities at the Company's Delta Plant.

5. The Company has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and the finding relating to the Pollution Control Facilities is enclosed herewith.

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

3. The County Board has heretofore by an Assistance Contract executed by the County on April 14, 1975, agreed with the Company that the County Board will undertake to finance, inter alia, the cost of the acquisition, construction and installation of air pollution control facilities to be installed at the Company's Delta Plant located in Marlboro County.

4. The County Board is advised by the Company that the cost of acquiring, constructing and installing air pollution control facilities (the Pollution Control Facilities), which are more fully described on the attached Exhibit "A", at the Company's Delta Plant located in Marlboro County, is estimated to be \$1,000,000; and the Company has requested the County Board to provide at this time for the issuance of a \$1,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note), the proceeds of which shall be loaned to the Company and used to defray the cost, or a portion thereof if the estimates prove inaccurate, of acquiring, constructing and installing the Pollution Control Facilities at the Company's Delta Plant.

5. The Company has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and the finding relating to the Pollution Control Facilities is enclosed herewith.

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

(a) The Pollution Control Facilities will result in the elimination, mitigation and prevention of air pollution resulting from the operation of the Company's Delta Plant and the financing of the cost of the Pollution Control Facilities will serve the purposes of the Act.

(b) By reason of the financing of the Pollution Control Facilities no pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing powers.

(c) The Loan Agreement to be entered into between the County and the Company will contain a covenant obligating the Company to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if, as anticipated, the proceeds of the Note prove insufficient, and further obligating the Company (i) to pay the principal of and interest on the Note; and (ii) to pay the cost of maintaining the Pollution Control Facilities in good repair and keeping them properly insured. In view of the well-established credit of the Company, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

(d) The Loan Agreement will further provide, as permitted by the Act, that the Pollution Control Facilities will be owned by the Company upon the acquisition thereof, and the County shall have no

interest therein.

(e) The principal and interest on the Note shall be secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and neither the Note nor the interest thereon 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.

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

(a) The Pollution Control Facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of air pollution at the Company's Delta Plant.

(b) The South Carolina Department of Health and Environmental Control has found that the Pollution Control Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution.

(c) The cost of the Pollution Control Facilities is estimated to be \$1,000,000, including acquisition, construction and installation costs, financing costs, and all other expenses to be incurred in connection therewith

and in connection with the issuance of the Note.

(d) The proposed Loan Agreement will provide in general:

(i) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County will issue a Note in the aggregate principal amount of \$1,000,000 which will be secured by a pledge of the payments to be made by the Company pursuant to a Loan Agreement, and will be issued pursuant to a Note Resolution.

(ii) Proceeds derived from the sale of the Note will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities (including the repayment to the Company of any loans incurred or advances made for such purpose) and the issuance of the Note.

(iii) Under the terms of the Loan Agreement, the Company will obligate itself to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if, as anticipated, the proceeds derived from the sale of the Note prove insufficient to pay the amount necessary to meet the payments of principal and interest and premium, if any, on the Note as the same become due, and to pay the costs of maintaining the Pollution Control Facilities in good repair and of keeping them properly insured.

1. 730

(iv) As permitted by the Act, the Loan Agreement will provide that the Pollution Control Facilities shall become the property of the Company upon the acquisition thereof, and the County shall have no interest therein.

(v) The Loan Agreement will contain 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 Note Resolution will be in conventional form and will prescribe the terms and conditions upon which the Note will be issued; will make provision for the issuance initially of the Note in the amount of \$1,000,000 pursuant thereto; will provide for the payment and prepayment of the Note, the establishment of a fund in which the proceeds of the payments made by the Company pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Note; and will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Pollution Control Facilities are intended to promote the purposes of the Act

and may be reasonably anticipated to effect such result,
that it approve the Pollution Control Facilities and the
proposed financing of the cost thereof by the County through
the issuance of a Note 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 give published notice of its approval in the manner
set forth in Section 14 of the Act.

Respectfully submitted,

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman of the
Marlboro County Council

Attest:

Secretary of the Marlboro
County Council

_____, 1976

EXHIBIT A

DESCRIPTION OF AIR POLLUTION CONTROL FACILITIES

1. Install 4 Dual Gas/Oil Burners with oil piping and pump and heater sets.
2. Install new combustion controls.
3. Modernize two CE 80,000 lb/hr Boilers, including new Detroit Stokers, and Traveling Grates.
4. Install new and larger forced and induced air fans.
5. Install new ash-handling equipment.
6. Engineering on above.

STATE OF SOUTH CAROLINA

COUNTY OF MARLBORO

I, the undersigned, Secretary of the Marlboro County Council, State and County aforesaid, DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of a Resolution adopted by said Marlboro County Council at a meeting duly called and held on the ____ day of _____, 1976, at which the following, constituting all/a majority of the members of said Marlboro County Council were present and voted unanimously in favor of the adoption of said Resolution: _____

_____.

That the original of said Resolution is duly entered in the permanent records of minutes of meetings of said County Council in my custody as such Secretary.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of Marlboro County this ____ day of _____, 1976.

(SEAL)

Secretary

CERTIFICATE

WHEREAS, the South Carolina Department of Health and Environmental Control (the Department) has been advised by J. P. Stevens & Co., Inc. (the Company) that Marlboro County proposes to finance the acquisition, construction and installation of the air pollution control facilities described on the attached Exhibit "A" at the Company's Delta Plant located in Marlboro County through the issuance of a Pollution Control Facilities Revenue Note in the amount of \$1,000,000, pursuant to the authorization of Act No. 156 of 1971, and in that connection must obtain, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed air pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution; and

WHEREAS, the Commissioner of the Department has been duly authorized by the Department to determine whether or not the findings required by Section 7 of said Act No. 156 of 1971 can be made in the instance of any proposed pollution control facilities revenue bonds, and the Commissioner has made a determination in this instance that such findings can be made and is further empowered by the Department to issue its Certificate to that effect,

NOW, THEREFORE, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said air pollution control facilities on the attached Exhibit "A" described (i) are necessary, and (ii) that the design thereof will result in the elimination, mitigation and prevention of air pollution. It is to be clearly understood that this certification is for bonding purposes only, and shall not be construed as a certification for the establishment of any property tax exceptions whatsoever.

DONE at Columbia, South Carolina, this 7th day of April, 1976.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL

By E. Kenneth Aycock
Commissioner

EXHIBIT A

DESCRIPTION OF AIR POLLUTION CONTROL FACILITIES

1. Install 4 Dual Gas/Oil Burners with oil piping and pump and heater sets.
2. Install new combustion controls.
3. Modernize two CE 80,000 lb/hr Boilers, including new Detroit Stokers, and Traveling Grates.
4. Install new and larger forced and induced air fans.
5. Install new ash-handling equipment.
6. Engineering on above.

Bill, I will forward the originally executed Petitions.

A RESOLUTION

APPROVING THE UNDERTAKING BY MARLBORO COUNTY TO FINANCE THE COST OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF CERTAIN WATER POLLUTION CONTROL FACILITIES TO BE INSTALLED AT THE DELTA PLANT OF J. P. STEVENS & CO., INC. IN MARLBORO COUNTY, THROUGH THE ISSUANCE OF A MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-A, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$4,000,000, PURSUANT TO ACT NO. 156 OF 1971, AS AMENDED; AND AUTHORIZING A PETITION TO THE SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD IN ACCORDANCE WITH THE PROVISIONS OF THE SAID ACT.

As an incident to the adoption of this Resolution, the Marlboro County Council (the County Board) has made the following findings:

1. J. P. Stevens & Co., Inc., a Delaware corporation (the Company), and the County Board have heretofore agreed that the County Board would undertake to finance, inter alia, the cost of the acquisition, construction and installation of water pollution control facilities at the Delta Plant of the Company located in Marlboro County (the County). The Company has now requested the County Board to issue a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note in the principal amount of not exceeding \$4,000,000 pursuant to the authorization of Act No. 156 of the 1971 Acts of the South Carolina General Assembly, as amended (the Act) to finance the cost of the acquisition, construction and installation of certain water pollution control facilities (the Facilities), including the costs incident to the issuance of the Note hereinafter described. The County Board adopts this Resolution

to evidence its approval of the issuance of a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) (the Note) in the principal amount of not exceeding \$4,000,000 to finance such costs and to authorize a petition to the State Budget and Control Board (the State Board) setting forth the facts required by Section 14 of the Act.

2. The County Board has determined that the Facilities are necessary and that the issuance of the Note to finance the cost of the Facilities will not give rise to any pecuniary liability of Marlboro County or a charge against its general credit or taxing power; and that the Note shall be payable solely out of the moneys to be derived by the County pursuant to the Loan Agreement hereinafter described.

3. The amount necessary to finance the cost of the Facilities is not exceeding Four Million Dollars (\$4,000,000).

4. The proceeds derived from the sale of the Note will be loaned by the County to the Company and the Company will enter into a Loan Agreement with the County pursuant to the Act under which the Company will agree to repay such loan by making payments in the amount necessary to provide the payments of principal and interest on the Note as the same become due.

5. In the Loan Agreement, the Company will agree to effect the completion of the Facilities if the proceeds of the Note prove insufficient and the Company will further

obligate itself to make payments which shall be sufficient to pay (i) the principal of and interest on the Note as they become due and payable, and (ii) the cost of maintaining the Facilities in good repair, and of keeping the Facilities properly insured. The Loan Agreement, as permitted by the Act, will provide that the Facilities shall be the property of the Company upon the acquisition thereof, and the County shall have no interest therein.

6. The Note will be issued pursuant to a Resolution to be adopted by the County Board (the Resolution) prescribing the terms and conditions of the Note and the security therefor. The Note will bear interest at the rate of 6% per annum and will mature over a ten year period.

7. The Company is making application to the South Carolina Department of Health and Environmental Control for a finding that the Facilities are in furtherance of the purpose of abating or controlling water pollution. In the event such a finding has been made by the South Carolina Department of Health and Environmental Control a certificate to that effect will be forwarded to the State Board.

8. In view of the well-established credit of the Company, it is unnecessary to establish reserve funds for the payment of principal and interest on the Note.

9. The Company has advised the County Board that the Company has arranged for the sale of the Note to The South Carolina National Bank, Columbia, South Carolina.

10. The Note will be issued as a tax exempt Note pursuant to the provisions of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE MARLBORO COUNTY COUNCIL, IN MEETING DULY ASSEMBLED:

That the County Board finds that the facts set forth above are in all respects true and correct and on such basis determines to finance the cost of the Facilities, and to authorize the sale of the Note by Marlboro County as aforesaid.

BE IT FURTHER RESOLVED:

That the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 14 of the Act; and that said Petition shall be duly executed by the Supervisor and Chairman of the Marlboro County Council and attested by the Secretary of said Marlboro County Council.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman of the
Marlboro County Council

Attest:

Secretary of the Marlboro
County Council

3. The County Board has heretofore by an Assistance Contract executed by the County on April 14, 1975, agreed with the Company that the County Board will undertake to finance, inter alia, the cost of the acquisition, construction and installation of water pollution control facilities to be installed at the Company's Delta Plant located in Marlboro County.

4. The County Board is advised by the Company that the cost of acquiring, constructing and installing water pollution control facilities (the Pollution Control Facilities), which are more fully described on the attached Exhibit "A", at the Company's Delta Plant located in Marlboro County, will not exceed \$4,000,000; and the Company has requested the County Board to provide at this time for the issuance of a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) in the principal amount of not exceeding \$4,000,000, (the Note), the proceeds of which shall be loaned to the Company and used to defray the cost of acquiring, constructing and installing the Pollution Control Facilities at the Company's Delta Plant.

5. The Company has made application to the South Carolina Department of Health and Environmental Control for the finding required by Section 7 of the Act, and the finding relating to the Pollution Control Facilities is enclosed herewith.

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

(a) The Pollution Control Facilities will result in the elimination, mitigation and prevention of water pollution resulting from the operation of the Company's Delta Plant and the financing of the cost of the Pollution Control Facilities will serve the purposes of the Act.

(b) By reason of the financing of the Pollution Control Facilities no pecuniary liability will result to the County nor will there be any charge against the County's general credit or taxing powers.

(c) The Loan Agreement to be entered into between the County and the Company will contain a covenant obligating the Company to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if the proceeds of the Note prove insufficient, and further obligating the Company (i) to pay the principal of and interest on the Note; and (ii) to pay the cost of maintaining the Pollution Control Facilities in good repair and keeping them properly insured. In view of the well-established credit of the Company, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

(d) The Loan Agreement will further provide, as permitted by the Act, that the Pollution Control Facilities will be owned by the Company upon the acquisition thereof, and the County shall have no

interest therein.

(e) The principal and interest on the Note shall be secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and neither the Note nor the interest thereon 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.

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

(a) The Pollution Control Facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of water pollution at the Company's Delta Plant.

(b) The South Carolina Department of Health and Environmental Control has found that the Pollution Control Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

(c) The cost of the Pollution Control Facilities will be approximately \$4,000,000, including acquisition, construction and installation costs, financing costs, and all other expenses to be incurred in connection therewith

and in connection with the issuance of the Note.

(d) The proposed Loan Agreement will provide in general:

(i) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County will issue a Note in the amount of not exceeding \$4,000,000 which will be secured by a pledge of the payments to be made by the Company pursuant to a Loan Agreement, and will be issued pursuant to a Note Resolution.

(ii) Proceeds derived from the sale of the Note will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities (including the repayment to the Company of any loans incurred or advances made for such purpose) and the issuance of the Note.

(iii) Under the terms of the Loan Agreement, the Company will obligate itself to effect the completion of the Pollution Control Facilities to be financed out of the Note proceeds if the proceeds derived from the sale of the Note prove insufficient to pay the amount necessary to meet the payments of principal and interest and premium, if any, on the Note as the same become due, and to pay the costs of maintaining the Pollution Control Facilities in good repair and of keeping them properly insured.

(iv) As permitted by the Act, the Loan Agreement will provide that the Pollution Control Facilities shall become the property of the Company upon the acquisition thereof, and the County shall have no interest therein.

(v) The Loan Agreement will contain 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 Note Resolution will be in conventional form and will prescribe the terms and conditions upon which the Note will be issued; will make provision for the issuance initially of the Note in the amount of not exceeding \$4,000,000 pursuant thereto; will provide for the payment and prepayment of the Note, the establishment of a fund in which the proceeds of the payments made by the Company pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Note; and will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Pollution Control Facilities are intended to promote the purposes of the Act

and may be reasonably anticipated to effect such result,
that it approve the Pollution Control Facilities and the
proposed financing of the cost thereof by the County through
the issuance of a Note 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 give published notice of its approval in the manner
set forth in Section 14 of the Act.

Respectfully submitted,

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By

Supervisor and Chairman of the
Marlboro County Council

Attest:

Secretary of the Marlboro
County Council

_____, 1976

EXHIBIT A

DESCRIPTION OF WATER POLLUTION CONTROL FACILITIES

1. Replace 6 Existing Blowers
2. Convert oxidation basin to activated sludge basin consisting of:
 - a. Fill corners & sides of basin
 - b. Purchase & Install 20-15 HP floating aerators
 - c. Construct oil skimming system
 - d. Modify influent piping and controls
 - e. Relocate acid feed system
 - f. Purchase & Install nutrient feed system
3. Construct backwash collection and equalization system consisting of:
 - a. Construct 1 MM equalization basin
 - b. Purchase & Install 2 - 700 GPM pumps
 - c. Related piping
4. Clarification system consisting of:
 - a. Purchase & Install 4 - 3500 GPM pumps
 - b. Purchase & Install 2 - 120' dia. clarifiers
 - c. Related piping & controls
 - d. Related concrete & earthwork
5. Tertiary treatment system consisting of:
 - a. Chemical feed system
 - b. Flash mix tank with mixer
 - c. Flocculation tank
 - d. Construct 8 - 16'X16' multimedia filters
 - e. Related blowers & backwash pumps
 - f. Related piping
6. Sludge Handling System consisting of:
 - a. 1 - 70' dia. thickener
 - b. 2 - 150 GPM transfer pumps
 - c. Piping to disposal site 6"X1 mile
 - d. 2 - 60'X20' digesters with 2 - 40 HP mixers & 3 - 40 HP blowers
 - e. 3 - 500 GPM sludge spray pumps
 - f. Purchase & prepare 95 acres land
 - g. Purchase tractor and plows
 - h. Related piping
7. Instrumentation
8. Effluent monitoring system
9. Outfall distributor
10. Engineering
11. Renovate present filter plant

STATE OF SOUTH CAROLINA

COUNTY OF MARLBORO

I, the undersigned, Secretary of the Marlboro County Council, State and County aforesaid, DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of a Resolution adopted by said Marlboro County Council at a meeting duly called and held on the ____ day of _____, 1976, at which the following, constituting all/a majority of the members of said Marlboro County Council were present and voted unanimously in favor of the adoption of said Resolution: _____

That the original of said Resolution is duly entered in the permanent records of minutes of meetings of said County Council in my custody as such Secretary.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of Marlboro County this ____ day of _____, 1976.

(SEAL)

Secretary

CERTIFICATE

WHEREAS, the South Carolina Department of Health and Environmental Control (the Department) has been advised by J. P. Stevens & Co., Inc. (the Company) that Marlboro County proposes to finance the acquisition, construction and installation of the water pollution control facilities described on the attached Exhibit "A" at the Company's Delta Plant located in Marlboro County through the issuance of a Pollution Control Facilities Revenue Note in the principal amount of not exceeding \$4,000,000, pursuant to the authorization of Act No. 156 of 1971, and in that connection must obtain, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed water pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution; and

WHEREAS, the Commissioner of the Department has been duly authorized by the Department to determine whether or not the findings required by Section 7 of said Act No. 156 of 1971 can be made in the instance of any proposed pollution control facilities revenue bonds, and the Commissioner has made a determination in this instance that such findings can be made and is further empowered by the Department to issue its Certificate to that effect,

NOW, THEREFORE, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said water pollution control facilities on the attached Exhibit "A" described (i) are necessary, and (ii) that the design thereof will result in the elimination, mitigation and prevention of water pollution. It is to be clearly understood that this certification is for bonding purposes only, and shall not be construed as a certification for the establishment of any property tax exceptions whatsoever.

DONE at Columbia, South Carolina, this 7th day of April, 1976.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL

By E. Kenneth Aycock
Commissioner

EXHIBIT A

DESCRIPTION OF WATER POLLUTION CONTROL FACILITIES

1. Replace 6 Existing Blowers
2. Convert oxidation basin to activated sludge basin consisting of:
 - a. Fill corners & sides of basin
 - b. Purchase & Install 20-15 HP floating aerators
 - c. Construct oil skimming system
 - d. Modify influent piping and controls
 - e. Relocate acid feed system
 - f. Purchase & Install nutrient feed system
3. Construct backwash collection and equalization system consisting of:
 - a. Construct 1 MM equalization basin
 - b. Purchase & Install 2 - 700 GPM pumps
 - c. Related piping
4. Clarification system consisting of:
 - a. Purchase & Install 4 - 3500 GPM pumps
 - b. Purchase & Install 2 - 120' dia. clarifiers
 - c. Related piping & controls
 - d. Related concrete & earthwork
5. Tertiary treatment system consisting of:
 - a. Chemical feed system
 - b. Flash mix tank with mixer
 - c. Flocculation tank
 - d. Construct 8 - 16'X16' multimedia filters
 - e. Related blowers & backwash pumps
 - f. Related piping
6. Sludge Handling System consisting of:
 - a. 1 - 70' dia. thickener
 - b. 2 - 150 GPM transfer pumps
 - c. Piping to disposal site 6"X1 mile
 - d. 2 - 60'X20' digesters with 2 - 40 HP mixers & 3 - 40 HP blowers
 - e. 3 - 500 GPM sludge spray pumps
 - f. Purchase & prepare 95 acres land
 - g. Purchase tractor and plows
 - h. Related piping
7. Instrumentation
8. Effluent monitoring system
9. Outfall distributor
10. Engineering
11. Renovate present filter plant

A RESOLUTION

APPROVING THE UNDERTAKING OF MARLBORO COUNTY TO ISSUE A MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-A (J. P. STEVENS & CO., INC.) IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$4,000,000, PURSUANT TO ACT NO. 156 OF 1971, AND APPROVING THE POLLUTION CONTROL FACILITIES TO BE FINANCED THEREBY.

WHEREAS, the Marlboro County Council (the County Board) pursuant to Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971 (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 to the pollution control facilities to be financed thereby; and

WHEREAS, the proposed undertaking consists of the issuance of a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) (the Note) in the principal amount of not exceeding \$4,000,000 by the County Board pursuant to the Act, the proceeds of which will be loaned to J. P. Stevens & Co., Inc., a Delaware corporation (the Company) and used in order to defray the cost of the acquisition, construction and installation of certain water pollution control facilities (the Facilities), at the Company's Delta plant located in Marlboro County; and

WHEREAS, the County and the Company propose to enter into a Loan Agreement pursuant to which the Company will agree

into a Loan Agreement pursuant to which the Company will agree to make payments sufficient to provide for the payment of the Note above described; and

WHEREAS, the County proposes to adopt a Note Resolution prescribing the terms and conditions upon which the Note will be issued and pledging to the payment of the Note the loan repayments to be made pursuant to the Loan Agreement.

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 Section 14 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department of Health and Environmental Control in connection therewith, an estimate of the cost of the Facilities and a general summary of the terms and conditions of the Loan Agreement and Note Resolution.

(c) The financing of the Facilities by the County Board through the issuance of the Note will promote the purposes of the Act, and the Facilities may be

reasonably anticipated to eliminate, mitigate or prevent water pollution at the Company's Delta Plant located in Marlboro County.

(d) The South Carolina Department of Health and Environmental Control has certified that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

2. On the basis of the foregoing findings the proposed undertaking of the County Board (i) to adopt the Note Resolution and issue the Note, (ii) to loan the proceeds thereof to the Company for the purpose of defraying the cost of financing the acquisition, construction and installation of the Facilities; and (iii) to enter into a Loan Agreement with the Company, providing for the payment of the Note, which shall be payable solely from the revenues to be derived by the County under the Loan 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 Marlboro County shall be published in the Bennettsville, South Carolina, THE MARLBORO HERALD-ADVOCATE, which is a newspaper having general circulation in Marlboro County.

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

NOTICE PURSUANT TO ACT NO. 156 OF THE
ACTS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA
FOR THE YEAR 1971

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Marlboro County Council (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 a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) (the Note) in the principal amount of not exceeding \$4,000,000, pursuant to Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971 (the Act), the proceeds of which shall be loaned by Marlboro County to J. P. Stevens & Co., Inc. (the Company) and used to defray the cost of the acquisition, construction and installation of certain water pollution control facilities (the Facilities) at the Company's Delta plant located in Marlboro County; the execution and delivery of a Loan Agreement between Marlboro County and the Company, pursuant to which the Company will unconditionally agree to make payments sufficient to repay the principal and interest on the Note when due; and the adoption of a Note Resolution by the County Board prescribing the terms and conditions under

which the Note will be issued and pledging to the payment of the Note the loan repayments to be made pursuant to the Loan Agreement.

The Facilities to be financed with the proceeds derived from the sale of the Note will be owned by the Company and the County will have no interest therein.

The South Carolina Department of Health and Environmental Control has certified that the Facilities above described are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of (i) the action of the South Carolina Department of Health and Environmental Control as to the necessity for and adequacy of the Facilities, and (ii) the action of the State Board in approving the Facilities and the said undertaking of the County Board by action de novo instituted in the Court of Common Pleas for Marlboro County.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1976

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

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

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

His Excellency, James B. Edwards, Governor of South
Carolina and Chairman of the Board;
The Honorable Grady Leslie Patterson, Jr., State
Treasurer;
The Honorable John Henry Mills, Comptroller General
of South Carolina;
The Honorable Rembert C. Dennis, Chairman of the Senate
Finance Committee; and
The Honorable F. Julian LeaMond, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____ .M.,
_____, 1976, was given to all members in writing, and
at least four (4) days prior to said meeting; that all members
of said Board were present at said meeting, with the exception
of:

That at said meeting a Resolution, of which the attached
is a true, correct and verbatim copy, was introduced by
_____, who moved its adoption; said motion

was seconded by _____, and upon vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

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

Secretary

_____, 1976

Initial Working Draft
April 13, 1976

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

MARLBORO COUNTY

POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-A

(J. P. STEVENS & CO., INC.)

KNOW ALL MEN BY THESE PRESENTS, that Marlboro County, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the County) for value received promises to pay, but only from the source and as hereinafter provided, to the order of The South Carolina National Bank, at its principal office in the City of Columbia, State of South Carolina, the sum of FOUR MILLION DOLLARS in equal quarterly payments to commence November 15, 1979, ending May 15, 1986; together with interest from the date hereof at the rate of six per centum (6%) per annum (computed on the basis of a 360-day year of 12 30-day months) payable on August 15, November 15, February 15 and May 15, commencing August 15, 1976 on the principal balance from time to time outstanding. Principal of and interest on this Note are payable in any coin or currency of the United States of America which is at the time legal tender for the payment of public or private debts.

This Note is issued for the purpose of obtaining funds to loan to J. P. Stevens & Co., Inc., a corporation organized and existing under the laws of the State of Delaware and

duly qualified to do business in the State of South Carolina (hereinafter called the Company) and to be used to defray the cost of acquiring, installing and constructing wastewater treatment facilities designed for the elimination, mitigation and prevention of water pollution installed and to be installed at the Company's Delta plant located in Marlboro County, South Carolina (hereinafter called the Pollution Control Facilities). The Note is issued under and is secured and entitled to the protection given by a Resolution (hereinafter called the Resolution), duly adopted by the Marlboro County Council. The County and the Company have entered into a Loan Agreement dated as of May 1, 1976 (hereinafter called the Loan Agreement) evidencing and prescribing the Company's obligation to the County resulting from the loan of the Note proceeds to the Company for the acquisition, installation and construction of the Pollution Control Facilities. Under the Loan Agreement, the Company must pay to the County such amounts as will be fully sufficient to pay the principal of and interest on the Note as the same mature and become due. Copies of the Resolution and the Loan Agreement are on file in the Office of the Clerk of Court for Marlboro County in the Town of Bennettsville, State of South Carolina, and reference is made to the Resolution and the Loan Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security,

the rights and remedies of the holder of this Note, the rights, duties and obligations of the County and the Company, and the terms upon which the Note is issued and secured.

The Note is subject to payment at any time as a whole, or in part, but if in part, in increments of not less than \$100,000, at 100% of the principal amount thereof plus accrued interest to the prepayment date.

In the event the Company elects to prepay all or a portion of this Note as aforesaid, notice thereof shall be given by registered mail at least five business days prior to the prepayment date to the holder hereof. The Note or such applicable portion thereof, will cease to bear interest on the specified prepayment date, provided funds for its prepayment are on deposit with the Depository on such date and shall no longer be protected by the Resolution and shall not be deemed to be outstanding under the provisions of the Resolution.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina, as amended, and pursuant to resolutions duly adopted by the Marlboro County Council. In fulfillment of the requirements of said Act No. 156 of 1971, the South Carolina Department of Health and Environmental Control has found that the Pollution

Control Facilities are necessary and that the design thereof will result in the elimination, mitigation or prevention of water pollution, and the issuance of the Note and the Pollution Control Facilities have been approved by the State Budget and Control Board of South Carolina. This Note and the interest payments to become due hereon, is a limited obligation of the County and is payable by the County solely out of the revenues derived by the County pursuant to the Loan Agreement.

The Note is not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Pursuant to the Loan Agreement, payments sufficient for the prompt payment when due of the principal of and interest on the Note are to be paid to the Depository for the account of the County and deposited in a special account created by the County and designated "Marlboro County (J. P. Stevens & Co., Inc.) Series 1976-A Note Fund" and have been pledged for that purpose.

In certain events, on the conditions, in the manner and with the effect set forth in the Resolution, the principal of the Note may become or may be declared due and payable before the stated maturity thereof, together with interest

accrued thereon. Modifications or alterations of the Resolution or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, MARLBORO COUNTY, SOUTH CAROLINA, has caused this Note to be executed by the Supervisor and Chairman of the Marlboro County Council, by his manual signature, and its corporate seal to be impressed hereon, and attested by the Secretary of said County Council, by his manual signature, all as of the ____ day of _____, 1976.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman, Marlboro
County Council

Attest:

Secretary, Marlboro County
Council

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns
and transfers unto _____

(Please print or typewrite name and address of transferee)
the within Note and all rights thereunder, and hereby irre-
vocably constitutes and appoints _____

Attorney, to transfer the within
Note on the books kept for registration thereof, with full
power of substitution in the premises.

Dated: _____

NOTICE: The signature to this
assignment must correspond with
the name as it appears upon the
face of the within Note in every
particular, without alteration
or enlargement or any change
whatsoever.

PAYMENT RECORD

A RESOLUTION

APPROVING THE UNDERTAKING OF MARLBORO COUNTY TO ISSUE A MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-B (J. P. STEVENS & CO., INC.) IN THE PRINCIPAL AMOUNT OF \$1,000,000, PURSUANT TO ACT NO. 156 OF 1971, AND APPROVING THE POLLUTION CONTROL FACILITIES TO BE FINANCED THEREBY.

WHEREAS, the Marlboro County Council (the County Board) pursuant to Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971 (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 to the pollution control facilities to be financed thereby; and

WHEREAS, the proposed undertaking consists of the issuance of a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note) in the principal amount of \$1,000,000 by the County Board pursuant to the Act, the proceeds of which will be loaned to J. P. Stevens & Co., Inc., a Delaware corporation (the Company) and used in order to defray the cost of the acquisition, construction and installation of certain air pollution control facilities (the Facilities), at the Company's Delta plant located in Marlboro County; and

WHEREAS, the County and the Company propose to enter into a Loan Agreement pursuant to which the Company will agree

to make payments sufficient to provide for the payment of the Note above described; and

WHEREAS, the County proposes to adopt a Note Resolution prescribing the terms and conditions upon which the Note will be issued and pledging to the payment of the Note the loan repayments to be made pursuant to the Loan Agreement.

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 Section 14 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department of Health and Environmental Control in connection therewith, an estimate of the cost of the Facilities and a general summary of the terms and conditions of the Loan Agreement and Note Resolution.

(c) The financing of the Facilities by the County Board through the issuance of the Note will promote the purposes of the Act, and the Facilities may be

reasonably anticipated to eliminate, mitigate or prevent air pollution at the Company's Delta Plant located in Marlboro County.

(d) The South Carolina Department of Health and Environmental Control has certified that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution.

2. On the basis of the foregoing findings the proposed undertaking of the County Board (i) to adopt the Note Resolution and issue the Note, (ii) to loan the proceeds thereof to the Company for the purpose of defraying the cost of financing the acquisition, construction and installation of the Facilities; and (iii) to enter into a Loan Agreement with the Company, providing for the payment of the Note, which shall be payable solely from the revenues to be derived by the County under the Loan 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 Marlboro County shall be published in the Bennettsville, South Carolina, THE MARLBORO HERALD-ADVOCATE, which is a newspaper having general circulation in Marlboro County.

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

NOTICE PURSUANT TO ACT NO. 156 OF THE
ACTS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA
FOR THE YEAR 1971

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Marlboro County Council (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 a Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-B (J. P. Stevens & Co., Inc.) (the Note) in the principal amount of \$1,000,000, pursuant to Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971 (the Act), the proceeds of which shall be loaned by Marlboro County to J. P. Stevens & Co., Inc. (the Company) and used to defray the cost of the acquisition, construction and installation of certain air pollution control facilities (the Facilities) at the Company's Delta plant located in Marlboro County; the execution and delivery of a Loan Agreement between Marlboro County and the Company, pursuant to which the Company will unconditionally agree to make payments sufficient to repay the principal and interest on the Note when due; and the adoption of a Note Resolution by the County Board prescribing the terms and conditions under

which the Note will be issued and pledging to the payment of the Note the loan repayments to be made pursuant to the Loan Agreement.

The Facilities to be financed with the proceeds derived from the sale of the Note will be owned by the Company and the County will have no interest therein.

The South Carolina Department of Health and Environmental Control has certified that the Facilities above described are necessary and that the design thereof will result in the elimination, mitigation and prevention of air pollution.

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of (i) the action of the South Carolina Department of Health and Environmental Control as to the necessity for and adequacy of the Facilities, and (ii) the action of the State Board in approving the Facilities and the said undertaking of the County Board by action de novo instituted in the Court of Common Pleas for Marlboro County.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1976

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

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

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

His Excellency, James B. Edwards, Governor of South
Carolina and Chairman of the Board;
The Honorable Grady Leslie Patterson, Jr., State
Treasurer;
The Honorable John Henry Mills, Comptroller General
of South Carolina;
The Honorable Rembert C. Dennis, Chairman of the Senate
Finance Committee; and
The Honorable F. Julian Leamond, Chairman of the
House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____ .M.,
_____, 1976, was given to all members in writing, and
at least four (4) days prior to said meeting; that all members
of said Board were present at said meeting, with the exception
of:

That at said meeting a Resolution, of which the attached
is a true, correct and verbatim copy, was introduced by
_____, who moved its adoption; said motion

was seconded by _____, and upon vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

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

Secretary

_____, 1976

4- 776

Interim Working Draft
April 13, 1976

MARLBORO COUNTY, SOUTH CAROLINA
POLLUTION CONTROL FACILITIES REVENUE NOTE
SERIES 1976-A
(J. P. STEVENS & CO., INC.)

LOAN AGREEMENT

DATED AS OF MAY 1, 1976

777

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of May 1, 1976, between MARLBORO COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the County), acting by and through the Marlboro County Council, party of the first part, and J. P. STEVENS & CO., INC., a corporation organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina, party of the second part (the Industry),

WHEREAS, the Industry proposes to construct water pollution control facilities consisting of additions to the existing waste water treatment plant, including clarifiers, aerators, digestors and sludge-handling facilities, at its Delta plant located in Marlboro County, South Carolina; and

WHEREAS, Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (the Act) empowers the several counties and incorporated municipalities of the State of South Carolina to issue their bonds and to loan the proceeds of sale of such bonds to industrial concerns to finance the construction, acquisition or installation by such industrial concerns of pollution control facilities as defined in the Act; and

WHEREAS, the County has adopted a resolution authorizing the issuance of a Marlboro County, South Carolina, Pollution

Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) in the principal amount of \$4,000,000 whose proceeds it will lend to the Industry to enable the Industry to pay costs incurred by the Industry in the acquisition, construction and installation at the Industry's Delta plant located in Marlboro County of the water pollution control facilities more fully described in Exhibit A attached hereto:

WITNESSETH:

IN CONSIDERATION of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided, that in the performance of the agreement of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or against its taxing powers but shall be payable solely out of the proceeds derived from this Loan Agreement and the sale of the Note).

ARTICLE I

DEFINITIONS

Section 1.1. Certain terms used in this Loan Agreement are defined in Section 1.2 hereof. When used herein, such terms shall have the meanings given to them by the language employed in Section 1.2 defining such terms, unless the context clearly indicates otherwise.

Section 1.2. The following terms are defined under this Loan Agreement:

"Act" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

"Administration Expenses" means the reasonable and necessary expenses incurred by the Depository in connection with this Agreement, the Resolution, the Assignment and the financing of the Pollution Control Facilities.

"Agreement" or "Loan Agreement" means the within Loan Agreement between the County and the Industry, as the same may be amended from time to time in accordance with the provisions hereof.

"Assignment" means the Pledge and Assignment dated as of the date hereof of the County and the Industry referred to in Section 7.2 hereof.

"Authorized Industry Representative" shall mean the person or persons at the time designated to act on behalf

of the Industry by written certificate furnished to the County and the Depository containing the specimen signature of such person and signed on behalf of the Industry by its President or a Vice President or its Treasurer and its Secretary or an Assistant Secretary, which certificate shall continue in full force and effect until the County and the Depository have received a notice of revocation thereof by the Industry.

"Note" means the \$4,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.).

"Note Fund" means the Note Fund created in Section 502 of the Resolution and referred to herein.

"Completion Date" means the date of completion of the construction of the Pollution Control Facilities as such date shall be certified as provided in Section 3.6 hereof.

"Construction Fund" means the Construction Fund created in Section ___ of the Resolution and referred to herein.

"Cost of the Facilities" means those expenditures from the Construction Fund authorized by Section 3.3 hereof.

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

"County Board" means the Marlboro County Council as the governing body of the County pursuant to Act No. 1021 of the Acts of the General Assembly of the State of South Carolina

for the year 1962, as amended, and any successor body.

"Depository" means The South Carolina National Bank, Columbia, South Carolina, appointed under the Resolution as Depository, and its corporate successors and any successor Depository under the Resolution.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and not a full-time employee of the County, the Industry, or the Depository.

"Industry" means (i) the party of the second part hereto and its successors and assigns, and (ii) any surviving, resulting or transferee corporation as provided in Section 6.3 hereof.

"Penalty Rate" means interest at the rate of 8% per annum.

"Plant" means the Industry's Delta plant located in the County. The term "Plant" shall also include the Pollution Control Facilities.

"Pollution Control Facilities" means the facilities described in Exhibit "A" attached hereto, heretofore acquired, constructed or installed or hereafter to be acquired, constructed or installed at the Plant or any modification thereof to be used in whole or in part to abate or control water pollution or contamination by removing, altering, disposing or storing pollutants, contaminants and wastes, and which, as set out

in Section 2.2 hereof, are to be operated and maintained by the Industry.

"Purchaser" means The South Carolina National Bank, Columbia, South Carolina.

"Resolution" means the resolution of the County Board adopted on _____, 1976, authorizing, among other things, the issuance of the Note, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

"Revenues" means all payments, revenues and receipts which the County has a right to receive pursuant to this Agreement, other than payment of indemnification and attorneys fees and expenses pursuant to Sections 4.3(b), 6.5 and 8.4 hereof, respectively.

Section 1.3. The words "hereof", "herein", "hereunder", and other words of similar import refer to this Loan Agreement as a whole.

Section 1.4. Reference to Articles, Sections and other subdivisions of this Loan Agreement are to the designated Articles, Sections and other subdivisions of this Loan Agreement as originally executed.

Section 1.5. The headings of this Loan Agreement are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

Section 2.1. Representations by the County. The County makes the following representations as the basis for the undertakings on its part herein contained:

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement, the Resolution, the Assignment, and the Note. By proper action by the County Board, the State Budget and Control Board of South Carolina, and the South Carolina Department of Health and Environmental Control, the County has been duly authorized to execute and deliver this Agreement, the Assignment and the Note. The execution, delivery and performance of this Agreement, the Assignment and the Note and the adoption of the Resolution and the performance of all obligations of the County set forth in this Agreement, the Resolution, the Assignment and the Note are within the power and authority of the County, which is validly acting by and through the County Board, and such agreements and instruments have been duly authorized by all necessary proceedings and will not contravene, or constitute a default under, any provision of law or regulation or any judgment, order, decree, contract or agreement or other instrument binding

upon the County.

(b) Heretofore, the County and the Industry did agree that the County would finance the cost of acquiring, installing and constructing the Pollution Control Facilities by the Industry. The Industry has determined that it now requires \$4,000,000 to pay costs incurred or to be incurred by the Industry in the acquisition, installation and construction of the Pollution Control Facilities and in connection with the issuance of the Note and on that basis the County now proposes to issue the Note in the aggregate principal amount of \$4,000,000, which will mature, bear interest and be dated as set forth in Section ___ of the Resolution and which will be subject to prepayment in accordance with Section ___ of the Resolution, and loan the proceeds to the Industry to pay the cost of the Pollution Control Facilities and costs incurred or to be incurred by the Industry in connection with the issuance of the Note.

Section 2.2. Representations by the Industry. The Industry makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Industry is a corporation organized and existing under the laws of the State of Delaware and qualified to do business in the State of South Carolina, is in good standing under its Certificate of Incorporation and the laws of Delaware and South Carolina, has the power to enter into this Agreement and by proper corporate action has been duly authorized to

execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflict with or result in any breach of any of the terms, conditions or provisions of its Certificate of Incorporation or by-laws or any provision of law or regulation or any agreement or instrument to which the Industry is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Industry under the terms of any instrument or agreement to which the Industry is now a party or by which it is bound. All authorizations, consents, approvals and findings of governmental bodies or agencies required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, have been obtained and all such authorizations, consents, approvals and findings are in full force and effect on and as of the date hereof.

(c) The processes carried out at the Plant result in the discharge of wastewaters which require treatment in order to meet the applicable State and Federal standards. The Pollution Control Facilities are necessary and the design of the Pollution Control Facilities will result in the elimination,

mitigation or prevention of water pollution and the South Carolina Department of Health and Environmental Control has made a finding to that effect; the Pollution Control Facilities are of a character subject to the allowance for depreciation provided in Section 167 of the Internal Revenue Code of 1954, as amended; are to be used to abate or control water pollution or contamination by removing, altering, disposing of or storing pollutants, contaminants and wastes; and are designed for no significant purpose other than the control of pollution; and without limiting the generality of the foregoing, will not result in any increase in production or capacity, or in a material extension of the useful life of a manufacturing or production facility or a part thereof.

(d) The Industry represents that it will use its best efforts to operate and maintain the Pollution Control Facilities in accordance with all applicable State and Federal statutes and all rules and regulations promulgated by any State or Federal agency pursuant thereto.

(e) The Industry represents that substantially all of the proceeds of the Note will be used to provide water pollution control facilities within the meaning of the Internal Revenue Code of 1954, as amended, and regulations issued thereunder and that it will not commit or suffer to be committed, any act which will adversely affect the tax exempt status of the interest on the Note.

(f) On the basis of the facts, estimates and circumstances in existence on the date of this Agreement, a period of approximately two years from the date of issuance of the Note is necessary for the completion of the construction, acquisition and installation of the Pollution Control Facilities; and the Industry represents that it will exercise due diligence to complete the Pollution Control Facilities within the two-year period.

ARTICLE III

PAYMENT FOR POLLUTION CONTROL FACILITIES

Section 3.1. Agreement to Complete Pollution Control Facilities. The Industry represents that, acting in reliance upon the County's agreement to effect the issuance of the Note pursuant to the Act and to loan the proceeds to the Industry, it will complete the acquisition, construction and installation of the Pollution Control Facilities as promptly as practicable and in any event that it will exercise due diligence to complete the Pollution Control Facilities within two years from the date of issuance of the Note.

Section 3.2. Agreement to Issue Note; Application of Note Proceeds. In order to provide the Industry, by way of loan, funds for payment of Cost of the Facilities, the County agrees that it will sell and cause to be delivered to the purchasers thereof the Note in the aggregate principal amount of \$4,000,000 and will thereupon deposit in the Construction Fund all of the proceeds received from said sale.

Section 3.3. Disbursements from the Construction Fund. The County has by the Resolution authorized and directed the Depository to use the moneys in the Construction Fund only for the following purposes:

(a) Payment of the initial or acceptance fee of the Depository, the fees for filing financing statements and curative documents that either the Depository, the County

or Independent Counsel may deem desirable to file in order to perfect the security interest provided by the Assignment;

(b) Payment of interest on the Note for a period not to extend beyond one year after the completion of the construction, acquisition or installation of the Pollution Control Facilities;

(c) Payment to the Industry of such other amounts as shall be necessary to pay or reimburse the Industry for all other costs (including any interest paid by the Industry from and after May 1, 1975, up to the date of issuance of the Note on indebtedness for money borrowed in connection with or as a result of the construction, acquisition or installation of the Pollution Control Facilities) and other expenses incurred in connection with the acquisition, construction and installation of the Pollution Control Facilities and the preparation of plans and specifications therefor (including any preliminary study or planning of the Pollution Control Facilities or any aspect thereof) and all construction, acquisition and installation expenses, and all real or personal properties deemed necessary in connection with the Pollution Control Facilities (including architectural, engineering and supervisory services with respect to any of the foregoing);

(d) Payment or reimbursement of the Industry for payment of the cost of legal, financing and accounting fees, expenses and disbursements incurred in connection with the authorization, sale and issuance of the Note, or the preparation

of this Agreement, the Resolution, the Assignment and all other documents in connection therewith and in connection with the acquisition and construction of the Pollution Control Facilities;

(e) Payment or reimbursement of the Industry for payment of the expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under any contract relating to the Pollution Control Facilities; and

(f) Payment or reimbursement of the Industry for payment of any other costs and expenses incurred by the Industry relating to the Pollution Control Facilities;

Provided, however, that no payment shall be made from the Construction Fund in respect of any item or amounts which will result in less than substantially all of the proceeds of the Note being used to provide water pollution control facilities within the meaning of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations thereunder.

Any payment made pursuant to the preceding subsections (a) to (f), inclusive, of this Section shall be made only upon receipt by the Depository of a written order signed by the Authorized Industry Representative which shall certify with respect to each such payment: (i) that none of the items or amounts for which such payment is proposed to be made has formed the basis for any payment theretofore made

from the Construction Fund; (ii) that each item or amount for which such payment is proposed to be made is, will be or was necessary in connection with the Pollution Control Facilities and, if applicable, is, will be or was in conformance with the plans and specifications therefor; and (iii) that it does not include any item or amount which will result in less than substantially all of the proceeds of the Note being used to provide water pollution control facilities within the meaning of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder.

Notwithstanding anything to the contrary in the Loan Agreement, in the event that the Note is accelerated pursuant to Section ___ of the Resolution, or the Note shall not have been paid at maturity, then, in either such event, the Depository shall, to the extent permitted by applicable law, forthwith deposit all moneys and securities then in the Construction Fund into the Note Fund to be applied as provided in Section ___ of the Resolution, unless pursuant to Section ___ the event of default shall be waived in which event the Depository shall forthwith return such moneys and securities to the Construction Fund.

Any moneys or securities remaining in the Construction Fund upon receipt by the Depository of the certificate of Completion Date referred to in Section 3.6 hereof shall be paid by the Depository into the Note Fund.

Section 3.4. Depository May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Depository may rely conclusively on any such orders and certifications delivered to it pursuant to Section 3.3 hereof, and the Depository shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

Section 3.5. Industry Required to Pay Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the Cost of the Facilities shall not be sufficient to pay the costs thereof in full, the Industry agrees to pay all that portion of the costs of the Pollution Control Facilities as may be in excess of the moneys available therefor in the Construction Fund. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the Cost of the Facilities, will be sufficient to pay all costs which have been or will be incurred in that connection by the Industry. The Industry agrees that if, notwithstanding the exhaustion of the moneys in the Construction Fund, the Industry shall not be fully reimbursed for the costs of the Pollution Control Facilities, it shall not be entitled to any reimbursement therefor from the County, the Depository or from the Purchaser or any sub-

sequent holder of the Note, nor shall it be entitled to any postponement or diminution of any payments required hereunder; provided that the provisions of this Section 3.5 shall not preclude the additional financing of the Pollution Control Facilities with the proceeds of other loans made to the Industry and referred to in Section 6.7 hereof.

Section 3.6. Establishment of Completion Date. The Completion Date with respect to the Pollution Control Facilities shall be evidenced to the Depository by a certificate signed by the Authorized Industry Representative, stating that:

(i) within the meaning of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended and regulations issued thereunder, substantially all of the proceeds of the Note were used to provide water pollution control facilities;

(ii) the Pollution Control Facilities have been completed in accordance with the specifications therefor; and

(iii) all labor, services, materials and supplies used in connection therewith have been paid for, and all facilities necessary in connection with such Pollution Control Facilities have been acquired, constructed and installed in accordance with the specifications therefor 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. It shall be the duty of the Industry to cause the certificate contemplated by this Section 3.6 to be furnished as soon as the Pollution Control Facilities shall have been completed.

Section 3.7. Authorized Industry Representative and Successors. The Industry shall designate, in the manner prescribed in Section 1.2, the Authorized Industry Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

Section 3.8. Investment of Construction Fund and Note Fund Moneys Permitted. Any moneys held as a part of the Construction Fund and the Note Fund shall, at the direction of the Industry, be invested and reinvested by the Depository in:

(1) securities that are direct obligations of the United States of America or the payment of the principal of which is guaranteed or insured by the United States of America or are obligations which in the opinion of the Attorney General of the United States of America are general obligations of the United States backed by its full faith and credit;

(2) obligations of Federal Intermediate Credit Banks, Federal Home Loan Banks for Cooperatives, Federal Land Banks, or the Government National Mortgage Association;

(3) certificates of deposit of banks or trust companies (including the Depository) which are members of the Federal Reserve System and have a minimum combined capital, surplus and undivided profits of not less than \$10 Million;

(4) obligations of a state, territory or possession of the United States of America, including the Commonwealth of Puerto Rico, or any political subdivision of any of the foregoing; or

(5) prime commercial paper or other corporate debt securities rated "A" or better by a recognized national rating agency.

The Industry covenants:

(a) That it will not direct the Depository pursuant to the foregoing paragraphs (1) through (5) to make investments or permit the Depository to make investments which would cause the Note to be an "arbitrage bond" within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder as then in effect (the Regulations).

(b) That it will furnish to the County accurate information to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the Regulations.

ARTICLE IV

EFFECTIVE DATE OF THIS AGREEMENT; DURATION OF AGREEMENT;
REPAYMENT PROVISIONS; UNCONDITIONAL OBLIGATIONS
OF INDUSTRY; AND PREPAYMENT AND REDEMPTION

Section 4.1. Effective Date of this Agreement; Duration of Agreement. This Agreement shall become effective upon its delivery, and shall continue in full force and effect until the principal of and interest on the Note have been fully paid (or provision for its payment has been made in accordance with the provisions of the Resolution), together with all sums to which the County or the Depository are entitled hereunder.

Section 4.2. Possession and Ownership of Pollution Control Facilities. Insofar as the County is concerned, the Pollution Control Facilities shall be the sole property of the Industry, and the Industry shall have sole and exclusive possession of the Pollution Control Facilities (subject to the right of the County to enter thereon for inspection purposes pursuant to the provisions of Section 6.2 hereof).

Section 4.3. Repayment of Loan and Payment of Other Amounts Hereunder. The County will loan to or for the benefit of the Industry as provided in Article III the proceeds derived from the sale of the Note and deposited in the Construction Fund and the Industry shall repay such loan and the interest thereon in Federal or other immediately available funds at the rate of six percent (6%) per annum (computed on the basis

of a 360-day year of 12 30-day months) and pay the Administration Expenses, in accordance with the provisions of this Section 4.3:

(a) On each of the interest payment dates for the Note as set forth in Section 202 of the Resolution, funds in the Note Fund equal in amount to the amount of interest to be paid on such interest payment date will be applied by the Depository to the payment of such interest and, to the extent that there are not sufficient funds available in the Note Fund for the payment of such amount of interest, the Industry will deposit in the Note Fund on or prior to such interest payment date that amount of additional funds which is necessary to pay in full the interest due and payable on such interest payment date.

On each stated maturity date of principal installments of the Note as set forth in Section ___ of the Resolution, funds in the Note Fund in an amount equal to the principal amount of such installment on such date shall be applied by the Depository to the partial payment of the Note and, to the extent that there are not sufficient funds available for the payment of such installment on the Note in the Note Fund on the maturity date, the Industry will deposit funds in the Note Fund on such date for payment of such installment on the Note.

(b) The Industry agrees to pay to the Depository on each interest payment date until the principal of and interest on

the Note has been fully paid, the Administration expenses then due and payable.

In the event the Industry shall fail to make any of the payments required by this Section 4.3, the item or installment so in default shall continue as an obligation of the Industry until the amount in default shall have been fully paid, and the Industry agrees to pay the same with, to the extent permitted by applicable law, interest thereon from the date of default at the Penalty Rate until fully paid.

Section 4.4. Place of Payments. The payments provided for in Section 4.3(a) hereof shall be paid directly to the Depository for the account of the County and shall be deposited in the Note Fund. Payments to be made to the Depository on account of fees, charges and expenses pursuant to Section 4.3(b) hereof shall be paid directly to the Depository for its own use.

Section 4.5. Obligations of Industry Hereunder Unconditional. The obligations of the Industry to make the payments required in Section 4.3 hereof and to perform and observe the other agreements on its part contained in this Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim and free of any deductions and without postponement or diminution; and until such time as the principal of and interest on the Note shall have been fully paid, or provision for the payment thereof shall have been made in accordance with the Resolution, the Industry will not, except as provided in Article IX hereof,

terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Pollution Control Facilities to function at their intended level, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Pollution Control Facilities, commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, or failure of the Pollution Control Facilities to comply with any statute, rule or regulation now or hereafter made applicable thereto.

Section 4.6. Prepayments. The Industry shall have the option, exercisable at any time upon five business days' written notice to the County and the Depository in accordance with Section 301 of the Resolution, to accelerate payment of the unpaid balance of the loan outstanding under this Agreement either in whole or in increments of not less than \$100,000 by depositing in the Note Fund on or before the date fixed for prepayment that amount which, after taking into account the amount of funds already on deposit in the Note Fund, will be sufficient to pay in full the unpaid principal amount of the Note, together with interest thereon accrued to the date fixed for prepayment. Upon receiving

such written notice from the Industry, the Depository shall give notice to the Purchaser or subsequent holder of the Note in accordance with Section ___ of the Resolution and shall apply all funds on deposit in the Note Fund on the date fixed for prepayment, including the funds deposited in the Note Fund by the Industry in accordance with the next preceding sentence, to the unpaid principal of and interest on the Note in accordance with Section ___ of the Resolution. Neither the County nor the Depository will cause the Note to be prepaid prior to its stated maturity date except pursuant to this Section 4.6 or in accordance with Section ___ of the Resolution.

Section 4.7. Reference to Note Ineffective After Note Paid. Upon payment in full of the Note (or provision for payment thereof having been made in accordance with the provisions of Section ___ of the Resolution), all references in this Agreement to the Note shall be ineffective and the Purchaser or subsequent holder of the Note shall have no rights hereunder.

ARTICLE V

OPERATION AND MAINTENANCE, TAXES AND
INSURANCE, CONDEMNATION

Section 5.1. Operation and Maintenance of Pollution Control Facilities. The Industry agrees that it will operate and maintain the Pollution Control Facilities at all times hereafter in accordance with all applicable laws, rules and regulations, at its own expense and shall defray all costs in connection therewith (including from time to time all necessary repairs, renewals, replacements and improvements) so that the Pollution Control Facilities and all other facilities necessary or incidental thereto shall be kept in good repair and in good operating condition.

Section 5.2. Taxes, Other Governmental Charges and Liens. The County and the Industry acknowledge (i) that as of the date hereof, treatment facilities or equipment of manufacturing plants which control water pollution are exempt from all property taxation in South Carolina, that under present law the income of the County from the Loan Agreement is not subject to either Federal or South Carolina taxation and (ii) that these factors, among others, have induced the Industry to enter into this Agreement.

However, the Industry will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Plant or any machinery,

equipment or other property installed or brought by the Industry therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the income, revenues or receipts of the County from this Agreement, or which will constitute a charge on the income, revenues and receipts from this Agreement). In addition, the Industry will pay all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Plant and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Plant; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Industry shall be obligated to pay only such installments as are required to be paid during the term of this Agreement.

If the Industry shall first notify the County of its intention so to do, the Industry may, at its expense and in its own name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest and any appeal therefrom, unless by nonpayment of any such items the Plant or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly.

Section 5.3. Insurance. The Industry shall, at its own expense keep the Pollution Control Facilities insured

against loss or damage in a prudent manner consistent with the coverage carried on the Plant, other properties of the Industry, and in accordance with generally accepted industry practice.

Unless the Industry shall elect to exercise its option to terminate pursuant to Section 9.1 hereof, in the event of destruction of or damage to the Pollution Control Facilities, the Industry shall restore or replace the Pollution Control Facilities to a level of operating efficiency substantially the same as, or better than, the level existing prior to the event causing damage or destruction thereto; provided, however, there shall be no requirement to restore or replace Pollution Control Facilities whose function or functions are no longer required.

The Industry shall not, by reason of any payments to repair, rebuild or restore the Pollution Control Facilities, be entitled to any reimbursement from the County, the Depository, or the Purchaser or subsequent holder of the Note or to any postponement or diminution of the payments prescribed under this Agreement.

Section 5.4. Condemnation. Unless the Industry shall elect to exercise its option to terminate pursuant to Section 9.1 hereof, in the event that title to, or the temporary use of, the Plant, or any part thereof which substantially affects its functioning shall be taken under the exercise of the power

of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Industry shall restore the Plant to at least substantially the same condition as existed prior to the exercise of the said power of eminent domain; provided, that there shall be no obligation to restore or replace any portion of the Plant or the Pollution Control Facilities whose function or functions are no longer required. The Industry shall not, as a consequence of any expenses incurred in the restoration of the Plant, be entitled to any reimbursement from the County, the Depository or the Purchaser or subsequent holder of the Note or any postponement or diminution of the payments prescribed under this Agreement.

ARTICLE VI

SPECIAL COVENANTS

Section 6.1. No Warranty of Condition or Suitability by the County. The County makes no warranty, either expressed or implied, as to the condition of the Pollution Control Facilities, or that they are or will be suitable for the Industry's purposes or needs.

Section 6.2. County's Right of Access to the Pollution Control Facilities. The Industry agrees that the County and the duly authorized agents of the County shall have the right at all reasonable times to enter upon, and to examine and inspect the Pollution Control Facilities.

Section 6.3. Industry to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Industry agrees that during the term of this Agreement it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Industry may, without violating the agreement contained in this Section, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell or otherwise transfer (other than by lease) to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided

the surviving, resulting or transferee corporation, as the case may be, is a solvent corporation organized under the laws of the United States of America, or any state, district or territory thereof, is an "Industry" as defined by the Act, assumes in writing all of the obligations of J. P. Stevens & Co., Inc. under this Agreement, has obtained all governmental or administrative approvals required to conduct its business, and is duly qualified to do business in the State of South Carolina.

Section 6.4. Good Standing in South Carolina, Permits and Licenses. (a) The Industry warrants that it is a corporation duly organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina, and throughout the term of this Agreement it will, subject to the provisions of Section 6.3, use its best efforts to maintain its status as a corporation in good standing under the laws of Delaware and duly qualified to do business in South Carolina.

(b) In the event it may be necessary for the proper performance of this Agreement on the part of the County or the Industry that any application or applications for any permit or license be made to any governmental or other agency or authority by the Industry or the County, the Industry and the County each agree to execute upon the request of the other such application or applications.

Section 6.5. Indemnification Covenants. The Act prescribes and the parties intend that the County shall not incur any pecuniary liability by reason of making this Agreement, by reason of the issuance of the Note, by reason of the adoption of the Resolution, by reason of the performance of any act required of it by this Agreement, or by reason of the performance of any act requested of it by the Industry. Nevertheless, if the County shall incur any such pecuniary liability, then in such event the Industry shall indemnify and hold the County harmless by reason thereof.

Section 6.6. Financial Statements of Industry. The Industry agrees to have an annual audit made by its regular independent certified public accountants and to furnish the Depository (within 60 days after receipt by the Industry) with a balance sheet and statements of income, retained earnings and changes in financial position showing the financial condition of the Industry and its consolidated subsidiaries, if any, at the close of each fiscal year, and the results of operations of the Industry and its consolidated subsidiaries, if any, for each fiscal year, accompanied by a certification or opinion of said accountants. The Industry further agrees to furnish to the Depository, to the Purchaser, and, if requested in writing, to any subsequent holder of the Note, all financial statements which it sends to its shareholders.

Section 6.7. Additional Financing by County. Nothing

contained in this Agreement shall preclude the County from implementing its obligations under the assistance contract effective May 1, 1975 (the Assistance Contract), between the County and the Industry or under any similar contract or agreement with the Industry, and making another loan or loans under any other loan agreement with the Industry from the proceeds of notes or bonds issued by the County pursuant to the Act or any other applicable legislation in order to finance any portion of the cost of the Pollution Control Facilities in excess of the moneys available therefor in the Construction Fund or to issue other bonds in accordance with the Assistance Contract which obligates the County to issue bonds in an amount sufficient to pay the cost of pollution control facilities to be installed at the Plant.

Section 6.8. Industry's Covenants Relating to Withdrawals From Construction Fund. Notwithstanding anything contained in this Agreement or in the Resolution to the contrary, the Industry covenants it will not submit any written order by the Industry of the kind described in Section 3.3 hereof in respect of any item or expense which would not constitute a "cost of acquiring pollution control facilities" within the meaning of the Act or which, if paid, would result in less than substantially all of the proceeds from the issuance of the Note being used to provide water pollution control facilities or other exempt facilities within the meaning

of Section 103(c)(4) of the Internal Revenue Code of 1954,
as amended, and the regulations thereunder.

ARTICLE VII

LEASING AND SELLING; MODIFICATIONS OF FACILITIES

Section 7.1. Leasing and Sale. The interest of the Industry in the Plant may be leased, sold or otherwise disposed of, as a whole or in part, by the Industry without the necessity of obtaining the consent of either the County or the Depository, subject, however, to each of the following conditions:

(a) No leasing, sale or other disposition (other than pursuant to Section 6.3 hereof) shall relieve the Industry from its liability for any of its obligations hereunder, and in the event of any such lease, sale or other disposition, the Industry shall continue to remain liable for the payments specified in Section 4.3 hereof and for the payment, performance and observance of the other obligations and agreements on its part herein provided to be performed and observed by it.

(b) The lessee or transferee shall assume in writing the obligations and covenants of the Industry hereunder to the extent of the interest acquired.

(c) The Industry shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the County and to the Depository a true and complete copy of each such lease, deed or other instrument, as the case may be.

Section 7.2. Assignment. The County and the Industry have in the Assignment irrevocably pledged and assigned to

the Purchaser, as security for the punctual payment of the principal of and interest on the Note, for the performance and observance by the County and the Industry of all of their respective covenants and agreements set forth or referred to in the Loan Agreement, the Note or the Resolution, and to assure the correctness of all representations and warranties made by the County or the Industry, as the case may be, in the Loan Agreement, the Note or the Resolution, or any document or certificate delivered pursuant to any thereof, all rights of the County under, and all interests of the County in (i) this Agreement (other than the rights of the County or the Depository to receive payment of Administration Expenses, indemnification and attorneys fees and expenses pursuant to Sections 4.3(b), 6.5 and 8.4, respectively), (ii) the Revenues, and (iii) all moneys and securities on deposit or to be deposited in the Note Fund (including any moneys and securities in the Construction Fund which are required to be deposited in the Note Fund pursuant to the provisions of this Agreement), and, subject to the provisions of this Agreement, all rights of the Industry to and all rights of the Industry in the moneys and securities on deposit in the Note Fund and the Construction Fund. Except as set forth in the preceding sentence of this Section 7.2, while the Note is outstanding neither the County nor the Industry will sell, assign, pledge, convey or otherwise

transfer or encumber any of their respective rights under or interests in this Agreement, the Revenues or any moneys or securities on deposit or to be deposited in the Note Fund or the Construction Fund.

Section 7.3. Modification of Pollution Control Facilities.

The Industry may from time to time in its sole discretion and its own expense modify, improve or enlarge the Pollution Control Facilities in any way permitted by the then applicable statutes, rules and regulations for the purpose of meeting the Industry's needs, provided that it will not commit, or suffer to be committed, any change which will adversely affect the tax exempt status of the interest payable on the Note.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Industry to pay the amounts required to be paid under Section 4.3(a) of this Agreement at the times specified herein;

(b) Failure by the Industry to observe and perform any covenant, condition or agreement in Section 3.8, 6.3, 6.8 or 7.3 of this Agreement on the part of the Industry to be observed and performed;

(c) Failure by the Industry to observe and perform any covenant, condition or agreement in this Agreement on the part of the Industry to be observed or performed, other than as referred to in subsections (a) or (b) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Industry by the County or the Purchaser as provided in the Resolution, unless the County and the Purchaser as provided in the Resolution shall agree in writing to an extension of such time prior to its expiration;

(d) The dissolution or liquidation of the Industry or the filing by the Industry of a voluntary petition in bankruptcy, or the commission by the Industry of any act of bankruptcy, or adjudication of the Industry as a bankrupt, or assignment by the Industry for the benefit of its creditors, or the entry by the Industry into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Industry in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Industry" as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Industry resulting either from a merger or consolidation of the Industry into or with another corporation or a dissolution or liquidation of the Industry following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 6.3 hereof shall have been met;

(e) any representation or warranty of the Industry or the County made herein or in any certificate or instrument required to be delivered hereunder or thereunder, shall have been incorrect in any material respect;

(f) a default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Industry, or in respect of any obligation of the Industry under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default shall have resulted in the principal amount of such bond, debenture, note or other evidence of indebtedness or lease obligation becoming due and payable prior to its stated maturity ("acceleration") or which default shall have been a default in the payment of principal when due and payable; or

(g) a default shall have occurred in the payment of any amount due and payable by the Industry in respect of any guaranty of (i) the payment of principal or interest, or any obligation to purchase or otherwise acquire, or any other contingent obligation relating to the payment of principal or interest of any indebtedness of any other party, or (ii) any obligation of any other party to make payment under any financing lease, whether now existing or undertaken hereafter, or under any agreement or instrument by which any of the foregoing may be governed or evidenced;

Provided, however, that:

(i) with respect to an event of default of the character described in clause (f) of this Section 8.1, in the event that such event of default is cured or all the principal of and interest on such bond, debenture, note or other indebtedness is paid in full or all obligations of the Industry under such financing lease are paid in full or otherwise satisfied, and

(ii) with respect to an event of default of the character described in clause (g) of this Section 8.1, in the event that all amounts payable by the Industry in respect of any such guarantee, obligation to purchase or other contingent obligation are paid in full or otherwise satisfied,

in each case prior to the written notice of the existence of such event of default from the Purchaser and without materially adversely affecting the financial condition or results of operations of the Industry or its ability to perform its obligations under this Agreement or otherwise adversely affecting the interest of the Purchaser or subsequent holder of the Note, then that particular event of default shall be deemed to have been waived.

The foregoing provisions of this Section are subject to the following limitations: If by any reason of force majeure the Industry is unable in whole or in part to carry

out the agreements of the Industry on its part herein contained, other than the covenants and agreements on the part of the Industry contained in Article IV and Sections 3.8, 5.2, 5.3, 6.3, 6.5, 6.8 and 7.3 hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God, strikes, lockouts or other industrial disturbances; orders of any kind of the government of the United States or of South Carolina or any of their departments, agencies or officials, or any civil or military authority; riots; landslides; earthquakes; fire; hurricanes; storms; floods; washouts; civil disturbances; explosions, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Industry, and the Industry 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 Industry, unfavorable to the Industry.

Section 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 hereof shall have happened and be subsisting, the County may take one or more of the following remedial steps:

(a) Declare all amounts payable under Section 4.3(a) hereof to be immediately due and payable, whereupon the same

shall become immediately due and payable, and which amounts the Industry hereby agrees to pay upon such declaration.

(b) In the event the Note shall at the time be outstanding and unpaid, have access to and inspect, examine and make copies of the books and records of the Industry relevant to the Loan Agreement.

(c) Take whatever action at law or in equity as it may deem necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Industry under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Note Fund and applied in accordance with the provisions of the Resolution.

No action taken pursuant to this Section shall relieve the Industry from the Industry's obligations pursuant to Section 4.3(a) and Section 8.2(a) hereof, all of which shall survive any such action, and the County may take whatever action at law or in equity it may deem necessary and desirable to collect the payments and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligation, agreement or covenant of the Industry hereunder.

Section 8.3. No Remedy Exclusive, Purchaser Third Party Beneficiary. No remedy herein conferred upon or reserved to the County is intended to be exclusive of any

other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Purchaser and the Purchaser shall be deemed a third party beneficiary of all covenants and agreements herein contained.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Industry should default under any of the provisions of this Agreement and the County, the Depository or the Purchaser shall employ attorneys or incur other expenses for the enforcement or performance or observance of any obligation or agreement on the part of the Industry herein contained, the Industry agrees that it will on demand therefor pay to the County, the Depository or the Purchaser the reasonable fees of such attorneys and such other expenses so incurred by the County, the Depository or the Purchaser.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event that any agreement contained herein shall be breached by either party and such breach shall thereafter be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the County's rights in and under this Agreement to the Purchaser pursuant to the Assignment, the County shall have no power to waive any default hereunder by the Industry except in accordance with Section ___ of the Resolution.

ARTICLE IX

OPTION IN FAVOR OF THE INDUSTRY

Section 9.1. Option to Terminate. The Industry shall have, and is hereby granted, the following option to terminate this Agreement:

At any time prior to full payment of the Note (or provision for payment thereof having been made in accordance with the provisions of Section ___ of the Resolution) the Industry may terminate this Agreement by (a) paying to the Depository for deposit in the Note Fund an amount which, when added to the amount of moneys and securities already on deposit in the Note Fund, will be sufficient to pay the Note in accordance with the provisions of Section ___ of the Resolution (including, without limiting the generality of the foregoing, principal, interest to the date fixed for prepayment of the Note, expenses of prepayment and all remaining Administration Expenses), (b) making arrangement satisfactory for the giving of the required notice of prepayment, and (c) paying to the County any and all other sums then due to the County under this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when given by telegram and confirmed by registered mail or certified mail, postage prepaid, by express provision of this Agreement, addressed as follows: If to the County, to the Marlboro County Council, Marlboro County Courthouse, Bennettsville, South Carolina 29512; if to the Industry, to J. P. Stevens & Co., Inc., Stevens Tower, 1185 Avenue of The Americas, New York, New York 10036, Attention: Treasurer; if to the Depository, to The South Carolina National Bank, P. O. Box 168, Columbia, South Carolina 29202, Attention: _____ . A duplicate copy of each notice, certificate, request or other communication given hereunder to the County, the Industry or the Depository shall also be given to the others. The County, the Industry and the Depository may, by notice given to all parties to this Agreement and the Resolution, designate any further or different addressees or addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Filing. The security interest created in the Assignment shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions, in the Office of the

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when given by telegram and confirmed by registered mail or certified mail, postage prepaid, by express provision of this Agreement, addressed as follows: If to the County, to the Marlboro County Council, Marlboro County Courthouse, Bennettsville, South Carolina 29512; if to the Industry, to J. P. Stevens & Co., Inc., Stevens Tower, 1185 Avenue of The Americas, New York, New York 10036, Attention: Treasurer; if to the Depository, to The South Carolina National Bank, P. O. Box 168, Columbia, South Carolina 29202, Attention: _____ . A duplicate copy of each notice, certificate, request or other communication given hereunder to the County, the Industry or the Depository shall also be given to the others. The County, the Industry and the Depository may, by notice given to all parties to this Agreement and the Resolution, designate any further or different addressees or addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Filing. The security interest created in the Assignment shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions, in the Office of the

Clerk of Court for Marlboro County, and in the Office of the Secretary of State in the City of Columbia, South Carolina. The parties further agree that all necessary continuation statements in respect of such financing statements shall be filed within the time prescribed by the South Carolina Commercial Code - Secured Transactions, in order to continue the security interests created by the Assignment and to fully preserve the rights of the Purchaser of the Note, as against creditors of, or purchasers for value from, the County or the Industry.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Industry and their respective successors and assigns, subject to the limitations contained in Section 6.3, 7.1 and 7.2 hereof.

Section 10.4. 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 10.5. Amounts Remaining in Note Fund. It is agreed by the parties hereto that any amounts remaining in the Note Fund after payment in full of the Note (or provision for payment thereof having been made in accordance with the provisions of Section 901 of the Resolution), the Administration Expenses and all other sums payable by the Industry in accordance with the Resolution and this Agreement, shall belong to and be paid to the Industry by the Depository

as overpayments.

Section 10.6. Amendments, Changes and Modifications.

This Agreement may not be amended, changed, modified, altered or terminated except in accordance with Article XIII of the Resolution.

Section 10.7. Execution of Counterparts. This Agreement

may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.8. Agreement By Industry To Terms and Conditions of Resolution. The Industry acknowledges that it has received a certified copy of the Resolution and agrees in all respects to all of the terms and conditions thereof and shall be bound by such provisions insofar as the same shall relate to the Industry.

Section 10.9. The Depository. Sections ____ through ____ of the Resolution are hereby incorporated in this Agreement in their entirety by reference thereto and are made a part of this Agreement as fully and completely as if set forth herein.

Section 10.10. Law Governing Construction of Agreement.

This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, MARLBORO COUNTY, SOUTH CAROLINA, has executed this Agreement by causing its name to be hereunto

subscribed by the Supervisor and Chairman of the Marlboro County Council, its Official Seal to be impressed hereon and attested by the Secretary of the Marlboro County Council; and J. P. STEVENS & CO., 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 its Secretary, all being done as of the day and year first above written.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman, Marlboro
County Council

Attest:

Secretary, Marlboro County Council

Signed, Sealed and Delivered
in the Presence of:

J. P. STEVENS & CO., INC.

(SEAL)

By _____

Its _____

Attest:

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF MARLBORO

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

SWORN to before me this
____ day of _____, 1976.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires:

STATE OF SOUTH CAROLINA

COUNTY OF

PERSONALLY appeared before me _____
who, being duly sworn, says that (s)he saw the corporate seal
of J. P. Stevens & Co., Inc., a Delaware corporation,
affixed to the foregoing Loan Agreement, and that (s)he also
saw _____, its _____,
and _____, its _____,
sign and attest the same, and that (s)he with _____
witnessed the execution and delivery thereof as the act and
deed of the said J. P. Stevens & Co., Inc.

SWORN to before me this

___ day of _____, 1976.

(LS)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires: _____

Initial Working Draft
April 13, 1976

MARLBORO COUNTY, SOUTH CAROLINA
POLLUTION CONTROL FACILITIES REVENUE NOTE
SERIES 1976-A
(J. P. STEVENS & CO., INC.)

NOTE RESOLUTION

A RESOLUTION

AUTHORIZING THE ISSUANCE OF A \$4,000,000 MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-A (J. P. STEVENS & CO., INC.), FOR THE PURPOSE OF LOANING THE PROCEEDS OF SAID NOTE TO J. P. STEVENS & CO., INC. TO FINANCE THE COST OF CONSTRUCTION, ACQUISITION OR INSTALLATION OF POLLUTION CONTROL FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT WITH SAID J. P. STEVENS & CO., INC. IN CONNECTION THEREWITH; AND PROVIDING FOR THE SECURING OF SAID NOTE.

WHEREAS, the County is authorized and empowered by the provisions of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act), to assist industries in the elimination, mitigation or prevention of air or water pollution by providing a means with which to raise moneys to pay the cost of pollution control facilities through the issuance of revenue bonds payable solely out of the moneys derived by the County under a Loan Agreement by which the industry agrees to operate and maintain the pollution control facilities for the purposes intended and to pay the sums required to meet the payment of the principal and interest on any such bonds; and

WHEREAS, the County has made arrangements with J. P. Stevens & Co., Inc., a corporation organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina (hereinafter sometimes referred to as the Industry), by which the County

agreed to issue certain bonds pursuant to the Act in the form of one Note as more fully set forth hereinafter and loan the proceeds to the Industry to finance the cost of the acquisition, installation and construction of facilities designed for the elimination, mitigation or prevention of water pollution at the Industry's Delta plant located in Marlboro County, South Carolina, in which the County will have no proprietary interest but which will be of the character and accomplish the purposes intended by the Act, and the County has further agreed to enter into a Loan Agreement with the Industry, to be dated as of May 1, 1976, specifying the terms and conditions of the acquisition, installation, construction and use of the above-mentioned pollution control facilities by the Industry, and obligating the Industry to make payments in the amounts required to pay the principal of and interest on the Note hereinafter described; and

WHEREAS, it has been determined that the amount now required to finance costs to the Industry of such pollution control facilities, including necessary expenses incidental thereto, will require the issuance, sale, and delivery of a Note hereinafter designated as Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.) in the aggregate principal amount of \$4,000,000;

NOW, THEREFORE, BE IT RESOLVED by the Marlboro County Council in meeting duly assembled:

ARTICLE I

DEFINITIONS

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

"Act" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

"Administration Expenses" means the reasonable and necessary expenses incurred by the Depository in connection with the Resolution, the Loan Agreement, the Assignment, the Contingent Purchase Agreement and the financing of the Pollution Control Facilities.

"Assignment" means the Pledge and Assignment dated as of May 1, 1976, of the County and the Industry referred to in Section 402 hereof.

"Authorized Industry Representative" means the person or persons at the time designated to act on behalf of the Industry by written certificate furnished to the County and the Depository containing the specimen signature of such person and signed on behalf of the Industry by its President or a Vice President or its Treasurer and its

Secretary or an Assistant Secretary, which certificate shall continue in full force and effect until the County and the Depository shall have received a notice of revocation thereof by the Industry.

"Construction Fund" means the fund created by Section 601 hereof.

"Contingent Purchase Agreement" means the Contingent Purchase and Indemnification Agreement dated the date hereof between the Industry and the Purchaser.

"Cost of the Facilities" means those expenditures from the Construction Fund authorized by Section 3.3 of the Loan Agreement.

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

"County Board" means the Marlboro County Council as the governing body of the County pursuant to Act No. 1021 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended, and any successor body.

"Depository" means The South Carolina National Bank, Columbia, South Carolina, appointed hereunder as Depository and its corporate successors and any successor Depository hereunder.

"Industry" means J. P. Stevens & Co., Inc., a corporation organized and existing under the laws of the State of Delaware

and duly qualified to do business in the State of South Carolina, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 6.3 of the Loan Agreement.

"Loan Agreement" means the Loan Agreement to be executed by and between the County and the Industry and to be dated as of May 1, 1976, and any amendments or supplements thereto duly entered into in accordance with Article XIII hereof.

"Note" means the \$4,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.).

"Note Fund" means the fund created pursuant to Section 502 hereof.

"Noteholder" means the Purchaser and any subsequent holder of the Note.

"Penalty Rate" means interest at the rate of 8% per annum.

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

"Plant" means the Industry's Delta plant located in the County. The term "Plant" shall also include the Pollution Control Facilities.

"Pollution Control Facilities" means the facilities described in Exhibit "A" to the Loan Agreement, heretofore acquired, constructed or installed or hereafter to be acquired, constructed or installed at the Plant or any modification

thereof to be used in whole or in part to abate or control water pollution or contamination by removing, altering, disposing or storing pollutants, contaminants and wastes.

"Purchaser" or "Purchaser of the Note" means The South Carolina National Bank, Columbia, South Carolina.

"Resolution" means this Resolution of the County Board adopted on May __, 1976, authorizing, among other things, the issuance of the Note, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"Revenues" means all payments, revenues and receipts which the County has a right to receive pursuant to the Loan Agreement, other than payment of indemnification and attorneys fees and expenses pursuant to Sections 4.3(b), 6.5 and 8.4 thereof, respectively.

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

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

ARTICLE II

THE NOTE

SECTION 201. RESTRICTION ON ISSUANCE OF NOTE. No indebtedness may be issued under the provisions of this Resolution except in accordance with this Article.

SECTION 202. ISSUANCE OF NOTE. The Note in the principal amount of \$4,000,000, dated the date of delivery thereof, designated "Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.)" shall be issued. The Note shall bear interest from the date thereof at the rate of six per centum (6%) per annum (computed on the basis of a 360-day year of 12 30-day months), payable, in Federal or other immediately available funds, on August 15, November 15, February 15 and May 15, commencing August 15, 1976. The Note will mature in equal quarterly installments of \$_____ commencing November 15, 1979.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Note shall be executed on behalf of the County by the Supervisor and Chairman and the corporate seal of the County shall be impressed thereon and attested by the Secretary.

In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

The Note, together with interest thereon, shall be a limited obligation of the County payable from the Revenues. The Note does not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

SECTION 205. FORM OF NOTE. The Note issued pursuant to this Resolution shall be substantially in the form set forth in Exhibit "A" attached hereto.

SECTION 206. DELIVERY OF NOTE. The County shall execute and deliver to the Depository the Note in the principal amount of \$4,000,000 and the Depository shall deliver said Note at the direction of the County to the Purchaser.

SECTION 207. MUTILATED, LOST, STOLEN OR DESTROYED NOTE. In the event that the Note is mutilated, lost, stolen or destroyed, the County may execute a new Note in the principal amount then outstanding of the Note so mutilated, lost, stolen or destroyed.

SECTION 208. NUMBER, DATE AND PAYMENT PROVISIONS. The Note shall be numbered 1 and designated in such manner as the County shall determine. The Note shall bear interest from its date and shall be dated as of the date of its delivery.

ARTICLE III

PREPAYMENT BEFORE MATURITY

SECTION 301. The Note shall be subject to prepayment at the option of the County at any time as a whole or in part, but if in part, in increments of not less than \$100,000, at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, in accordance with Section 302 of the Resolution upon receipt by the Depository at least five business days prior to the date fixed for prepayment of written notice by the County to the effect that it has elected to prepay all or a portion of the Note in accordance with this Section 301.

SECTION 302. NOTICE AND CONDITIONS OF PREPAYMENT.

Whenever the County has elected to prepay the Note as provided in Section 301, notice of such prepayment shall be given by the Depository in the name of the County by mailing a copy of the prepayment notice, first class postage prepaid, at least five business days prior to the date fixed for prepayment, addressed to the Purchaser or subsequent holder of the Note, specifying the principal installments to be prepaid and the prepayment date. The requirement for mailing such notice may be waived by the Purchaser.

Prior to the date fixed for prepayment, funds or securities in which such funds are invested pursuant to Section 701 hereof

sufficient to pay the principal of and interest on the Note or portion thereof to be prepaid on the date fixed for prepayment shall be deposited in the Note Fund. Upon the happening of the above conditions and compliance with the provisions of the Resolution, the Note, or portion thereof so prepaid, shall cease to bear interest and shall not be deemed to be outstanding under the provisions of the Resolution.

ARTICLE IV

LOAN AGREEMENT AND ASSIGNMENT

SECTION 401. AUTHORIZATION OF LOAN AGREEMENT, ASSIGNMENT

AND SALE OF NOTE. The Supervisor and Chairman and the Secretary of the County Board are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Loan Agreement and the Assignment each in the form presented to the County Board as evidenced by a copy of each such agreement certified by the Secretary of the County Board and thereupon filed among the permanent records of the County Board. The Supervisor and Chairman of the County Board, however, is hereby authorized, prior to execution and delivery of the Loan Agreement and the Assignment to make such changes or modifications in the form of any of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by the Resolution. The execution and delivery of the Loan Agreement and the Assignment by the Supervisor and Chairman and Secretary of the County Board shall be conclusive evidence of the due execution in accordance with the Resolution, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. PLEDGE AND ASSIGNMENT. As security for the punctual payment of the principal of and interest on the Note, for the performance and observance by the County

and the Industry of all of their respective covenants and agreements set forth or referred to in the Loan Agreement, the Note or the Resolution, and to assure the correctness of all representations and warranties made by the County or the Industry, as the case may be, in the Loan Agreement, the Contingent Purchase Agreement, the Note or the Resolution, the County and the Industry have in the Assignment irrevocably pledged and assigned to the holder of the Note all rights of the County under and all interests of the County in (i) the Loan Agreement (other than the rights of the County or the Depository to receive payment of Administration Expenses, indemnification and attorneys fees and expenses pursuant to Sections 4.3(b), 6.5 and 8.4 of the Loan Agreement, respectively), (ii) the Revenues and (iii) all moneys and securities on deposit or to be deposited in the Note Fund (including any moneys and securities in the Construction Fund which are required to be deposited in the Note Fund pursuant to the provisions of the Loan Agreement), and, subject to the provisions of the Loan Agreement, all rights of the Industry to and all interest of the Industry in moneys and securities on deposit in the Note Fund and Construction Fund.

SECTION 403. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Each and every covenant herein made, including all covenants contained in the various sections of this Article IV, is predicated upon the condition

that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the Revenues, which are specifically pledged to the payment of the Note in the manner and to the extent in this Resolution and in the Assignment specified and nothing in the Note or in this Resolution shall be considered as pledging any other funds or assets of the County.

Subject to the foregoing, the County covenants that it will promptly pay the principal of and interest on the Note issued hereunder at the place, on the dates and in the manner provided herein and in said Note according to the true intent and meaning thereof.

SECTION 404. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, in the Note executed and delivered hereunder and in all proceedings pertaining thereto. The County represents and warrants that it is duly authorized under the Constitution and laws of the State of South Carolina to issue the Note authorized hereby, to enter into the Loan Agreement and to pledge the Revenues in the manner and to the extent herein and in the Assignment set forth; that all actions on its part for the issuance of

the Note will have been duly and effectively taken, on or prior to the date of delivery of the Note and that the Note in the hands of the holder thereof will be a valid and binding obligation of the County in accordance with its terms.

SECTION 405. INSTRUMENTS OF FURTHER ASSURANCE. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, instruments and things as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Noteholder the Revenues pledged in the Assignment to the payment of the principal of and interest on the Note.

The County covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues.

SECTION 406. FILING. The security interests of the holder of the Note created by the Assignment shall be perfected by the filing in the Office of the Clerk of Court for Marlboro County, South Carolina, and in the Office of the Secretary of State of South Carolina in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions. Additional financing or continuation statements which, in the opinion of the holder of the Note, are necessary to continue the security interests created by the Assignment

and to fully preserve the rights of the holder of the Note as against creditors of, or purchasers for value from, the County or the Industry, shall be filed from time to time in said Offices of the Clerk of Court for Marlboro County and of the Secretary of State of South Carolina.

ARTICLE V

REVENUES AND FUNDS

SECTION 501. SOURCE OF PAYMENT OF NOTE. The Note herein authorized and all payments by the County hereunder are not general obligations of the County but are limited obligations payable solely from the Revenues as authorized and provided in the Resolution and in the Assignment.

The payments provided for in Section 4.3(a) of the Loan Agreement are to be remitted by the Industry directly to the Depository for the account of the County and deposited in the Note Fund. As set forth in Section 4.3(a) of the Loan Agreement, said payments are required to be sufficient in amount to pay when due the principal of (whether at maturity or by prepayment pursuant to Section 301 hereof) and interest on the Note.

SECTION 502. CREATION OF THE NOTE FUND. There is hereby created by the County and ordered established with the Depository a trust fund to bear the designation "Marlboro County (J. P. Stevens & Co., Inc.) Series 1976-A Note Fund".

SECTION 503. PAYMENTS INTO THE NOTE FUND. There shall be deposited into the Note Fund, as and when received (a) the Revenues, (b) any moneys or securities deposited in accordance with Section 3.3 of the Loan Agreement, or remaining in the Construction Fund upon receipt by the Depository of the certificate of Completion Date referred to in Section 3.6 of

the Loan Agreement, or upon termination of the Loan Agreement; and (c) all other moneys received by the Depository from the Industry when accompanied by directions by the Industry that such moneys are to be paid into the Note Fund.

SECTION 504. USE OF MONEYS IN THE NOTE FUND. Except as provided in Section 510 hereof and in Section 3.3 of the Loan Agreement, moneys in the Note Fund shall be used solely for the payment of the principal of and interest on the Note at maturity or upon prepayment of the Note prior to maturity. Whenever the amount in the Note Fund from any source whatsoever is sufficient to pay in full the unpaid principal amount of the Note outstanding hereunder, together with interest to accrue thereon to the date fixed for prepayment, the County covenants and agrees that, upon the receipt of written notice from the Industry, it will take and cause to be taken the necessary steps hereunder to prepay the Note.

SECTION 505. CUSTODY OF THE NOTE FUND. The Note Fund shall be in the custody of the Depository but in the name of the County and the County hereby authorizes and directs the Depository to withdraw sufficient funds from the Note Fund to pay principal of and interest on the Note as the same become due and payable.

SECTION 506. NON-PRESENTMENT OF NOTE. In the event the Note shall not be presented for payment when any installment of principal thereof becomes due, either at maturity or upon

prepayment, if funds sufficient to pay the Note, or any portion thereof, shall be on deposit in the Note Fund and available to the Depository for the benefit of the holder thereof, all liability of the County and the Industry to the holder thereof for the payment of the Note, or any applicable principal installment thereof, then due and payable, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Depository to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of the Note, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on its part under the Resolution or on, or with respect to, said Note, or any portion thereof.

SECTION 507. DEPOSITORY'S FEES, CHARGES AND EXPENSES.

Pursuant to the provisions of the Loan Agreement, the Industry has agreed to pay to the Depository, until the principal of and interest on said Note shall have been fully paid, the Administration Expenses and certain expenses in connection with defaults, as set forth in Section 8.4 of such Agreement.

SECTION 508. MONEYS TO BE HELD IN TRUST. All moneys deposited with or paid to the Depository for account of the Note Fund or the Construction Fund under any provision of this Resolution shall be held by the Depository in trust for the purposes for which payment may be made from such funds, and all moneys deposited with or paid to the Depository

for the prepayment of the Note shall be held by the Depository in trust for the payment of the principal of and interest on the Note.

SECTION 509. LOSS OR DAMAGE TO PROJECT OR CONDEMNATION.

Reference is hereby made to Article V of the Loan Agreement whereunder it is provided that in the event of loss of or damage to the Pollution Control Facilities or upon a taking under the exercise of the power of eminent domain, the Industry shall, subject to the provisions of Section 5.3 and 5.4 thereof, restore, repair or replace the Pollution Control Facilities. The Noteholder shall be fully empowered to enforce the obligations of the Industry under said Article V of the Loan Agreement.

SECTION 510. REPAYMENT TO THE INDUSTRY FROM THE NOTE

FUND. Any amounts remaining in the Note Fund after payment in full of the principal of and interest on the Note (or provision for payment thereof made as provided in Section 901 of the Resolution), the Administration Expenses and all other sums payable by the Industry under Section 8.4 of the Loan Agreement or otherwise, shall be paid to the Industry by the Depository as overpayments.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF THE NOTE

SECTION 601. CONSTRUCTION FUND; DISBURSEMENTS. There is hereby created and established with the Depository a trust fund to bear the designation "Marlboro County (J. P. Stevens & Co., Inc.) Series 1976-A Construction Fund". All of the proceeds of the issuance and delivery of the Note shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended for the Cost of the Facilities in accordance with the provisions of the Loan Agreement and particularly Section 3.3 thereof.

The Depository is hereby authorized and directed to make payments out of the Construction Fund in accordance with Article III of the Loan Agreement.

The Depository shall keep and maintain records pertaining to the investments of moneys in the Construction Fund and all disbursements therefrom and after the Industry shall have certified that the Pollution Control Facilities have been completed as provided in Section 3.6 of the Loan Agreement the Depository shall, if required by the Industry, file copies of such records thereof with the County and with the Industry.

SECTION 602. COMPLETION OF THE POLLUTION CONTROL FACILITIES. As soon as practicable and in any event after sixty days from the date of the certificate of Completion Date referred to in

Section 3.6 of the Loan Agreement, any balance remaining in the Construction Fund shall without further authorization be used to the extent practicable by the Depository to prepay installments of principal of the Note at a price of not to exceed par and accrued interest to the date of purchase, and any balance then remaining shall be deposited in the Note Fund by the Depository, with advice to the County and to the Industry of the action taken.

ARTICLE VII

INVESTMENTS

SECTION 701. INVESTMENT OF CONSTRUCTION FUND AND NOTE FUND MONEYS. Any moneys held as part of the Construction Fund and the Note Fund shall, at the written request of and as specified by the Authorized Industry Representative, be invested and reinvested by the Depository in accordance with the provisions of Section 3.8 of the Loan Agreement; provided, however, that no portion of the proceeds derived from the sale of the Note shall be used, directly or indirectly, in such a manner as to cause the Note to be an "arbitrage bond" within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, or regulations promulgated pursuant thereto. Any such investment shall be held by or under the control of the Depository and shall be deemed at all times a part of the fund in which such moneys were originally held, and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Depository is directed, in the case of the Construction Fund, to make payments therefrom in accordance with Section 3.3 of the Loan Agreement, or in the case of the Note Fund, to pay the principal of and interest on the Note when due and payable, and sell and reduce to cash a sufficient amount of such investments whenever

the cash balance in the Construction Fund or the Note Fund is insufficient for such purposes.

SECTION 702. DEPOSITORY'S OWN FACILITIES. The Depository may effect any purchase or sale of securities permitted under Section 701 through the use of its own facilities or in any other manner it deems commercially reasonable.

The Depository shall not be liable for any loss resulting from effecting any purchase or sale of securities in accordance with this Section 702 or otherwise in accordance with the Resolution.

ARTICLE VIII

LAWS GOVERNING RESOLUTION

SECTION 801. LAWS GOVERNING RESOLUTION AND SITUS AND ADMINISTRATION OF TRUSTS. The effect and meaning of the Resolution and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trusts created by the Resolution be in the state in which is located the principal office of the Depository from time to time under the Resolution. It is the further intention of the County that the Depository administer said trust in accordance with the laws of the state in which is located, from time to time, the situs of said trusts.

ARTICLE IX

DEFEASANCE; WHEN PRINCIPAL AND INTEREST
DEEMED PAID

SECTION 901. DEFEASANCE; WHEN PRINCIPAL AND INTEREST
DEEMED PAID. If the County shall pay or cause to be paid, or there shall otherwise be paid to the holder of the Note, the principal of and interest on the Note, at the times and in the manner provided in the Resolution, and if the County shall keep, perform and observe all and singular the covenants and promises in the Note and the Resolution expressed as to be kept, performed and observed by it or on its part, then the rights hereby granted shall cease, determine and be void.

Prior to the date of maturity of installments of principal or prepayment date, the Note, or applicable portion thereof, shall be deemed to have been paid within the meaning and with the effect expressed above if (a) in case the Note is to be prepaid in whole on any date prior to its maturity, the County shall have given to the Depository in form satisfactory to it irrevocable instructions to give notice of such prepayment on said date as provided in Section 302 hereof, and (b) there shall be on deposit with the Depository in the Note Fund moneys in an amount which will be sufficient to pay when due the principal of and the interest due and to become due on the Note to the prepayment date. Neither the securities nor moneys on deposit with the Depository in the Note Fund nor

principal or interest payments on any such securities shall be withdrawn or used for any other purpose than, and shall be held in trust for, the payment of the principal of and interest on the Note.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF NOTEHOLDER

SECTION 1001. DEFAULTS; EVENTS OF DEFAULT. If any of the following events occur, it is hereby defined as and declared to be and constitute an "event of default":

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

(b) Default in the due and punctual payment of (i) any principal installment of the Note, whether at the stated maturity thereof, or upon the prepayment date thereof, or upon declaration in accordance with Section 1002 hereof; or

(c) The occurrence of an "event of default" under the Loan Agreement, provided, however, that with respect to an event of default of the character described in clause (f) or (g) of Section 8.1 of the Loan Agreement, any such event of default which is deemed to be waived under the Loan Agreement in accordance with the provisions of such Section 8.1 shall be deemed to be waived hereunder at the same time and to the same extent; or

(d) Subject to the provisions of Section 1008 hereof, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County contained in the Resolution or in the Note; or

(e) An order or decree appointing a receiver of the Revenues or of any moneys or securities on deposit in the

Note Fund or the Construction Fund shall be entered with the acquiescence or consent of the County or any such order or decree shall be entered without the acquiescence or consent of the County and shall not be vacated, discharged or stayed within 30 days after entry.

SECTION 1002. ACCELERATION. Upon the occurrence of an event of default the Purchaser or subsequent holder of the Note may, by notice in writing delivered to the County and the Industry declare the principal installments of the Note then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. REMEDIES. (1) Upon the happening and continuance of an event of default specified in Section 1001, then and in each such case the Purchaser may proceed, in its or their own name, to protect and enforce its rights by such of the following remedies as shall be deemed most effectual to protect and enforce such rights:

(a) by mandamus or appointment of a receiver in equity by any other suit, action or proceeding in accordance with the laws of the State of South Carolina, to enforce all rights of the Noteholder, including the right to require the County to enforce the Loan Agreement and to require the County or the Industry to carry out any other covenant or agreement with the Noteholder and to perform their respective

duties under the Loan Agreement;

(b) by suit upon the Note;

(c) by action or suit, to enforce the Loan Agreement; and

(d) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(2) In the enforcement of any remedy under the Resolution, the Purchaser or subsequent holder of the Note shall be entitled to sue for, enforce payment on and receive any and all amounts then due or becoming due during any default from the County for principal and interest under the provisions of the Resolution or of the Note, with interest on overdue payments at the Penalty Rate, together with any and all costs and expenses of collection and all proceedings hereunder and under the Note. All sums so recovered shall be disposed of in accordance with the provisions of Section 1004.

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

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver

of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 1004. APPLICATION OF MONEYS. All moneys received pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred in such connection, be deposited in the Note Fund and all moneys in the Note Fund shall be applied as follows:

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

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

any discrimination or privilege; and

Second - To the payment to the person entitled thereto of the unpaid installments of principal on the Note, and, if the amount available shall not be sufficient to pay in full such installments of principal on the Note, then to the payment ratably, according to the amount of the installments of principal due to the persons entitled thereto, without any discrimination or privilege; and

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

(b) If all installments of principal on the Note shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Note, without preference or priority of principal over interest or of any installment of

interest over any other installment of interest, or of any installment of principal on the Note over any other installment of principal, ratably according to the amounts due respectively for principal and interest to the persons entitled thereto, without discrimination or privilege.

(c) If the Note shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section, in the event that the Note shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time as the Depository shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Depository shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Depository 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 of principal to the holder of the Note until such Note shall be presented to the Depository for appropriate endorsement or for cancellation if fully paid.

SECTION 1005. TERMINATION OF PROCEEDINGS. In case proceedings have been taken to enforce any right under the Resolution, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Noteholders, then and in every such case the County and the Noteholders shall be restored to their former positions and rights hereunder and all rights and remedies and powers of the Noteholders shall continue as if no such proceedings had been taken.

SECTION 1006. WAIVERS OF EVENTS OF DEFAULT. There may be waived any event of default hereunder and its consequences and any declaration of maturity of principal of and interest on the Note may likewise be waived upon the written consent of the Purchaser or subsequent holder of the Note.

SECTION 1007. NOTICE OF DEFAULTS; OPPORTUNITY OF THE COUNTY AND INDUSTRY TO CURE DEFAULTS. No default under Section 1001(d) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Purchaser to the Industry and the County, and the County and the Industry shall have had thirty

days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period.

With regard to any alleged default concerning which notice is given to the Industry under the provisions of this Section 1007, the County grants the Industry full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do or perform any such things and acts and with power of substitution.

SECTION 1008. POWERS OF PURCHASER UPON EVENT OF DEFAULT UNDER LOAN AGREEMENT OR IN PAYMENT OF NOTE. In case of a default hereunder, the Purchaser may in its discretion proceed to protect and enforce in its name or in the name of the County the rights vested in the County or in the Purchaser, by the Assignment, the Resolution and the Loan Agreement by such appropriate judicial or other proceedings as shall be deemed most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Resolution or in aid of the exercise of any power granted by the Resolution or the Loan

Agreement or to enforce any other legal or equitable right arising from the Resolution, the Loan Agreement or by law.

ARTICLE XI

THE DEPOSITORY

SECTION 1101. APPOINTMENT AND ACCEPTANCE. The South Carolina National Bank, Columbia, South Carolina, is hereby appointed Depository under the Resolution and the Loan Agreement. The Depository shall signify its acceptance, upon the terms and conditions set forth in the Resolution (including without limitation in this Article XI) of the duties imposed upon it by the Resolution and the Loan Agreement by written acceptance delivered to the County.

SECTION 1102. DUTIES OF DEPOSITORY. The duties of the Depository shall be determined solely by the express provisions of the Resolution and the Loan Agreement, and the Depository shall not be liable except for wilful misconduct or negligence in the performance of such duties as are specifically set forth in the Resolution and the Loan Agreement, and no implied covenants, duties or obligations shall be read into the Resolution or the Loan Agreement against the Depository. The Depository shall not be liable for any action taken, suffered or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion, rights, duties, privileges or powers conferred upon it by the Resolution and the Loan Agreement. The Depository shall not be liable for any error of judgment made in good faith by an officer or officers of the Depository,

unless it shall be proved that the Depository was negligent in ascertaining the pertinent facts. The Depository shall not be liable to any person (including the holder of the Note, the Industry or the County) with respect to any action taken, omitted or suffered to be taken by it in accordance with the provisions of the Resolution or the Loan Agreement.

SECTION 1103. (a) Notwithstanding anything contained in the Resolution, the Loan Agreement or the Note to the contrary, the Depository may rely and shall be protected in acting or refraining from acting in reliance upon any resolution, direction, certificate, invoice, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, promissory note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper person or persons. The Depository shall not be bound to make any investigation into the facts or matters stated in any resolution, direction, certificate, invoice, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, promissory note or other paper or document. In the absence of bad faith on the part of the Depository, the Depository may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any such paper or document furnished to the Depository, reasonably believed by the Depository to be genuine and to have been

signed or presented by the proper person or persons and conforming to the requirements, if any, of the Resolution and the Loan Agreement.

(b) The Depository may consult with counsel, auditors and other experts and any opinion of counsel or written opinion of such auditors or other experts shall be full and complete authorization and protection with respect to any action taken or suffered or omitted by the Depository hereunder in good faith and in accordance with such opinion of counsel or opinion of such auditors or other experts.

(c) The Depository may, whenever it shall deem it necessary or desirable that a matter be proved or established on the part of the Industry or the County prior to taking, omitting or suffering any action hereunder, deem such matter to be conclusively proved and established by a certificate delivered to it signed by a principal financial or accounting officer of the Industry or other Authorized Industry Representative or the Supervisor and Chairman or Acting Chairman of the County Board, the County Attorney of the County or other appropriate representative of the County, as the case may be, and such certificate shall be full warrant to the Depository for any action taken, omitted or suffered by it under the provisions of the Resolution or the Loan Agreement in reliance thereon.

SECTION 1104. The Depository shall not be under any obligation to exercise any of the duties, trusts, rights,

powers or remedies under the Resolution or the Loan Agreement at, or otherwise to take any action or to omit the taking of any action in accordance with, the request or direction of the holder of the Note, unless such holder or holders shall have offered to the Depository security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby. None of the provisions of the Resolution or the Loan Agreement shall be construed as requiring the Depository to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties under the Resolution or the Loan Agreement or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 1105. The Depository may execute any of its powers or responsibilities under the Resolution or the Loan Agreement and exercise any right or remedy hereunder either directly or by or through its agents or attorneys. Nothing in the Resolution or the Loan Agreement shall be deemed to impose upon the Depository any liability to the Industry, the holder of the Note, the County or any other person as a result of any failure of the Depository to qualify to do business or to act as a fiduciary or otherwise in any jurisdiction other than the State of South Carolina.

SECTION 1106. The Depository shall not be responsible in any manner whatsoever for the correctness of the recitals contained in the Resolution or the Loan Agreement. The Depository shall not be responsible or accountable in any manner whatsoever for, or with respect to, and shall not be under a duty to examine into or pass upon, the validity, binding effect, execution or sufficiency of the Resolution, the Loan Agreement or of any agreement amendatory or supplemental to either thereof, or the security afforded by the Assignment and the Depository is entitled to assume that all such instruments or agreements and the Resolution and each amendment or modification thereof or supplement thereto are genuine, valid, binding and enforceable in accordance with their respective terms.

SECTION 1107. (a) Neither the Resolution nor the Loan Agreement nor any action or inaction on the part of the Depository nor any assignment by virtue of or pursuant to the Resolution or the Loan Agreement shall constitute an assumption on the part of the Depository of any duties or obligations under the Assignment or create any duties or obligations or liabilities of the Depository under either thereof.

(b) The Depository shall not be required to ascertain or inquire as to the performance of any of the covenants or agreements contained in the Loan Agreement on the part of any party thereto. The Depository shall be under no duty

to ascertain the amounts payable in respect of the Loan Agreement or the Resolution or the dates upon which such payments are due or to make inquiries as to the sufficiency under the Loan Agreement or the Resolution of any such payments, or to present or file any claim or to take any other action to collect amounts due or payable under the Resolution or the Loan Agreement or the Assignment or enforce any claim under the Loan Agreement or the Resolution or the Assignment or to enter into any disputes between the parties to the Loan Agreement or between the Industry and the County or any other person with respect to the Revenues or (except as specified in Sections 302, 901, 1004 or 1112 hereof) to give any notice to any person.

(c) The Depository shall be under no duty to see to any filing, recording or registration, refiling, re-recording or re-registration of the Loan Agreement, the Assignment or the Resolution or of any agreement amendatory thereof or supplemental thereto or of any financing statement or continuation statement or any instrument of assignment, conveyance or further assurance, or to the payment of any taxes, fees or charges in connection therewith or to give any notice with respect thereto or to inquire or see to the payment of, or be under any duty in respect of or arising out of, any tax or assessment or other governmental charge which may be levied or assessed on the Revenues or any part thereof or

against the County or any Noteholder or any confiscation of the Revenues or moneys in the Note Fund or Construction Fund. The Depository shall be under no obligation to see to the payment or discharge of any liens upon the Revenues.

SECTION 1108. The Depository shall not be required to take notice of, or be deemed to have notice or knowledge of, and may conclusively assume the absence of, any default of the character referred to in Section 1001 of the Resolution or Section 8.1 of the Loan Agreement, or the acceleration of any installment of principal of the Note unless and until (i) an officer of the Depository assigned to carry out the duties of the Depository under the Resolution and the Loan Agreement shall in the course of his duties have received actual knowledge of such default or acceleration, as the case may be, (ii) the Depository shall have received a written notice from the County that such a default exists or that such an acceleration has occurred, or (iii) the Depository shall have received a written notice signed by the holder of the Note (or the agent of such holder) stating that such a default exists or that the principal of the Note has been accelerated, as the case may be. In the event that a notice relating to a default or the declaration of acceleration with respect to the Note has been given, the Depository may conclusively rely on such notice.

SECTION 1109. The Depository shall not be liable by

reason of any act or omission of any additional or successor Depository.

SECTION 1110. Any request, approval, consent, notice or direction made or given under the Resolution or the Loan Agreement to the Depository by the Purchaser shall be embodied in or evidenced by an instrument or instruments signed by an authorized agent of the Purchaser. The Depository shall have the right to decline to follow any such request or direction if the Depository being advised by counsel shall determine that the proceeding so requested or directed is not in accordance with the provisions of the Resolution and the Loan Agreement or may not lawfully be taken.

SECTION 1111. The Depository may acquire and hold the Note and otherwise deal with the County and the Industry in the same manner and to the same extent and with like effect as if it were not the Depository hereunder.

SECTION 1112. The Depository may at any time resign and be discharged of the duties and obligations created by the Resolution and the Loan Agreement by giving not less than thirty (30) days' written notice to the County and the Industry and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 1114, in which event such resignation shall take effect immediately on the appointment of such successor.

reason of any act or omission of any additional or successor Depository.

SECTION 1110. Any request, approval, consent, notice or direction made or given under the Resolution or the Loan Agreement to the Depository by the Purchaser shall be embodied in or evidenced by an instrument or instruments signed by an authorized agent of the Purchaser. The Depository shall have the right to decline to follow any such request or direction if the Depository being advised by counsel shall determine that the proceeding so requested or directed is not in accordance with the provisions of the Resolution and the Loan Agreement or may not lawfully be taken.

SECTION 1111. The Depository may acquire and hold the Note and otherwise deal with the County and the Industry in the same manner and to the same extent and with like effect as if it were not the Depository hereunder.

SECTION 1112. The Depository may at any time resign and be discharged of the duties and obligations created by the Resolution and the Loan Agreement by giving not less than thirty (30) days' written notice to the County and the Industry and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 1114, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 1113. The Depository shall be removed by the consent of the Purchaser if at any time so requested by an instrument or concurrent instruments in writing, filed with the Depository, the County and the Industry and signed on behalf of the Purchaser by a duly authorized agent.

SECTION 1114. In case at any time the Depository shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Depository, or of its property, shall be appointed, or if any public officer shall take charge or control of the Depository or of its property or affairs, the County covenants and agrees that, at the written direction of the Purchaser, it will thereupon appoint a successor Depository to be designated by the Purchaser.

If in a proper case no appointment of a successor Depository shall be made pursuant to the foregoing provisions of this Section within twenty (20) days after the Depository shall have given to the County written notice, as provided in Section 1112 of the Resolution, or after a vacancy in the office of the Depository shall have occurred by reason of its inability to act, the Depository, the Purchaser or subsequent holder of the Note may apply to any court of competent jurisdiction to appoint a successor Depository. Said court may thereupon, after such notice, if any, as such

court may deem proper and prescribe, appoint a successor Depository.

Any Depository appointed under the provisions of this Section 1114 of the Resolution as successor to the Depository shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and having a capital and surplus aggregating at least Ten Million Dollars (\$10,000,000), if there be such a bank or trust company or national banking association 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 the Resolution and the Loan Agreement.

SECTION 1115. Any successor Depository appointed under the Resolution and the Loan Agreement shall execute, acknowledge and deliver to its predecessor Depository, and also to the County, an instrument accepting such appointment, and thereupon such successor Depository, without any further act, deed or conveyance, shall be fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Depository, with like effect as if originally named as Depository; but the Depository ceasing to act shall nevertheless, on the written request of the County, or of the successor Depository, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully

and certainly vesting and confirming in such successor Depository all the right, title and interest of the Depository in and to any property held by it under the Resolution or the Loan Agreement, and shall pay over, assign and deliver to the successor Depository any money or other property subject to the conditions herein set forth. Should any deed, conveyance or instrument in writing from the County be required by such successor Depository for more fully and certainly vesting and confirming in such successor Depository any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the County.

SECTION 1116. Any company into which the Depository may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Depository may sell or transfer all or substantially all of its commercial banking business shall be the successor to such Depository without the execution or filing of any paper or the performance of any further act, if so designated by the Depository and such company accepts appointment as Depository hereunder.

ARTICLE XII

SUPPLEMENTAL RESOLUTIONS

SECTION 1201. NO SUPPLEMENTAL RESOLUTIONS WITHOUT CONSENT OF NOTEHOLDER. The County may not without the consent of the Noteholder, adopt any resolution or resolutions supplemental or amendatory to the Resolution except in accordance with Section 1202 hereof.

SECTION 1202. SUPPLEMENTAL RESOLUTIONS REQUIRING CONSENT OF BONDHOLDERS. The Purchaser or subsequent holder of the Note may consent to and approve the adoption by the County of such other resolution or resolutions supplemental or amendatory hereto as shall be deemed necessary and desirable by the Purchaser and the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Resolution or in any supplemental or amendatory resolution.

Anything herein to the contrary notwithstanding, a supplemental or amendatory resolution under this Article XII which affects any rights of the Industry shall not become effective unless and until the Industry shall have consented to the adoption of such supplemental or amendatory resolution. In this regard, the County shall cause notice of the proposed adoption of any such supplemental or amendatory resolution together with a copy of the proposed supplemental or amendatory resolution to be mailed by certified or registered mail to

the Industry at least fifteen days prior to the proposed date of adoption of any supplemental or amendatory resolution. The Industry shall be deemed to have consented to the adoption of any such supplemental or amendatory resolution if the County does not receive a letter of protest or objection thereto signed by or on behalf of the Industry on or before 2:30 o'clock P.M., on the fifteenth day after receipt of said notice and a copy of the proposed supplemental or amendatory resolution, the time to control being that prevailing in the County. The County may rely upon an opinion of counsel as conclusive evidence that adoption of a supplemental or amendatory resolution has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENTS TO LOAN AGREEMENT

SECTION 1301. NO AMENDMENTS TO LOAN AGREEMENTS WITHOUT CONSENT OF PURCHASER. The County may not without the consent of or notice to the Purchaser in accordance with Section 1302 hereof, consent to and enter into any amendment, change or modification of the Loan Agreement.

SECTION 1302. AMENDMENTS TO LOAN AGREEMENT REQUIRING CONSENT OF PURCHASER. The County shall not consent to or enter into any other amendment, change or modification of the Loan Agreement without notice to the Purchaser and the written approval or consent of the Purchaser.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. CONSENTS, ETC., OF NOTEHOLDER. Any consent, request, direction, approval, waiver, objection or other instrument required by the Resolution to be signed and executed by the Noteholder may be in any number of concurrent writings of similar tenor and may be signed or executed by such Noteholder in person or by agent appointed in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of the Note, if made in the following manner, shall be sufficient for any of the purposes of the Resolution, viz:

(a) The fact and date of the execution by any person of any such request, consent or other instrument in writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The ownership of the Note shall be proved by the register of the Note maintained by the Depository.

(c) Any request, consent or vote of the holder of the Note shall bind every future holder of the Note in respect of anything done or suffered to be done in pursuance of such request, consent or vote.

SECTION 1402. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from the Resolution or the Note is intended or shall be construed to give to any person other than the holder of the Note, any legal or equitable right, remedy or claim under or in respect of the Resolution or any covenants, conditions and provisions herein contained; the Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Purchaser and the Depository as herein provided.

SECTION 1403. SEVERABILITY. If any provision of the Resolution shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable

in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in the Resolution contained, shall not affect the remaining portions of the Resolution, or any part thereof.

SECTION 1404. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when given by telegram and confirmed by registered mail or certified mail, postage prepaid, by express provision of the Resolution addressed as follows: If to the County, to the Marlboro County Council, Marlboro County Courthouse, Bennettsville, South Carolina 29512; if to the Industry, to J. P. Stevens & Co., Inc., Stevens Tower, 1185 Avenue of The Americas, New York, New York 10036, Attention: Treasurer; if to the Depository, to The South Carolina National Bank, P. O. Box 168, Columbia, South Carolina 29202, Attention: _____ . A duplicate copy of each notice, certificate, request or other communication given hereunder to the County, the Industry or the Depository shall also be given to the others. The County, the Industry and the Depository may, by notice given to all parties to this Agreement and the Resolution, designate any further or different addressees or addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1405. TRANSFERRAL OF COUNTY'S RIGHTS. In the event of the dissolution of the county or the consolidation of any part of the County with any other political subdivision or the transfer of any other rights of the County to any other such political subdivision or other authority, all the covenants, stipulations, promises and agreements in the Resolution contained, by or on behalf of, or for the benefit of, the County, shall bind or inure to the benefit of the successors of the County from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the County shall be transferred.

SECTION 1406. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date of maturity of interest on or installment of principal of the Note or the date fixed for prepayment shall be a Saturday, a Sunday or shall be in the City of New York, a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date in such city, but may be made on the next succeeding business day, not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close, with the same force and effect as if made on the date of maturity or the date fixed for redemption, but interest shall then be paid for the period after such date.

SECTION 1407. COUNTERPARTS. This Resolution shall be executed by the County Board in several counterparts, each

of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1408. RESOLUTION CONSTITUTES CONTRACT. In consideration of the purchase and acceptance of the Note authorized to be issued hereunder by those who shall hold the same from time to time, the Resolution, which shall not be amended, rescinded or modified after the delivery of the Note to the Purchaser, except in accordance with Section 1202 of the Resolution, shall for all purposes be deemed to be and shall constitute a contract between the County and the holders from time to time of the Note.

Approved and adopted this ____ day of _____, 1976, at a duly called meeting of the Marlboro County Council, proper notice thereof having been given, at _____, South Carolina.

Supervisor and Chairman

(SEAL)

Attest:

Secretary, Marlboro County
Council

STATE OF SOUTH CAROLINA

COUNTY OF MARLBORO

I, the undersigned, Secretary of the Marlboro County Council, DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy of the Note Resolution unanimously adopted by the Marlboro County Council at a duly called and regularly held meeting at which all/a majority of the members attended and remained throughout on _____, 1976.

That the said Note Resolution was proposed by _____, seconded by _____, and the same is now in full force and effect and has not been modified, amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the said Marlboro County Council this ____ day of _____, 1976.

(SEAL)

Secretary, Marlboro County Council

STATE OF SOUTH CAROLINA
COUNTY OF MARLBORO

PLEDGE AND ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS, that Marlboro County, a body politic and corporate and a political subdivision of the State of South Carolina, and J. P. Stevens & Co., Inc., a corporation organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina, in consideration of the sum of One and 00/100 Dollar (\$1.00), to each in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, and in implementation of their respective agreements and undertakings as set forth in a certain Loan Agreement between Marlboro County and J. P. Stevens & Co., Inc., dated as of May 1, 1976 (the Loan Agreement) and on file in the records of the Marlboro County Council at the Marlboro County Courthouse, Bennettsville, South Carolina, have irrevocably pledged, assigned, transferred and set over, and by these presents do hereby irrevocably pledge, assign, transfer and set over unto the South Carolina National Bank (the Purchaser), its successors and assigns, as security (i) for the punctual payment of the principal of and interest on a \$4,000,000 Marlboro County, South Carolina, Pollution Control Facilities Revenue Note, Series 1976-A (J. P. Stevens & Co., Inc.)

(the Note), issued pursuant to a certain Resolution duly adopted by the Marlboro County Council on May __, 1976, making provision for the issuance of the Note (the Resolution), (ii) for the performance and observance by Marlboro County and J. P. Stevens & Co., Inc. of all of their respective covenants and agreements set forth or referred to in the Loan Agreement, that certain Contingent Purchase and Indemnification Agreement between J. P. Stevens & Co., Inc. and the Purchaser dated as of May 1, 1976 (the Contingent Purchase Agreement), the Note or the Resolution, and (iii) to assure the correctness of all representations and warranties made by Marlboro County or J. P. Stevens & Co., Inc., as the case may be, in the Loan Agreement, the aforesaid Contingent Purchase Agreement, the Note or the Resolution, or any document or certificate delivered pursuant to any thereof:

All rights of Marlboro County under, and all interests of Marlboro County in, (i) the Loan Agreement (other than the rights of Marlboro County or the Depository to receive payment of Administration Expenses [as such term is defined in the Loan Agreement], indemnification and attorneys fees and expenses pursuant to Sections 4.3(b), 6.5 and 8.4, respectively, of the Loan Agreement), (ii) the Revenues (as such term is defined in the Resolution), and (iii) all moneys and securities on deposit or to be deposited in the Note Fund (as such term is defined in the Resolution) including

any moneys and securities in the Construction Fund (as such term is defined in the Resolution) which are required to be deposited in the Note Fund pursuant to the provisions of the Loan Agreement, and subject to the provisions of the Loan Agreement, all rights of J. P. Stevens & Co., Inc. to, and all rights of J. P. Stevens & Co., Inc. in, the moneys and securities on deposit in the said Note Fund and the said Construction Fund.

And the said Marlboro County and J. P. Stevens & Co., Inc. do for themselves and their successors and assigns covenant and agree that so long as the Note shall be outstanding they will not (otherwise than by these presents) sell, assign, pledge, convey or otherwise transfer or encumber any of their respective rights under, or interests in any of the foregoing.

IN WITNESS WHEREOF, Marlboro County, South Carolina, and J. P. Stevens & Co., Inc. have executed this Pledge and Assignment by causing their respective names to be hereunto subscribed by (in the instance of Marlboro County) the Supervisor and Chairman of the Marlboro County Council and the Official Seal of the said County to be impressed hereon and attested by the Secretary of the said Marlboro County Council, and (in the instance of J. P. Stevens & Co., Inc.) by its Treasurer, its corporate seal to be impressed hereon and attested by its Secretary, all as of the 1st day of May, 1976.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman, Marlboro
County Council

Attest:

Secretary, Marlboro County
Council

Signed, Sealed and Delivered
in the Presence of:

J. P. STEVENS & CO., INC.

(SEAL)

By _____

Its Treasurer

Attest:

Its Secretary

Signed, Sealed and Delivered
in the Presence of:

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CONTINGENT PURCHASE AND INDEMNIFICATION AGREEMENT

\$4,000,000 MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION
CONTROL FACILITIES REVENUE NOTE, SERIES 1976-A
(J. P. STEVENS & CO., INC.)

AGREEMENT dated as of May 1, 1976 between J. P. STEVENS
& CO., INC., a Delaware corporation (the "Company"), 1185
Avenue of the Americas, New York, New York 10036, and THE
SOUTH CAROLINA NATIONAL BANK (the "Bank"), P. O. Box 168,
Columbia, South Carolina.

SECTION 1. Representations and Warranties

The Company represents and warrants that:

1.1 Corporate Authority. The Company is duly incorporated,
validly existing and in good standing as a corporation under
the laws of the State of Delaware. The execution and delivery
of, and the consummation of the transactions contemplated by
(i) this Agreement, (ii) the Loan Agreement dated as of the
date hereof (the "Loan Agreement") between the Company and
Marlboro County, South Carolina (the "County"), a body
politic and corporate and political subdivision of the
State of South Carolina, validly acting by and through the
Marlboro County Council (the "County Board") relating to the
use of proceeds from the Note captioned above (the "Note")
and (iii) the Pledge and Assignment by the Company and the
County dated as of the date hereof (the "Assignment")
pledging, among other things, certain interests in the Loan
Agreement, are within the corporate authority of the Company,

have been duly authorized by all necessary proceedings, will not contravene the Certificate of Incorporation or ByLaws of the Company or any provision of law or regulation or any judgment, order or decree to which the Company is subject or affecting its properties or contravene or constitute a default under any contract, agreement or other instrument binding upon the Company or affecting its properties. This Agreement and the Loan Agreement constitute legal, valid and binding agreements of the Company enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights. The Assignment constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms.

1.2 Financial Statements. The balance sheet of the Company as at November 1, 1975 and the related statements of income, retained earnings and changes in financial position for the five years then ended, certified by S. D. Leidesdorf & Co., independent certified public accountants, and the consolidated condensed balance sheet of the Company as at January 31, 1976 and the related statements of income, retained earnings and changes in financial position for the three months then ended, certified by the principal financial or accounting officer of the Company, copies of which have been delivered to the Bank prior to the date hereof, present fairly the financial position of the Company at such dates

and the results of its operations and the changes in its financial position for such periods, in conformity with generally accepted accounting principles applied on a consistent basis. There has been no material adverse change in the business, assets, financial position or results of operations of the Company since January 31, 1976.

1.3 Litigation and Governmental Authorization.

There is no action, suit or proceeding pending or, to the best knowledge of the Company, threatened against or affecting the Company or any of its properties before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might materially adversely affect the financial position of the Company or the results of its operations or the ability of the Company to perform the obligations and agreements of the Company set forth or referred to in this Agreement or the Loan Agreement, except for the actions, suits and proceedings previously disclosed in writing to the Bank, and which, in the opinion of counsel for the Company, would not materially adversely affect the financial position of the Company or its results of operations or the ability of the Company to perform the obligations set forth or referred to in this Agreement or the Loan Agreement.

All authorizations, consents, approvals and findings of governmental bodies or agencies required in connection with

the execution and delivery of this Agreement or the Loan Agreement or the consummation of the transactions contemplated thereby, in connection with the acquisition, installation or construction by the Company of certain water pollution control facilities located in Marlboro County, South Carolina at the Company's Delta Plant which facilities are more fully described in Exhibit A to the Loan Agreement (the "Facilities"), or in connection with the financing of the Facilities through the issuance by the County of the Note, which when executed and delivered on behalf of the County in accordance with the Note Resolution adopted by the County Board on May _____, 1976 (the "Note Resolution") will constitute "bonds" within the meaning of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971, as amended (the "Act"), have been obtained; the South Carolina Department of Health and Environmental Control has found that the Facilities are necessary and that the design thereof will result in the elimination, mitigation or prevention of water pollution; the State Budget and Control Board of South Carolina has approved the Facilities and the proposal of the County Board to issue the Note in accordance with the Note Resolution; the County Board has duly and validly adopted the Note Resolution; and the Note Resolution and all of the above-mentioned authorizations, consents, approvals, and findings are in full force and effect on and as of the date hereof.

1.4 Other Representations and Warranties. The representations and warranties of the Company set forth in subsections (c), (d), (e) and (f) of Section 2.2 of the Loan Agreement are incorporated herein by reference and are made by the Company to the Bank as if set forth in full herein.

SECTION 2. Obligations to Purchase Note.

2.1 In the event that at any time

(A) a ruling is issued by the Internal Revenue Service to the effect that any interest payment on the Note may not be excluded in its entirety, by reason of Section 103 of the Internal Revenue Code of 1954, as amended, or any successor Section thereto ("Section 103 of the Code"), from the Federal Gross Income (as defined hereafter) of the Purchaser or any subsequent holder of the Note (the "Purchaser") if not a substantial user or related person (as defined hereafter); or

(B) any amendment, modification, addition or change shall have been made in Section 103 of the Code, or in any other provision of the Internal Revenue Code of 1954, as amended (the "Code"), or in any regulations under the Code, or any ruling or revocation of any ruling of the Internal Revenue Service or proposed deficiency letter shall have been issued, or any other action shall have been taken by the Internal Revenue Service, the Department

of Treasury or any other governmental agency, authority or instrumentality, or any opinion of any court shall have been rendered, or any similar event shall have occurred which, in the opinion of Purchaser's Counsel (as defined hereafter), would require the Purchaser, if not a substantial user or related person, to include any payment of interest on the Note, as a whole or in part, in the Purchaser's Federal Gross Income; or

(C) an order of any court, governmental department or other Federal, state, county, municipal or other instrumentality, agency or authority having jurisdiction shall have been rendered which holds the Note, the Loan Agreement, the Assignment, or the Note Resolution to be unconstitutional, invalid or unenforceable, as a whole or in part, for any reason whatsoever, including without limitation any change of law or regulation or interpretation thereof; or

(D) an Event of Default shall have occurred under the Note Resolution; or

(E) the Company shall have defaulted in the performance of any covenant contained in Section 4 hereof other than Section 4.2; or

(F) the Company shall have defaulted in the performance of any covenant contained in Section

4.2 hereof and such default shall have continued for a period of 15 days after notice thereof is given by the Purchaser to the Company; or

(G) any representation or warranty of the Company made herein, including any representation or warranty incorporated herein by reference, shall have been incorrect in any material respect at the time it was made; or

(H) (1) a default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Company, or in respect of any obligation of the Company under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default, together with all other defaults then existing under this subsection (H) (1) shall relate to obligations exceeding \$100,000 in aggregate principal amount and (a) shall have resulted in the principal amount of any such bond, debenture, note or other evidence of indebtedness or lease obligation

becoming due and payable prior to its stated maturity ("acceleration") or (b) shall have been a default in the payment of principal when due and payable other than by acceleration; or

(2) a default shall have occurred in the payment of any amount due and payable by the Company in respect of any guaranty of, or any obligation to purchase or otherwise acquire, or any other contingent obligation relating to, any indebtedness of any other party or any obligation of any other party under any financing lease, whether now existing or undertaken hereafter, or under any agreement or instrument by which any of the foregoing may be governed or evidenced, which default, together with all other defaults then existing under this subsection (H) (2) shall relate to obligations exceeding \$100,000 in aggregate principal amount; or

(I) the Company shall have failed to deliver the certificate referred to in Section 3.6 of the Loan Agreement to the Depository prior to _____ 1, 197__; then, upon the request of the Purchaser, the Company will at its election either

(i) purchase, or cause to be purchased, the Note upon the written request of the Purchaser at a purchase price equal to the sum of the unpaid

installments of principal on the Note together with all accrued and unpaid interest thereon; or

(ii) pay promptly all amounts necessary to satisfy and discharge the Loan Agreement and direct the County to effect as soon as possible thereafter the prepayment of the Note, and purchase on the fifth business day after such payment the Note at a purchase price equal to the sum of the unpaid principal amount of such Note together with all accrued and unpaid interest thereon;

provided, however, that, with respect to any default of the character described in clause (H) of this Section 2, in the event that any such default is cured without materially adversely affecting the financial condition or results of operations of the Company or the ability of the Company to perform its obligations and agreements under this Agreement and the Loan Agreement or otherwise adversely affecting the interests of the Purchaser and any acceleration is rescinded or annulled, in each case prior to a written request from the Purchaser for the purchase of the Note, then the Company shall not be obligated to purchase the Note as a result of that particular default or acceleration.

The purchase price referred to in this Section 2 shall be paid in Federal or other immediately available funds.

2.2 Definitions. For the purposes of this Section 2 and Section 3 hereof:

(A) the term "Federal Gross Income" shall mean gross income for Federal income tax purposes or any other Federal tax determined by or with reference to income or imposed in lieu of Federal income taxes.

(B) the term Purchaser shall mean The South Carolina National Bank and any subsequent holder of the Note;

(C) the term "a substantial user or related person" shall mean a substantial user or related person within the meaning of subsection (c) (7) of Section 103 of the Code and the regulations issued thereunder;

(D) the term "Purchaser's Counsel" shall mean (i) Messrs. Sinkler Gibbs Simons & Guerard, Bond Counsel, or (ii) such other counsel as Purchaser may appoint.

(E) the term "Preference Tax" shall mean any United States tax which is imposed in respect of the receipt of any interest payment on the Note, under (i) Section 56 of the Code or any successor Section thereto or any similar provision of the Code and (ii) at a rate less than the Federal corporate tax rate then in effect.

SECTION 3. Additional Payments

3.1 In the event that at any time (whether before or after payment of the Note or any purchase thereof by or on

behalf of the Company)

(A) a ruling is issued by the Internal Revenue Service to the effect that any interest payment on the Note may not be excluded in its entirety, by reason of Section 103 of the Code, from Federal Gross Income of the Purchaser if not a substantial user or related person; or

(B) as a result of any of the events referred to in Section 2.1(B) through (I) inclusive, the Purchaser if not a substantial user or related person shall, in the opinion of any Purchasers Counsel, be required to include any payment of interest on the Note, as a whole or in part, in the Purchaser's Federal Gross Income; then in each such case the Company will promptly on demand pay to Purchaser in Federal or other immediately available funds the amount which shall be equal to the sum of

(i) the amount equal to the difference between

(a) the amount of interest which would have been payable on the principal balance of the Note from time to time outstanding during the Payment Period (as defined hereafter) at a rate per annum equal to 125% of the SCN MCLR (as defined hereafter), and

(b) the amount of interest actually paid or accrued on the Note during the Payment Period;

(ii) the amount of any interest, and the amount of penalties (hereinafter "additions to tax") if any, attributable to the inclusion of the interest referred to in Section 2.1(i)(b) hereof on the Note in Federal Gross Income of the Purchaser payable to the United States Government by the Purchaser in connection therewith, which are deductible for Federal income tax purposes; and

(iii) an amount which, after deduction of all taxes required to be paid by the Purchaser in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority within the United States, shall be equal to the amount of any interest, penalties or additions to tax attributable to the inclusion of the interest referred to in Section 3.1(i)(b) hereof on the Note in Federal Gross Income which are not deductible for Federal income tax purposes.

For the purposes of this Section 3.1, the term "SCN MCLR" shall mean the minimum commercial lending rate charged from time to time by The South Carolina National Bank for loans in Columbia (the SCN MCLR to be adjusted automatically as of the opening of business on the effective date of any change of such rate), and the term "Payment Period" shall mean the period from the date as of which interest on the Note is required to be included in the Federal Gross Income of the Purchaser until the earlier of (i) repayment in full

of the Note, together with all accrued and unpaid interest thereon, or (ii) purchase of the Note by the Company pursuant to Section 2.1 hereof.

3.2 In the event that at any time (whether before or after payment of the Note or any purchase thereof by or on behalf of the Company) any payment of interest, or any amount which shall be treated as interest for Federal income tax purposes, on the Note as a whole or in part is subject to any Preference Tax as a result of a change in the Code or pursuant to any determination by any governmental agency, authority or instrumentality, made as a result of such change in the Code then the Company will promptly on demand pay to the Purchaser in Federal or other immediately available funds:

(i) an amount which shall be equal to the amount of such Preference Tax which is deductible for Federal income tax purposes; and

(ii) an amount which, after deduction of all taxes, levies, charges or withholdings of any nature whatsoever, required to be paid by the Purchaser in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority, shall be equal to the amount of such Preference Tax which is not deductible for Federal income tax purposes;

provided however, that if the Company shall fail to pay the

of the Note, together with all accrued and unpaid interest thereon, or (ii) purchase of the Note by the Company pursuant to Section 2.1 hereof.

3.2 In the event that at any time (whether before or after payment of the Note or any purchase thereof by or on behalf of the Company) any payment of interest, or any amount which shall be treated as interest for Federal income tax purposes, on the Note as a whole or in part is subject to any Preference Tax as a result of a change in the Code or pursuant to any determination by any governmental agency, authority or instrumentality, made as a result of such change in the Code then the Company will promptly on demand pay to the Purchaser in Federal or other immediately available funds:

(i) an amount which shall be equal to the amount of such Preference Tax which is deductible for Federal income tax purposes; and

(ii) an amount which, after deduction of all taxes, levies, charges or withholdings of any nature whatsoever, required to be paid by the Purchaser in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority, shall be equal to the amount of such Preference Tax which is not deductible for Federal income tax purposes;

provided however, that if the Company shall fail to pay the

foregoing amount within fifteen (15) days after demand therefor by the Purchaser, the Company shall also pay, without further demand, interest on such unpaid amount at a rate per annum equal to 125% of the SCN MCLR from the fifteenth day following demand by the Purchaser until paid.

SECTION 4. Covenants of the Company

4.1 Use of Proceeds. The proceeds of the loans from the County to the Company under the Loan Agreement will not be applied to pay, or to reimburse the Company for paying, any item or amount which would not constitute a "cost of acquiring pollution control facilities" within the meaning of the Act or which, if paid, would result in less than substantially all of the proceeds from the issuance of the Note being used to provide water pollution control facilities or other exempt facilities, within the meaning of Section 103(c)(4) of the Code and the regulations issued thereunder. The proceeds of the loans from the County to the Company under the Loan Agreement will not be invested in any manner which will cause the Note to be an "arbitrage bond", within the meaning of Section 103(d) of the Code.

4.2 Maintenance of Existence. The Company will do all things necessary to preserve and keep in full force and effect its qualification as a foreign corporation in good standing under the laws of the State of South Carolina.

4.3 Notification of Acceleration. The Company will notify the Bank in writing within one business day after

the occurrence of any default of the kind described in subsection (H) of Section 2.1 hereof.

4.4 Prior Consent. The Company (a) will not consent to any amendment to, or modification or waiver of, any provision of this Agreement, without the prior written consent of the Purchaser, and (b) will not consent to any amendment to, or modification or waiver of, any provision of the Loan Agreement or the Note Resolution except as provided in the Loan Agreement or the Note Resolution, as the case may be.

4.5 No Impairment. The Company agrees that, prior to the termination of this Agreement, it will not enter into any agreement or instrument or take any other action which would tend to prevent or materially impair its ability to perform its obligations and agreements under this Agreement or the Loan Agreement.

4.6 Other Covenants. The covenants of the Company set forth in Sections 6.4 and 6.8 of the Loan Agreement are incorporated herein by reference and made with the Bank as if set forth in full herein.

SECTION 5. Miscellaneous

5.1 Notices. All notices, requests or demands hereunder shall be deemed to have been given or received when deposited in the United States mails, first class postage prepaid, addressed to the appropriate party at its address given above or at any other address of which it shall have notified the person giving such notice in writing.

5.2 Term of Agreement. Rights and obligations under this Agreement shall survive the payment in full of all principal of and interest on the Note or the purchase of the Note pursuant to Section 2.1 hereof, whichever is earlier, and shall be in effect until one calendar year after all statutes of limitations have run (after taking into account all extensions and suspensions thereof) in respect of any taxable year during which any payment of interest on the Note or any payment pursuant to Section 3 hereof was received or accrued.

5.3 No Waivers. No failure or delay by the Purchaser in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5.4 South Carolina Law. This Agreement shall be deemed to be a contract made under and shall be construed in accordance with and governed by the laws of the State of South Carolina.

5.5 Expenses; Documentary Taxes, etc. The Company shall pay the reasonable fees, disbursements and expenses of the Purchaser in connection with the preparation, execution, delivery or administration of this Agreement, the Loan Agreement, the Note, the Assignment and the Note Resolution or any waiver or amendment or enforcement of any provision hereof or thereof. Except to the extent attributable to a relationship between the State of South Carolina or any political subdivision thereof

or therein and the Purchaser not derived from the transactions contemplated hereby, the Company agrees to indemnify the Purchaser from and hold it harmless on an after-tax basis against any documentary, franchise, corporate income, sales, use or other taxes, assessments or charges imposed by such State or any political subdivision thereof or therein by reason of the execution or delivery of or the consummation of the transactions contemplated by this Agreement, the Loan Agreement, the Note, the Assignment or the Note Resolution, including any and all taxes, assessments, levies, charges and withholdings imposed by such State or any political subdivision thereof or therein with respect to payments made under this Agreement, the Loan Agreement, the Note, the Assignment or the Note Resolution.

5.6 Changes, Waivers, etc. Neither this Agreement nor any provision hereof may be modified, waived, discharged, or terminated, except by a statement in writing signed by the party against which enforcement of the modification, waiver, discharge or termination is sought.

5.7 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5.9 Severability and Waiver of Law. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law the Company hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect and, in any event, this Agreement shall be enforced to the fullest extent permitted by applicable law.

5.10 Entire Agreement. This instrument expresses the entire understanding of the parties relating to the subject matter hereof, and it supersedes all prior understandings.

J. P. STEVENS & CO., INC.

(SEAL)

By _____

Its _____

Attest:

Secretary

THE SOUTH CAROLINA NATIONAL BANK

(SEAL)

By _____

Its _____

Attest:

Assistant Secretary

THE SOUTH CAROLINA NATIONAL BANK

(SEAL)

By _____

Its _____

Attest:

Assistant Secretary

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CONTINGENT PURCHASE AND INDEMNIFICATION AGREEMENT

\$1,000,000 MARLBORO COUNTY, SOUTH CAROLINA, POLLUTION
CONTROL FACILITIES REVENUE NOTE, SERIES 1976-B
(J. P. STEVENS & CO., INC.)

AGREEMENT dated as of May 1, 1976 between J. P. STEVENS
& CO., INC., a Delaware corporation (the "Company"), 1185
Avenue of the Americas, New York, New York 10036, and THE
SOUTH CAROLINA NATIONAL BANK (the "Bank"), P. O. Box 168,
Columbia, South Carolina.

SECTION 1. Representations and Warranties

The Company represents and warrants that:

1.1 Corporate Authority. The Company is duly incorporated,
validly existing and in good standing as a corporation under
the laws of the State of Delaware. The execution and delivery
of, and the consummation of the transactions contemplated by
(i) this Agreement, (ii) the Loan Agreement dated as of the
date hereof (the "Loan Agreement") between the Company and
Marlboro County, South Carolina (the "County"), a body
politic and corporate and political subdivision of the
State of South Carolina, validly acting by and through the
Marlboro County Council (the "County Board") relating to the
use of proceeds from the Note captioned above (the "Note")
and (iii) the Pledge and Assignment by the Company and the
County dated as of the date hereof (the "Assignment")
pledging, among other things, certain interests in the Loan
Agreement, are within the corporate authority of the Company,

have been duly authorized by all necessary proceedings, will not contravene the Certificate of Incorporation or ByLaws of the Company or any provision of law or regulation or any judgment, order or decree to which the Company is subject or affecting its properties or contravene or constitute a default under any contract, agreement or other instrument binding upon the Company or affecting its properties. This Agreement and the Loan Agreement constitute legal, valid and binding agreements of the Company enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights. The Assignment constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms.

1.2 Financial Statements. The balance sheet of the Company as at November 1, 1975 and the related statements of income, retained earnings and changes in financial position for the five years then ended, certified by S. D. Leidesdorf & Co., independent certified public accountants, and the consolidated condensed balance sheet of the Company as at January 31, 1976 and the related statements of income, retained earnings and changes in financial position for the three months then ended, certified by the principal financial or accounting officer of the Company, copies of which have been delivered to the Bank prior to the date hereof, present fairly the financial position of the Company at such dates

and the results of its operations and the changes in its financial position for such periods, in conformity with generally accepted accounting principles applied on a consistent basis. There has been no material adverse change in the business, assets, financial position or results of operations of the Company since January 31, 1976.

1.3 Litigation and Governmental Authorization.

There is no action, suit or proceeding pending or, to the best knowledge of the Company, threatened against or affecting the Company or any of its properties before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might materially adversely affect the financial position of the Company or the results of its operations or the ability of the Company to perform the obligations and agreements of the Company set forth or referred to in this Agreement or the Loan Agreement, except for the actions, suits and proceedings previously disclosed in writing to the Bank, and which, in the opinion of counsel for the Company, would not materially adversely affect the financial position of the Company or its results of operations or the ability of the Company to perform the obligations set forth or referred to in this Agreement or the Loan Agreement.

All authorizations, consents, approvals and findings of governmental bodies or agencies required in connection with

the execution and delivery of this Agreement or the Loan Agreement or the consummation of the transactions contemplated thereby, in connection with the acquisition, installation or construction by the Company of certain air pollution control facilities located in Marlboro County, South Carolina at the Company's Delta Plant which facilities are more fully described in Exhibit A to the Loan Agreement (the "Facilities"), or in connection with the financing of the Facilities through the issuance by the County of the Note, which when executed and delivered on behalf of the County in accordance with the Note Resolution adopted by the County Board on May _____, 1976 (the "Note Resolution") will constitute "bonds" within the meaning of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971, as amended (the "Act"), have been obtained; the South Carolina Department of Health and Environmental Control has found that the Facilities are necessary and that the design thereof will result in the elimination, mitigation or prevention of air pollution; the State Budget and Control Board of South Carolina has approved the Facilities and the proposal of the County Board to issue the Note in accordance with the Note Resolution; the County Board has duly and validly adopted the Note Resolution; and the Note Resolution and all of the above-mentioned authorizations, consents, approvals, and findings are in full force and effect on and as of the date hereof.

1.4 Other Representations and Warranties. The representations and warranties of the Company set forth in subsections (c), (d), (e) and (f) of Section 2.2 of the Loan Agreement are incorporated herein by reference and are made by the Company to the Bank as if set forth in full herein.

SECTION 2. Obligations to Purchase Note.

2.1 In the event that at any time

(A) a ruling is issued by the Internal Revenue Service to the effect that any interest payment on the Note may not be excluded in its entirety, by reason of Section 103 of the Internal Revenue Code of 1954, as amended, or any successor Section thereto ("Section 103 of the Code"), from the Federal Gross Income (as defined hereafter) of the Purchaser or any subsequent holder of the Note (the "Purchaser") if not a substantial user or related person (as defined hereafter); or

(B) any amendment, modification, addition or change shall have been made in Section 103 of the Code, or in any other provision of the Internal Revenue Code of 1954, as amended (the "Code"), or in any regulations under the Code, or any ruling or revocation of any ruling of the Internal Revenue Service or proposed deficiency letter shall have been issued, or any other action shall have been taken by the Internal Revenue Service, the Department

of Treasury or any other governmental agency, authority or instrumentality, or any opinion of any court shall have been rendered, or any similar event shall have occurred which, in the opinion of Purchaser's Counsel (as defined hereafter), would require the Purchaser, if not a substantial user or related person, to include any payment of interest on the Note, as a whole or in part, in the Purchaser's Federal Gross Income; or

(C) an order of any court, governmental department or other Federal, state, county, municipal or other instrumentality, agency or authority having jurisdiction shall have been rendered which holds the Note, the Loan Agreement, the Assignment, or the Note Resolution to be unconstitutional, invalid or unenforceable, as a whole or in part, for any reason whatsoever, including without limitation any change of law or regulation or interpretation thereof; or

(D) an Event of Default shall have occurred under the Note Resolution; or

(E) the Company shall have defaulted in the performance of any covenant contained in Section 4 hereof other than Section 4.2; or

(F) the Company shall have defaulted in the performance of any covenant contained in Section

4.2 hereof and such default shall have continued for a period of 15 days after notice thereof is given by the Purchaser to the Company; or

(G) any representation or warranty of the Company made herein, including any representation or warranty incorporated herein by reference, shall have been incorrect in any material respect at the time it was made; or

(H) (1) a default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Company, or in respect of any obligation of the Company under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default, together with all other defaults then existing under this subsection (H) (1) shall relate to obligations exceeding \$100,000 in aggregate principal amount and (a) shall have resulted in the principal amount of any such bond, debenture, note or other evidence of indebtedness or lease obligation

becoming due and payable prior to its stated maturity ("acceleration") or (b) shall have been a default in the payment of principal when due and payable other than by acceleration; or

(2) a default shall have occurred in the payment of any amount due and payable by the Company in respect of any guaranty of, or any obligation to purchase or otherwise acquire, or any other contingent obligation relating to, any indebtedness of any other party or any obligation of any other party under any financing lease, whether now existing or undertaken hereafter, or under any agreement or instrument by which any of the foregoing may be governed or evidenced, which default, together with all other defaults then existing under this subsection (H) (2) shall relate to obligations exceeding \$100,000 in aggregate principal amount; or

(I) the Company shall have failed to deliver the certificate referred to in Section 3.6 of the Loan Agreement to the Depository prior to _____ 1, 197__; then, upon the request of the Purchaser, the Company will at its election either

(i) purchase, or cause to be purchased, the Note upon the written request of the Purchaser at a purchase price equal to the sum of the unpaid

installments of principal on the Note together with all accrued and unpaid interest thereon; or

(ii) pay promptly all amounts necessary to satisfy and discharge the Loan Agreement and direct the County to effect as soon as possible thereafter the prepayment of the Note, and purchase on the fifth business day after such payment the Note at a purchase price equal to the sum of the unpaid principal amount of such Note together with all accrued and unpaid interest thereon;

provided, however, that, with respect to any default of the character described in clause (H) of this Section 2, in the event that any such default is cured without materially adversely affecting the financial condition or results of operations of the Company or the ability of the Company to perform its obligations and agreements under this Agreement and the Loan Agreement or otherwise adversely affecting the interests of the Purchaser and any acceleration is rescinded or annulled, in each case prior to a written request from the Purchaser for the purchase of the Note, then the Company shall not be obligated to purchase the Note as a result of that particular default or acceleration.

The purchase price referred to in this Section 2 shall be paid in Federal or other immediately available funds.

2.2 Definitions. For the purposes of this Section 2 and Section 3 hereof:

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(A) the term "Federal Gross Income" shall mean gross income for Federal income tax purposes or any other Federal tax determined by or with reference to income or imposed in lieu of Federal income taxes.

(B) the term Purchaser shall mean The South Carolina National Bank and any subsequent holder of the Note;

(C) the term "a substantial user or related person" shall mean a substantial user or related person within the meaning of subsection (c) (7) of Section 103 of the Code and the regulations issued thereunder;

(D) the term "Purchaser's Counsel" shall mean (i) Messrs. Sinkler Gibbs Simons & Guerard, Bond Counsel, or (ii) such other counsel as Purchaser may appoint.

(E) the term "Preference Tax" shall mean any United States tax which is imposed in respect of the receipt of any interest payment on the Note, under (i) Section 56 of the Code or any successor Section thereto or any similar provision of the Code and (ii) at a rate less than the Federal corporate tax rate then in effect.

SECTION 3. Additional Payments

3.1 In the event that at any time (whether before or after payment of the Note or any purchase thereof by or on

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behalf of the Company)

(A) a ruling is issued by the Internal Revenue Service to the effect that any interest payment on the Note may not be excluded in its entirety, by reason of Section 103 of the Code, from Federal Gross Income of the Purchaser if not a substantial user or related person; or

(B) as a result of any of the events referred to in Section 2.1(B) through (I) inclusive, the Purchaser if not a substantial user or related person shall, in the opinion of any Purchasers Counsel, be required to include any payment of interest on the Note, as a whole or in part, in the Purchaser's Federal Gross Income; then in each such case the Company will promptly on demand pay to Purchaser in Federal or other immediately available funds the amount which shall be equal to the sum of

(i) the amount equal to the difference between

(a) the amount of interest which would have been payable on the principal balance of the Note from time to time outstanding during the Payment Period (as defined hereafter) at a rate per annum equal to 125% of the SCN MCLR (as defined hereafter), and

(b) the amount of interest actually paid or accrued on the Note during the Payment Period;

(ii) the amount of any interest, and the amount of penalties (hereinafter "additions to tax") if any, attributable to the inclusion of the interest referred to in Section 2.1(i) (b) hereof on the Note in Federal Gross Income of the Purchaser payable to the United States Government by the Purchaser in connection therewith, which are deductible for Federal income tax purposes; and

(iii) an amount which, after deduction of all taxes required to be paid by the Purchaser in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority within the United States, shall be equal to the amount of any interest, penalties or additions to tax attributable to the inclusion of the interest referred to in Section 3.1(i) (b) hereof on the Note in Federal Gross Income which are not deductible for Federal income tax purposes.

For the purposes of this Section 3.1, the term "SCN MCLR" shall mean the minimum commercial lending rate charged from time to time by The South Carolina National Bank for loans in Columbia (the SCN MCLR to be adjusted automatically as of the opening of business on the effective date of any change of such rate), and the term "Payment Period" shall mean the period from the date as of which interest on the Note is required to be included in the Federal Gross Income of the Purchaser until the earlier of (i) repayment in full

of the Note, together with all accrued and unpaid interest thereon, or (ii) purchase of the Note by the Company pursuant to Section 2.1 hereof.

3.2 In the event that at any time (whether before or after payment of the Note or any purchase thereof by or on behalf of the Company) any payment of interest, or any amount which shall be treated as interest for Federal income tax purposes, on the Note as a whole or in part is subject to any Preference Tax as a result of a change in the Code or pursuant to any determination by any governmental agency, authority or instrumentality, made as a result of such change in the Code then the Company will promptly on demand pay to the Purchaser in Federal or other immediately available funds:

(i) an amount which shall be equal to the amount of such Preference Tax which is deductible for Federal income tax purposes; and

(ii) an amount which, after deduction of all taxes, levies, charges or withholdings of any nature whatsoever, required to be paid by the Purchaser in respect of the receipt of such amount under the laws of any Federal, state or local governmental or taxing authority, shall be equal to the amount of such Preference Tax which is not deductible for Federal income tax purposes;

provided however, that if the Company shall fail to pay the

foregoing amount within fifteen (15) days after demand therefor by the Purchaser, the Company shall also pay, without further demand, interest on such unpaid amount at a rate per annum equal to 125% of the SCN MCLR from the fifteenth day following demand by the Purchaser until paid.

SECTION 4. Covenants of the Company

4.1 Use of Proceeds. The proceeds of the loans from the County to the Company under the Loan Agreement will not be applied to pay, or to reimburse the Company for paying, any item or amount which would not constitute a "cost of acquiring pollution control facilities" within the meaning of the Act or which, if paid, would result in the Note not qualifying as an obligation issued as part of an exempt small issue within the meaning of Section 103(c)(6) of the Code. The proceeds of the loans from the County to the Company under the Loan Agreement will not be invested in any manner which will cause the Note to be an "arbitrage bond", within the meaning of Section 103(d) of the Code.

4.2 Maintenance of Existence. The Company will do all things necessary to preserve and keep in full force and effect its qualification as a foreign corporation in good standing under the laws of the State of South Carolina.

4.3 Notification of Acceleration. The Company will notify the Bank in writing within one business day after

the occurrence of any default of the kind described in subsection (H) of Section 2.1 hereof.

4.4 Prior Consent. The Company (a) will not consent to any amendment to, or modification or waiver of, any provision of this Agreement, without the prior written consent of the Purchaser, and (b) will not consent to any amendment to, or modification or waiver of, any provision of the Loan Agreement or the Note Resolution except as provided in the Loan Agreement or the Note Resolution, as the case may be.

4.5 No Impairment. The Company agrees that, prior to the termination of this Agreement, it will not enter into any agreement or instrument or take any other action which would tend to prevent or materially impair its ability to perform its obligations and agreements under this Agreement or the Loan Agreement.

4.6 Other Covenants. The covenants of the Company set forth in Sections 6.4 and 6.8 of the Loan Agreement are incorporated herein by reference and made with the Bank as if set forth in full herein.

SECTION 5. Miscellaneous

5.1 Notices. All notices, requests or demands hereunder shall be deemed to have been given or received when deposited in the United States mails, first class postage prepaid, addressed to the appropriate party at its address given above or at any other address of which it shall have notified the person giving such notice in writing.

5.2 Term of Agreement. Rights and obligations under this Agreement shall survive the payment in full of all principal of and interest on the Note or the purchase of the Note pursuant to Section 2.1 hereof, whichever is earlier, and shall be in effect until one calendar year after all statutes of limitations have run (after taking into account all extensions and suspensions thereof) in respect of any taxable year during which any payment of interest on the Note or any payment pursuant to Section 3 hereof was received or accrued.

5.3 No Waivers. No failure or delay by the Purchaser in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5.4 South Carolina Law. This Agreement shall be deemed to be a contract made under and shall be construed in accordance with and governed by the laws of the State of South Carolina.

5.5 Expenses; Documentary Taxes, etc. The Company shall pay the reasonable fees, disbursements and expenses of the Purchaser in connection with the preparation, execution, delivery or administration of this Agreement, the Loan Agreement, the Note, the Assignment and the Note Resolution or any waiver or amendment or enforcement of any provision hereof or thereof. Except to the extent attributable to a relationship between the State of South Carolina or any political subdivision thereof

or therein and the Purchaser not derived from the transactions contemplated hereby, the Company agrees to indemnify the Purchaser from and hold it harmless on an after-tax basis against any documentary, franchise, corporate income, sales, use or other taxes, assessments or charges imposed by such State or any political subdivision thereof or therein by reason of the execution or delivery of or the consummation of the transactions contemplated by this Agreement, the Loan Agreement, the Note, the Assignment or the Note Resolution, including any and all taxes, assessments, levies, charges and withholdings imposed by such State or any political subdivision thereof or therein with respect to payments made under this Agreement, the Loan Agreement, the Note, the Assignment or the Note Resolution.

5.6 Changes, Waivers, etc. Neither this Agreement nor any provision hereof may be modified, waived, discharged, or terminated, except by a statement in writing signed by the party against which enforcement of the modification, waiver, discharge or termination is sought.

5.7 Counterparts. This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5.9 Severability and Waiver of Law. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law the Company hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect and, in any event, this Agreement shall be enforced to the fullest extent permitted by applicable law.

5.10 Entire Agreement. This instrument expresses the entire understanding of the parties relating to the subject matter hereof, and it supersedes all prior understandings.

J. P. STEVENS & CO., INC.

(SEAL)

By _____

Its _____

Attest:

Secretary

THE SOUTH CAROLINA NATIONAL BANK

(SEAL)

By _____

Its _____

Attest:

Assistant Secretary

6. 930

Initial Working Draft
April 13, 1976

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

MARLBORO COUNTY

POLLUTION CONTROL FACILITIES REVENUE NOTE, SERIES 1976-B

(J. P. STEVENS & CO., INC.)

KNOW ALL MEN BY THESE PRESENTS, that Marlboro County, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the County) for value received promises to pay, but only from the source and as hereinafter provided, to the order of The South Carolina National Bank, at its principal office in the City of Columbia, State of South Carolina, the sum of ONE MILLION DOLLARS in equal quarterly payments to commence November 15, 1979, ending May 15, 1986; together with interest from the date hereof at the rate of six per centum (6%) per annum (computed on the basis of a 360-day year of 12 30-day months) payable on August 15, November 15, February 15 and May 15, commencing August 15, 1976, on the principal balance from time to time outstanding. Principal of and interest on this Note are payable in any coin or currency of the United States of America which is at the time legal tender for the payment of public or private debts.

This Note is issued for the purpose of obtaining funds to loan to J. P. Stevens & Co., Inc., a corporation organized and existing under the laws of the State of Delaware and

duly qualified to do business in the State of South Carolina (hereinafter called the Company) and to be used to defray the cost of acquiring, installing and constructing pollution control facilities designed for the elimination, mitigation and prevention of air pollution installed and to be installed at the Company's Delta plant located in Marlboro County, South Carolina (hereinafter called the Pollution Control Facilities). The Note is issued under and is secured and entitled to the protection given by a Resolution (hereinafter called the Resolution), duly adopted by the Marlboro County Council. The County and the Company have entered into a Loan Agreement dated as of May 1, 1976 (hereinafter called the Loan Agreement) evidencing and prescribing the Company's obligation to the County resulting from the loan of the Note proceeds to the Company for the acquisition, installation and construction of the Pollution Control Facilities. Under the Loan Agreement, the Company must pay to the County such amounts as will be fully sufficient to pay the principal of and interest on the Note as the same mature and become due. Copies of the Resolution and the Loan Agreement are on file in the Office of the Clerk of Court for Marlboro County in the Town of Bennettsville, State of South Carolina, and reference is made to the Resolution and the Loan Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security,

the rights and remedies of the holder of this Note, the rights, duties and obligations of the County and the Company, and the terms upon which the Note is issued and secured.

The Note is subject to payment at any time as a whole, or in part, but if in part, in increments of not less than \$100,000, at 100% of the principal amount thereof plus accrued interest to the prepayment date.

In the event the Company elects to prepay all or a portion of this Note as aforesaid, notice thereof shall be given by registered mail at least five business days prior to the prepayment date to the holder hereof. The Note or such applicable portion thereof, will cease to bear interest on the specified prepayment date, provided funds for its prepayment are on deposit with the Depository on such date and shall no longer be protected by the Resolution and shall not be deemed to be outstanding under the provisions of the Resolution.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina, as amended, and pursuant to resolutions duly adopted by the Marlboro County Council. In fulfillment of the requirements of said Act No. 156 of 1971, the South Carolina Department of Health and Environmental Control has found that the Pollution

the rights and remedies of the holder of this Note, the rights, duties and obligations of the County and the Company, and the terms upon which the Note is issued and secured.

The Note is subject to payment at any time as a whole, or in part, but if in part, in increments of not less than \$100,000, at 100% of the principal amount thereof plus accrued interest to the prepayment date.

In the event the Company elects to prepay all or a portion of this Note as aforesaid, notice thereof shall be given by registered mail at least five business days prior to the prepayment date to the holder hereof. The Note or such applicable portion thereof, will cease to bear interest on the specified prepayment date, provided funds for its prepayment are on deposit with the Depository on such date and shall no longer be protected by the Resolution and shall not be deemed to be outstanding under the provisions of the Resolution.

This Note is issued pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina, as amended, and pursuant to resolutions duly adopted by the Marlboro County Council. In fulfillment of the requirements of said Act No. 156 of 1971, the South Carolina Department of Health and Environmental Control has found that the Pollution

Control Facilities are necessary and that the design thereof will result in the elimination, mitigation or prevention of air pollution, and the issuance of the Note and the Pollution Control Facilities have been approved by the State Budget and Control Board of South Carolina. This Note and the interest payments to become due hereon, is a limited obligation of the County and is payable by the County solely out of the revenues derived by the County pursuant to the Loan Agreement.

The Note is not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

Pursuant to the Loan Agreement, payments sufficient for the prompt payment when due of the principal of and interest on the Note are to be paid to the Depository for the account of the County and deposited in a special account created by the County and designated "Marlboro County (J. P. Stevens & Co., Inc.) Series 1976-B Note Fund" and have been pledged for that purpose.

In certain events, on the conditions, in the manner and with the effect set forth in the Resolution, the principal of the Note may become or may be declared due and payable before the stated maturity thereof, together with interest

accrued thereon. Modifications or alterations of the Resolution or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, MARLBORO COUNTY, SOUTH CAROLINA, has caused this Note to be executed by the Supervisor and Chairman of the Marlboro County Council, by his manual signature, and its corporate seal to be impressed hereon, and attested by the Secretary of said County Council, by his manual signature, all as of the ____ day of _____, 1976.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman, Marlboro
County Council

Attest:

Secretary, Marlboro County
Council

935

accrued thereon. Modifications or alterations of the Resolution or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, MARLBORO COUNTY, SOUTH CAROLINA, has caused this Note to be executed by the Supervisor and Chairman of the Marlboro County Council, by his manual signature, and its corporate seal to be impressed hereon, and attested by the Secretary of said County Council, by his manual signature, all as of the ____ day of _____, 1976.

MARLBORO COUNTY, SOUTH CAROLINA

(SEAL)

By _____
Supervisor and Chairman, Marlboro
County Council

Attest:

Secretary, Marlboro County
Council

935

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns
and transfers unto _____

(Please print or typewrite name and address of transferee)
the within Note and all rights thereunder, and hereby irre-
vocably constitutes and appoints _____

Attorney, to transfer the within
Note on the books kept for registration thereof, with full
power of substitution in the premises.

Dated: _____

NOTICE: The signature to this
assignment must correspond with
the name as it appears upon the
face of the within Note in every
particular, without alteration
or enlargement or any change
whatsoever.

PAYMENT RECORD

EXHIBIT IX
APRIL 20, 1976

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A RESOLUTION

APPROVING THE ISSUANCE BY THE MEDICAL UNIVERSITY OF SOUTH CAROLINA OF \$3,295,000 OF BOND ANTICIPATION NOTES TO BE ISSUED TO REFUND \$3,295,000 OF BOND ANTICIPATION NOTES NOW OUTSTANDING AND AUTHORIZING THE MEDICAL UNIVERSITY OF SOUTH CAROLINA TO SUBSEQUENTLY SELL \$4.5 MILLION OF PLANT IMPROVEMENT BONDS.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS

Section 1.01.

The State Budget and Control Board of South Carolina (the State Board) has received a certified copy of a resolution duly adopted by the Board of Trustees of the Medical University of South Carolina on April 9, 1976, entitled "A RESOLUTION PROVIDING FOR TEMPORARY BORROWING IN ANTICIPATION OF THE ISSUANCE OF MEDICAL UNIVERSITY OF SOUTH CAROLINA PLANT IMPROVEMENT BONDS". Due consideration has been given to the matters set forth therein and to the requests therein made.

Section 1.02.

The State Board has for itself determined that due to the necessity of preparing an Official Statement, and of obtaining ratings on the proposed bonds from at least two of the national rating services, no attempt should be made

to sell the Plant Improvement Bonds in time to pay off the \$3,295,000 of Bond Anticipation Notes now outstanding and maturing on May 1, 1976 and that the Medical University should be empowered to issue, in anticipation of the receipt of the proceeds of the proposed \$4.5 Million of Plant Improvement Bonds, Bond Anticipation Notes, in the principal amount of \$3,295,000 in order to provide funds for the payment of the principal of the \$3,295,000 of Bond Anticipation Notes maturing May 1, 1976 and that it be authorized to use accumulations in the Bond Reserve Fund established by Act No. 1654 of the Acts of the General Assembly for the year 1972, as amended (Act 1654) to pay the interest due on such notes on May 1, 1976. The State Board has also determined to approve the remaining requests submitted by the Medical University and to approve the sale of \$4.5 Million of Plant Improvement Bonds at any time prior to the maturity of the refunding Notes, at such rate or rates as shall be named by the most advantageous bid received upon the sale of the Plant Improvement Bonds.

Section 1.03.

On the basis of the foregoing and after due considera-

tion of the facts above recited, this Resolution has been adopted.

ARTICLE II

AUTHORIZATION TO ISSUE NOTES

Section 2.01.

Approval is hereby granted to the Medical University of South Carolina to effect the sale of \$3,295,000 of its Bond Anticipation Notes, and for the payment of the principal and interest of which Notes the entire proceeds of the proposed Plant Improvement Bonds of the Medical University of South Carolina shall be pledged.

Section 2.02.

Such Notes shall be sold by the Medical University of South Carolina through the office of the State Treasurer in the manner prescribed by the Resolution of the Board of Trustees of the Medical University of South Carolina.

ARTICLE III

APPROVAL TO SALE OF BONDS AND
WITHDRAWAL OF FUNDS FROM BOND RESERVE FUND

Section 3.01.

Approval is hereby granted to the Medical University of South Carolina to effect the sale of \$4.5 Million of Plant Improvement Bonds of the Medical University of South

Carolina to be issued pursuant to Act 1654. The proceeds of such bonds not required to pay the Bond Anticipation Notes to be outstanding shall be applied to pay a portion of the costs of the following projects, which projects have been and are hereby duly approved pursuant to the provisions of Section 3 of Act 1654:

- (a) Business Services Building;
- (b) Allied Health Sciences Building;
- (c) Additions to the Clinical Science Building and the Administration Building; and
- (d) High Tension Electrical Expansion System.

Approval is further given to withdrawals from the Bond Reserve Fund in order to pay interest on the Outstanding Notes and in order to pay construction costs on projects above listed to such extent as will not reduce the value of the Bond Reserve Fund to less than \$450,000.

ARTICLE IV

FURTHER ACTION

Section 4.01.

All members of the State Board and any officer hereof shall be and they are fully authorized and empowered to execute and deliver such certificates and other documents as may be required to effect the issuance and sale of the Bond Anticipation Notes of the Medical University of South Carolina herein authorized.

A RESOLUTION
PROVIDING FOR TEMPORARY BORROWING IN ANTICIPATION OF THE
ISSUANCE OF MEDICAL UNIVERSITY OF SOUTH CAROLINA PLANT
IMPROVEMENT BONDS.

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE MEDICAL
UNIVERSITY OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS

Section 1.01.

As an incident to the adoption of this Resolution and
the issuance of the Bond Anticipation Notes herein authorized,
it is hereby found and determined:

1. The Board of Trustees of the Medical University of
South Carolina (the Trustees) is authorized by the provisions
of Act No. 1654 of the Acts of the General Assembly of the
State of South Carolina for the year 1972, as amended (Act 1654)
to:

(a) Construct and equip buildings and acquire
land for the use of the Medical University whenever
the same have been approved by the State Budget and
Control Board of South Carolina (the State Board);

(b) Issue special obligation bonds of the
Medical University (Plant Improvement Bonds) within
the limits and conditions of Act 1654 to obtain
moneys for such purposes when the issuance of such
bonds has been approved by the State Board; and

(c) Impose the "special student fee", the "special charge" and the "parking fee" (as such terms are defined in Act 1654).

2. Pursuant to Act 1654, the special student fee, the special charge and the parking fee were imposed effective as of July 1, 1972 and the revenues therefrom transmitted to the State Treasurer and by him deposited in the Bond Reserve Fund established by Act 1654. Substantial accumulations have resulted therefrom, a portion of which have already been used to meet the costs of certain projects whose undertakings were duly authorized by the State Board.

3. Heretofore as of October 1, 1975, and pursuant to Resolutions of the Trustees and the State Board, \$3,295,000 of Bond Anticipation Notes of the Medical University (the Outstanding Notes) were issued in anticipation of the sale and delivery of Plant Improvement Bonds. The Outstanding Notes mature on May 1, 1976. It now appears that it is desirable to postpone the sale of the required Plant Improvement Bonds necessary to obtain moneys to retire the Outstanding Notes on May 1, 1976 and, as a consequence, it is necessary that the Outstanding Notes be refunded by an issue of refunding notes payable on such occasion as the State Treasurer shall determine, and on a date shortly subsequent to the date of the anticipated delivery of the proposed Plant Improvement Bonds.

4. It has now been determined by Resolution this day adopted that the amount of Plant Improvement Bonds required will be \$4.5 Million.

5. It has likewise been determined that the moneys in the Bond Reserve Fund established by Act 1654 are substantially in excess of the moneys which will be required to be placed in the Bond Reserve Fund by the provisions of Act 1654 for the proposed issue of \$4.5 Million and, accordingly, the excess amounts therein should be withdrawn and applied to the construction of projects at the Medical University which have received the required approval of the State Board.

6. The projects for which excess moneys in the Bond Reserve Fund may be expended, in addition to the Clinical Science Building and the Eye Clinic, (for which the proceeds of the Outstanding Notes were expended), include:

- (a) Business Services Building;
- (b) Allied Health Sciences Building;
- (c) Additions to the Clinical Science Building and the Administration Building; and
- (d) High Tension Electrical Expansion System.

Accordingly, it is the purpose of this Resolution to:

- (a) To seek approval of the State Board for the issuance of \$4.5 Million of Plant Improvement Bonds to be issued pursuant to Act 1654 to meet costs of the projects hereinbefore referred to;

(b) To seek approval to those terms and provisions of this Resolution which provides for the issuance of Bond Anticipation Notes of the Medical University to refund the Outstanding Notes;

(c) To request that the State Treasurer arrange for the sale of sufficient Bond Anticipation Notes to retire the Outstanding Notes;

(d) To authorize the proper officers of the Medical University to effect further withdrawals from the Bond Reserve Fund established pursuant to Act 1654 in order to pay interest on the Outstanding Notes and in order to pay construction costs on projects at the Medical University which have been duly approved by the State Board in accordance with Act 1654 to such extent as will not reduce the value of the Bond Reserve Fund to less than \$450,000; and

(e) To empower the proper officers of the Medical University to take all action necessary and desirable to fully implement the terms and provisions of this Resolution.

ARTICLE II

ISSUANCE OF BOND ANTICIPATION NOTES

Section 2.01.

Subject to the approval of the State Board and pursuant to Act No. 116 of the Acts of the General Assembly of

the State of South Carolina for the year 1965, as amended (Act 116), and for the purpose of raising moneys to retire the Outstanding Notes, the Medical University shall borrow \$3,295,000. Such borrowing shall be evidenced by Bond Anticipation Notes of the Medical University (the Notes).

Section 2.02.

The Notes shall be dated as of the occasion of their delivery which shall be a date fixed by the State Treasurer and shall be expressed to mature with or without privilege of prior redemption not later than four (4) months from their respective dates.

Section 2.03.

The Notes shall be in substantially the form hereto attached as Exhibit A and shall be executed on behalf of the Medical University by the President of the Medical University or its Vice President and Treasurer, either by manual or facsimile signature, under its Corporate Seal, attested by the manual signature of the Secretary of its Board of Trustees.

Section 2.04.

The Notes shall be in denomination of \$10,000 or any multiple thereof, as requested by the purchaser thereof.

Section 2.05.

The Notes shall be expressed to be payable at the office of such banking institution, within the State of South Carolina or elsewhere, as the purchaser shall request and the State Treasurer shall approve.

Section 2.06.

The Notes shall be sold in such manner as the State Treasurer of South Carolina shall determine, either upon negotiation, after advertisement of their sale, or after informal request made to financial institutions to bid thereon, or in any other manner that the State Treasurer shall approve. His action in negotiating such sale of the Notes, according to the provisions of this section, is hereby expressly authorized, ratified, confirmed and approved.

Section 2.07.

For the payment of the principal of and interest on the Notes, as the same fall due, there are hereby pledged the entire proceeds to be derived from the sale of Plant Improvement Bonds of the Medical University, and upon the sale of such bonds, sufficient moneys to pay principal and interest of the Notes shall be deposited with the Paying Agent of the Notes in an irrevocable trust to be applied solely to the payment of the principal and interest of the Notes. To the end that the foregoing pledge shall be fully implemented, the Trustees bind and obligate themselves and their successors in office to issue and sell sufficient Plant Improvement Bonds of the Medical University of South Carolina to effect the payment of the principal and interest of the Notes upon their respective maturities.

Section 2.08.

Following the negotiation of the Notes, the same shall be prepared in such form as shall be required (that is to say either in typewritten or printed form), and they shall thereupon be executed and delivered.

Section 2.09.

The proceeds of the Notes shall be paid to the State Treasurer and applied by him (together with the sum required for interest which shall be withdrawn from the Bond Reserve Fund) to the payment of the Outstanding Notes.

Section 2.10.

A certified copy of this Resolution shall be delivered to both the State Board and to the State Treasurer. In the instance of the State Treasurer, it shall serve as an authorization and request to effect the sale of the Notes and to use moneys in the Bond Reserve Fund for interest on the Outstanding Notes. In the case of the State Board, it shall serve as a request to the State Board:

(a) That it approve the issuance by the Medical University of the Notes;

(b) That it approve the issuance of \$4.5 Million Plant Improvement Bonds; and

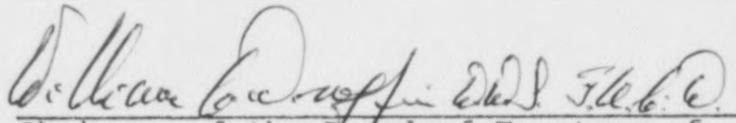
(c) That it approve the use of moneys in the Bond Reserve Fund for the purposes and to the extent herein expressed.

Section 2.11.

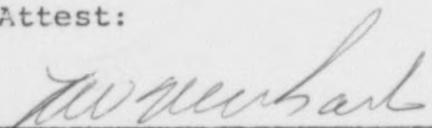
Both the Chairman of the Trustees, the Secretary of the Trustees, and all other officers of the Medical University of as may be necessary in order to effect the sale, issuance and delivery of the Notes.

DONE IN MEETING DULY ASSEMBLED this 9th day of April,
A. D. 1976.

(SEAL)


Chairman of the Board of Trustees of
the Medical University

Attest:


Secretary of the Board of
Trustees of the Medical
University

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
MEDICAL UNIVERSITY OF SOUTH CAROLINA
BOND ANTICIPATION NOTE
ISSUED PURSUANT TO ACT NO. 116 OF 1965, AS AMENDED

The MEDICAL UNIVERSITY OF SOUTH CAROLINA, hereby
acknowledges itself indebted, and, for value received,
promises to pay to BEARER, the sum of

at the principal office of _____,
in the City of _____, State of _____,
on the ____ day of _____, 19____, and to pay interest
on said principal sum from the date hereof, at the rate of
_____ per centum (%) per annum,
payable upon the stated maturity of this Note.

Both the principal of and interest on this Note are
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.

THIS NOTE is one of an issue of Bond Anticipation
Notes of the Medical University of South Carolina, of like
date and tenor, except as to numbering and denomination, in the
aggregate principal amount of \$3,295,000, issued by the
Medical University of South Carolina, pursuant to the authoriza-
tion of Act No. 116 of the Acts of the General Assembly of
the State of South Carolina for the year 1965, as amended,

in anticipation of the proceeds to be derived from the sale of Plant Improvement Bonds of the Medical University of South Carolina to be issued by the Medical University of South Carolina pursuant to the authorizations contained in Act No. 1654 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended, and Resolutions adopted by the Board of Trustees of the Medical University of South Carolina. For the payment of this Note and the issue of which it forms a part, both principal and interest, the proceeds of said bonds are hereby irrevocably pledged.

THIS NOTE and the interest hereon are 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.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this Note, do exist, have happened and have been performed in regular and due time, form and manner, and that the Medical University of South Carolina has irrevocably obligated itself to issue and sell, prior to the stated maturity hereof, in the manner

prescribed by law, the bonds, in anticipation of which this Note, and the issue of which it forms a part, has been issued.

IN WITNESS WHEREOF, the MEDICAL UNIVERSITY OF SOUTH CAROLINA has caused this Note to be signed in its behalf by the President of the Medical University of South Carolina, its Corporate Seal to be impressed hereon and attested by the Secretary of the Board of Trustees of the Medical University of South Carolina, and this Note to be dated as of the 1st day of May, A. D. 1976.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

(SEAL)

BY William H. Kuisely
President of the Medical University
of South Carolina

Attest:

W. Weichart
Secretary of the Board of
Trustees of the Medical University
of South Carolina

THE STATE OF SOUTH CAROLINA

I, the undersigned, being the duly elected Secretary of the Board of Trustees of the Medical University of South Carolina, DO HEREBY CERTIFY:

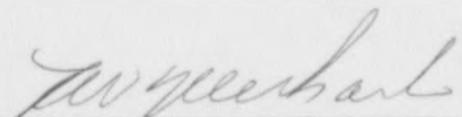
That the foregoing Resolution is a true, correct and verbatim copy of the original of a Resolution adopted by said Board of Trustees at a meeting duly called and regularly held on April 9, 1976, at which were present: Dr. Wm.C. Draffin, Chm., Dr. John M. Pratt, V. Chm., Melvyn Berlinsky, Wm. K. Cox, Dr. C. B. Hanna, B.L. Hendricks, Jr., Dr. Neill W. Macaulay, Dr. B.M. Montgomery, Dr. H. L. Peeples, John L. Pressly, Dr. J. W. Schofield, and J. O. Yarborough,

constituting a majority of the members of said Board of Trustees.

That the original of said Resolution has been filed in the permanent records of minutes of meetings of said Board of Trustees in the custody of the Secretary of the Board of Trustees.

WITNESS my Hand and the Seal of the Board of Trustees of the Medical University of South Carolina, this 9th. day of April, A. D. 1976.

(SEAL)


Secretary of the Board of Trustees
of the Medical University of South
Carolina.

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 15, 1976

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

Re: \$3,295,000 Medical University Bond
Anticipation Notes Maturing May 1, 1976

Dear Bill:

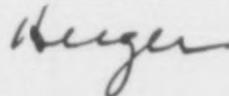
While it is anticipated that the above notes will be paid off shortly with the proceeds of bonds, a considerable length of time is going to be required in working up the Official Statement. In addition, both Mr. Patterson and I feel that the rating agencies in New York should be invited to Charleston to see the Medical University in order for them to rate the bonds. Accordingly, it is desired that these notes be refunded by notes to mature September 1, 1976.

At its meeting held April 9, 1976, the Medical University adopted a Resolution, a certified copy of which is enclosed. You will note that this Resolution requests the State Treasurer to utilize moneys in the Bond Reserve Fund to pay the interest on the outstanding notes which will be due on May 1, 1976.

It will be necessary for the State Board to adopt a Resolution approving the issuance and sale of the notes. Accordingly, I now enclose an original and eight (8) copies of that Resolution. The original is to be kept for the records of the State Board and the remaining eight (8) certified copies should be returned to me.

With kind regards,

Sincerely,



HS:dn
Enclosures

954

A RESOLUTION

APPROVING THE UNDERTAKING OF THE TRUSTEES OF THE UNIVERSITY OF SOUTH CAROLINA TO ISSUE \$5,500,000 STUDENT FACILITIES BONDS, SERIES 1976, PURSUANT TO ACT NO. 1302 OF 1974, AND APPROVING THE FACILITIES TO BE FINANCED THEREBY.

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WHEREAS, by Act No. 1302 of the Acts of 1974, the General Assembly of the State of South Carolina authorized the Trustees of the University of South Carolina (the "University") to issue bonds of the University payable from a Student Facilities Fee, and

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WHEREAS, Section 4 of Act 1302 authorizes the Trustees to issue bonds to provide funds for facilities designed to answer needs of students as the Trustees shall from time to time undertake, including renovation of existing buildings; provided, however, that each undertaking with respect to such facilities shall have received the prior approval of the State Board, and

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WHEREAS, by resolution entitled "A RESOLUTION SUPPLEMENTING AND AMENDING A RESOLUTION ENTITLED 'A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF STUDENT FACILITIES BONDS OF THE UNIVERSITY OF SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO', HERETOFORE ADOPTED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF SOUTH CAROLINA, BY MAKING PROVISION FOR THE ISSUANCE AND SALE OF FIVE MILLION FIVE HUNDRED THOUSAND AND NO/100 (\$5,500,000) DOLLARS UNIVERSITY OF SOUTH CAROLINA STUDENT FACILITIES BONDS, SERIES 1976" adopted by the Board of Trustees of the University of South Carolina at a meeting held March 6, 1976, (hereinafter called the "Supplemental Resolution"), the Trustees of the University of South Carolina made provision for the issuance and sale of \$5,500,000 Student Facilities Bonds, Series 1976, dated April 1, 1976, and did therein provide that such bonds should be offered for sale after due advertisement on an occasion fixed by the Chairman of the Board of Trustees. By such resolution, it was further provided that if bids be received in accordance

with the Notice of Sale, the Vice President for Finance of the University was empowered to accept the same on behalf of the Trustees without further action on the part of the Trustees, and

WHEREAS, bids for the sale of said bonds were received until 12:00 Noon, March 23, 1976, after an advertisement for the sale of the same had appeared in the Daily Bond Buyer, at least seven (7) days prior to the occasion fixed for the opening of bids. Notice of Sale in substantially the form as attached to the said resolution was published in the Daily Bond Buyer in its edition of Friday, March 12, 1976, and

WHEREAS, upon a canvass of the bids, it was determined that the bid submitted by a syndicate headed by Bache Halsey Stuart Inc. was the best bid and that such bid provided an interest cost within the limits fixed by the Trustees. Accordingly, on behalf of the Trustees and in observance of the authority vested in him, the Vice President for Finance of the University accepted the said bid and provided for the printing, execution and delivery of the bonds, and

WHEREAS, bond proceeds from the present issue will be used to provide additions to the Physical Education Building, additions to the Russell House, and certain renovations to the Longstreet Theatre.

NOW, THEREFORE, BE IT RESOLVED by the Budget and Control Board of the State of South Carolina in meeting duly assembled:

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

2. The action heretofore taken by the Trustees and officers of the University of South Carolina as set forth hereinabove is hereby approved, ratified and confirmed in all respects; approval of the Facilities and the Student Facilities Bonds, Series 1976, as contemplated by Act No. 1302, is hereby granted.

SINKLER GIBBS SIMONS & GUÉRARD

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 15, 1976

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

Re: \$5.5 Million University of South Carolina
Student Facilities Bonds, Series 1976

Dear Bill:

After an unsuccessful effort in July of 1975, the University has sold the above issue at an effective net interest cost of 6.55% to Bache Halsey Stuart Inc. Five bids were received from representative firms and upon the approval of the State Treasurer, an award for the bonds were made.

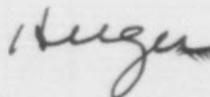
It is necessary that we have for the Record of Proceedings the approval of the State Budget and Control Board in connection with the issuance of the bonds and the use of their proceeds.

The proceeds are to be used to provide additions to the Physical Education Building, additions to the Russell House, and certain renovations to the Longstreet Theatre. The proposed Resolution purports to give this approval.

I am enclosing herein only the original Resolution for the records of the State Board. We are making up the Transcripts at the present time and Bill Youngblood will contact you to get the certified copies.

With kind regards,

Sincerely,



HS:dn
Enclosure

1. 957

A RESOLUTION

APPROVING THE UNDERTAKING OF THE TRUSTEES OF THE UNIVERSITY OF SOUTH CAROLINA TO ISSUE \$5,500,000 STUDENT FACILITIES BONDS, SERIES 1976, PURSUANT TO ACT NO. 1302 OF 1974, AND APPROVING THE FACILITIES TO BE FINANCED THEREBY.

WHEREAS, by Act No. 1302 of the Acts of 1974, the General Assembly of the State of South Carolina authorized the Trustees of the University of South Carolina (the "University") to issue bonds of the University payable from a Student Facilities Fee, and

WHEREAS, Section 4 of Act 1302 authorizes the Trustees to issue bonds to provide funds for facilities designed to answer needs of students as the Trustees shall from time to time undertake, including renovation of existing buildings; provided, however, that each undertaking with respect to such facilities shall have received the prior approval of the State Board, and

WHEREAS, by resolution entitled "A RESOLUTION SUPPLEMENTING AND AMENDING A RESOLUTION ENTITLED 'A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF STUDENT FACILITIES BONDS OF THE UNIVERSITY OF SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO', HERETOFORE ADOPTED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF SOUTH CAROLINA, BY MAKING PROVISION FOR THE ISSUANCE AND SALE OF FIVE MILLION FIVE HUNDRED THOUSAND AND NO/100 (\$5,500,000) DOLLARS UNIVERSITY OF SOUTH CAROLINA STUDENT FACILITIES BONDS, SERIES 1976" adopted by the Board of Trustees of the University of South Carolina at a meeting held March 6, 1976, (hereinafter called the "Supplemental Resolution"), the Trustees of the University of South Carolina made provision for the issuance and sale of \$5,500,000 Student Facilities Bonds, Series 1976, dated April 1, 1976, and did therein provide that such bonds should be offered for sale after due advertisement on an occasion fixed by the Chairman of the Board of Trustees. By such resolution, it was further provided that if bids be received in accordance

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with the Notice of Sale, the Vice President for Finance of the University was empowered to accept the same on behalf of the Trustees without further action on the part of the Trustees, and

WHEREAS, bids for the sale of said bonds were received until 12:00 Noon, March 23, 1976, after an advertisement for the sale of the same had appeared in the Daily Bond Buyer, at least seven (7) days prior to the occasion fixed for the opening of bids. Notice of Sale in substantially the form as attached to the said resolution was published in the Daily Bond Buyer in its edition of Friday, March 12, 1976, and

WHEREAS, upon a canvass of the bids, it was determined that the bid submitted by a syndicate headed by Bache Halsey Stuart Inc. was the best bid and that such bid provided an interest cost within the limits fixed by the Trustees. Accordingly, on behalf of the Trustees and in observance of the authority vested in him, the Vice President for Finance of the University accepted the said bid and provided for the printing, execution and delivery of the bonds, and

WHEREAS, bond proceeds from the present issue will be used to provide additions to the Physical Education Building, additions to the Russell House, and certain renovations to the Longstreet Theatre.

NOW, THEREFORE, BE IT RESOLVED by the Budget and Control Board of the State of South Carolina in meeting duly assembled:

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

2. The action heretofore taken by the Trustees and officers of the University of South Carolina as set forth hereinabove is hereby approved, ratified and confirmed in all respects; approval of the Facilities and the Student Facilities Bonds, Series 1976, as contemplated by Act No. 1302, is hereby granted.

APPALACHIA II PUBLIC HEALTH DISTRICT COMPUTER PROGRAM

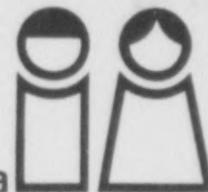
April 14, 1976

Recommended Statements of Policy:

1. State agencies should not be involved in the development of computer software for sale to non state agencies.
2. System software which is developed by a state agency is a part of the public sector and as such is available to other governmental entities at the cost of reproduction with no further maintenance or modification intended. The cost figures for interagency billing purposes are to be verified by the Division of Computer Systems Management of the Budget and Control Board.
3. As a general principle, funds generated by a state agency from personnel services or computer services will accrue to the General Fund Revenue unless otherwise specifically approved by the Budget and Control Board.
4. Contracts for Data Processing products or services entered into by state agencies and/or institutions must have prior approval of the Budget and Control Board.
5. Maximum utilization of computer facilities should be encouraged by making excess capacity available to other state agencies at cost. Sale of excess capacity in excess of cost is a circumvention of the appropriation process which should not be permitted by the Budget and Control Board.

EXHIBIT ~~XIII~~

APRIL 20, 1976



South Carolina
Department of Social Services

April 13, 1976

R. Archie Ellis
Commissioner

Mr. Bill Putnam, State Auditor
State Auditors' Office
P. O. Box 11333
Columbia, S. C. 29211

Subject: Enclosed Contract between Blue Cross-Blue Shield and
the Department of Social Services

Dear Bill:

Per our telephone communication on April 12, 1976, I am advising Blue Cross-Blue Shield that this contract has been approved. I agree with you that Budget and Control Board approval is not needed on this contract. However, to reconfirm our position, I understand that you will present this contract to the Budget and Control Board on April 20, 1976.

Following is a summary of the contents of the contract:

We, presently, have an approved contract with Blue Cross-Blue Shield that covers, basically, the same audit services as this contract. In addition, this contract covers, (1) the audits of 10 skilled Nursing Homes and 1 Hospital that participate in Title XIX but not Title XVIII, (2) Title XIX interim reimbursement rate determinations for all skilled nursing facilities and hospitals, and (3) Title XIX settlement determinations.

These additional services can be provided by Blue Cross-Blue Shield on a routine basis. It would not be economical for this Department to make the necessary increases in staff to perform the services under this contract.



Members of the State Board / South Carolina Department of Social Services

Mrs. T. K. McDonald
Chairman
Winnsboro

W. W. Smoak, Jr.
First District
Vice-Chairman
Walterboro

Mrs. J. Derham Lewis
Sixth District
Mullins

John C. Williams, Jr.
Fourth District
Spartanburg

Dr. Agnes H. Wilson
Fifth District
Secretary
Sumter

Patrick Flack
Third District
Anderson

Dr. R. Wright Spears
Second District
Columbia

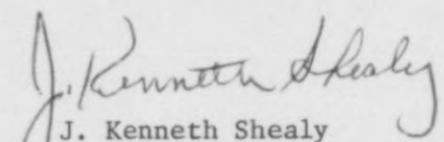
copy

Mr. Bill Putnam
April 13, 1976
Page 2

Our current fiscal-year budget for contractual billings from Blue Cross-Blue Shield is \$300,000. We project total billings of \$260,000 relative to the already existing contract. It is anticipated that billings this fiscal year regarding the attached contract will not exceed \$30,000. Therefore, there will be adequate funds in this year's budget to cover both contracts. Our budget for fiscal year 1977, as recently submitted, has been based on anticipated expenditures under these contracts.

Bill, thank you for your cooperation, and if you have any questions, please call.

Respectfully yours,


J. Kenneth Shealy
Division Chief
Audit & Control

JKS:b

Enclosure

AGREEMENT FOR AUDIT OF HOSPITALS AND SKILLED NURSING FACILITIES
AND DETERMINATION OF INTERIM RATES UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
BETWEEN BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA
AND THE SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

This agreement made this 12 day of APRIL, 1976
between Blue Cross and Blue Shield of South Carolina, hereinafter referred to as
Blue Cross, a South Carolina corporation, and the South Carolina Department of
Social Services, hereinafter referred to as the State Agency.

WITNESSETH, that Blue Cross and the State Agency, parties to the agreement,
in consideration of payments to be made to Blue Cross by the State Agency and
the audit and other services to be furnished by Blue Cross to the State Agency,
as hereinafter stated, stipulate and agree to the following terms and conditions:

1. Blue Cross and the State Agency agree on the use of Blue Cross' capabilities to perform the desk audits of hospital and skilled nursing facility cost reports to determine their acceptability, deciding the need for and scope of field audits and to conduct any and all field audits.

2. Duties of the Parties

(a) The State Agency will furnish Blue Cross within 90 days of the provider's fiscal year end, or as soon thereafter as possible, one (1) copy of all the cost reports to be audited under this Agreement and all other data considered necessary by Blue Cross and available to the State Agency to perform the desk and field audits of such cost reports.

(b) Blue Cross agrees to perform the initial clerical desk audit of hospital and skilled nursing facility cost reports and shall make all resulting interim rate determinations in accordance with the methodology established by the State Agency and shall forward all such determinations to the State Agency and shall forward all such determinations to the State Agency within forty-five (45) days of receiving all such cost reports from the State Agency or February 14 of each year, whichever is later. Such interim rates will be subject to subsequent Blue Cross review.

(c) Blue Cross agrees to perform the principal intensive desk audit of hospital and skilled nursing facility cost reports to determine the need for a field audit and, if a field audit is to be performed, will perform such field audit in the depth indicated by the desk audit. Blue Cross also agrees that it shall maintain procedures adequate to insure that no employees engaged

in the implementation of this Agreement shall have conflicts of interest. Accordingly, Blue Cross agrees that all field audits shall be conducted in a manner consistent with the best interests of the State Agency.

(d) Upon completion of the desk audit or, if applicable, the field audit, Blue Cross agrees to compute the State Agency final settlement and furnish to the State Agency one copy of the audit findings, the revised cost report, and revised State Agency settlement sheet. Such data will be furnished the State Agency within eighteen (18) months after the hospital or skilled nursing facility fiscal year end unless precluded by circumstances beyond Blue Cross' control.

(e) Blue Cross will give notice and continuing information to the State Agency on any controversial reimbursement problems, written or oral, arising during the course of audit.

(f) Blue Cross shall make available to the State Agency, upon reasonable notice and during regular working hours, all detailed work papers for any cost reports covered in this Agreement.

(g) Blue Cross shall provide technical assistance to the State Agency in the defense of any final settlements determined under this Agreement.

(h) The State Agency will give Blue Cross written notice of any material changes in the State Plan or applicable governmental regulations as soon as practicable before the effective date of such change.

(i) Records of all audit information shall be maintained for a period of three years after all audit work is completed unless audited by appropriate State and Federal personnel earlier.

(j) All information pertaining to patient data which is yielded as audit material shall be held confidential and no disclosure or use of said data shall be made directly or indirectly except as authorized by the State Agency.

3. General Provisions

(a) The provisions of this Agreement relating to the performance of audits shall apply to all hospitals and skilled nursing facilities for which Blue Cross is not designated Title XVIII Intermediary. In addition, those provisions of this Agreement relating to the determination of interim rates and the determination and defense of final settlements shall apply to all hospitals and skilled nursing facilities for which the State Agency is designated Title XIX Intermediary.

(b) This Agreement shall be effective with respect to cost reports covering periods ending on or after June 30, 1975.

(c) This contract may be terminated by either party upon thirty (30) days written notice by certified mail; provided further, that the State Agency may terminate as specified herein upon determination that sufficient funds are not available to pay for continued services.

(d) Any costs incurred as a result of termination of this Agreement will be borne by the terminating party.

4. Cost Reimbursement

(a) The cost of each audit, including but not limited to assistance with and securing of cost reports, desk audits, field audit activities, final settlements, hospital and skilled nursing facility appeal activities in general, and the cost of determining interim rates will be borne completely by the State Agency.

(b) In the event Blue Cross or any of its directors, officers, or employees are made parties to any judicial or administrative proceeding arising, in whole or in part, out of any function of Blue Cross incidental to this Agreement, then Blue Cross will defend such judicial or administrative proceedings. The State Agency will reimburse Blue Cross for all judgments, settlements, attorney's fees, court costs and all other costs incurred in defending such proceedings. All costs incurred in defending such proceedings shall be reimbursed by the State Agency to Blue Cross beyond any termination date of this Agreement as long as the cause of action arose prior to such effective termination date. Should Blue Cross or any of its directors, officers or employees, incidental to such judicial or administrative proceeding, be shown to be wilfully negligent or guilty of gross misconduct, then Blue Cross shall forfeit reimbursement of all such costs incurred and attributable to defending such acts of wilful negligence or gross misconduct.

(c) Monthly, Blue Cross shall submit to the State Agency interim billings of costs incurred during the preceding month by Blue Cross under this Agreement. Payments by the State Agency to Blue Cross for costs incurred by Blue Cross under this Agreement will be due no later than thirty (30) days following receipt by State Agency of billing by Blue Cross.

(d) "Costs" under this Agreement shall be determined by the costing methods used by Blue Cross in compliance with Title XVIII requirements. Blue Cross and the State Agency mutually agreed that governmental, public, or private retroactive audit adjustments related to prior years will be paid by the State Agency or returned by Blue Cross as applicable.

5. Definitions

(a) "Interim rate" is defined as the rate of payment, expressed as a percentage of billed charges or as an average per diem amount, required to be made by the State Agency at regular intervals to a hospital or skilled nursing facility in order to reimburse the hospital or skilled nursing facility on a current basis for services rendered to beneficiaries.

(b) "Final settlement" is defined as a determination of the total allowable cost the State Agency will recognize for the period of hospital or skilled nursing facility operations covered by the cost report and the total reimbursement due the hospital or skilled nursing facility for the services furnished to beneficiaries during this period.

WITNESS:

Walter P. Hines

BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA

BY: Robert L. Adkins

TITLE: President

WITNESS:

J. Kenneth Shrock

SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

BY: R. Archie Ellis

TITLE: Commissioner

AGREEMENT FOR AUDIT OF HOSPITALS AND SKILLED NURSING FACILITIES
AND DETERMINATION OF INTERIM RATES UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
BETWEEN BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA
AND THE SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

ADDENDUM 1

For purposes of calculating the initial interim rate determinations covered by this Agreement, the date of "February 14" shown in Provision 2(b) of said Agreement is hereby amended to read "April 1".

It is further understood and agreed that the date of "February 14" will be utilized in this Agreement in all subsequent interim rate determinations calculated by Blue Cross.

WITNESS

Deborah L. Simpson

BLUE CROSS AND BLUE SHIELD OF SOUTH CAROLINA

BY:

TITLE:

Joseph H. Sullivan
President

WITNESS

J. Kenneth Hush

SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

BY:

TITLE:

R. Archie Ellis



THE COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA 29401

APR 14 1976

Office of the President

Mr. William Putnam
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

The College of Charleston is now replacing faculty that are leaving, plus several key new positions that are required for the fall semester. We are requesting permission to fill 21 vacancies that will be created as a result of faculty not returning for the fall semester. The professors not returning are as follows:

- 1) Dr. C. L. Gionet - Ass't. Prof. of Economics
- 2) Dr. J. J. Fogarty - Ass't. Prof. of Bus. Admin.
- 3) Dr. E. E. Towell - Prof. of Chemistry
- 4) Dr. S. M. Smith - Ass't. Prof. of English
- 5) Mr. C. E. Staats - Ass't. Prof. of Fine Arts
- 6) Mr. F. D. Hurdis - Ass't. Prof. of Fine Arts
- 7) Mr. P. B. Kelley - Ass't. Prof. of Fine Arts
- 8) Dr. D. Butler - Ass't. Prof. of Fine Arts
- 9) Dr. G. Morgan - Ass't. Prof. of History
- 10) Dr. R. B. Boeder - Ass't. Prof. of History
- 11) Dr. J. A. Hamilton - Prof. of French
- 12) Mr. W. M. Connor - Ass't. Prof. of German
- 13) Ms. J. B. Hathaway - Instr. in Mathematics
- 14) Dr. J. Moore - Ass't. Prof. of Mathematics
- 15) Dr. L. Browning - Ass't. Prof. of Philosophy
- 16) Dr. J. A. Petrick - Ass't. Prof. of Philosophy
- 17) Mr. M. Marcel - Instr. in Psychology
- 18) Dr. J. W. Simmons - Ass't. Prof. of Psychology
- 19) Mr. H. E. Conway - Ass't. Prof. of Sociology
- 20) Mr. T. H. Patterson - Ass't. Prof., Library
- 21) Mr. W. C. Ficklin - Ass't. Prof., Library

Additional faculty positions are required to support the student body for the academic year 1976-77. Three of the positions include administrative duties and they are 12-month appointments. The others are 9-month appointments. The rankings listed could vary, depending on the availability

Mr. William Putnam

Page 2

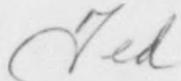
and experience of the prospective faculty members. The following is a listing of the new positions required:

- 1) Assoc. Prof. in Communications - 12 months
- 2) Prof. of Humanities - 12 months
- 3) Assoc. Prof. in Psychology - 12 months
- 4) Assoc. Prof. in Biology
- 5) Ass't. Prof. in Bus. Admin.
- 6) Assoc. Prof. in Bus. Admin.
- 7) Ass't. Prof. in Education
- 8) Ass't. Prof. in English
- 9) Ass't. Prof. of History
- 10) Assoc. Prof. of Mathematics

The above requested positions are budgeted in the 1976-77 budget and the salaries will be within the ranges approved by the Board of Trustees and the Budget and Control Board.

We would appreciate your early attention to this request so that we may proceed with our contracts. If there are any questions, please call me.

Sincerely,



Theodore S. Stern,
President

TSS:bmd

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