

MINUTES OF
BUDGET AND CONTROL BOARD
MEETING

November 10, 1987

State of South Carolina
State Budget and Control Board

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



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REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

November 11, 1987

MEMORANDUM

TO: Budget and Control Board Division Directors
FROM: William A. McInnis, Deputy Executive Director *WAM*
SUBJECT: Summary of Board Actions at November 10, 1987, Meeting

This listing of actions is not the minutes of the referenced meeting. It is an unofficial (meaning it has not been approved by the Board) summary of the Board actions taken at that meeting. The minutes of the meeting are presented in a separate, much more detailed document which becomes official when approved by the Board at a subsequent meeting.

1. Approved the minutes of the Board meeting held on October 27, 1987;
2. With regard to its 1988-89 budget recommendations, heard a presentation by Budget Division staff which included a discussion of \$13.6 million of revenue enhancements and agreed (a) to include in the recommendations \$49.8 million to provide for a payout increase of 5% for State employees with the total to be divided equitably between merit and base pay increases; (b) to include \$2.8 million for school buildings in the operating budget rather than in the EIA budget and agreed to reduce selectively amounts recommended to cover administrative costs to provide funding for this and certain other items; (c) that the recommendation for the General Reserve Fund (set by the constitution at 4% of prior year revenue unless changed by a special vote of the General Assembly) and the Capital Expenditure Fund (set by statute at 2% of general fund revenue for the budget year) be limited to an amount resulting from a combined total of 5% rather than 6%, with each Fund to be retained; and (d) and agreed to consider its budget recommendations further on November 25, at which time it assumed final action on the recommendations would be taken;
3. After hearing a report by representatives of the Attorney General's Office on legal services needed in connection with the asbestos property damage litigation which included Attorney General Medlock's recommendation that the litigation effort be handled internally by his Office, agreed to consider contractual aspects of the matter in executive session as reported below;

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4. Authorized SLED to transfer \$1,000 from supplies to travel for the Missing and Exploited Children Program (second quarter expenditures);
5. Adopted resolutions approving the following proposals (a), (b), and (c) to issue revenue bonds, on the condition that the required reviews are completed with satisfactory results, and allocated a portion of the State ceiling to project (b), after it was advised that project (d) should be withdrawn because the submission was incomplete:

- | | |
|---------------------------|--|
| (a) Issuing Authority: | Charleston County |
| Amount of Issue: | \$6,180,000 Hospital Facilities Revenue Refunding Bonds |
| Name of Project: | Sandpiper Village, Inc. |
| Project Description: | medically-assisted living facility |
| (b) Issuing Authority: | Cherokee County |
| Amount of Issue: | \$3,200,000 Industrial Revenue Bonds |
| Allocation Requested: | \$3,200,000 |
| Name of Project: | The Holson Company Project 1987 |
| Employment Impact: | at least 100 persons |
| Project Description: | manufacture/assemble photo albums and photo greeting cards |
| (c) Issuing Authority: | Lexington County |
| Amount of Issue: | \$5,000,000 Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds |
| Name of Project: | Charter Medical - Columbia, Inc.
[Note: At the meeting, the Board was advised that the project name is Charter Rivers Hospital, Inc.] |
| Project Description: | 80-bed hospital for treatment of patients with acute psychiatric disorders and addictive diseases to be located in West Columbia |
| (d) WITHDRAWN AT MEETING: | |
| Issuing Authority: | Horry County |
| Amount of Issue: | \$30,000,000 Retirement Home Facilities Revenue Bonds |
| Allocation Requested: | \$30,000,000 |
| Name of Project: | Myrtle Beach Retirement Community |
| Project Description: | 400-unit retirement home facility, to be occupied partially by low- or moderate-income persons |

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6. Received as information the status of the State ceiling as of November 4, 1987 (year elapsed 84%) which showed:

	<u>CY 1987 Ceiling</u>	<u>Allocated</u>	<u>(%)</u>	<u>Not Allocated</u>	<u>(%)</u>
State Pool	\$101,340,000	\$16,600,000	(16%)	\$ 84,740,000	(84%)
Local Pool	152,010,000	30,484,350	(20%)	121,525,650	(80%)
Total	\$253,350,000	\$47,084,350	(19%)	\$206,265,650	(81%)

7. Approved the following real property transactions:
- (a) Piedmont Technical College: purchase 2 acres and a 6,250 square foot building located adjacent to Piedmont TEC land for \$90,000; and
 - (b) Employment Security Commission: purchase a 2-acre parcel on Wilson Street Extension in Chester for \$38,500 (project #9292).
8. Authorized Greenville Technical College to purchase a building (7,000 square feet) and property (1.2 acres) at the intersection of Skyview Drive and Winterberry Court in Greenville for \$290,000, on the condition that the owner removes asbestos from the building;
9. In accord with Section 11-35-1210, granted procurement certification to The Citadel within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$10,000 per purchase commitment; consultants, \$10,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$10,000 per purchase commitment; and construction services, \$25,000 per purchase commitment;
10. In accord with Section 11-35-1210, granted procurement certification to the Department of Youth Services within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$25,000 per purchase commitment; consultants, \$25,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$25,000 per purchase commitment; and construction services, \$25,000 per purchase commitment;
11. Authorized the Fire Commission to submit to the Legislative Council for publication in the State Register regulations regarding fire and life safety (subarticles 1, 2, 4, 7, 9 and 10) which include technical corrections and which allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards;

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12. Granted blanket approval for the faculty and staff of the USC Earth Science and Resource Institute (ESRI) to travel to Syria during the November 1987 - May 1988 period to participate in a joint ESRI research program with Syrian geologists with the project to be fully funded by the Louisiana Land and Exploration Company;
13. Heard a brief report by CCI Site Selection Committee and agreed to consider pending contractual aspects of the matter in executive session, as reported below;
14. Agreed to hold a regular meeting at 10 a.m. on Wednesday, November 25, 1987, in the Governor's conference room in the State House; was reminded it had agreed to hear agency requests for capital improvement bond funding during the afternoon of December 8 and all day on December 9 and to invite the Bond Committee to participate in those hearings; and gave notice that Board members are scheduled to participate in the Agency Head Conference at Hilton Head on December 11, 1987;
15. After considering further the CCI Site Selection Committee status report, asked the Committee to provide additional information on four of the five sites under consideration;
16. Heard a report by staff of the Office of the Executive Director and its attorney on the status of the AT&T suit and related negotiations;
17. Was advised by Executive Director Coles that he had agreed to put Deputy Executive Director Laurent on loan to the Health and Human Services Finance Commission (HHSFC) for a 60-day period while the HHSFC seeks a replacement executive director if that Commission so desires; and
18. Instructed Executive Director Coles and Chief Deputy Attorney General Wilson to provide additional information on the contractual aspects of the asbestos property damage litigation effort.

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

NOVEMBER 10, 1987

10 A. M.

The Budget and Control Board met at 10 a.m. on Tuesday, November 10, 1987, in the Governor's conference room in the State House, with the following members in attendance:

Governor Carroll A. Campbell, Jr., Chairman;
Mr. Grady L. Patterson, Jr., State Treasurer;
Mr. Earle E. Morris, Jr., Comptroller General;
Representative Robert N. McLellan, Chairman, House Ways & Means Committee.

Senator Rembert C. Dennis, Chairman of the Senate Finance Committee, was represented by Senator James M. Waddell, Jr., Vice-Chairman of the Committee. Mr. Morris joined the meeting as the minutes of the October 27 meeting were being approved.

Also attending were:

Jesse A. Coles, Jr., Ph.D.	Executive Director
William A. McInnis	Secretary
E. A. Laurent, Ph.D.	Deputy Executive Director
J. Samuel Griswold, Ph.D.	Deputy Executive Director
Charles H. Smith	Special Projects Administrator
Donna K. Williams	Assistant to Board Secretary
Other Board staff	
Joseph A. Wilson, II	Chief Deputy Attorney General
Q. Whitfield Ayres, Ph.D.	Governor's Dir., Budget & Social Policy
Luther F. Carter, Ph.D.	Governor's Exec. Asst. Finance & Planning
Mark R. Elam	Governor's Legal Counsel
George M. Lusk	Comptroller General, Senior Assistant
William Jordan	Finance Committee Director of Research
Scott R. Inkley, Jr.	Ways & Means Committee Dir. of Research
Susan K. Hooks	Ways & Means Committee Research Analyst

Adoption of Agenda

Dr. Coles advised that staff had no recommended changes to the proposed agenda.

Upon a motion by Mr. Patterson, seconded by Mr. McLellan, the Board adopted the agenda as proposed.

Blue Agenda

Dr. Coles advised that no blue agenda items were proposed for this meeting.

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Minutes of Previous Meeting (Regular #1)

Board members previously had been furnished a draft version of the minutes of the October 27, 1987, Budget and Control Board meeting.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board approved the referenced minutes as written.

[Secretary's Note: Mr. Morris joined the meeting at this point.]

State Budget Division: 1988-89 Budget Recommendation (Regular #2)

Dr. Coles introduced the item by noting that budget recommendations prepared in accord with directions given by the Board at the November 3 meeting are to be presented.

Budget Division Director Baron Holmes appeared before the Board on this matter.

Dr. Holmes commented that it seems like a brief time since last Tuesday when the Board first considered the matter of budget recommendations for 1988-89. Since then, he said, he has been trying to pull together two versions of the proposed budget as directed. He observed that it should come as a surprise to no one, given South Carolina's situation in which we are able to spend 70% of the national level, that there would be difficulty in working out a consensus.

Dr. Holmes distributed a handout which showed that revenue enhancements of \$13,638,774 had been added to the Board of Economic Advisors estimate of \$3,050,024,679. He commented that clearly a number of policy questions are raised by the enhancements which must be addressed by the Board. He said that the revenue enhancements proposed would bring revenues for 1988-89 to \$3,063,663,453 which, against an appropriation base of \$2,853,533,541 for 1987-88, left about \$210 million for new expenditures.

The revenue enhancements included in the \$13.6 million total then were reviewed by Dr. Holmes. He cited an additional \$9,168,550 by the Tax Commission; \$581,724 from regulatory and licensing boards; \$175,000 from armory rental revenue which he said is about half of the amount generated in the past; \$325,000 from implied consent fees; \$3,238,500 from the nuclear waste tax increase; and \$150,000 from additional probation/parole fees. He

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then asked if the Board is inclined to adopt the enhancements as a part of the revenue base.

Governor Campbell asked about the Tax Commission enhancement figure which he said is not the same as he had understood. Dr. Holmes advised that he had met with the Tax Commission and had received a revised letter from them which reflected a \$1.2 million increase which he recalled was attributed to their auditors. Mr. Patterson asked if the increased revenue attributed to the Tax Commission is that body's formal and official increase. Governor Campbell asked if absolute numbers rather than ranges are presented. Dr. Holmes advised the Board that the Tax Commission numbers are official and that point estimates rather than ranges are used.

Dr. Holmes described page three of his handout, which was labelled as "Reserve Consolidation Fact Sheet," as the centerpiece of last meeting's discussion.

Governor Campbell cautioned Dr. Holmes on the use of the word "consolidation" in describing what he had proposed regarding the general reserve fund and the capital expenditure fund which he said is a misnomer. He said his statement was that he would like to see the two funds combined and capped at 5%. He emphasized that he is proposing that the two funds be maintained. He said he did not want to leave the impression that he is proposing to do away with the constitutional reserve fund and he stressed that the part to offset midyear budget cuts would be maintained under his proposal.

Dr. Holmes said he understood that the idea was to combine the two funds at the 5% level to be split as the General Assembly saw fit and that neither of the two would be wiped out.

Mr. Morris observed that the Board would have to deal with the capital expenditure fund and that it can't do anything with the sacrosanct general reserve fund.

Dr. Holmes said that the capital expenditure fund and the general reserve fund, under present law, would call for a total of \$168,983,342 and that 5% of the 1986-87 revenue would produce a total requirement of \$134,637,704 for a difference of \$34,345,728 which would be available for reinvestment in other

purposes if that change were to be made. He said that the Division had started with the bare bones budget and had added the reserve reinvestment program column which he said is the main point of difference between the original proposal and the two options.

Mr. Patterson said the constitution cannot be changed in time for this budget and he said the combination has to be 4% for the general reserve fund and either 2%, as now required, or 1% for the capital expenditure fund.

Dr. Holmes said that some steps would have to be taken by the General Assembly and that the difference could be taken from the capital expenditure fund by action of that body.

Governor Campbell observed that this is his first budget as governor and he asked rhetorically if all budgets don't assume certain actions will be taken by the governing body such as the proposed change in the tax on radioactive waste. He said the Board's budget would be based on assumptions which, if not accepted by the General Assembly, would have to be revised.

Dr. Holmes said that staff brings budget recommendations to the Board which follow all constitutional mandates and which adhere as closely as possible to statutory requirements. He said, when strong feelings to adjust statutes are held by the Board, messages to the General Assembly have been embodied in the Board's budget recommendations.

Governor Campbell said his reading of the statute on the capital expenditure fund is that the statute applies specifically to the appropriations bill as it leaves the House and goes to the Senate at which time that fund is supposed to be funded. He said that the House could send the appropriations bill out with a bill affecting the capital expenditure fund attached. He also expressed the view that, if the House made a statement that it wanted the two funds funded at a combined total of 5% and if it did so by legislative action, it could certify the bill as being in balance based on that action.

Mr. McLellan said he differed with Governor Campbell in that funding the capital expenditure fund is a procedural question. He again said that legislation changing the requirements must have been passed by both houses and

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signed into law by the Governor before any funds freed up by that change could be included elsewhere in the budget. He expressed the view that the law was written to mean that that approach is required.

Governor Campbell said that the Speaker would rule the bill out of order if a bill to make the change were attached.

Mr. McLellan again said it is procedural matter and that changing the capital expenditure fund would require that a bill go all the way through the legislative process and have been signed by the Governor before the change could be reflected in the budget.

Governor Campbell noted that a proposed additional tax could be passed as a part of the appropriations bill and Mr. McLellan said that that is done on all revenue enhancers.

Mr. Morris asked if the House by majority vote were to say reduce the capital expenditure fund to 1% (and thereby release \$26 million) would it then consider the bill balanced. In response, Mr. McLellan said that it could not be done that way. He said if that approach could be taken the House could simply say notwithstanding any other law the fund is changed and he said the Speaker has ruled out of order approaches like that. He said the way the Speaker interprets the statute the capital expenditure fund will be funded fully by the Ways and Means Committee.

Governor Campbell observed that it is the Speaker's position that the fund must be fully funded in the bill adopted by the Ways and Means Committee and Mr. McLellan confirmed that to be the case.

Governor Campbell then read from paragraph 5 of Code Section 11-11-310 which indicated that the appropriation for the capital expenditure fund must be in the Ways and Means report on the General Appropriations Bill and at various points in the legislative process thereafter. He said the Board recommends to the General Assembly and that body can take the Board's recommendations or it can throw them out. He commented that nothing in law says the Board could not recommend a 5% total for the two funds if it wanted to do so.

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Mr. McLellan said that the Governor's point is not debatable and that the Board can recommend anything it wants.

Mr. Morris said the Board must recommend a balanced budget but that it can assume some things.

Governor Campbell said he can see how the House is constrained by the law.

Mr. McLellan again expressed the view that the Board could recommend abolition of the constitutional reserve fund or anything it wants to.

Mr. Patterson said the Board has to recommend a balanced budget which includes constitutional and statutory requirements.

Mr. Wilson said the Board could make recommendations to change requirements.

Mr. McLellan then said again that the Board has the right to do what it wants to but he asked why we would go through the exercise of raising the expectations of agencies. He said if the capital expenditure fund is not funded fully in the Board's recommendation that the Ways and Means Committee will take the funds necessary to fund it as required. He expressed concern that that process raises expectations of people throughout the State.

Mr. Morris said he thought the Board had agreed to recommend a budget within constitutional and statutory requirements and to add an addendum dealing with what would happen if the amount required for the two funds were to be reduced. Mr. Patterson said he thought that was the consensus last time. Senator Waddell said he thought we would have a supplemental budget to cover the use of any funds freed up by changing the requirements. Governor Campbell said he hoped the Board would recommend setting aside no more than 5% with the General Assembly to accomplish it.

Mr. McLellan said the Board could embody a message in its recommendations to limit the amount for the two funds to 5% which he said he could support. But, he said it is another matter altogether to take the results of that proposed change and spread them throughout the appropriations bill.

A lengthy discussion of particular items ensued. In the course of that discussion, Mr. McLellan raised concerns about the feasibility of reducing the insurance program reserves. Governor Campbell asked about any anticipated

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uses of lapsed funds in the capital expenditure fund and Dr. Holmes advised him that he thought it advisable to wait until the capital budget review had occurred. Mr. McLellan said his earlier motion had been that the Board not recommend any Part III or Part IV appropriations and that no expenditures be proposed from the capital expenditure fund.

The Board reviewed Dr. Holmes' handout which showed A and B budgets along with his proposed reserve reinvestment program appropriations. Dr. Holmes observed that this is the most balanced budget the Division has ever put together. He said it was developed using all Board input but he acknowledged that the brief time available for review may mean that members are reluctant to act on the proposals today.

Governor Campbell noted that the Division's recommendations assume no application of administrative cost reductions and Dr. Holmes confirmed that to be the case.

In the course of the discussion, the B budget was described as one which fully funded the capital expenditure fund (at 2%) while the A budget assumed that fund would be at 1%.

After inquiring into recommendations for the Department of Education, Mr. McLellan said he has problems with the format in which the budget recommendation information is presented, saying that we do not know what factors are changed to get to what is recommended.

After further review of the details in the proposal, Governor Campbell summarized it by noting that no use of administrative cost reductions is contemplated and that no use of lapsed funds from the capital expenditure fund is projected. He also observed that the difference between the two is that the B budget assumes 6% funding for the two funds while the A budget assumes 5%. The proposal also includes the revenue enhancements outlined.

Following further discussion, Mr. Patterson moved that the Board adopt the B budget as presented by Dr. Holmes and that it recommend the A Budget to the General Assembly with a reduction of the requirement for the capital expenditure fund from 2% to 1%. Mr. Morris seconded the motion.

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Mr. McLellan suggested that Mr. Patterson's motion be amended by indicating that the Board's proposal is that the requirements for the general reserve fund and the capital expenditure fund combined be 5%. Mr. Patterson said he accepted the amendment provided it is clear that his feeling is that we can't do anything about the constitutional reserve fund requirement of 4% until changed in an election and that we should have the 4% general reserve fund and 1% for the capital expenditure fund. The motion was again seconded by Mr. Morris.

Mr. McLellan then asked in what form the Board's recommendations would be presented, noting that he does not agree with all of the proposals and citing the removal of a \$2.8 million item for school buildings from the B budget as an illustration. He expressed the view that the Board cannot really consider this budget proposal without having the EIA budget before it. He said he is not comfortable doing the budget in this way and that the Board is doing this without understanding the full implications of what it is doing.

Senator Waddell asked about the 5% pay raise for State employees and suggested that it be a 3% base pay increase and a 2% merit increase. Governor Campbell said he had recommended 2.5% for base pay and 2.5% for merit pay. Mr. Morris said he was to have received a proposal from the State Employees Association to increase pay at lower levels. Mr. McLellan said the Board is about to vote on something it does not understand. Mr. Patterson said he advocates a 4% base pay increase plus 2% average merit increase with a \$50 million payout. He suggested the Board recommend the funding level for pay increases with the understanding that details of the program are to be worked out. Mr. Morris said he proposes a 3% base pay increase and a 4% merit increase, saying that he thought merit pay should have greater emphasis. Mr. Patterson said some minimum should be set for lower paid employees and Governor Campbell expressed concern about minimum pay, noting that the merit pay program gives some options.

Mr. McLellan said he is uncomfortable with the budget which has been put on paper thus far, noting the treatment of the \$2.8 million school building item in particular. Senator Waddell said he would be willing to sacrifice

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some of the cutting edge program funds for higher education at this time to get over this problem. Governor Campbell suggested that administrative cost reductions done selectively rather than across-the-board could provide the funds needed.

Governor Campbell said that carryover funds in the capital expenditure fund and bond authorizations could cover the \$2.8 million school building aid item. He said we have to do something with post-secondary education for which support has eroded over the years. He said we must reverse that trend if the State is to move ahead. Senator Waddell agreed.

Mr. McLellan observed that it seems strange, given our reputation for overestimating revenue, that we are trying to find ways to spend all we have and take reserve funds too. He said that approach bothered him a great deal. He said we do not have an enviable history in revenue forecasting yet we seem anxious to spend everything we have and to create additional revenues with enhancements. He again said the Board does not know the full implication of what it is about to vote on and he said he cannot vote for it now. He suggested amending the motion to delay action for one or two weeks.

Dr. Holmes said if final action is delayed beyond a week from today he would have to work out with Mr. McLellan being allowed to submit a computer printout to the Ways and Means Committee.

Governor Campbell took exception to Mr. McLellan's comment about trying to spend everything. He recalled that he was in the Edwards administration at the time the general reserve fund was established at 5% which he agreed with and that the capital expenditure fund had been added on top of that reserve. He said he is very concerned about retaining those funds and that he would not jeopardize them. He said if the total for the two funds goes to 6.5% we are taxing the people to save 6.5% which is too high or State needs are not being met. He said Mr. Morris had said it well when he said had we stuck with the original estimates of the Board of Economic Advisors we probably would not have overspent.

Governor Campbell said a number of items are not addressed in the proposed budget. He said that reducing administrative costs is a reallocation of

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existing resources and the possibility of using carryover capital expenditure funds does not represent new funds. He added that formula changes are not addressed. He emphasized that it is important that we recognize the major needs of the State and speak to them in a realistic manner. He expressed the view that the 5% level for the two funds is realistic and that remaining funds should be spent to meet needs of the State. He said the Board could send a strong message to the General Assembly that it is reasonable to save 5% and to spend 95% for the people of the State. He said he did not want to push above the revenue estimate and had wanted to get on the bottom end of the range. He said he would very much like to recommend to the General Assembly that it pass a budget using 5% for the two funds instead of 6% and, if were to choose not to do that, to reduce the Board's recommendations appropriately.

Mr. McLellan noted that the total requirement for the two funds next year would go to 6.5% but he pointed out that the presently-required 2% for the capital expenditure fund is expendable and it must be expended each year. It is not, he said, as if this fund cannot be spent. He commented that the proposal is very cleverly arranged so as to spend from the fund before the funds are even there. He expressed the feeling that the 4% savings account is appropriate and that spending the other 2% now required is deferred until the end of the year when the revenue situation is known.

Mr. Morris said the end-of-year situation is what the general reserve fund is for. Mr. McLellan said it is intended to cover deficits while the other fund was intended originally to fund capital projects to get the State out of the bond business.

Governor Campbell said the 2% cushion is bothersome in that it pushes people to be more liberal on expenditures just because the fund is there. He noted that Dr. Morris has said that we are about \$15 million to \$20 million short because revenues and expenditures have been pushed up. He acknowledged that setting the limits on the funds is the General Assembly's decision.

Mr. Patterson said it is agreed generally around the country that states need a 5% reserve to cover the vicissitudes of revenue forecasting. He noted that the general reserve can be changed by a 3/5 vote. He pointed out that

the rating services asked many questions when the reserve requirement was lowered from 5% to 4%. He said it is wise not to tamper with the constitutional reserve and that the discussion should be on the capital expenditure fund. Mr. Morris indicated agreement with Mr. Patterson's view.

Governor Campbell said he is not proposing any change to the constitutional reserve.

Mr. Morris commented that at the end of the first quarter of the fiscal year revenues are at 25% but that spending is at 23%.

A discussion of the schedule ensued in which Dr. Holmes said he would have to supply the Ways and Means Committee with a computer printout version if final decisions are held off until November 24. Mr. McLellan said that version is OK.

Following these extended discussions regarding its 1988-89 budget recommendations in response to a presentation by Budget Division staff which included a discussion of \$13.6 million of revenue enhancements, the Board without objection agreed to include in the recommendations \$49.8 million to provide for a payout increase of 5% for State employees with the total to be divided equitably between merit and base pay increases.

The Board without objection agreed to include \$2.8 million for school buildings in the operating budget rather than in the EIA budget and agreed to reduce selectively amounts recommended to cover administrative costs to provide funding for this and certain other items.

Upon a motion by Senator Waddell, seconded by Mr. Morris, the Board agreed that the recommendation for the General Reserve Fund (set by the constitution at 4% of prior year revenue unless changed by a special vote of the General Assembly) and the Capital Expenditure Fund (set by statute at 2% of general fund revenue for the budget year) be limited to an amount resulting from a combined total of 5% rather than 6%, with each Fund to be retained.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board agreed to consider its budget recommendations further on November 25, at which time it assumed final action on the recommendations would be taken.

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Information relating to this matter has been retained in these files and is identified as Exhibit 1.

Attorney General's Office: Asbestos Property Damage Litigation (Reg #3)

[Secretary's Note: Governor Campbell excused himself from the meeting and Mr. Patterson assumed the chair.]

Attorney General's Office staff members Nathan Kaminski and David Eckstrom and attorney Daniel Speights appeared before the Board on this matter.

The Board was reminded in the agenda materials that, on September 22, the Attorney General's Office briefed the Board on the asbestos property damage litigation and discussed hiring the Motley law firm as associate counsel to manage the litigation presently underway.

At its meeting on October 27, the Board carried over consideration of a proposed Contract of Representation between the State and the law firms of Speights & Runyon and Motley, Loadholt, Richardson & Poole in connection with efforts to obtain recover of the costs of asbestos abatement from those who made, sold or installed asbestos materials in State buildings, pending receipt of a letter from Attorney General Medlock setting forth his comments and recommendations on the proposed contract.

On October 27, staff advised the Attorney General's Office of the Board's request that Mr. Medlock provide the Board with a formal letter setting forth his comments and recommendations on the proposed Contract.

At the meeting, Mr. Kaminski distributed copies of the Attorney General's opinion which had been delivered to Board members earlier in the morning.

Mr. Kaminski recounted the history of this situation, noting that the Attorney General's Office initially had reviewed the private firm option and had concluded that there was little hope it could not negotiate a contingency fee contractual arrangement which would pass the reasonableness test and, for that reason, had decided to handle the preliminary work internally. He noted that the Attorney General had asked for and had received restoration of \$140,000 of budget reductions for this purpose.

[Secretary's Note: Governor Campbell returned to the meeting at this point during this discussion.]

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Mr. Kaminski recalled that he had briefed the Board on September 8 before the "omnibus" lawsuit was filed covering all State buildings not previously covered by some other suit already filed. He reminded the Board that it at that time had concurred in the filing of the suit and had asked the Attorney General's Office to re-explore the option of using a private firm to handle the litigation effort.

He noted that the Board, after he had advised that the Attorney General would support whichever approach the Board might choose, directed him at the September 22 meeting to negotiate a proposed specific contract with the Motley-Speights firms which he did.

Mr. Kaminski presented the proposed contract at the Board's October 27 meeting. That contract contained basically the same type of contingency fee arrangement that the Motley-Speights firms had used previously with other governmental entities. He pointed out the potential for multimillion dollar legal fees under the arrangement proposed if a large recovery were to result from the lawsuit. At that meeting, the Board asked for the written recommendation of the Attorney General on the issue.

Mr. Kaminski pointed out that the Attorney General's letter presented today incorporates the position his Office started with two months ago. He then read the last three paragraphs of that letter which recommended that the Board support his Office to obtain the funding needed this fiscal year for this effort (\$434,695) with a similar amount needed for 1988-89 and thereafter. The letter also indicated that the Attorney General would support the Board's decision if the Board were to determine for economic reasons that it is necessary to pursue the contingency fee contract route.

Mr. Kaminski recognized that the Board is faced with a difficult decision from a financial perspective. He advised that the Attorney General needs the support and the early decision of the Board.

Governor Campbell noted that the Attorney General had requested \$150,000 per year for private counsel, but that the letter delivered today requests \$434,000 to handle the whole case for 1988-89.

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Mr. Kaminski estimated that the case would continue for five to ten years. Mr. Speights indicated that the longest one now pending, the State of Maryland, has been ongoing for four years and that it is expected to go to trial in one or two years.

Mr. Kaminski noted that the request for this year could be cut back and that the estimate for next year is \$493,600. He further noted that the Attorney General's Office will have to enter into a consulting agreement with the Motley firm, which has developed a large data base, or reinvent the wheel in the national discovery portion of the effort.

Senator Waddell took exception to the use of the term reasonableness in the Attorney General's letter. He indicated that there is no precedent for this situation and that this is an unusual circumstance. He said that it is reasonable to expect that this case will take years to be concluded and he expressed the view that the Board should engage the most qualified counsel it can. He noted that, if the Board were to employ the firm, the most to be paid would be \$150,000 per year.

Mr. Morris noted that, at the last meeting, he had understood Mr. Kaminski to say that the Attorney General supported hiring the Motley firm but now he says not to do that. Mr. Kaminski replied that the Attorney General's position throughout has been that the Attorney General will support the Budget and Control Board's decision.

Mr. Kaminski noted that the Board has a broader perspective of reasonableness. He said he did not believe that the Attorney General's position has changed which is that he will support the Board's decision.

Mr. Morris said that the Board wants to support the Attorney General as this is a legal matter and the Attorney General is the expert.

Governor Campbell noted that there seems to be a change of position by the Attorney General. He then asked Mr. Kaminski to review the Motley firm rate schedule.

Mr. Kaminski advised that the rate schedule proposed is the lowest possible one as a result of extended negotiations. He said that the firm will retain 33 1/3% of settlements up to \$30 million; 25% for \$30-60 million; and

15% for those over \$60 million for an average of 23.5% on a \$100 million recovery.

Mr. Patterson said that a \$30 million recovery would result in a \$10 million fee under the proposal.

Mr. McLellan expressed concern about the fortuitous settlement provision in the proposed contract. He expressed the view that there will be a terrible reaction in the legal community if the Board approves the proposed agreement.

Mr. Kaminski said he has not been aware of indignation by outside law firms. He noted that, while the Attorney General's Office has never handled this type case, his Office thinks it can handle the case internally.

Mr. Patterson moved that the Board carry this item over to the next meeting.

In response to Mr. Morris, Mr. Kaminski indicated that negotiations on the contract had been delayed because of a hangup on the nonappropriations clause.

Governor Campbell asked that the Board reconsider the proposed agenda and add one contractual item to the executive session portion so that this item could be discussed further in executive session.

Mr. Patterson seconded Governor Campbell's motion and the Board, having heard the report by representatives of the Attorney General's Office on legal services needed in connection with the asbestos property damage litigation which included Attorney General Medlock's recommendation that the litigation effort be handled internally by his Office, agreed to consider contractual aspects of the matter in executive session.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

Budget Division: Veto-related Funds Transfer Request, SLED (Reg. #4)

The Budget Division advised that the State Law Enforcement Division has requested authorization to transfer \$1,500 from supplies to cover three-months' funding of travel for the Missing and Exploited Children Program. This line-item was vetoed by the Governor.

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The Budget Division recommended that SLED be authorized to transfer \$1,000 from supplies to travel for second quarter expenditures.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board authorized SLED to transfer \$1,000 from supplies to travel for the Missing and Exploited Children Program (second quarter expenditures).

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

Executive Director: Revenue Bonds; Ceiling Allocations (Regular #5)

Board Secretary/Deputy Executive Director William A. McInnis appeared before the Board on this matter.

Mr. McInnis advised that the required reviews on the following proposals to issue revenue bonds have not yet been completed and ask that the Board grant conditional approval. He advised that each of the projects requires approval under State law and that a ceiling allocation is requested for project (b).

Mr. McInnis advised that project (d) had been withdrawn as the submission was incomplete.

He also advised that bond counsel for the project in item (c) has now advised that the project name is Charter Rivers Hospital, Inc., rather than Charter Medical - Columbia, Inc., as had been indicated initially.

(a) Issuing Authority: Charleston County
Amount of Issue: \$6,180,000 Hospital Facilities Revenue
Refunding Bonds
Name of Project: Sandpiper Village, Inc.
Project Description: medically-assisted living facility
(Exhibit 4)

(b) Issuing Authority: Cherokee County
Amount of Issue: \$3,200,000 Industrial Revenue Bonds
Allocation Requested: \$3,200,000
Name of Project: The Holson Company Project 1987
Employment Impact: at least 100 persons
Project Description: manufacture/assemble photo albums and
photo greeting cards
(Exhibit 5)

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(c) Issuing Authority: Lexington County
Amount of Issue: \$5,000,000 Adjustable Rate Psychiatric Hospital
Refunding Revenue Bonds
Name of Project: Charter Medical - Columbia, Inc.
[changed to Charter Rivers Hospital, Inc.]
Project Description: 80-bed hospital for treatment of patients with
acute psychiatric disorders and addictive
diseases to be located in West Columbia

(Exhibit 6)

(d) Issuing Authority: Horry County
Amount of Issue: \$30,000,000 Retirement Home Facilities
Revenue Bonds
Allocation Requested: \$30,000,000
Name of Project: Myrtle Beach Retirement Community
Project Description: 400-unit retirement home facility, to be
occupied partially by low- or moderate-income
persons

(Withdrawn from agenda because submission was incomplete)

The Board was provided with a status report on the State Ceiling (Exhibit 7) as of November 4 (year elapsed 84%) which showed:

	<u>CY 1987 Ceiling</u>	<u>Allocated</u>	<u>(%)</u>	<u>Not Allocated</u>	<u>(%)</u>
State Pool	\$101,340,000	\$16,600,000	(16%)	\$ 84,740,000	(84%)
Local Pool	<u>152,010,000</u>	<u>30,484,350</u>	(20%)	<u>121,525,650</u>	(80%)
Total	\$253,350,000	\$47,084,350	(19%)	\$206,265,650	(81%)

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board adopted resolutions approving the referenced proposals (a), (b), and (c) to issue revenue bonds, on the condition that the required reviews are completed with satisfactory results, and allocated a portion of the State ceiling to project (b), after it was advised that project (d) should be withdrawn because the submission was incomplete.

Information relating to this matter has been retained in these files and is identified as Exhibits 4 through 7, respectively.

07706

General Services: Real Property Transactions (Regular #6)

General Services Division Director Richard M. Kelly appeared before the Board on this matter.

The Division recommended approval of the following real property transactions:

- (a) Piedmont Technical College: purchase 2 acres and a 6,250 square foot building located adjacent to Piedmont TEC land for \$90,000. The property will be used as a site of a new construction management facility. The property has an appraised value of \$100,000. The project is part of the 1987-88 APIP; local funds will be used.
- (b) Employment Security Commission: purchase a 2-acre parcel on Wilson Street Extension in Chester for \$38,500 (project #9292). This purchase will allow the Commission to move from leased space and will relieve severely overcrowded conditions. The parcel has been appraised at \$44,000 and \$37,000; Property Management values the parcel at \$40,000. The source of funding is capital improvement bonds, federal and other funds.

Upon a motion by Mr. Morris, seconded by Mr. Patterson, the Board approved the Piedmont Technical College request to purchase 2 acres and a 6,250 square foot building located adjacent to Piedmont TEC land for \$90,000.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board approved an Employment Security Commission request to purchase a 2-acre parcel on Wilson Street Extension in Chester for \$38,500 (project #9292).

Information relating to this matter has been retained in these files and is identified as Exhibit 8.

General Services: Property Acquisition, Greenville TEC (Regular #7)

General Services Division Director Richard M. Kelly appeared before the Board on this matter.

The Division of General Services advised that, on its June 9 meeting, the Budget and Control Board carried over consideration of the Greenville Technical College proposal to acquire the Shaw and Smith properties because of Board policy not to approve real property acquisitions for more than the appraised value.

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Regular Session -- November 10, 1987 -- Page 19

Mr. Smith was asking \$300,000 for the property and refused to accept the appraised value. At Greenville TEC's request, Property Management obtained a new MAI appraisal which found the value to be \$300,000. Property Management was not satisfied with the appraiser's explanations and assumptions when the final value estimate was questioned.

After Property Management's review of the appraisal, a sale price of \$290,000 was negotiated with Mr. Smith. Mr. Kelly also advised that the owner has agreed to remove asbestos from the property (at an estimated cost of \$18,000 to \$20,000).

Greenville TEC took the position that, due to the building limitations of the campus, the procurement of additional space is the only viable alternative suitable for facility expansion needed to meet the demands of increased enrollment and credit/continued education areas.

Property Management advised that the permanent improvement project (#9469) was approved by the Bond Committee on May 27, 1987, and by the Commission on Higher Education on May 7, 1987.

Following a discussion, upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board authorized Greenville Technical College to purchase a building (7,000 square feet) and property (1.2 acres) at the intersection of Skyview Drive and Winterberry Court in Greenville for \$290,000, on the condition that the owner removes asbestos from the building.

Mr. Kelly advised Mr. Wilson that the Department of Health and Environmental Control would certify to the removal of the asbestos at the appropriate time.

Information relating to this matter has been retained in these files and is identified as Exhibit 9.

07708

General Services: Citadel Procurement Certification (Regular #8)

General Services: Youth Services Procurement Certification (Reg. #9)

General Services Division Director Richard M. Kelly appeared before the Board on these matters.

The Board was advised that the Division of General Services, in accord with Section 11-35-1210, has audited The Citadel and recommends its certification within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$10,000 per purchase commitment; consultants, \$10,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$10,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

The Board was advised that the Division, in accord with Section 11-35-1210, has audited the Department of Youth Services and recommends its certification within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$25,000 per purchase commitment; consultants, \$25,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$25,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, in accord with Section 11-35-1210, the Board granted the referenced procurement certifications to The Citadel and the Department of Youth Services.

Information relating to this matter has been retained in these files and is identified as Exhibits 10 and 11, respectively.

Fire Commission: Proposed Regulations, Fire and Life Safety (Reg. #10)

State Fire Marshal Division Assistant Director Randall Halfacre appeared before the Board on this matter.

07709

The State Fire Commission advised that the drafting period for developing regulations regarding fire and life safety, notice of which was published in the September 23, 1987, State Register, ended October 27.

The Commission has revised Subarticle I to correct technical errors and to allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards. The Commission advises that the revision will advance the rights of handicapped persons and ease their placement back into society. These regulations are now in effect on an emergency basis which will expire in mid-January 1988.

The Commission also has revised Subarticles 2, 4, 7, 9 and 10 to correct technical errors and to incorporate the appropriate references to the adopted 1985 Southern Standard Building Code and 1985 Fire Prevention Code.

The Commission asked Board authorization to submit the proposed regulations to the Legislative Council for publication in the State Register to begin the formal approval process. A public hearing is scheduled for 10 a.m., December 31, 1987.

Following a brief discussion relating to the procedures, upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board authorized the Fire Commission to submit to the Legislative Council for publication in the State Register regulations regarding fire and life safety (subarticles 1, 2, 4, 7, 9 and 10) which include technical corrections and which allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards.

Information relating to this matter has been retained in these files and is identified as Exhibit 12.

University of South Carolina: Foreign Travel Blanket Approval (Reg #11)

The University of South Carolina advised that the College of Earth Science and Resource Institute (ESRI) is presently involved in a joint ESRI research program with Syrian geologists in Syria. The project will cover a period of

07710

approximately six months and ESRI faculty and staff will be traveling to Syria, some more than once, during the November 1987 - May 1988 time period.

USC advised that the Louisiana Land and Exploration Company is fully funding the project and no State funds will be used.

USC requested that the Board grant blanket approval for the faculty and staff of the Earth Science and Resource Institute to travel to Syria during the November-May period to participate in a joint ESRI research program with Syrian geologists with the project to be fully funded by the Louisiana Land and Exploration Company.

Upon a motion by Mr. Patterson, seconded by Senator Waddell, the Board granted blanket approval for the faculty and staff of the USC Earth Science and Resource Institute (ESRI) to travel to Syria during the November 1987 - May 1988 period to participate in a joint ESRI research program with Syrian geologists with the project to be fully funded by the Louisiana Land and Exploration Company.

Information relating to this matter has been retained in these files and is identified as Exhibit 13.

CCI Site Selection Committee: Status Report (Regular #12)

General Services Division Director Richard M. Kelly and members of the site selection committee appeared before the Board on this matter.

Mr. Kelly said the committee has been looking at five sites and that information on them is to be presented today.

Mr. Morris inquired why the figures presented are misleading. He noted that, although the retraining costs are included in the costs of the Lee County site, retraining will occur regardless of the location. He indicated that about one-third of the employees now live closer to the proposed Lee County location. He asked that the retraining cost item be removed from the report because it is invalid.

Dr. Coles advised that the plan was to give the Board a brief status report in open session and for Board members to discuss the proposed sites in executive session. He indicated that it is normal procedure for the Board to consider contractual matters relating to specific sites in executive session.

Mr. Patterson agreed with Mr. Morris' statement that there will be turnover regardless of where the prison is located.

Mr. Kelly said the Committee is hopeful that it has all of the information needed by the Board to make a decision. He indicated that the entire site selection committee was present here but that Commissioner Evatt was unable to attend because he is meeting with his Board but he has sent two representatives.

Mr. Morris asked that the next report from the committee include the retraining figure for any location. He noted that the inclusion of these costs in the Lee County site information makes that site prohibitively costly.

Following this discussion, the Board agreed to consider pending contractual aspects of the matter in executive session.

Information relating to this matter has been retained in these files and is identified as Exhibit 14.

Budget and Control Board: Future Meeting (Regular #13)

The Board agreed to hold a regular meeting at 10 a.m. on Wednesday, November 25, 1987, [rather than on November 24 as had been scheduled previously] in the Governor's conference room in the State House.

The Board was reminded it had agreed to hear agency requests for capital improvement bond funding during the afternoon of December 8 and all day on December 9 and to invite the Bond Committee to participate in those hearings.

The Board also gave notice that Board members are scheduled to participate in the Agency Head Conference at Hilton Head on December 11, 1987.

Executive Session

Dr. Coles advised that four items [two contractual (including the addition of the asbestos legal services item), one legal and one personnel] had been proposed for consideration during executive session.

Upon a motion by Mr. Patterson, the Board agreed to consider these items in executive session whereupon Governor Campbell declared the meeting to be in executive session.

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Vote on Matters Discussed in Executive Session Actions

Following consideration of executive session items, the meeting was opened, and the Board voted on the following items which had been discussed during executive session:

(a) CCI Site Selection Committee: Status Report (Executive #1)

The Board, after considering further the CCI Site Selection Committee status report, asked the Committee to provide additional information on four of the five sites under consideration.

(b) Executive Director: Status Report on AT&T Negotiations (Exec. #2)

The Board heard a report by the staff of the Office of Executive Director and its attorney on the status of the AT&T lawsuit and related negotiations.

(c) Executive Director: Personnel Matter (Executive #3)

The Board was advised that Dr. Coles has agreed to put Deputy Executive Director E. A. Laurent on loan to the Health and Human Services Finance Commission (HHSFC) for a 60-day period while the HHSFC seeks a replacement executive director, if that Commission so desires.

(d) Attorney General's Office: Asbestos Damage Litigation (Ex. Added)

The Board instructed Dr. Coles and Chief Deputy Attorney General Joseph A. Wilson to provide additional information on the contractual aspects of the asbestos property damage litigation effort.

Adjournment

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the meeting was adjourned at 2:20 p.m.

[Secretary's Note: In compliance with Code §30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the State House, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 1 p.m. on Friday, November 6, 1987.]

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION

ITEM NUMBER

2

AGENCY: State Budget Division

SUBJECT: 1988-89 Budget Recommendation

At the meeting, the Budget Division will present 1988-89 budget recommendations.

BOARD ACTION REQUESTED:

Consider.

ATTACHMENTS:

67714

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84)

88-109

Meeting Scheduled for: November 10, 1987

Regular Agenda

1. Submitted By:

(a) Agency: State Budget Division

(b) Authorized Official Signature: A. Baran Holmes IV

2. Subject:

Budget and Control Board's 1988-89 Budget Recommendation

3. Summary Background Information:

The State Budget Division's 1988-89 Budget Recommendation.

Details to be presented at the meeting.

4. What is Board asked to do?

Adopt the 1988-89 Budget Recommendation

5. What is recommendation of Board Division involved?

Recommend Approval

C. J. [Signature]

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. Supporting Documents:

(a) List Those Attached:

(b) List Those Not Attached But Available From Submitter:

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EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1988-89 BUDGET RECOMMENDATIONS

NOVEMBER 10, 1987

BEA Revenue Projection for FY 1988-89	\$ 3,050,024,679
Revenue Enhancement	<u>13,638,774</u>
Adjusted Revenue Projection for FY 1988-89	3,063,663,453
Appropriation Base for FY 1987-88	2,853,533,541
Add:	
New Expenditure Recommendations	<u>209,966,789</u>
Recommended Appropriation for FY 1988-89	<u>3,063,500,330</u>
Balance	\$ <u><u>163,123</u></u>

State Budget Division
11/10/87 - fy89bdgtrecB
9:00 a.m.

07716

EXHIBIT

NOV 10 1987

NO. 1

REVENUE FY 1989

STATE BUDGET & CONTROL BOARD

BEA Revenue Estimate 11-1-87	3,050,024,679
Less FY 1988 Expenditure Base	<u>2,853,533,541</u>
Regular Revenue Available	196,491,138
Revenue Enhancements	
Tax Commission	9,168,550
Regulatory & Licensing Boards	581,724
Armory Rental Revenue	175,000
Implied Consent Law Fees	325,000
Nuclear Waste Tax Increase	3,238,500
Additional Probation/Parole Fees	<u>150,000</u>
Total Revenue Enhancements	13,638,774
Total New Revenue Available FY 1989	210,129,912

State Budget Division
11/10/87 - fy89rev
8:50 a.m.

07717

EXHIBIT

NOV 10 1987 NO. 1

RESERVE CONSOLIDATION FACT SHEET

STATE BUDGET & CONTROL BOARD

	<u>FY 1988</u>	<u>Required Increase</u>	<u>Total FY 1989</u>
General Reserve Fund	100,474,344	7,235,819	107,710,163
Capital Expenditure Fund	<u>42,925,448</u>	<u>18,347,821</u>	<u>61,273,269</u>
Total Reserve	143,399,792	25,583,640	168,983,342
5% of FY 1987 Revenue *			<u>134,637,704</u>
Difference			34,345,728

* Revenue for FY 1987 was \$2,692,754,087.

EXHIBIT

NOV 10 1987 NO. 1

FY 1989 STATEWIDE BUDGET ISSUES

STATE BUDGET & CONTROL BOARD

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>STATEWIDE</u>			
<u>General Reserve Fund</u>	7,235,819		7,235,819
<u>Capital Expenditure Fund</u>	-15,997,907	-34,345,728	18,347,821
<u>Aid to Subdivisions</u>			
Formula	8,576,065	4,288,032	4,288,033
Homestead Exemption	2,070,000		2,070,000
<u>Debt Service</u>	-1,760,223		-1,760,223
<u>State Employee Pay Plan @ 5%</u>	49,830,919		49,830,919
<u>Employer Contributions</u>	20,940,281		20,940,281
Insurance Reserve Fund Transfer	<u>-5,619,394</u>		<u>-5,619,394</u>
Total	65,275,560		95,333,254

State Budget Division
11/10/87 - fy89statewide
9:10 a.m.

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EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

<u>BY AGENCY</u>	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Legislative Council</u>	89,658		89,658
Code Supplements	89,658		89,658
<u>Leg Dept-Special</u>			
<u>Services For Both Houses</u>	3,773		3,773
Nat'l Council of State			
Legislatures Dues	3,773		3,773
<u>Leg Dept-Children's Com</u>	321,365		321,365
Guardian Ad Litem	321,365		321,365
<u>Leg Dept-Tax Study Com</u>	64,063		64,063
Update of Tax Code	64,063		64,063
<u>Judicial Department</u>	258,791		258,791
Rent	258,791		258,791
<u>Governor's Office - SLED</u>	1,125,000		1,125,000
Forensic Laboratory	800,000		800,000
Implied Consent Law	325,000		325,000
<u>Governor's Office - OEPP</u>	-200,000		-200,000
School of Math & Science			
Transfer to EIA	-200,000		-200,000
<u>Secretary of State</u>	51,000		51,000
Data Processing	51,000		51,000
<u>Comptroller General</u>	280,000		280,000
Data Processing &			
Other Operations	280,000		280,000
<u>Adjutant General</u>	1,200,080		1,200,080
Rent	427,457		427,457
Armory Maintenance	742,067		742,067
Retirement	30,556		30,556
<u>Election Commission</u>	1,120,000		1,120,000
1988 General Election	1,120,000		1,120,000

EXHIBIT

NOV 10 1987

NO. 1

FY 1989 BUDGET RECOMMENDATIONS STATE BUDGET & CONTROL BOARD

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Budget & Control Board</u>			
Executive Director's Ofc	108,500		108,500
Productivity Unit	58,500		58,500
Printing	15,000		15,000
SC Protection & Advocacy System	35,000		35,000
Internal Operations	210,750		210,750
Personal Service	122,000		122,000
Accounting System	88,750		88,750
Financial Data Systems	154,000		154,000
Equipment	104,000		104,000
Data Base System	50,000		50,000
Budget	226,776		226,776
Personal Service	212,776		212,776
Other Operations	14,000		14,000
Research & Statistical Svcs	415,000		415,000
Geographic Info System	400,000		400,000
Geological Drill Rig	15,000		15,000
Information Resource Mgmt	168,464		168,464
Data Processing	150,000		150,000
Disaster Recovery Site	18,464		18,464
General Services	454,140		454,140
State Engineer	204,300		204,300
Materials Management	126,214		126,214
Rent & Moving Expenses	123,626		123,626
State Fire Marshal	115,500		115,500
Explosive Control Act	87,500		87,500
Regulatory Services	28,000		28,000
Human Resource Management	66,740		66,740
Productivity Management	66,740		66,740
State Auditor	401,559		401,559
Replacement of Non-Recurring Revenue	401,559		401,559
Local Government	1,200,000		1,200,000
EPA Matching Funds	1,200,000		1,200,000

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EXHIBIT

NOV 10 1987

NO. 1

FY 1989 BUDGET RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Commission on Higher Education</u>	22,318,643	17,201,902	5,116,741
Colleges & Universities			
-Formula	14,318,643	9,201,902	5,116,741
The Cutting Edge	8,000,000	8,000,000	
<u>Higher Education Tuition Grants</u>	1,100,000	500,000	600,000
Tuition Grants	1,100,000	500,000	600,000
<u>Charleston Higher Ed Consortium</u>	-74,626		-74,626
1988-89 Base	-74,626		-74,626
<u>St Bd for Tec & Comp Educ</u>	6,289,314	3,827,398	2,461,916
TEC System - Formula	6,269,512	3,827,398	2,442,114
Rent	19,802		19,802
<u>Department of Education</u>	54,239,472	4,028,837	50,210,635
EFA	33,818,576		33,818,576
EFA Fringe Benefits	5,824,752		5,824,752
School Bus Lease-Purchase	6,826,472		6,826,472
Gasoline	600,000		600,000
Maintenance Shops Operations	380,000		380,000
Bus Safety	1,757,995		1,757,995
Textbooks	3,000,000	2,000,000	1,000,000
School Bus Drivers	2,028,837	2,028,837	
Rent	2,840		2,840
<u>Wil Lou Gray Opportunity School</u>	59,623		59,623
Funding of Existing FTEs	59,623		59,623
<u>School for the Deaf & Blind</u>	80,000		80,000
Vocational Training-Food			
Service Program	80,000		80,000
<u>State Library</u>	77,674		77,674
Volunteer Service Coordinator	20,856		20,856
Library Network Support	56,818		56,818
<u>Archives & History</u>	68,419		68,419
Operations & Employee			
Benefits Shortfall	44,600		44,600
Computer System Installment	23,819		23,819
<u>Arts Commission</u>	60,000		60,000
Employee Benefits Shortfall	10,000		10,000
Arts in Education Grants	50,000		50,000

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Museum Commission</u>	<u>1,297,166</u>		<u>1,297,166</u>
Personnel to Open			
State Museum	1,096,166		1,096,166
Operations	201,000		201,000
<u>Health & Human Services</u>			
<u>Finance Commission</u>	<u>7,068,601</u>	<u>2,000,000</u>	<u>5,068,601</u>
Replacement of			
Non-Recurring Revenue	446,869		446,869
Medicaid Match Rate Change	372,498		372,498
Supplemental Medical Ins	850,000		850,000
Annualization of			
NGA Initiative	2,800,000		2,800,000
Medicaid - AIDS	500,000		500,000
Medicaid-Prevention	99,234		99,234
Provider Price Index	2,000,000	2,000,000	
<u>Dept of Health &</u>			
<u>Environmental Control</u>	<u>1,500,000</u>		<u>1,500,000</u>
AIDS	1,066,055		1,066,055
Toxic Waste	1,000,000		1,000,000
Less Non-Recurring			
Expenditures	-200,000		-200,000
Less Vital Records			
Fee Increase	-366,055		-366,055
<u>Department of Mental Health</u>	<u>9,521,210</u>		<u>9,521,210</u>
Justice Dept Settlement	5,921,210		5,921,210
Replacement of			
Non-Recurring Revenue	3,000,000		3,000,000
Community Treatment			
for Children	300,000		300,000
Annualization of Young			
Adult Program	125,000		125,000
Nurses Grade Adjustment	475,000		475,000
Less Non-Recurring			
Expenditures	-300,000		-300,000
<u>Dept of Mental Retardation</u>	<u>1,547,000</u>		<u>1,547,000</u>
Community Work Activity	500,000		500,000
Community Residences	1,000,000		1,000,000
Greenwood Genetic Center	344,000		344,000
Less Non-Recurring			
Expenditures	-171,000		-171,000
Less Transfer to Other Funds	-126,000		-126,000

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Commission on Alcohol & Drug Abuse</u>	65,000		65,000
Teen Institute	65,000		65,000
<u>Department of Social Services</u>	0		0
Work Support/Teen Companion	382,725		382,725
Child Support Enforcement	456,768		456,768
Family Intervention Project	42,768		42,768
Less AFDC Surplus	-882,261		-882,261
<u>John De La Howe School</u>	70,000		70,000
Wilderness Camp Expansion	70,000		70,000
<u>Commission on Aging</u>	102,163		102,163
Rent	32,821		32,821
Grants to Local Providers	69,342		69,342
<u>HHS Local Contract COLA</u>	1,125,504	1,125,504	
<u>Commission on Women</u>	7,000		7,000
Desktop Publishing	7,000		7,000
<u>Department of Corrections</u>	15,876,497		15,876,497
Annualization of 1987-88			
New Positions	5,025,008		5,025,008
New Institutions			
Allendale & Marlboro	10,470,335		10,470,335
Data Processing	600,000		600,000
Prison Industries			
School Bus Refurbishment	294,379		294,379
Less Non-Recurring Expenditures	-513,225		-513,225
<u>Dept of Parole & Community Corrections</u>	150,000		150,000
Agents for Additional Caseload	150,000		150,000
<u>Department of Youth Services</u>	3,941,720		3,941,720
Double Coverage for Institutions	1,264,014		1,264,014
Marine Institutes	2,525,000		2,525,000
Social Workers & Psychologists	152,706		152,706

EXHIBIT

NOV 10 1987

NO. 1

FY 1989 BUDGET RECOMMENDATIONS STATE BUDGET & CONTROL BOARD

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Forestry Commission</u>	93,174		93,174
Forest Products			
Mfg Recruitment	53,760		53,760
Accountants	39,414		39,414
<u>Water Resources Commission</u>	200,000		200,000
Regional Offices	200,000		200,000
<u>Land Resources Commission</u>	37,520		37,520
Mining Regulation	37,520		37,520
<u>Old Exchange Building Commission</u>	10,000		10,000
Promotion	10,000		10,000
<u>Department of Agriculture</u>	115,468		115,468
Agribusiness Recruitment	105,468		105,468
Council for Economic Development	10,000		10,000
<u>Clemson PSA</u>	900,000	500,000	400,000
Food Processing & Packaging Expansion	900,000	500,000	400,000
<u>Wildlife & Marine Resources</u>	178,880		178,880
Freshwater Fisheries	50,000		50,000
Summer Aides	28,880		28,880
Capers Island	25,000		25,000
Game Management	50,000		50,000
Telephone	25,000		25,000
<u>Coastal Council</u>	106,621		106,621
Rent	51,621		51,621
Radios	30,000		30,000
Storm Damage Project	25,000		25,000
<u>Sea Grant Consortium</u>	27,469		27,469
Automobile & Operations	27,469		27,469
<u>Parks, Recreation & Tourism</u>	948,000	500,000	448,000
New State Parks	948,000	500,000	448,000

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Development Board</u>	2,047,000		2,047,000
International Business			
Development	234,000		234,000
Film Office	139,535		139,535
Business Development			
& Assistance	268,350		268,350
Communications &			
Public Relations	1,358,115		1,358,115
Rent	47,000		47,000
<u>JEDA</u>	37,000		37,000
Loan Mgmt & Loan Marketing	37,000		37,000
<u>Department of Insurance</u>	193,845		193,845
Data Processing	162,495		162,495
Rent & Operations	31,350		31,350
<u>Board of Financial Institutions</u>	94,860		94,860
Administration	40,300		40,300
Bank Examiners	23,110		23,110
Consumer Finance	31,450		31,450
<u>Department of Consumer Affairs</u>	89,352		89,352
Rent	10,727		10,727
Expert Witness Fees	50,000		50,000
Paralegal	28,625		28,625
<u>Department of Labor</u>	52,663		52,663
Rent	7,824		7,824
Travel	30,000		30,000
Telephone	14,839		14,839
<u>Workers' Compensation Comm</u>	33,426		33,426
Systems Analyst	33,426		33,426
<u>Tax Commission</u>	4,355,947		4,355,947
Automated Tax System	2,125,810		2,125,810
Office Operations	997,780		997,780
Office Service	275,626		275,626
Field Auditors	650,035		650,035
Revenue Officers	136,694		136,694
Equipment	104,400		104,400
Audit Review Officers	65,602		65,602

EXHIBIT

NOV 10 1987 NO. 1

FY 1989 BUDGET RECOMMENDATIONS STATE BUDGET & CONTROL BOARD

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>Ethics Commission</u>	12,167		12,167
Rent	1,580		1,580
Microfiche	10,587		10,587
<u>Board of Accountancy</u>	52,091		52,091
<u>Auctioneers Commission</u>	7,911		7,911
<u>State Cemetery Board</u>	4,800		4,800
<u>Contractor's Licensing Board</u>	34,885		34,885
<u>Cosmetology Board</u>	30,770		30,770
<u>Engineers & Land Surveyors</u>	18,630		18,630
<u>Environmental Systems Operators</u>	50,675		50,675
<u>Funeral Services</u>	10,614		10,614
<u>Registration for Geologists</u>	4,500		4,500
<u>Medical Examiners</u>	26,950		26,950
<u>Board of Nursing</u>	17,305		17,305
<u>Board of Optometry</u>	1,000		1,000
<u>Physical Therapy Examiners</u>	5,370		5,370
<u>Professional Counselors & Marital & Family Therapists</u>	30,600		30,600
<u>Examiners in Psychology</u>	6,423		6,423
<u>Real Estate Commission</u>	33,983		33,983
<u>Residential Home Builders</u>	72,245		72,245
<u>Social Work Examiners</u>	48,000		48,000
<u>Speech, Pathology, & Audiology</u>	1,491		1,491

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EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

	<u>A BUDGET</u>	<u>RRP</u>	<u>B BUDGET</u>
<u>STATEWIDE</u>			
<u>General Reserve Fund</u>	7,235,819		7,235,819
<u>Capital Expenditure Fund</u>	-15,997,907	-34,345,728	18,347,821
<u>Aid to Subdivisions</u>			
Formula	8,576,065	4,288,032	4,288,033
Homestead Exemption	2,070,000		2,070,000
<u>Debt Service</u>	-1,760,223		-1,760,223
<u>State Employee</u>			
<u>Pay Plan @ 5%</u>	49,830,919		49,830,919
<u>Employer Contributions</u>	20,940,281		20,940,281
Insurance Reserve			
Fund Transfer	-5,619,394		-5,619,394
 FY 89 Recommended Increases	 209,592,734	 -374,055	 209,966,789
 FY 88 Expenditure Base	 <u>2,853,533,541</u>		 <u>2,853,533,541</u>
 FY 89 Recommended Expenditure Total	 3,063,126,275		 3,063,500,330

State Budget Division
11/10/87 - fy89bdgtrecD2
8:25 a.m.

07728

EXHIBIT

NOV 10 1987

NO. 1

FY 1989 BUDGET RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

CONSTITUTIONAL/STATUTORY MANDATES

RRP

General Reserve Fund	7,235,819
Capital Expenditure Fund	18,347,821
Homestead Exemption	2,070,000
1988 General Election	1,120,000
SLED - Implied Consent Law	325,000
Code Supplements	89,658
Explosive Control Act	87,500
Debt Service	<u>-1,760,223</u>
Total	27,515,575

FEDERAL REQUIREMENTS

Corrections	16,389,722
Mental Health	9,821,210
Medicaid-Match Rate Change	372,498
Medicaid-Supplemental Medical Insurance Rate Change	<u>850,000</u>
Total	27,433,430

MAINTENANCE OF EFFORT

GENERAL

State Employee Pay Plan @ 5%	49,830,919	
Employer Contributions	15,320,887	
Aid to Subdivisions Formula	4,288,033	
EFA & Associated Fringe	39,643,328	
Higher Education Formula	4,806,512	
Tuition Grants	600,000	
Medicaid-NGA Annualization	2,800,000	
Probation/Parole Agents	150,000	
Rent	421,880	
Licensing Boards	458,243	
HHS Local Contract COLA		1,125,504
Medicaid Provider Price Index		<u>2,000,000</u>
Total	117,719,862	3,125,504

CONTRACTUAL AGREEMENTS

School Bus Lease-Purchase	6,826,472
Disaster Recovery Site	<u>18,464</u>
Total	6,844,936

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EXHIBIT

NOV 10 1987

NO. 1

FY 1989 BUDGET RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

OPERATIONAL UNDERFUNDING

RRP

Armory Maintenance	742,067	
State Auditor	401,559	
Gasoline	600,000	
Textbooks	1,000,000	2,000,000
School Bus Maintenance Shops	380,000	
Medicaid-Replacement of Non-Recurring	446,869	
NCSL Dues	3,773	
Secretary of State	51,000	
National Guard Retirement	30,556	
Employee Benefits Shortfall		
-Arts & Archives	54,600	
Dept of Labor	44,839	
Sea Grant Consortium	22,250	
Wildlife & Marine Resources	178,880	
Total	3,956,393	2,000,000

PROGRAM EXPANSION

GENERAL

Bus Safety	1,757,995	
Youth Services	3,941,720	
AIDS - DHEC & Medicaid	1,566,055	
DHEC Toxic Waste	1,000,000	
Mental Retardation	1,844,000	
DSS	882,261	
Guardian Ad Litem	321,365	
Wil Lou Gray	59,623	
School For Deaf & Blind	80,000	
State Library	77,574	
Arts in Education	50,000	
Medicaid Prevention	99,234	
SCCADA-Teen Institute	65,000	
John De La Howe Wilderness Camp	70,000	
Aging Grants	69,342	
Water Resources Regional Offices	200,000	
Land Resources Mining Regulation	37,520	
Storm Damage Project	25,000	
School Bus Driver Pay		2,028,837
Aid to Subdivisions		4,288,032
Higher Education Formula		15,510,278
Tuition Grants		500,000
Total	12,146,689	22,327,147

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EXHIBIT

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NO. 1

FY 1989 BUDGET RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

		<u>RRP</u>
<u>ECONOMIC DEVELOPMENT</u>		
Development Board	2,000,000	
Clemson PSA	400,000	500,000
Agriculture	115,468	
Forestry	53,760	
JEDA	37,000	
Local Government Division-EPA Grants	1,200,000	
Old Exchange Building Commission	10,000	
The Cutting Edge		<u>8,000,000</u>
Total	3,816,228	8,500,000
 <u>ADMINISTRATIVE ENHANCEMENT</u>		
Tax Commission	4,355,947	
Comptroller General	280,000	
Insurance Department	170,045	
Budget & Control Board	1,690,280	
Archives & History	23,819	
Commission on Women	7,000	
Forestry-Accountants	39,414	
Workers' Compensation Commission	33,426	
Ethics Commission	10,587	
Coastal Council Radios	30,000	
Consumer Affairs	78,625	
Update of Tax Code	<u>64,063</u>	
Total	6,783,206	
 <u>OPERATIONS FOR NEW CAPITAL PROJECTS</u>		
State Museum	1,297,166	
SLED Forensic Laboratory	800,000	
New State Parks	448,000	500,000
Adjutant General Building	427,457	
Judicial - Calhoun Building	<u>258,791</u>	
Total	3,231,414	500,000

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EXHIBIT

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NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 BUDGET RECOMMENDATIONS

BASE ADJUSTMENTS

Corrections - Replacement of Non-Recurring	-513,225
DHEC - Replacement of Non-Recurring	-200,000
DHEC - Vital Records Fee Increase	-366,055
Mental Health - Replacement of Non-Recurring	-300,000
Mental Retardation - Replacement of Non-Recurring	-171,000
Mental Retardation - Transfer to Other Funds	-126,000
Dept of Social Services - AFDC Surplus	-882,261
Charleston Higher Education Consortium	-74,686
Governor's Office - Governor's School to EIA	-200,000
Total	-2,833,227

State Budget Division
11/10/87 - fy89bdgtrecC
9:00 a.m.

07732

EXHIBIT

NOV 10 1987

NO. 1

FY 1989 FTE RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

	<u>TOTAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>OTHER</u>
<u>Governor's Office-SLED</u>				
Forensic Laboratory	17.00	17.00		
Implied Consent Law	6.00	6.00		
<u>State Treasurer's Office</u>				
Cash Management	2.00	2.00		
<u>Budget & Control Board</u>				
<u>Internal Operations</u>				
Accounting System	1.00			1.00
<u>Budget</u>				
Analysis	4.00	4.00		
Data Processing	1.00	1.00		
Administrative Support	2.00	2.00		
<u>Research & Statistical Services</u>				
Health Statistics	2.00			2.00
<u>Information Resource Mgmt</u>				
Accounting	1.00			1.00
Data Processing	8.00			8.00
Printing	2.00			2.00
<u>General Services</u>				
State Engineer	4.00	4.00		
Materials Management	3.00	3.00		
Insurance Reserve Fund	4.00			4.00
<u>Motor Vehicle Management</u>				
Maintenance	1.00			1.00
Administrative Support	1.00			1.00
<u>Human Resource Management</u>				
Personnel Management Training	2.00			2.00
<u>Local Government</u>				
Auditing	2.00	2.00		
Grant Coordinator	1.00	1.00		
Administrative Support	1.00	1.00		
<u>Retirement</u>				
Insurance Claims	1.00			1.00
Postal Clerk	1.00			1.00
<u>Clemson University</u>				
Research	66.00		33.00	33.00

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EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

FY 1989 FTE RECOMMENDATIONS

	<u>TOTAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>OTHER</u>
<u>Francis Marion College</u>				
Auxiliary Services	1.63			1.63
<u>Department of Education</u>				
Bus Safety-Highway Patrolmen	4.00	4.00		
Statewide Testing	1.00			1.00
Reduction of Paperwork Project	6.00			6.00
School Improvement Project	1.00			1.00
School Incentive Grants	1.00			1.00
<u>School for the Deaf and Blind</u>				
Vocational Education				
-Food Service Program	4.00	4.00		
<u>State Library</u>				
Volunteer Service Coordinator	1.00	1.00		
<u>Museum Commission</u>				
State Museum	20.00	20.00		
<u>Dept of Health & Environmental Control</u>				
AIDS	22.00	22.00		
Toxic Waste	18.00	18.00		
<u>Dept of Mental Health</u>				
Justice Dept Settlement	159.00	109.00		50.00
Young Adult Program	12.00	12.00		
<u>Dept of Social Services</u>				
Work Support/Teen Companion	19.00	11.00	8.00	
Child Support Enforcement	17.00	5.44	11.56	
<u>Dept of Corrections</u>				
Allendale Institution	349.50	343.50		6.00
Marlboro Institution	349.50	343.50		6.00
Prison Industries	20.00	20.00		
<u>Dept of Parole & Community Corrections</u>				
Personnel for Additional Caseload	15.00	7.00		8.00
<u>Dept of Youth Services</u>				
Double Coverage for Institutions	71.00	71.00		
Social Workers & Psychologists	5.00	5.00		
<u>Criminal Justice Academy</u>				
Training	12.00			12.00

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EXHIBIT

NOV 10 1987

NO. 1

FY 1989 FTE RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

	<u>TOTAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>OTHER</u>
<u>Forestry Commission</u>				
Forest Products Mfg Recruitment	1.00	1.00		
Accountants	1.00	1.00		
<u>Dept of Agriculture</u>				
Agribusiness Recruitment	2.00	2.00		
<u>Clemson PSA</u>				
Food Processing/Packaging Expansion	2.00	2.00		
<u>Wildlife & Marine Resources</u>				
Game Management	1.00		1.00	
<u>Water Resources</u>				
Regional Offices	5.00	5.00		
<u>Land Resources</u>				
Mining Regulation	1.00	1.00		
<u>Parks, Recreation & Tourism</u>				
New State Parks	20.00	13.00		7.00
<u>State Development Board</u>				
Film Office	3.00	3.00		
Business Development	1.00	1.00		
<u>JEDA</u>				
Loan Management & Loan Marketing	2.00	2.00		
<u>State Workers' Compensation Fund</u>				
Administrative Support	4.00			4.00
<u>Tax Commission</u>				
Automated Tax System	6.00	6.00		
Field Auditors	8.00	8.00		
Revenue Officers	6.00	6.00		
Audit Review Officers	2.00	2.00		
<u>Board of Accountancy</u>				
Administrative Support	1.00	1.00		
<u>Engineers & Land Surveyors</u>				
Administrative Support	0.50	0.50		
<u>Environmental Systems Operators</u>				
Administrative Support	1.00	1.00		

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FY 1989 FTE RECOMMENDATIONS

	<u>TOTAL</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>OTHER</u>
<u>Examiners in Psychology</u>				
Administrative Support	0.30	0.30		
<u>Residential Home Builders</u>				
Investigators	2.00	2.00		
<u>Dept of Hwys & Public Transportation</u>				
Planning/Engineering	125.00			125.00
Highway Patrol	80.00			80.00
Motor Vehicle Division	20.50			20.50
Administrative Support	13.00			13.00
Grand Total	1,549.93	1,096.24	53.56	399.13

1988-89 State FTE Limit 42,716.30

1987-88 Certified FTE Base 39,656.26

1988-89 Allowable FTE Growth 3,060.04

State Budget Division
11/9/87 - fy89fterec
6:30 p.m.

07736

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

Governor's Proposed Budget

Fiscal Year 1988-89



November 2, 1987

07737

EXHIBIT

NOV 10 1987

NO. 1

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STATE BUDGET & CONTROL BOARD

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EXHIBIT

NOV 10 1987

NO. 1

THE GOVERNOR'S PROPOSED BUDGET FISCAL YEAR 1988-89

STATE BUDGET & CONTROL BOARD

The budget I am proposing for fiscal year 1988-89 addresses many of the most critical needs of our state without raising taxes. This budget is pro-education, pro-economic growth, pro-health, and pro-environment. The theme running throughout is expanded opportunities for our children -- improving their schools, creating better jobs, relieving overcrowding in juvenile institutions, reducing childhood diseases, and promoting a healthier environment. This budget will move South Carolina forward while simultaneously protecting our State's taxpayers.

Revenue Sources

This budget is based on the following general fund revenue sources:

1. Growth from existing taxes is the main source of revenue. The Board of Economic Advisors' estimate of \$3050 million in general fund revenue for FY 88-89 anticipates revenue growth from existing sources of 6.3 percent. Barring an unexpected national recession, I believe that to be a reasonable and attainable rate of growth for general fund revenues. Based upon the Budget Division's calculation of the expenditure base for FY 87-88, the \$3050 million estimate provides \$196.5 million in "new" revenue.
2. Additional revenue is anticipated from the Tax Commission enhancement program for FY 88-89. The Commission estimates additional revenue to be \$7,362,800.
3. I am recommending an increase in the fee on nuclear waste disposed at the Barnwell facility from \$6 per cubic foot to 18 percent of the amount charged by Chem Nuclear Systems. I believe we should tie our fee to the total amount charged, so that large increases in Chem Nuclear charges would benefit the State as well. Our current fee of \$6 per cubic foot of waste constitutes approximately 18 percent of the total charged for in-region waste. Since Chem Nuclear has recently announced two separate increases of \$10 per cubic foot each, 18 percent of the new charge of \$54.50 would be \$9.81 per cubic foot, or an increase of \$3.81 per cubic foot over the current fee. At the Tax Commission's

estimate of \$850,000 per dollar, the increased revenue would be \$3,238,500.

4. Some money is projected to remain in the Capital Expenditure Fund at the end of the 1987-88 fiscal year. The Capital Expenditure Fund had a beginning balance of \$42,900,000. Revenues, however, are falling about one percentage point behind the growth necessary to cover expenditures for FY 87-88. Consequently I expect that one percent of the current year's General Fund Budget, or \$28,750,000, will have to be used from the Capital Expenditure Fund to cover revenue shortfalls and avoid mid-year budget cuts from agencies. That would leave a balance of \$14,150,000 in the Fund at the end of FY 87-88.

I believe that money should be used in FY 88-89 for critical capital needs such as water and sewer development, long-term equipment purchases, and lease-purchase payments. For example, South Carolina needs to provide \$3.8 million in state funds to obtain \$19 million in federal funds from the Environmental Protection Agency to create a revolving loan fund for wastewater treatment plants. I believe it would be an excellent use of money in the Capital Expenditure Fund to take \$3.8 million in state funds to produce an additional \$19 million in federal funds for critical capital needs. I have designated throughout this budget items that I believe should be covered by funds remaining in the Capital Expenditure Fund at the end of FY 87-88.

5. Fees charged by boards and commissions should generate a total of \$534,945 in new money for the general fund to offset their increased appropriations.

The total of these revenue sources is \$221,786,245, or 7.7 percent above the expenditure base for FY 87-88. I believe this amount is sufficient to cover our critical needs without increasing taxes. A 7.7 percent increase in available revenue constitutes healthy growth when inflation is approximately three percent, and our efforts should be directed toward living within this revenue rather than raising taxes.

A bill is now pending in Congress that would allow a state to collect sales taxes on mail order goods ordered from another state. According to projections by the National Governor's Association, South Carolina could raise over \$29 million by collecting this tax. If the bill passes and South Carolina decides to collect the tax, I believe the revenue should be used

to reinstitute a 50 percent differential on capital gains taxes in South Carolina, and to exempt completely from South Carolina tax any capital gains associated with the sale of a primary residence. Any remaining funds should be devoted to the Cutting Edge, the research and development initiative in higher education.

Critical Issues

Three critical issues that affect this budget concern handling of expenditure reductions, treatment of the General Reserve and Capital Expenditure Funds, and the approach to requests to replace money for lines vetoed from the FY 87-88 Appropriations Act.

Expenditure Reductions

In this budget I have not only recommended increases in expenditures, but I have begun the process of searching the base budget for possible reductions. Consequently I asked each agency to submit a reduction schedule indicating the lowest priority items where a three percent reduction might be taken. In this way we can redirect appropriations from lower priority current expenditures to higher priority unmet needs.

For example, at the Department of Social Services I have applied \$866,000 in excess funds for Aid to Families with Dependent Children to the Agency's Work Support and Child Support Enforcement Programs, thereby furthering a redirection of the agency's focus from maintaining clients on welfare to helping them achieve independence. I am asking members of the Budget and Control Board and the General Assembly to work with me during my years as Governor in examining the base budget more closely than we have done in the past to identify areas where shifting rather than increasing funds can meet the needs of the State.

I am also asking agencies that have requested increases in their budgets to take a five percent reduction in their costs of general administration to fund some of the increase. The widespread availability of information technology and improved management practices should allow an increase in productivity and a corresponding reduction in general administration costs. Those savings should then be redirected toward new services.

In no case am I asking an agency to take a cut in its overall budget. I am asking that, if an agency seeks to expand its services, it fund a portion of that expansion from its own

administrative costs. The total amount of money redirected in the budget through this procedure is \$4.3 million.

Reserve Funds

Under current law the General Reserve Fund must be funded at four percent of the previously completed fiscal year's revenue. The Capital Expenditure Fund must be funded at two percent of the projected revenue in FY 88-89, and two and one-half percent of projected revenue in 1989-90. I strongly endorse the concept of reserves to cover year-end operating deficits and guard against mid-year budget cuts. But I cannot support the continuation of two separate reserve funds that will eventually consume six and one-half percent of available general fund revenue.

I would like to see the two reserve funds combined and capped at five percent of projected revenue. The Budget Reform Study Committee, chaired by Representative Robert McLellan, is currently considering such a proposal, which I endorse in concept. I will leave to the General Assembly the decision about the proportion of the five percent that should go into each fund. As I have said before, however, I believe we should have at least two percent of the budget available to cover mid-year revenue shortfalls.

I am adopting the concept of the Study Committee's proposal in this budget. I urge the General Assembly to make the necessary statutory changes and propose, if necessary, Constitutional changes that would bring about that result. The phase-in for the consolidated reserve funds would require no new appropriation in fiscal year 1988-89, and I have used that assumption in this budget.

Vetoed Lines

In preparing this budget I denied requests to replace lines vetoed from the FY 87-88 Appropriations Act. I vetoed money from the Act because of my judgment that the revenue projections were overly optimistic, a judgment that has thus far been confirmed by lagging revenues this fiscal year. Except in specified instances, I indicated that I did not wish to eliminate an activity funded by a particular line, but rather I expected agencies to spread the modest reductions throughout their budgets by requesting transfers.

The vetoed appropriations constituted money that was never available in the first place, and should already be absorbed in the base budget. Consequently a request simply to replace money from a vetoed line is insufficient reason to provide new funding.

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Highlights of Recommended Expenditures

STATE BUDGET & CONTROL BOARD

Elementary and Secondary Education

As I have said repeatedly, education is my number one budgetary priority. This budget:

- ° Increases the total general fund spending for all education related agencies by over \$83 million, more than twice the general fund increase for education agencies in fiscal year 1987-88.
- ° Increases spending for kindergarten through 12th grade public education in the Department of Education by \$52.7 million, or 79 percent more than the comparable increase in FY 87-88. When the Educational Improvement Act increases are included, this budget recommends a total increase for elementary and secondary education of \$67.8 million.
- ° Fully funds the Educational Finance Act at 100% with the 3.8 percent inflation factor computed by the Division of Research and Statistical Services. In FY 87-88, the EFA was funded at 97.2 percent of the inflation factor computed by the Division.
- ° Pays public school teachers at an average salary of \$25,239, the southeastern average as currently projected for FY 88-89.
- ° Increases bus driver salaries from \$3.47 per hour to \$5.00 per hour for drivers with three or more years of driving experience. Since the point of moving to adult bus drivers is to gain more experienced and mature drivers, it makes little sense to expend substantial resources on those who have less driving experience. This proposal concentrates our resources on those drivers we are most trying to attract.
- ° Improves bus safety by adding crossing arms and safety mirrors on all buses, as well as increasing training for bus drivers.
- ° Provides \$1 million more to expand adult education programs in the Department of Education and \$202,962 for adult illiteracy training at the Educational Television Commission to attack our disturbing rate of adult illiteracy.

- ° Expands vocational training and pre-school programs for handicapped children at the School for the Deaf and Blind.

Revenues in FY 88-89 from the one-cent sales tax to support the Educational Improvement Act are projected to be \$267,400,000, or an increase of \$15,100,000 over FY 87-88. Since I have recommended full funding for the Educational Finance Act at the 3.8 percent inflation factor, financial pressure on the EIA to meet the southeastern teacher average should be reduced. Consequently we should be able to expand some programs that were constrained when EIA funds were taken for teachers' salaries.

I believe that a few of the general fund requests from the State Department of Education targeted toward gifted and talented students, remedial and compensatory education, and testing programs should be funded from the EIA. In addition the Governor's School for Science and Mathematics is clearly an educational effort targeted toward gifted and talented students, so I am recommending that this important project be funded from the EIA. Highlights of my recommendations for the EIA budget include:

- ° \$7.9 million in salary supplements and employer contributions to meet the southeastern teacher average.
- ° \$1.5 million for the Governor's School for Science and Mathematics.
- ° \$3.4 million for the Basic Skills Assessment Program Remediation Program to help students enhance their basic skills.
- ° \$1.2 million for various testing programs to monitor student progress and improve accountability.
- ° \$1 million to expand the early childhood program for four year olds.
- ° \$847,000 to expand gifted and talented programs that have been cut back to fund teacher salaries in the past two years.

Higher Education

Education in our State means more than kindergarten through twelfth grade. For our state to progress, we must extend our commitment to educational excellence to include our colleges, universities, and technical schools. Only with this new emphasis can we fully develop our valuable human resources. Consequently this budget:

- ° Increases formula funding for our colleges and universities by over \$14 million, to 91 percent of the formula from 88.52 percent in FY 87-88.
- ° Provides \$8 million in start-up funding for the Cutting Edge, the new research and development initiative in higher education.
- ° Increases formula funding for Vocational and Technical Education by \$4.9 million to 91 percent, up from 84.2 percent in FY 87-88.
- ° Provides \$1 million additional for student grants at the Higher Education Tuition Grants Commission.

Youth Services

The Department of Youth Services presents South Carolina state government with one of its greatest challenges. Severe overcrowding presents a moral, as well as economic, dilemma. By incarcerating youths convicted of minor offenses such as truancy with rapists and murderers in under-supervised facilities, we create career criminals. Moreover, by ignoring the problem, we are asking for outside intervention similar to the Nelson suit at the Department of Corrections.

Consequently I am recommending a \$3.9 million increase for the Department of Youth Services:

- ° \$2.525 million for three new marine institutes, programs that provide alternatives to incarceration in Florence, Georgetown, and the Piedmont. Similar programs for less serious offenders at the Department of Youth Services have produced lower recidivism rates, more disciplined youth, and youngsters with a better chance to succeed in this society. We should not address our overcrowding problem by adding large numbers of new beds; rather, we need to support proven alternatives to incarceration.

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- ° \$1.26 million for 71 new juvenile corrections officers to provide adequate supervision.
- ° \$101,256 for four social workers to lower the staff/child ratio.
- ° \$51,450 for added psychological counseling.

In addition, I am recommending that approximately \$12 million in improvements to existing facilities be included in the bond bill.

Economic Development

This budget contains a number of increases designed to promote economic growth throughout South Carolina:

- ° A \$2.1 million increase for the State Development Board to be used for advertising the State's attractiveness to new industry, expanding overseas operations in Frankfurt and Tokyo, providing seed capital for entrepreneurial businesses, and funding the reorganized film office.
- ° \$53,760 for marketing at the Forestry Commission to promote the secondary manufacturing of timber.
- ° \$78,668 for market development at the Department of Agriculture to assist in improving our rural economy.
- ° \$668,000 to support programs at the Clemson Public Service Activities to control fire ants, boll weevils, witchweed, gypsy moths and other pests that plague our farmers.
- ° \$486,000 for biotechnology applications laboratory at Clemson Public Service Activities to pursue research that directly benefits the agricultural community.
- ° \$115,000 in the Forestry Commission budget to replace an unreliable irrigation system at the Coastal Forest Tree Nursery.
- ° \$120,000 at the Forestry Commission to improve the retrieval system for collecting genetically-improved seed.
- ° \$216,000 for equipment and operating support at Clemson Public Service Activities to promote food processing in South Carolina.

- ° A \$200,000 increase in tourism advertising at the Department of Parks, Recreation and Tourism, bringing our total general fund appropriation for tourism advertising at the Department to more than \$2.2 million.
- ° Over \$1 million for new industrial training equipment for our Vocational and Technical Education Schools.
- ° \$50,000 for marketing the Spoleto Festival in Charleston.
- ° \$1 million extra to expand a program at the Department of Mental Retardation to help mentally handicapped citizens become self sufficient.
- ° \$139,815 for a vocational training program at the School for the Deaf and Blind to help physically handicapped students obtain jobs in the food service industry.
- ° \$500,000 to expand the Work Support Program at the Department of Social Services to help those currently receiving welfare to become self sufficient.
- ° \$140,000 to expand employment and training programs at the Department of Social Services for food stamp recipients.
- ° \$85,714 to increase vocational training at the John de la Howe School.

Health

This budget recommends substantially increased funding for several health areas. The dreaded disease AIDS demands a response from state government. We need to ensure that our resources are spent wisely, in a manner most likely to retard the spread of the disease. We must also ensure that our efforts are coordinated among state agencies and with the federal government. It makes no sense to commit substantial resources to an activity that might be covered by the federal government, and we must try to target state funds to activities where federal matching funds are available.

At this point a bill is pending in the Congress to address the AIDS problem, but we do not yet know its final form. I have targeted my recommendations toward those lines that we know will

be matched by the federal government -- Medicaid -- and toward those activities where we know the State must play a role -- education, testing, and tracking the course of the disease. I am recommending the following AIDS expenditures:

- ° \$750,000 for additional Medicaid spending at the Health and Human Services Finance Commission to cover the projected increasing costs as a result of AIDS patients. That appropriation will be matched by the federal government at 3 to 1, for a total of \$3 million.
- ° \$615,897 at the Department of Health and Environmental Control for nine communicable disease investigators and operating costs for tracking.
- ° \$171,895 at the Department of Health and Environmental Control for two microbiologists operating costs for testing.
- ° \$238,737 at the Department of Health and Environmental Control for nine public health nurses for education and counseling.
- ° \$82,228 at the Department of Health and Environmental Control for two programmers for computerized tracking.

Consequently my total recommendation for AIDS is \$1.86 million in state funds, matchable by \$2.25 million in federal funds, for a total of \$4.17 million. To place that recommendation in perspective, in fiscal year 1986-87 North Carolina spent \$330,000 and Georgia spent \$414,483 fighting this disease.

Other major health-related recommendations include:

- ° \$124,108 for a package of prevention programs at the Health and Human Services Finance Commission. Funds spent on prevention of health problems may very well provide the State with the greatest long-range benefits. Consequently I am recommending funding for programs to screen young children for childhood diseases and to screen adults for colon, prostate, and breast cancer. I am also recommending a \$268,000 increase for the Greenwood Genetics Center in the Department of Mental Retardation to work on prevention of mental retardation in children.

- ° \$2.8 million for the National Governor's Association program for poor, pregnant mothers that would cover children through age one.
- ° \$2.5 million in increased funds for hospitals and nursing homes.
- ° \$1.6 million to cover various mandated costs and match rate changes at the Health and Human Services Finance Commission.
- ° \$1.1 million for a two percent cost of living increase for health and human service contract providers.
- ° \$500,000 to reinstate hospitalization of handicapped children through Children's Rehabilitative Services at the Department of Health and Environmental Control.
- ° \$5.5 million to fund the Justice Department settlement at the Department of Mental Health.
- ° \$1 million additional funding to continue the Community Residential Program at the Department of Mental Retardation.
- ° \$200,000 in state funds to match federal funds in the Department of Health and Environmental Control's budget for Family Health Centers in our rural areas.
- ° \$65,000 for the Commission on Alcohol and Drug Abuse to expand from two to three the number of teen institutes to combat alcohol problems.
- ° \$150,000 in general funds and \$850,000 in other funds to the Commission on Aging to support expanded services to our elderly. The bulk of this money will go toward assisting the elderly with health-related problems to stay in their homes longer than they would otherwise be able.
- ° \$200,000 for programs at Clemson Public Service Activities for education about the importance of human nutrition and research to assess the effect of additives in processed foods.

Environment and Natural Resources

Protecting our environment and natural resources remains critical for our economic development and our quality of life. I am convinced that economic development need not damage our environment if we pursue that development intelligently, with adequate safeguards. Consequently I am recommending more than \$1.1 million in new money in the Department of Health and Environmental Control budget for environmental protection. The major recommendations are:

- ° \$200,000 for air quality control.
- ° \$206,000 for water pollution control.
- ° \$100,000 for solid and hazardous waste management.
- ° \$33,480 for emergency response to oil and hazardous waste disasters.
- ° \$300,000 for analytical and biological services.
- ° \$151,367 for district services, especially in the Barnwell/Savannah River area.

In addition to the Department of Health and Environmental Control budget I am recommending other new funds to protect the environment and natural resources:

- ° \$100,000 for protection for Wetlands - one of our most sensitive and critical natural resources. In addition the Land Resources Commission should receive \$40,000 in federal funds for a Wetlands inventory.
- ° \$25,000 in the Coastal Council budget for a storm damage project on the Grand Strand.
- ° \$53,800 for water table testing in the lower Savannah River funded through the Water Resources Commission.
- ° \$208,310 for two new regional offices for the Water Resources Commission in the Trident and West Central areas of the State to monitor water quality.
- ° \$37,520 for a new geologist at the Land Resources Commission for mine inspection.
- ° \$400,500 for forest fire fighting equipment and a forest fire prevention program at the Forestry Commission.

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- ° \$27,137 for 10 internships at Wildlife and Marine Resources for students to learn practical approaches to natural resource management.
- ° \$52,000 for game management at the Department of Wildlife and Marine Resources.
- ° \$50,000 for fresh water fish hatcheries at the Department of Wildlife and Marine Resources.
- ° \$50,000 in increased funding for Wildlife Magazine.
- ° \$25,000 for Capers Island in the Wildlife and Marine Resources budget.
- ° \$31,175 for a biologist for the Santee Cooper System.
- ° Over \$1 million to open new state parks.

Law Enforcement

As has been the case in recent years, the Department of Corrections will need a substantial increase, primarily for personnel to operate new prisons. Highlights of the Corrections budget include:

- ° Over \$5 million to annualize the salaries of personnel already hired for the Broad River Road, Allendale, and Marlboro prisons.
- ° \$10 million to hire new personnel for the Allendale and Marlboro prisons. While not quite as much as the Department requested, this recommendation should allow both prisons to open within a few weeks of their projected opening date in the spring of 1989.
- ° \$335,058 to provide 15 new personnel mandated by the fifth year of the Nelson requirements.
- ° \$392,159 for new security personnel to allow expansion of prison industries.
- ° \$294,379 to begin a program to refurbish school buses at the Broad River Road prison. This recommendation would allow three shifts to refurbish 500 buses in the first year and 700 in the second year of the program. This program should cut the cost of our school bus system while simultaneously providing inmates with readily-marketable skills.

Other major law enforcement expenditures include:

- ° \$1.1 million to support a new forensic laboratory at South Carolina Law Enforcement Division. I am also recommending that approximately \$3.5 million for a new fingerprint machine be included in the bond bill.
- ° \$271,313 for ten new officials to handle the increased caseload at Parole and Community Corrections.
- ° \$151,600 for law enforcement radios at Parole and Community Corrections.
- ° \$200,000 for electronic surveillance equipment for a pilot program to use the latest technology to monitor offenders on parole.

Local Government

Our local governments are facing severe financial strains as a result of declining federal funds. As I did in the last session of the General Assembly, I will support the Local Government Finance Act in the next session, provided a major portion of any new revenue is used to roll back property taxes. That Act should provide some relief to local governments. In addition, I am recommending in this budget:

- ° \$9 million in new money for Aid to Subdivisions to maintain formula funding at the current percentage.
- ° \$2.07 million increased funding to maintain the Homestead Exemption.
- ° \$3.8 million in matching funds for an Environmental Protection Agency revolving loan fund for wastewater treatment plants. This money, authorized by the Clean Water Act as amended in 1987, will be matched at 5 to 1 by the federal government, bringing in a total of almost \$23 million for new sewer development by local governments.
- ° \$1.2 million in additional money to the Budget and Control Board's Division of Local Government for water and sewer development throughout the State. With the average 5 to 1 federal match for the various projects, this new money should provide over \$7 million in new money for local governments.

State Museum

I am recommending an increased appropriation of over \$1.3 million for the State Museum. This amount should allow the Museum to open on schedule for seven days per week.

State Employees

Finally, I do not believe we should balance the budget on the backs of state employees. I strongly believe that we need to give state employees more than the insignificant increase they received in FY 87-88. A raise of two percent across-the-board and one percent merit is, if continued over several years, insufficient to attract and retain the best people in state government.

In this budget I am recommending an average five percent raise for state employees. I would like to see that money distributed equally between a cost of living raise and a merit increase. With this proposal, the most meritorious employees could receive a raise of up to seven and one-half percent.

RECOMMENDED INCREASES AND DECREASES
FROM THE FISCAL YEAR 1987-88 BASE BUDGET
GENERAL FUND AND EDUCATIONAL IMPROVEMENT ACT BUDGETS
FOR FISCAL YEAR 1988-89

<u>General Government & Regulatory</u>		<u>Recommendation</u>
A10	Leg. Dept. - Special Services/Approved Accounts (PAL - Transfer to Lt. Gov. Office)	-33,500 -(1.00)
	National Council of St. Legislatures	40,000
	Agency Total	6,500 -(1.00)
A15	Leg. Dept. - Legislative Council Reduction in General Administration Code Supplements	-53,184 89,658
	Agency Total	36,474
A20	Leg. Dept. - Legislative Audit Council Reduction in General Administration New Positions to Permit Audits to be Completed per General Assembly's Schedule	-39,733 93,352 (3.00)
	Agency Total	53,619 (3.00)
A27	Reorganization Commission Reduction in General Administration Rent & Insurance Funding for 5 Month's Operation of Slater-Marietta Health and Human Services Center after Termination of Federal Funds	-33,000 11,813 38,606
	Agency Total	17,419
A50	Jt. Leg. Commission on Alcohol & Drug Abuse Reduction in General Administration Per Diem, Supplies, Travel, Fringes	-1,224 4,452
	Agency Total	3,228

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A60	Jt. Leg. Committee on Aging	
	Reduction in General Administration	-2,789
	Operating Costs - Conferences, Dues, Travel, Per Diem, Subsistence, Telephone Increases	3,500
	Agency Total	711
A65	Jt. Leg. Commission on Mental Health	
	Reduction in General Administration	-2,913
	Pay Raise for 3 Staff Members	3,333
	Agency Total	420
A70	Jt. Leg. Committee on Children	
	Reduction in General Administration	-4,939
	Expand the Guardian ad Litem Program	100,000
	Agency Total	95,061
D05	Governor's Office - Executive Control	
	Reduction in General Administration	-52,617
	Increasing Cost for Governor's Leadership role in the Southern Growth Policies Board and Appalachian Regional Commission	90,000
		37,383
D17	Governor's Office - OEPP	
	School for Science and Mathematics to EIA	-200,000
E04	Lieutenant Governor	
	PAL - Transfer from Special Services/ Approved Accounts, Leg. Department	33,500 (1.00)
E08	Secretary of State	
	Reduction in General Administration	-9,749
	Recordkeeping	75,000
	Agency Total	65,251

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E12	Comptroller General	
	Reduction in General Administration	-45,861
	Data Processing Division - Publishing/ Binding System, Word Processing Center, Tape Drive, PC Network (From CEF)	190,932
	Central State Finance Division - Reduction in Records Management Equipment	-20,077
	Local Government - Printing, Supplies, Postage, Fixed Charges, Travel, and Equipment	42,928
	Central State Audit Division - Fixed Charges, Printing, Supplies Postage, Data Processing, Contractual Services, Travel, and Equipment	28,250
	Administrative Division - 2% Mandated Increase for Constitutional Officer and Travel, Supplies, Fixed Charges, Equipment, & Contractual Services	37,967
	Agency Total	234,139
E16	State Treasurer	
	FTE Positions	(2.00)
E20	Attorney General	
	Reduction in General Administration	-209,402
	4 Month's Funding for Statewide Grand Jury	120,000
	Rent and Renovation (Dennis Bldg)	105,000
	Agency Total	15,598
E22	Commission on Appellate Defense	
	Reduction in General Administration	-32,404
	Reclassify 5 Attorney Positions	39,816
	Agency Total	7,412

E24	Adjutant General	
	Reduction in General Administration	-50,540
	Retirement for National	
	Guard Members	30,556
	Rent on New Building	427,457
	Telephone	26,550
	Armory Maintenance	500,000
	Agency Total	934,023
E28	Election Commission	
	Reduction in General Administration	-13,768
	1988 General Election	1,120,000
	Compensate Reclassified Personnel	18,396
	Agency Total	1,124,628
F02	B&C Board - Executive Director	
	Reduction in General Administration	-39,434
	Productivity Unit	58,500
	Personal Service - Attorney	25,000
		(1.00)
	Agency Total	44,066
		(1.00)
F04	B&C Board - Internal Operations	
	Accounting System	88,750
	Agency Total	88,750
F05	B&C Board - Financial Data Systems	
	Data Services	75,000
	Agency Total	75,000
F06	B&C Board - Budget Division	
	Reduction in General Administration	-6,916
	1 Computer Programmer Recommended	20,080
		(1.00)
	Agency Total	13,164
		(1.00)

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F08	B&C Board - Research & Statistics	
	Reduction in General Administration	-26,953
	Geographic Information System	
	(First Year of Two Year Purchase)	200,000
	Agency Total	173,047
F10	B&C Board - DIRM	
	Reduction in General Administration	-17,620
	Data Processing Services:	
	a. Research & Statistics	19,588
	b. General Services Materials	
	Management Office	13,189
	c. Internal Operations	
	Accounting & Personnel	78,282
	d. Other Board Divisions	
	Operations	38,941
	Agency Total	132,380
F12	B&C Board - General Services	
	Reduction in General Administration	-10,669
	Rent	123,626
	Agency Total	112,957
F14	B&C Board - Fire Marshal	
	Reduction in General Administration	-19,280
	Explosive Control	87,500
	Agency Total	68,220
F24	B&C Board - Human Resources Management	
	Reduction in General Administration	-18,026
	Expand State Gov't Training to Train	
	Supervisors in Performance Appraisal	
	Fund Two Existing FTEs from	
	General Fund	33,370
		(0.00)
	Fund Two FTEs from Revenues	0
		(2.00)
	Agency Total	15,344
		(2.00)

F26	B&C Board - Local Government	
	Reduction in General Administration	-6,512
	Matching Funds for EPA Grants	
	(From CEF)	3,800,000
	EDA Grants for Rural Improvements	
	Federal Match for \$1.2 Mil	
	(From CEF)	1,200,000
	Agency Total	4,993,488
F27	B&C Board - State Auditor	
	Reduction in General Administration	-10,586
	Base Operations - Supplies	50,000
	Telephone	2,500
	Rent	24,000
	Tort Insurance	2,096
	Equipment	5,373
	Agency Total	73,383
R08	Workers' Compensation Commission	
	Reduction in General Administration	-43,631
	Fund 1 Existing FTE for	
	Computer System	33,426
	Personal Service - Compliance Officer	30,960
		(1.00)
	Agency Total	20,755
		(1.00)
R20	Insurance Department	
	Reduction in General Administration	-69,413
	Data Service	89,737
	Rent (Non-State)	23,800
	Telephone	7,550
	Data Service - Printer (From CEF)	5,828
	Equipment - Printer (From CEF)	33,000
	Equipment - Word Processors (From CEF)	33,930
	Equipment - Personal Computers (From CEF)	28,246
	Agency Total	152,678

R23	State Board of Financial Institutions - Administration Furnish Conference Room (Offset by Fees)	40,300
R24	Bank Examiners Rent in Calhoun Building (Offset by Fees)	23,110
R25	Consumer Finance Rent in Calhoun Building (Offset by Fees)	25,840
R28	Consumer Affairs Reduction in General Administration Witness Fees - No Increase in 9 Years Rent Increase for Same Office	-28,497 30,000 10,727
	Agency Total	12,230
R36	Department of Labor Reduction in General Administration Travel for In-person Inspection Rent Increase for Same Office Telephone	-42,842 60,000 7,824 14,839
	Agency Total	39,821
R44	Tax Commission Reduction in General Administration Data Processing (Revenue = \$3,000,000) (\$900,000 in Computer Costs from CEF) Rent & Supplies (Revenue = \$1,800,000) Personal Services and Data (Salaries, Fringe, and Office Equipment to Fund 5 FTE's Granted in FY 87-88 with No Allocation) (Revenue = \$600,000) Tax Auditors (Revenue = \$1,962,800) Total Revenue = \$7,362,800 Agency Total	-167,840 2,125,810 (6.00) 997,780 275,626 650,035 (8.00) 3,881,411 (14.00)

R52	Ethics Commission	
	Reduction in General Administration	-7,094
	Microfiche	10,537
		<hr/>
	Agency Total	3,443
	Boards & Commissions	
	Operational Support	406,220
		(5.50)
	(Offset by Fees)	
		<hr/>
	Total General Government & Regulatory	12,860,973
		(29.50)

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Economic Development, Natural Resources & Transportation

P04	Water Resources Commission	
	Reduction in General Administration	-43,421
	West Central Regional Office	58,310
		(2.00)
	Trident Regional Office - Groundwater	150,000
		(3.00)
	Lower Savannah River Project -	
	Water-table Testing	53,800
		<hr/>
	Agency Total	218,689
		(5.00)
P08	Land Resources Conservation Commission	
	Reduction in General Administration	-18,875
	Soil Survey	
	(\$75,000 Federal Funds)	
	Wetland Inventory	
	(\$40,000 Federal Funds)	
	Charleston Watershed Map	
	(\$30,000 Federal Funds)	
	Mining - Geologist to Process	
	Applications and Inspect Mines	
	in Piedmont	37,520
		(1.00)
		<hr/>
	Agency Total	18,645
		(1.00)

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P12	Forestry Commission	
	Reduction in General Administration	-62,787
	Forest Fire Equipment (From CEF)	300,500
	Accountant and Auditor	67,083
		(2.00)
	Marketing Specialist - For Secondary	
	Manufacturing of Timber	53,760
		(1.00)
	Seed Orchard Collection - Improve	
	Retrieval System for Genetically	
	Improved Seed	120,000
	Irrigation System - Replace	
	Unreliable System at Coastal Forest	
	Tree Nursery (From CEF)	115,000
	Forest Fire Prevention - Development	
	of State and Regional Law	
	Enforcement and Forest Fire	
	Prevention Program	100,000
		(2.00)
	Agency Total	693,556
		(5.00)
P16	Department of Agriculture	
	Reduction in General Administration	-80,885
	Coordinating Council Dues	10,000
	Market Development	78,668
		(2.00)
	Lab Services - for Food Testing -	
	Consumer Protection	5,500
	Agency Total	13,283
		(2.00)

P20	Clemson PSA	
	Food Processing Industry Research	
	Equipment	133,000
	Food Processing Industry Research	83,000
		(1.00)
	Fire Ants - Biological Control	
	Studies	57,000
		(1.00)
	Animal Disease Immunity Studies	50,000
	Fire Ant Control	225,000
		(2.00)
	Boll Weevil Eradication Program	50,000
		(2.00)
	Witchweed Elimination Program	33,000
	Gypsy Moth Infestation	33,000
	Human Nutrition - Effect of	
	Additives in Processed Foods	100,000
		(1.00)
	Human Nutrition - Education	100,000
		(1.00)
	Biotechnology Applications Laboratory	
	Equipment (From CEF)	385,000
	Supplies	51,000
	Personnel	50,000
		(1.00)
	Chicken and Poultry Vaccination	
	Immunity	100,000
		(1.00)
	Instruct Producers on Use of Improved	
	Vaccines	50,000
	Increase Embryo Survival in Cattle	
	and Swine	200,000
	Pest Control for Various Crops	300,000
	Agency Total	2,000,000
		(10.00)
P22	Migratory Waterfowl Commission	
	Administration	20,000
		(0.50)
	Agency Total	20,000
		(0.50)

P24	Wildlife & Marine Resources	
	Reduction in General Administration	-110,483
	Russell Dam Migration Plan	
	(\$45,000 Federal Funds)	
	Field Biologist	
	(\$26,172 Federal Funds)	
	Hunter Education Program	
	(\$40,500 Federal Funds)	
	Wildlife Magazine	50,000
	Game Management Program	52,000
	Biologist for Santee Cooper System	31,175
		(1.00)
	Summer Internships - 4 Graduate	
	& 6 Undergraduate	27,137
	Telephone Increase	52,000
	Fresh Water Fish Hatcheries -	
	Replace Federal Funds	50,000
	Capers Island Maintenance	25,000
	Agency Total	176,829
		(1.00)
P25	Coastal Council	
	Reduction in General Administration	-52,595
	Rent Increase	51,621
	Storm Damage Project on	
	Grand Strand	25,000
	Agency Total	24,026
P26	Sea Grant Consortium	
	Reduction in General Administration	-20,465
	Increase for Rent, Computer	
	Service, Security	13,969
	Auto Replacement (From CEF)	13,500
	Wetlands Preservation	100,000
	Agency Total	107,004
P28	Parks, Recreation & Tourism	
	Reduction in General Administration	-46,843
	State Parks	1,046,479
		(29.00)
	Tourism Advertising	200,000
	Promote Tourism From the Far East	45,000
	Agency Total	1,244,636
		(29.00)

P32	State Development Board	
	Reduction in General Administration	-11,429
	International Business - Frankfurt and Tokyo	385,000
	Special Programs: Washington and Film Office	185,000
	Advertising & Promotion	1,000,000
	Fixed Charges AT&T Rent, Plane, Insurance	107,000
	Business Development & Seed Capital	268,350
		(1.00)
	SE/US - Japan IDRC	200,000
	Agency Total	2,133,921
		(1.00)
P34	Jobs-Economic Development Authority	
	Reduction in General Administration	-21,214
	Staff - Loan Administration	37,000
		(2.00)
	Agency Total	15,786
		(2.00)
P48	Old Exchange Building Commission	
	Administration - Maintenance, Lights, Computer, Consultant	40,000
U04	Aeronautics Commission	
	Reduction in General Administration	-29,665
	Fuel Truck (From CEF)	53,000
	Airport Maintenance - 1 Maintenance Truck for Local Airports (From CEF)	83,000
	Agency Total	106,335
	Total Economic Development, Natural Resources & Transportation	6,812,710
		(56.50)

EXHIBIT

NOV 10 1987

NO. 1

Corrections & Law Enforcement

STATE BUDGET & CONTROL BOARD

B04	Judicial Department	
	Reduction in General Administration	-74,262
	Rent (Estimated)	600,000
		<hr/> 525,738
D10	SLED	
	Reduction in General Administration	-67,206
	New Forensic Lab	
	Equipment (From CEF)	600,000
	Personnel	500,000
		(19.00)
	Salary Increases for Existing Personnel	88,139
		<hr/>
	Agency Total	1,120,933
		(19.00)
N04	Department of Corrections	
	Reduction in General Administration	-406,379
	Annualization of Personal Service	
	& Operations (Broad River, Allendale and Marlboro)	5,025,008
	Fifth Year Nelson Requirements	
	Retaining 5.45 Positions per Post	335,058
		(15.00)
	Funding of Allendale & Marlboro	
	Institutions - Open Spring 1989	10,000,000
		(687.00)
	Security Personnel for Prison Industries	392,159
		(23.00)
	Refurbishing School Buses at Broad River Road Prison - 3 shifts for 500 Buses in First Year	294,379
		(20.00)
	Rebinding Used Textbooks for School Districts	300,000
	Data Processing Fees	300,000
		<hr/>
	Agency Total	16,240,225
		(745.00)

N08	Parole & Community Corrections	
	Reductions in General Administration	-60,306
	Personnel for Client Increase	271,313
		(10.00)
	Law Enforcement Radios (From CEF)	151,600
	Electronic Surveillance Equipment (From CEF)	200,000
	Agency Total	562,607
		(10.00)
N12	Department of Youth Services	
	Positions for Minimal Double Coverage	1,264,014
		(71.40)
	Personal Service - 4 Social Workers	101,256
		(4.00)
	Personal Service - 1 Psychologist	51,450
		(1.00)
	Three New Contractual Residential Programs - Marine Institutes	2,525,000
	Agency Total	3,941,720
		(76.40)
R48	Alcoholic Beverage Control Commission	
	Reduction in General Administration	-34,632
	Auto & Tort Liability Insurance	26,700
	Increase Worker's Compensation Premiums	15,400
	Agency Total	7,468
	Total Corrections & Law Enforcement	22,398,691
		(850.40)

Education

H03	Commission on Higher Education	
	Reduction in General Administration	-57,873
	Review Teams	22,000
	SREB Contract Fees	90,000
	Desegregation Funding	205,199
	N.C. School for the Arts	5,350
	Agency Total	<hr/> 264,676
H06	Higher Education Tuition Grants	
	Administrative Expenses	74,000
	Student Grants	1,000,000
	Agency Total	<hr/> 1,074,000
H09-H53	All Colleges & Universities	
	Formula Funding	
	Each 1% Change in	
	Formula = \$4.26 Mil	
	FY 87-88 pct = 88.52%	
	Cost to Maintain 88.52%	
	in FY 88-89	3,583,157
	Cost to Raise from 88.52% to 91%	
	in FY 88-89	10,762,546
	Research: Cutting Edge	8,000,000
	Colleges & Universities Total	<hr/> 22,345,703
H54	Charleston Higher Education Consortium	-74,686

EXHIBIT

NOV 10 1987

NO. 1

H59

State Board for Vocational & Technical Education

STATE BUDGET & CONTROL BOARD

Reduction in General Administration	-107,982
Each 1.0% Change in	
Formula = \$920,000	
FY 87-88 pct = 84.2%	
Cost to Maintain 84.2% in	
FY 88-89	478,230
Cost to Raise From 84.2% to	
91% in FY 88-89	3,620,594
Industrial Training Equipment	
- Regular Schools (From CEF)	1,026,418
Agency Total	5,017,260

H63

Department of Education

Reduction in General Administration	-125,732
EFA Formula Funding	
Each 1% Change in	
Formula = \$7,262,420	
FY 87-88 pct = 97.2%	
Recommendation is 100% of Formula	33,818,576
Increase in Fringe Benefits	
for Public School Employees at	
Full Inflation Factor	5,824,752
Bus Drivers' Salaries	
Recommendation to Raise Drivers	
with 3 or More Years Driving	
Experience to \$5.00 Per Hour	3,013,709
School Bus Lease/Purchase	
(From CEF)	3,567,552
Bus Safety: Crossing Arms	
(From CEF)	778,961
Bus Safety: Safety Mirrors	
(From CEF)	371,615
Bus Safety: 3 Extra Days Training	100,000
Bus Safety: 4 Patrolmen for Training	170,000
Bus Fuel	500,000
Contract Drivers for Handicapped	
Students	500,000
Replace Outdated Textbooks	3,000,000
Adult Education	1,000,000
Review Teams for Impaired Districts	65,547
Expand GED Testing Program	59,500
Support Educational Entrance Exam	
and APT Project Under Act 187	61,776
Agency Total	52,706,256

07770

Recommended Increases
in Educational Improvement Act Budget

EIA Salary Supplement to Meet Southeastern Teacher Average as Currently Computed - Assumes EFA Funding at 100% and Incentive Pay Included	6,888,667
Employer Contributions	1,033,300
Governor's School for Science and Mathematics	1,500,000
Basic Skills Assessment Program Remediation	3,446,370
High School Exit Exam and Basic Skills Assessment Program Science Exam	442,000
SAT Improvement Project	90,000
Update Readiness and Basic Skills Assessment Program Tests	645,350
Select New Tests for Comprehensive Test of Basic Skills	149,150
Building Fund Supplement for Enrollment Growth	216,656
4 year Early Childhood Program	1,000,000
Expand Gifted and Talented Programs	846,732
Completed Phase-In of Computer Equipment	-1,158,225
TOTAL EIA RECOMMENDATIONS	<u>15,100,000</u>

H67	Educational Television Commission	
	Reduction in General Administration	-119,332
	Adult Illiteracy Training	202,962
		(3.00)
	Agency Total	<u>83,630</u>
		(3.00)

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

H71	Wil Lou Gray Opportunity School	
	Reduction in General Administration	-14,096
	Time Shifting Agencywide	12,365
	Student Service - Professional Night Coverage	59,623
	Student Service - Youth Counselor Reclassification	22,161
	Agency Total	80,053
H75	School for the Deaf & Blind	
	Reduction in General Administration	-131,340
	Equipment - Program for Academic and Career and Education	64,715
	Post-Secondary Vocational Training - Food Service Program	139,815 (6.00)
	Preschool Day Program - Deaf Children 2-4	46,100 (2.00)
	Agency Total	119,290 (8.00)
H79	Archives & History	
	Reduction in General Administration	-33,433
	Employee Benefits & Other Operating Expenses	44,600
	Computer Service Needs	23,819
	Agency Total	34,986

H87	State Library	
	Reduction in General Administration	-26,998
	Volunteer Service Coordinator -	
	Handicapped Reader Program	20,856 (1.00)
	Library Network System - Link Other	
	Public, Academic, TEC, and State	
	Agency Libraries to State Library	
	(From CEF)	56,818
	Agency Total	50,676 (1.00)
H91	Arts Commission	
	Reduction in General Administration	-32,614
	Employee Benefits	10,000
	Grants - Arts in Education	100,000
	Marketing for Spoleto Festival	50,000
	Agency Total	127,386
H95	State Museum	
	Funding for Positions	894,340
	(20 New, 15 Existing)	(14.00)
	Other Operating Expenses	187,000
	Equipment - Furnishings, Fork Lifts,	
	Carpet, Computer (From CEF)	255,600
	Agency Total	1,336,940 (14.00)
	Total Educational Division	83,166,170 (26.00)

07773

Health and Human Services

J02	Health & Human Services Finance Commission	
	Reduction in General Administration	-69,111
	Nursing Home Mandated Return to HHSFC	446,869
	Medicaid Federal Match Rate	372,498
	Supplemental Medical Insurance Rate Change	750,000
	NGA Annualization - Poor and Pregnant Mothers	2,847,536
	Provider Reimbursement to Hospitals and Nursing Homes	2,500,000
	Recurring Income	100,000
	A.I.D.S.	750,000
	EPSDT Travel - Screening Children	24,874
	Colon/Prostate Screening	6,705
	Mammogram Screening	26,820
	EPSDT (2-week) Screening	65,709
	Agency Total	<hr/> 7,821,900

J04	Health & Environmental Control	
	Reduction in General Administration	-393,458
	A.I.D.S.	
	Communicable Disease	
	Investigators for Tracking	213,489
		(9.00)
	Operating Expenses:	
	Supplies, Equipment	402,408
	Public Health Nurses	238,737
		(9.00)
	Microbiologists for Testing	55,236
		(2.00)
	Lab Supplies	116,659
	Systems Programmers for	
	A.I.D.S. Network	82,228
		(2.00)
	Subtotal A.I.D.S.	1,108,757
		(22.00)
	Toxic Waste	
	Air Quality Control	200,000
		(1.00)
	Water Pollution Control	206,000
		(3.00)
	Solid & Hazardous Waste Management	100,000
		(2.00)
	Oil & Hazardous Waste Emergency	
	Response	33,480
		(1.00)
	Shellfish	14,880
	District Services	151,367
		(2.00)
	Analytical & Biological Services	300,000
		(3.00)
	Water Supply	150,000
		(6.00)
	Subtotal Toxic Waste	1,155,727
		(18.00)

07775

	Children's Rehabilitation Services -	
	Outpatient Care for Handicapped	
	Children	
	Reinstate Hospitalization	
	Handicapped Children	500,000
	Public Health Nurses to Implement	
	P.L. 99-457, Education for the	
	Handicapped	115,000
		(4.00)
	Family Health Centers	200,000
	Reduction Schedule	
	Vital Records (Replace w/Fees) -	
	Fees Increased from \$5 to \$10	
	for Birth, Death, Marriage	
	& Divorce Document Copies	-366,055
	Lee County Renovations (Non-	
	recurring)	-200,000
	Agency Total	2,119,971
		(44.00)
J12	Department of Mental Health	
	Reduction in General Administration	-302,290
	Replace Non-Recurring Revenue from	
	Touche Ross	3,000,000
	Justice Suit Funding	5,500,000
		(109.00)
	Young Adult Program - Morris Village	75,000
	Reduce Non-Recurring Expenditure	-300,000
	Agency Total	7,972,710
		(109.00)
J16	Department of Mental Retardation	
	Reduction in General Administration	-151,248
	Community Work Program	1,000,000
	Community Residential Program	1,000,000
	Prevention - Greenwood Genetics	
	Center	268,000
	Reduce Non-Recurring	-171,000
	Agency Total	1,945,752

07776

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

J20	Commission on Alcohol & Drug Abuse	
	Reduction in General Administration	-26,487
	Expand the Number of Teen Institutes for Prevention of Alcohol Problems in High Schools From 2 to 3	65,000
	Agency Total	38,513
L04	Department of Social Services	
	Reduction in General Administration	-374,385
	County Worker Upgrade (CARDS)	300,000
	Work Support Program	500,000
		(31.00)
	Child Support Enforcement	
	Automated System	208,000
	Electronic Parent Locator Network	116,800
	Federal Mandate	131,968
		(5.44)
	Food Stamp Employment & Training Expansion	140,000
		(4.00)
	Reduction Schedule	
	AFDC Payments	-866,000
	Agency Total	156,383
		(40.44)
L12	John de la Howe	
	Reduction in General Administration	-3,332
	On-Campus Instruction for Vocational Training	85,714
		(3.00)
	Agency Total	82,382
		(3.00)
L16	Foster Care Review Board	
	Reduction in General Administration	-9,151
	5 Review Boards and Review Board Coordinator	40,776
		(1.00)
	Agency Total	31,625
		(1.00)

L24	Commission for the Blind	
	Reduction in General Administration	-44,515
	Project for Efficient Use of Information Technology	125,000
	Agency Total	80,485
L28	Commission on Aging	
	Reduction in General Administration	-30,153
	Aging Services (\$850,000 Other Funds)	150,000
	Senior Services	69,342
	Rent Increases	32,821
	Operating Cost Increases	30,412
	Agency Total	252,422
L36	Human Affairs Commission	
	Reduction in General Administration	-23,639
	Compliance	25,250
		(1.00)
	Agency Total	1,611
		(1.00)
L40	Veterans Affairs	
	Reduction in General Administration	-23,978
	Contractual Services - Telephone Charges,	
	Equipment Repair, and General Repair	12,800
	Hospital Admissions Assistance	19,955
		(1.00)
	Agency Total	8,777
		(1.00)
L44	Commission on Women	
	Reduction in General Administration	-3,039
	Computer System	7,000
	Agency Total	3,961
	Health & Human Services Contract Providers	
	2% Cost of Living	1,125,504
	Total Health & Human Services	21,641,996
		(199.44)

Other Considerations

F30	Employee Pay Package	
	2½% Cost of Living - 2½% Merit	49,889,190
F30	Employer Contributions	
	Base Pay Annualization	
	Unclassified Academic Employees	
	for Three Months	1,281,464
	Annualize Merit Pay for Six Months	3,619,814
	Annualize Social Security Tax	2,898,768
	Adjust State Retirement Employer	
	Contributions Down 0.15%	-1,724,747
	Actuarial Adjustment General	
	Assembly Retirement	-205,752
	Adjust Group Health Insurance Rate	
	Up 10% for Six Months	5,844,110
	Rate Increase of 10% for Six Months	
	and Funding for an Additional 2,411	
	Retirees	2,206,689
	Adjust Retirement Health Insurance Base	
	Budget for 1987-88 Underfunding	5,619,394
	Dental Insurance for an Additional	
	2,411 Retirees	292,847
	Premium Adjustment for Workers'	
	Compensation Insurance	2,970,478
	Adjustment for 2% Reduction of Police	
	Officers' Retirement	-1,862,784
	Change in Health Insurance	
	Contributions for One Month's	
	Reserve	-5,619,000
	Subtotal Employer Contributions	15,321,281
V04	Debt Service	-1,760,223
X22	Aid to Subdivisions	
	Each 1% of Change in	
	Formula = \$2,058,299	
	FY 87-88 pct = 85.4%	
	Recommendation is 85.4% of Formula	8,576,000

N/A	Combined General Reserve Fund and Capital Expenditure Fund - Together Capped at 5% of General Fund Revenue (See Explanation on Page 4)	0
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N/A	Homestead Exemption	2,070,000
	Total Other Considerations	<u>74,096,248</u>

GRAND TOTAL GENERAL FUND RECOMMENDATIONS	220,976,788
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TOTAL GENERAL FUND REVENUE	221,786,245
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BALANCE	809,457
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07780

General Fund Expenditure Summary

<u>Section</u>	<u>Recommendation</u>
General Government and Regulatory	\$12,860,973 (29.50)
Economic Development, Natural Resources and Transportation	\$6,812,710 (56.50)
Corrections and Law Enforcement	\$22,398,691 (850.40)
Education	\$83,166,170 (26.00)
Health and Human Services	\$21,641,996 (199.44)
Other Considerations	74,096,248
Grand Total	\$220,976,788 (1,161.84)

07781

EXHIBIT

NOV 10 1987

NO. 1

Revenue Summary

STATE BUDGET & CONTROL BOARD

Revenue Estimate	196,500,000
Tax Commission Enhancement Program	7,362,800
Nuclear Waste Tax Increase From \$6 to \$9.81/cu. ft.	3,238,500
Capital Expenditure Fund - Projected Amount Remaining at End of FY 87-88	14,150,000
Miscellaneous Revenue from Boards and Commissions Fees	<u>534,945</u>
TOTAL	221,786,245

07782

Summary of Recommended Expenditures
from Money Anticipated to Remain in the
Capital Expenditure Fund at the End of FY 87-88

Budget & Control Board - Local Government	
Matching Funds for EPA	3,800,000
EDA Grants for Rural Improvements (Federal Match)	1,200,000
	<hr/> 5,000,000
 Insurance Department	
Printers	38,828
Word Processers	33,930
Personal Computers	28,246
	<hr/> 101,004
 Tax Commission	
Computers	900,000
 Forestry Commission	
Forest Fire Equipment	300,000
Irrigation System	115,000
	<hr/> 415,000
 Clemson PSA	
Biotechnology Laboratory Equipment	385,000
 Sea Grant Consortium	
Automobile	13,500
 Aeronautics	
Fuel Truck	53,000
Maintenance Truck	83,000
	<hr/> 136,000

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

Parole and Community Corrections	
Electronic Surveillance Equipment	200,000
Law Enforcement Radios	151,600
	<hr/>
	351,600
State Board for Vocational and Technical Education	
Industrial Training Equipment	1,026,418
Department of Education	
School Bus Lease/Purchase	3,567,552
Bus Safety: Crossing Arms	778,961
Bus Safety: Safety Mirrors	371,615
	<hr/>
	4,718,128
State Library	
Library Network System Equipment	56,818
State Museum	
Equipment	255,600
Comptroller General	
Data Processing Equipment	190,932
SLED	
Laboratory Equipment	600,000
	<hr/>
TOTAL	14,150,000

07784

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

Summary of Recommended Expenditures in the Bond Bill

In addition to the General Fund and EIA recommendations, I am recommending that that General Assembly include in the bond bill the following expenditures:

P20	Clemson PSA Renovation of Newman Hall	800,000
V04	Aeronautics Commission Replacement of 1 Helicopter	1,500,000
D10	SLED Fingerprint Machine	3,500,000
N12	Department of Youth Services To Improve Facilities to Relieve Overcrowding	12,000,000
	Greenville Arts Center	3,000,000

In light of the initiative shown by the people of the upstate, I would like to make available some state assistance to help them reach their goal of building a performing arts center. I am recommending that \$3 million be included in the bond bill for this project. In addition, I would like to see an equal amount committed from lapsed funds at the end of FY 87-88 if available.

EXHIBIT

NOV 10 1987

NO. 1

STATE BUDGET & CONTROL BOARD

07785

EXHIBIT

NOV 10 1987

NO. 2

WAM
STATE BUDGET AND CONTROL BOARD
MEETING OF *NOVEMBER 10*, 1987

REGULAR SESSION

ITEM NUMBER

3

AGENCY: Attorney General's Office

SUBJECT: Asbestos Property Damage Litigation

On September 22, the Attorney General's Office briefed the Board on the asbestos property damage litigation and discussed hiring the Motley law firm as associate counsel to manage the litigation presently underway.

At its meeting on October 27, the Board carried over consideration of a proposed Contract of Representation between the State and the law firms of Speights & Runyon and Motley, Loadholt, Richardson & Poole in connection with efforts to obtain recover of the costs of asbestos abatement from those who made, sold or installed asbestos materials in State buildings, pending receipt of a letter from Attorney General Medlock setting forth his comments and recommendations on the proposed contract.

On October 27, staff advised the Attorney General's Office of the Board's request that Mr. Medlock provide the Board with a formal letter setting forth his comments and recommendations on the proposed Contract.

Mr. Nathan Kaminski, Jr., of the Attorney General's Office advises that he will present Mr. Medlock's recommendation at the Board meeting.

BOARD ACTION REQUESTED:

Consider.

ATTACHMENTS:

Kaminski November 4 letter to McInnis; McInnis October 27 letter to Kaminski

67786

The State of South Carolina

NOV 4 1987



EXHIBIT

NOV 10 1987

NO. 2

Office of the Attorney General

STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803 734-8970

November 4, 1987

Mr. William A. McInnis
Deputy Executive Director
Budget & Control Board
612 Wade Hampton Office Building
Columbia, S.C. 29211

RE: Asbestos Property Damage Litigation

Dear Mr. McInnis:

It will be necessary for me to appear before the Board one further time on November 10, 1987, to bring to some conclusion the decision pending before the Board whether to utilize a private law firm to handle the asbestos property damage litigation which is now pending in Court. I will present to the Board the recommendation of the Attorney General, which was requested. Thank you for your assistance in this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "Nathan Kaminski, Jr.", written over the typed name.

Nathan Kaminski, Jr.
Executive Assistant for Administration

NKjr/drb

07787

EXHIBIT

NOV 10 1987

NO. 2

State of South Carolina

State Budget and Control Board

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
KARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

October 27, 1987

Mr. Nathan Kaminski, Jr.
Executive Assistant for Administration
Office of the Attorney General
P. O. Box 11549
Columbia, SC 29211

Dear Mr. Kaminski:

At its meeting on October 27, 1987, the Budget and Control Board considered the proposed Contract of Representation you forwarded to the Board in your October 23, 1987, letter to me. That proposed contract is between the State and the law firms of Speights & Runyon and Motley, Loadholt, Richardson & Poole in connection with efforts to obtain recovery of the costs of asbestos abatement from those who made, sold or installed asbestos materials in State buildings.

The Board asked that Attorney General Medlock provide it with a formal letter setting forth his comments and recommendation on the proposed Contract. The Board indicated it would not act on the contract until this letter is received.

Sincerely,

William A. McInnis

William A. McInnis
Deputy Executive Director

WAM:dw

07788

The State of South Carolina



Office of the Attorney General

EXHIBIT

NOV 10 1987

NO. 2

STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803 734 3970

November 9, 1987

The Honorable Carroll A. Campbell, Jr.
Governor, State of South Carolina
State House
P. O. Box 11369
Columbia, S.C. 29211

The Honorable Grady L. Patterson, Jr.
State Treasurer
Wade Hampton Office Building
P. O. Drawer 11778
Columbia, S.C. 29211

The Honorable Earle E. Morris, Jr.
Comptroller General
Wade Hampton Office Building
P. O. Box 11228
Columbia, S.C. 29211

The Honorable James M. Waddell, Jr.
Senator, District No. 46
213 Gressette Building
P. O. Box 142
Columbia, S.C. 29202

The Honorable Robert N. McLellan
Chairman, House Ways and Means Committee
526 Blatt Building
Columbia, S.C. 29211

Gentlemen:

I have been requested to provide a recommendation with regard to the utilization of associate counsel in connection with the asbestos abatement property damage litigation which was filed by our Office in the courts on September 18, 1987. My recommendation to you today is the same position expressed on September 8, 1987, when Mr. Kaminski first briefed you on the various legal strategies surrounding this litigation.

07789

EXHIBIT

NOV 10 1987

NO. 2

November 9, 1987
Page Two

STATE BUDGET & CONTROL BOARD

In order to maintain perspective, let me reiterate for the Board how we reached the point where we are today. Approximately a year ago, my staff evaluated the alternatives for handling this litigation. We concluded then that we could not negotiate a fee arrangement with a private law firm experienced in this field, which would pass the public interest test of "reasonableness", particularly in view of the fact that these claims are so large that even a small contingency fee rate such as 5% could produce fees in excess of several million dollars. I recognized then, as I do now, that this is a difficult choice and may necessitate the State expending large sums of money for litigation costs with only the possibility of some recovery of damages years from now. But, I can find no precedent or rationale that supports the payment of a potential contingency fee of the magnitude we are discussing here.

We concluded that the only prudent course, at least with regard to the preliminary investigative stages, was to form a team of attorneys within the Office, all of whom could devote some of their time to the research and investigation.

We decided to approach this cost recovery litigation by trying to match the timing of our litigation needs and costs with the timing of the asbestos engineering survey and testing program which are currently under way. On that basis, we asked for and received from the General Assembly, a partial restoration of our previous budget cuts in the amount of \$140,000.00 for the fiscal year 1987-88.

Our investigation pointed out the need to move ahead in this fiscal year with the filing of an "omnibus" lawsuit for all State-owned buildings which were not the subject of some other suit already filed. Because of the extraordinary complexity of this litigation involving more than 3,000 buildings and 93 defendants, we recognized that we needed added funding for this fiscal year to cover the immediate need for an additional attorney, paralegals and secretarial help, and to cover the substantial cost associated with conducting both nationwide and local discovery with regard to these various defendants. My staff projected that we would need all remaining prior budget cuts in the amount of \$123,324.00 restored, as well as an additional \$311,371.00 added to our budget for this fiscal year. Because the litigation decision necessarily turned on these financial considerations, Mr. Kaminski presented a briefing to the Board on these points at its September 8, 1987, meeting.

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EXHIBIT

NOV 10 1987

NO. 2

November 9, 1987
Page Three

STATE BUDGET & CONTROL BOARD

At that time, the Board concurred in the filing of the litigation, but the Board requested Mr. Kaminski to explore the option of using a private law firm, rather than handling the lawsuit through this Office.

Following the Board's directive, at your next meeting on September 22, 1987, Mr. Kaminski presented the comparative cost of using a private law firm on a contingency fee basis versus the projected cost of utilizing Attorney General legal staff. We made it clear throughout that we would support the Board's decision to contract the work out but we have never been willing to recommend that in light of the potential amounts of such fees.

Based on that September 22, 1987, meeting, the Board then directed Mr. Kaminski to negotiate a proposed Contract with the Motley-Speights law firms, which he did. At the next regular meeting of the Board on October 27, 1987, Mr. Kaminski presented a proposed Contract which contained basically the same type of contingency fee arrangement that the Motley-Speights law firms had previously utilized with other governmental entities, but, as already stated, would have the potential for producing multimillion dollar legal fees if there were a large recovery resulting from the lawsuit. The Board then asked for my recommendation which remains the same as it was two months ago at our first appearance before the Board.

I recommend that the Board support our Office in obtaining the additional projected funding required to handle the litigation internally. The amount is \$434,695.00 for this fiscal year. Based on our current expectations, we project we will need similar funding in the 1988-89 fiscal year and in years thereafter in order to effectively prosecute this litigation.

I recognize that this decision brings to bear a number of economic factors, and the Board may have information regarding the overall budget situation for the State to which I am not privy. If that is the case, and the Board determines that it is necessary to fund the litigation through a contingency fee Contract, I will support the Board's decision.

An early decision needs to be made. We cannot continue to effectively represent the State's interest, in this extraordinary case, with our present staffing and funding level. We need to act quickly with staffing additions if we are going to continue to handle this

07791

EXHIBIT

NOV 10 1987

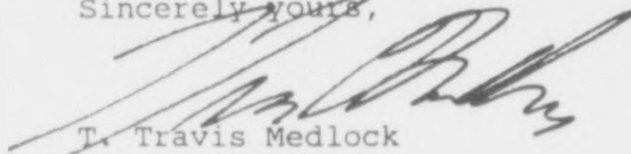
NO. 2

November 9, 1987
Page Four

STATE BUDGET & CONTROL BOARD

internally through our Office. Likewise, the private firm needs to commence work immediately, if the Board adopts that course. As always, my Office will cooperate with the Board and its staff.

Sincerely yours,



T. Travis Medlock

TTM/drb

07792

EXHIBIT

NOV 10 1987

NO. 3

STATE BUDGET AND CONTROL BOARD STATE BUDGET & CONTROL BOARD SESSION
MEETING OF November 10, 1987 ITEM NUMBER

4

AGENCY: Budget Division

SUBJECT: Veto-related Funds Transfer Request, SLED

The Budget Division advises that the State Law Enforcement Division has requested authorization to transfer \$1,500 from supplies to cover three-months' funding of travel for the Missing and Exploited Children Program. This line-item was vetoed by the Governor.

The Budget Division recommends that SLED be authorized to transfer \$1,000 from supplies to travel for second quarter expenditures.

BOARD ACTION REQUESTED:

Authorize SLED to transfer \$1,000 from supplies to travel for the Missing and Exploited Children Program (second quarter expenditures).

ATTACHMENTS:

Agenda item worksheet; attachments

07793

EXHIBIT

NOV 10 1987

NO. 3

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84) **STATE BUDGET & CONTROL BOARD**

88-108

Meeting Scheduled for: November 10, 1987

Regular Agenda

1. Submitted By:

(a) Agency: State Budget Division

(b) Authorized Official Signature: A. Baran Holmes IV

2. Subject:

SLED - Veto-Related Fund Transfer Request

3. Summary Background Information:

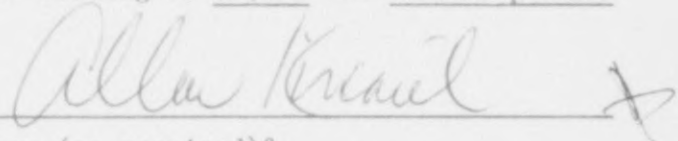
The State Law Enforcement Division requests a transfer of \$1,500 from Supplies to cover three months' funding of the line item Travel for the Missing and Exploited Children's Program which was vetoed by the Governor.

4. What is Board asked to do?

Approve the transfer of \$1,500 appropriated funds from Supplies to Travel.

5. What is recommendation of Board Division involved?

Approve the transfer for three months' funding of \$1,000 for second quarter expenditures.

Allen Kraul 

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. Supporting Documents:

(a) List Those Attached:

1. Agency Letter
2. Transfer Request Form #30

(b) List Those Not Attached But Available From Submitter:

07794

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

CARROLL A. CAMPBELL, JR.
Governor



J.P. STROM

EXHIBIT

NOV 10 1987

NO. 3

STATE BUDGET & CONTROL BOARD

4400 Broad River Road (J.P. Strom Boulevard) • Mail: P.O. Box 21398
Columbia, South Carolina 29221-1398 • Phone: 803/737-9000

October 23, 1987

Mr. Allan Kincaid
State Auditors Office
Brown Bldg.
Columbia, SC

Dear Allan,

The attached Stars Form 30 is a request to transfer \$1,500.00
from Supplies to Travel in level 4602-1001, Missing and Exploited
Children,

Travel expenses are running higher than anticipated at budget
time. Thank you.

Sincerely,

Anne Mathis
Accounting Office
S.C. Law Enforcement Division

AM/jis

07795

AGENCY NUMBER D10	AGENCY BATCH NUMBER 022	OBJECT CODE HASH TOTAL 0800	TOTAL BATCH AMOUNT 3,000.00	BATCH DATE	BATCH NUMBER	DOCUMENT 3
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AGENCY VOUCHER NUMBER

T00022

AGENCY TRANSFERRED TO (CIR)

NAME

SLED

ADDRESS

P.O. Box 21398**Columbia, SC 29221****STATE OF SOUTH CAROLINA**

BUDGET AND CONTROL BOARD - FINANCE DIVISION

APPROPRIATION TRANSFER

TO REQUESTING AGENCY:

This form must be supported with documentation indicating the reason for the transfer. No commitment should be made in anticipation of the approval of a transfer.

CG WARRANT NUMBER

AGENCY TRANSFERRED FROM (CIR)

NAME

SAME

ADDRESS

EXHIBIT**NOV 10 1987****NO. 3**

REASON FOR TRANSFER:

See Attached**STATE BUDGET & CONTROL BOARD**

FROM

FM	TRANS CODE	AGCY NO	MINI CODE	SUB FUND CODE	SUB SIDIARY ACCOUNT NO	ENCUM BRANCE NO	M O D	PROJECT CODE	AGENCY REFERENCE NUMBER	OBJECT CODE	TRANSACTION AMOUNT	MULTI PURPOSE CODE
04	350	D10	4602	1001					T00022	0300	1,500.00	
TOTAL										0300	1,500.00	

TO

FM	TRANS CODE	AGCY NO	MINI CODE	SUB FUND CODE	SUB SIDIARY ACCOUNT NO	ENCUM BRANCE NO	M O D	PROJECT CODE	AGENCY REFERENCE NUMBER	OBJECT CODE	TRANSACTION AMOUNT	MULTI PURPOSE CODE
04	300	D10	4602	1001					T00022	0500	1,500.00	
TOTAL										0500	1,500.00	

REQUESTED BY

W. P. H. H.
Chief/Manager

DATE

10-23-87

STATE BUDGET ANALYST

DATE

To the Comptroller General and Treasurer: By unanimous approval of the Budget and Control Board, the above appropriation transfers are authorized.

STATE AUDITOR

07796

EXHIBIT

NOV 10 1987

NO. 3

access to a Free Conference Report than the ~~STATE BUDGET & CONTROL BOARD~~ printed by the Legislative Council. My intent is to veto the lines in the final Bill that correspond to those in the Free Conference Report.

VETO 1 - Section 3H, State Reorganization Commission,
Page 3-027, Line 14, Travel, \$5,000

VETO 2 - Section 5A, Governor's Office, Executive Control
of the State, Page 5-001, Line 18, Transportation, \$1,500

This cut is in addition to a cut of \$4,335 in actual spending
from FY 86-87 to FY 87-88.

VETO 3 - Section 5B, Governor's Office, State Law Enforcement
Division, Page 5-005, Line 36, Contractual Services, \$25,840

VETO 4 - Section 5B, Governor's Office, State Law Enforcement
Division, Page 5-005, Line 11, Equipment, \$63,887

VETO 5 - Section 5B, Governor's Office, State Law Enforcement
Division, Page 5-005, Line 40, Equipment, \$10,000

VETO 6 - Section 5B, Governor's Office, State Law Enforcement
Division, Page 5-003, Line 17, Library Books, Maps and
Films, \$500

VETO 7 - Section 5B, Governor's Office, State Law Enforcement
Division, Page 5-005, Line 39, Travel, \$4,000

VETO 8 - Section 5C, Governor's Office, Office of
Executive Policy and Programs, Page 5-007, Line 17,
Transportation, \$12,080

This cut is in addition to a \$205,170 decrease in actual
spending from FY 1986-87 to FY 1987-88.

VETO 9 - Section 6, Lt. Governor's Office, Page 6-001,
Line 13, Fixed Charges and Contributions, \$300

VETO 10 - Section 6, Lt. Governor's Office, Page 6-001,
Line 14, Travel, \$1,411

VETO 11 - Section 7, Secretary of State's Office, Page
7-001, Line 11, Equipment, \$4,984

VETO 12 - Section 7, Secretary of State's Office, Page
7-001, Line 10, Travel, \$4,224

VETO 13 - Section 8, Comptroller General's Office, Page
8-003, Line 4, Contractual Services, \$37,513

104,227

The State of South Carolina



Office of the Attorney General

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

HEMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803 734 3680

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

November 13, 1987

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
Columbia, South Carolina 29201

Re: \$6,180,000, Charleston County, South Carolina,
Hospital Facilities Revenue Refunding Bonds:
Sandpiper Village, Inc.; Projected Issue Date -
December 1, 1987

Dear Mr. McInnis:

Regarding the above-referenced bond, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Section(s) 44-7-1590, et seq., Code of Laws of South Carolina, 1976, as amended, and the same appear, in our opinion, to be in order.

This opinion addresses only the legal sufficiency of the documents you have provided for our review. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "D. Eckstrom".

David C. Eckstrom
Assistant Attorney General

DCE:tgc

Enclosures

07793

EXHIBIT

NOV 10 1987

NO. 4

STATE OF SOUTH CAROLINA)

Sandpiper Village, Inc. STATE BUDGET & CONTROL BOARD

COUNTY OF RICHLAND)

I, WILLIAM A. McINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr., Governor and
Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General;

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

The Honorable Robert N. McLellan, Chairman of the House
Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 10:00 a.m. on Tuesday, November 10, 1987, was given to all members in writing, and at least four (4) days prior to the meeting; that all members of the Board were present at the meeting, with the exception of Senator Dennis, who was represented by Senate Finance Committee Vice Chairman James M. Waddell, Jr. (absent during consideration of this item).

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

FOR MOTION

4

AGAINST MOTION

0

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

November 24, 1987

William A. McInnis

C7799

EXHIBIT

NOV 10 1987

NO. 4

D

STATE BUDGET & CONTROL BOARD

RESOLUTION

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

APPROVING THE UNDERTAKING OF CHARLESTON COUNTY, SOUTH CAROLINA TO ISSUE NOT EXCEEDING \$6,180,000 CHARLESTON COUNTY, SOUTH CAROLINA, HOSPITAL FACILITIES REVENUE REFUNDING BONDS, SERIES 1987 (SANDPIPER VILLAGE, INC. PROJECT) PURSUANT TO ARTICLE 11, CHAPTER 7, TITLE 44, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED.

WHEREAS, Charleston County Council ("County Council"), pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended (the "Act"), has petitioned the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by Charleston County, South Carolina (the "County") pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the issuance of not exceeding \$6,180,000 Charleston County, South Carolina, Hospital Facilities Revenue Refunding Bonds (Sandpiper Village, Inc. Project), Series 1987 (the "Bonds") by the County pursuant to the Act, the proceeds of which will be loaned to Sandpiper Village, Inc. (the "Corporation"), a South Carolina corporation, and used to defray the cost to refund (the "Refunding") the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain hospital facilities constituting a medically assisted living facility (the "Project") owned and operated by the Corporation in the County;

WHEREAS, the County and the Corporation propose to enter into a Loan Agreement (the "Loan Agreement") pursuant to which the Corporation will agree to make payments sufficient to provide for the payment of the Bonds above described; and

WHEREAS, the County proposes to enter into a Trust Indenture (the "Indenture") with a banking association or a trust company to be selected by the Corporation, as Trustee (the "Trustee") prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made pursuant to the Loan Agreement; and

07800

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

WHEREAS, the Corporation proposes to enter into a Mortgage and Security Agreement (the "Mortgage") with the Trustee securing the payment of the Bonds; and

WHEREAS, the forms of the Loan Agreement, the Indenture and the Mortgage will be in substantially the form used in previous financings considered by this Board;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA, 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 County Council has filed a proper petition to the State Board in accordance with the provisions of the Act, setting forth the action taken by the South Carolina Department of Health and Environmental Control ("DHEC") in connection with the Project (DHEC having informed the Corporation that a Certificate of Need was not required in connection with the Project), a reasonable estimate of the cost of the Refunding, and a general summary of the terms and conditions of the Loan Agreement; and

(c) That the Refunding by County Council of the Series 1983 through the issuance of the Bonds will promote the purposes of the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the County: (i) to enter into the Indenture and issue the Bonds; (ii) to loan the proceeds thereof to the Corporation for the purpose of Refunding the Series 1983 Bonds; and (iii) to enter into the Loan Agreement providing for the payment of the Bonds, which Bonds shall be payable by the County 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 may proceed therewith.

3. Notice of the action taken by the State Board in giving approval to the above described undertaking of the County shall be published in THE NEWS AND COURIER, a newspaper having general circulation in the County.

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

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

EXHIBIT "A"

NOTICE PURSUANT TO ARTICLE 11, CHAPTER 7, TITLE 44,
CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED

NOTICE IS HEREBY GIVEN that following the filing of a Petition by Charleston County Council ("County Council") 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 Charleston County, South Carolina (the "County") of not exceeding \$6,180,000 Charleston County, South Carolina, Hospital Facilities Revenue Refunding Bonds, Series 1987 (Sandpiper Village, Inc. Project) (the "Bonds") pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended (the "Act"), the proceeds of which shall be loaned by the County to Sandpiper Village, Inc. (the "Corporation") and used to refund (the "Refunding") the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain hospital facilities constituting a medically assisted living facility (the "Project") owned and operated by the Corporation in the County.

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Board in approving the said undertaking of County Council, by action, de novo, instituted in the Court of Common Pleas for the County.

THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

By: William A. McInnis

PUBLICATION DATE:

_____, 1987

07802

State of South Carolina

NOV 24 1987

EXHIBIT

NOV 10 1987

NO. 4

State Budget and Control Board

STATE BUDGET & CONTROL BOARD

OFFICE OF THE STATE AUDITOR

P.O. BOX 11333
COLUMBIA, S.C.
29211
(803) 734-1727

EDGAR A. VAUGHN, JR., CPA
STATE AUDITOR

MARGARET C. STILWELL, CPA
DEPUTY STATE AUDITOR

November 24, 1987

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: First Mortgage Hospital Facilities Revenue Refunding Bonds -
Charleston County - \$6,180,000 (Sandpiper Village, Inc.)

Dear Mr. McInnis:

1. The proposed bond issue will provide funds to refund the First Mortgage Hospital Facilities Revenue Bonds - Series 1983 which were originally issued in the aggregate principal amount of \$6,210,000. Based upon phone discussions with F. Mitchell Johnson, Jr., of Sinkler & Boyd, bond counsel, and Mr. Philip Waters, controller for Sandpiper Village, the refunding issue has the same maturity date as the 1983 issue and the refunding bonds will have a pledge of collateral identical to that on the currently outstanding bonds which is a first mortgage and security interest covering all of the real and personal property of Sandpiper Village, a medically assisted retirement facility. The 1987 bonds will also be secured by amounts deposited in a reserve fund. A mortgagee's title insurance policy in the amount of \$6,180,000 or a commitment therefor will be obtained prior to the issuance of the 1987 bonds. Although the shareholders of the Company guaranteed the debt service on the 1983 bonds through February 1, 1987, the 1987 bonds will not be guaranteed by them.
2. We reviewed the audited financial statements of Sandpiper Village, Inc., for the three years ended December 31, 1986, which were examined by Finch, Hamilton & Co., Columbia, South Carolina. The independent auditors issued unqualified opinions on the statements for each of the three years. For each of the three years, the Company reported a net loss. Deficit retained earnings at December 31, 1986, were \$<1,454,547>.
3. We also reviewed unaudited actual and proforma monthly income statements for the period January 1987 through August 1988. These unaudited income statements show deficit cash basis net income through December 31, 1987; thereafter, each forecasted month reflects a positive cash flow.

STATE BUDGET & CONTROL BOARD

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL
REMBERT C. DENNIS
CHAIRMAN
SENATE FINANCE COMMITTEE

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER

ROBERT N. MUELLAN
CHAIRMAN
HOUSE WAYS AND MEANS COMMITTEE
JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

07803

EXHIBIT

Mr. William A. McInnis

Page Two

November 24, 1987

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

4. According to Mr. Waters, the Series 1983 bond indenture allows the Company to borrow from the debt service reserve fund. Therefore, although required debt service interest payments were approximately \$72,000 per month, actual debt service interest payments now run approximately \$83,000 because of the payments due on the routine borrowings from the debt service reserve fund. When the Series 1983 bonds are refunded, the debt service reserve fund will be repaid in full.

The outstanding issue has interest rates of 12.5% to 13.5%. The anticipated rate on the proposed issue will be 10.25% or lower.

Consequently, the Company expects to achieve considerable interest savings as a result of paying off the debt service reserve fund and issuing the new bonds at lower interest rates.

5. This retirement facility has 133 beds. It opened in January 1985. Average occupancy for 1985 was 81 and for 1986 it was 97. For the first ten months of 1987, average occupancy has been 105. The Company will increase residential rental rates by 4% effective January 1, 1988. Consequently when rates are increased and if occupancy remains the same or increases, revenues will increase and net operating income should also increase and the Company's cash flow should improve.
6. On November 23rd, we received and reviewed a draft of the preliminary offering statement (POS). According to the POS, the Company will pledge to the Trustee, NCNB South Carolina, all revenues of the Company. Further, the Company will covenant that during each fiscal year, it will charge rates sufficient with other available funds to provide income available for debt service in an amount at least equal to 120% of the principal and interest requirements on all long term debt of the Company including the 1987 bonds.

A POS paragraph titled Management's Discussion and Analysis of Operations and Results states that "occupancy levels at the Project have been significantly lower than projected at the time of the issuance of the 1983 Bonds. As a result, operating deficits have been larger than projected... The cash flow shortfall in 1986 was paid for by a subordinated loan from the stockholders...and from borrowings from the debt service reserve fund for the 1983 Bonds...

07804

EXHIBIT

NOV 10 1987

NO. 4

Mr. William A. McInnis
Page Three
November 24, 1987

STATE BUDGET & CONTROL BOARD

The Introduction section of the POS concludes with the following warning in bold-face type:

PURCHASE OF THE 1987 BONDS INVOLVES A HIGH DEGREE OF RISK AND EACH PROSPECTIVE PURCHASER SHOULD CONSIDER HIS OR HER FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE THE SUITABILITY OF INVESTING IN THE 1987 BONDS. SEE "CERTAIN BONDHOLDERS' RISKS" HEREIN.

The Certain Bondholders' Risks section covers five pages and contains warnings to potential investors which are outlined in subsections titled as follows:

Limited Resources of the Corporation
Negative Net Worth and Lack of Prior Profitability
Market for the 1987 Bonds; No Credit Rating
Adverse Conditions in Housing Market
Competition
Increases in Medical Costs
Labor Union Activity
Normal Risks Attending Any Investment in Real Estate
Investment Yield on Entrance Deposits
Liquidation of Security May Not Be Sufficient in the Event of a Default
Effect of Bankruptcy
Management
Early Redemption of 1987 Bonds

In addition, the Conflicts of Interest section outlines several relationships and the potential problems related thereto which may be of concern to potential investors and may adversely influence a decision to invest in the proposed issue.

The POS includes summaries of the trust indenture, loan agreement, mortgage, and occupancy agreements. In the trust indenture summary, the debt service reserve fund description states in part:

If any moneys are transferred from the Debt Service Reserve Fund in accordance with the provisions of the Trust Indenture, the Corporation will be required to make up the amount or amounts so transferred within 12 months in equal monthly payments.

Consequently, a provision which existed in the 1983 bond indenture is repeated for the 1987 proposed issue. As stated above, routine borrowings from the 1983 debt service reserve fund resulted in cash flow problems for the Company; therefore, the potential for similar problems related to the 1987 issue exists.

07805

EXHIBIT

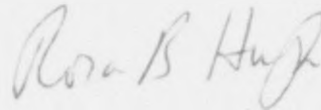
NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis
Page Four
November 24, 1987

7. If each potential investor adequately inspects the preliminary offering statement, thoroughly understands and evaluates the risks as outlined in the offering statement to determine the suitability of investing in the 1987 bonds, and evaluates the Company's cash flow, debt service coverage, operating results, and financial position, he should be considered a "sophisticated and knowledgeable investor" for purposes of judging this issue. Accordingly we see no reason to disapprove the proposed bond refunding issue based on our assumption that only "sophisticated and knowledgeable" investors who can afford to lose their entire investment in the issue will invest in said issue.



Rosa B. Hughes, CPA
Audit Manager

RBH/dc

07806

EXHIBIT

State of South Carolina

NOV 10 1987

NO. 4

State Budget and Control Board

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

November 24, 1987

Mr. F. Mitchell Johnson, Jr.
Sinkler & Boyd
Box 340
Charleston, SC 29402

Dear Mitchell:

Ref: \$6,180,000 Charleston County, SC, Hospital Facilities Revenue
Refunding Bonds: Sandpiper Village, Inc., Project

Enclosed are certified copies of the Board resolution approving the referenced issue.

Also enclosed is a copy of Audit Manager Rosa Hughes' November 24, 1987, memorandum to me on this proposal. I urge you to read the entire memo but I call your specific attention to paragraph 7, which reads as follows:

If each potential investor adequately inspects the preliminary offering statement, thoroughly understands and evaluates the risks as outlined in the offering statement to determine the suitability of investing in the 1987 bonds, and evaluates the Company's cash flow, debt service coverage, operating results, and financial position, he should be considered a "sophisticated and knowledgeable investor" for purposes of judging this issue. Accordingly we see no reason to disapprove the proposed bond refunding issue based on our assumption that only "sophisticated and knowledgeable" investors who can afford to lose their entire investment in the issue will invest in said issue.

Sincerely,

William A. McInnis

William A. McInnis

Deputy Executive Director

M

Enclosures referenced

07807

EXHIBIT

STATE OF SOUTH CAROLINA

NOV 10 1987

NO. 4

COUNTY OF CHARLESTON

STATE BUDGET & CONTROL BOARD

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

The Petition of Charleston County Council ("County Council") pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended (the "Act"), respectfully shows:

1. County Council is the "Governing Body" of Charleston County, South Carolina (the "County") referred to in the Act.

2. The Act authorizes County Council, subject to obtaining the approval and findings, if any, from the State Budget and Control Board of South Carolina (the "State Board") and the South Carolina Department of Health and Environmental Control ("DHEC") required by the Act, to enter into agreements with any hospital agency located or to be located in the County to acquire and construct hospital facilities, to enter into loan agreements with such agency prescribing the terms and conditions of the payments to be made by the agency 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 hospital facilities or for the purpose of refunding outstanding obligations, mortgages or advances made or given by a hospital agency for the cost of hospital facilities.

3. County Council did heretofore agree with Sandpiper Village, Inc. (the "Corporation"), a South Carolina corporation, that County Council would undertake to refund (the "Refunding") the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain hospital facilities (the "Project") constituting a medically assisted living facility.

4. County Council is advised by the Corporation that the Refunding requires at this time the borrowing of approximately \$6,180,000 and that it will therefore be necessary that County Council issue at this time not exceeding \$6,180,000 Charleston County, South Carolina, Hospital Facilities Revenue Refunding Bonds, Series 1987 (Sandpiper Village, Inc. Project) (the "Bonds") the proceeds of which shall be loaned to the Corporation and used to defray the cost of the Refunding.

5. The Corporation has advised County Council that DHEC previously determined that a Certificate of Need need not be issued in connection with the acquisition, construction and installation of the Project.

6. Pursuant to the Act, County Council sets forth the following information:

(a) the Bonds will be issued to provide funds which will be used to refund the Project;

(b) DHEC has determined that a Certificate of Need need not be issued for the Project;

(c) the amount now required to meet the cost of Refunding is approximately \$6,180,000 which amount is equal to the outstanding principal amount of the Series 1983 Bonds; and

(d) the proposed Loan Agreement (the "Loan Agreement") provides in general:

(i) to finance the cost of the Refunding the County will issue at this time not exceeding \$6,180,000 of Bonds which will be secured by a pledge of the payments to be made by the Corporation pursuant to the Loan Agreement, and will be issued pursuant to a proposed Trust Indenture (the "Indenture") between the County and a banking association or a trust company to be selected by the Corporation, as Trustee (the "Trustee");

(ii) proceeds derived from the sale of the Bonds will be deposited with the Trustee under the Indenture and will be applied solely for the Refunding and the issuance of the Bonds;

(iii) under the terms of the Loan Agreement, the Corporation obligates itself to pay the amount necessary to meet the payment of principal of, premium, if any, and interest on the Bonds as the same become due, to build up and maintain adequate

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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NOV 10 1987 NO. 4

STATE BUDGET & CONTROL BOARD

reserves with respect to the Project and the Bonds, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured;

(iv) as permitted by the Act, the Loan Agreement provides that the Project is to be the property of the Corporation and the County shall have no interest therein; and

(v) the Loan Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

7. The Indenture is in conventional form and prescribes the terms and conditions upon which the Bonds will be issued. The Indenture provides for the payment and redemption of the Bonds, the establishment of funds and accounts into which the proceeds of the payments made by the Corporation pursuant to the Loan Agreement are placed, and for the use of the said funds and accounts for the payment of the Bonds. The Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

8. As security for the Bonds, the Corporation will mortgage the real property owned by the Corporation, including the Project, to the Trustee and will grant to the Trustee a security interest in the personal property owned by the Corporation located on such real property pursuant to a proposed Mortgage and Security Agreement (the "Mortgage") between the County and the Trustee.

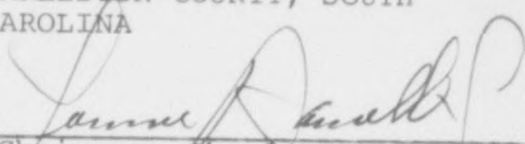
9. The Corporation has arranged for the sale of the Bonds through Bear, Stearns & Co., Inc. (the "Underwriter") pursuant to a proposed Bond Purchase Agreement (the "Bond Purchase Agreement") among the County, the Corporation and the Underwriter.

Upon the basis of the foregoing, County Council respectfully prays that the State Board accept the filing of this Petition; that, thereafter and as soon as practicable, it make such investigation of the proposed undertaking of the County as it deems advisable; that the State Board find that the proposed Refunding is intended to promote the purposes of the Act and that it is reasonably anticipated to effect such result; that the proposed Refunding is economically feasible; and on the basis of such finding, that it approve the proposed Refunding through the issuance of the Bonds pursuant to the Act, including changes in any details of the Refunding as finally consummated which do not materially affect the said undertaking of the County and

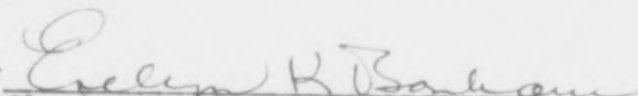
give published notice of its approval in the manner set forth in of the Act.

Respectfully submitted,

CHARLESTON COUNTY, SOUTH
CAROLINA

By 
Chairman, Charleston County
Council

Attest:

By 
Clerk, Charleston County
Council

October 20, 1987

EXHIBIT

NOV 10 1987 NO. 4

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

B

A RESOLUTION

AUTHORIZING THE ISSUANCE OF NOT EXCEEDING SIX MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS (\$6,180,000) CHARLESTON COUNTY, SOUTH CAROLINA, HOSPITAL FACILITIES REVENUE REFUNDING BONDS, SERIES 1987 (SANDPIPER VILLAGE, INC. PROJECT) (THE "BONDS"); AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO ARTICLE 11, CHAPTER 7, TITLE 44, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; PROVIDING FOR A PUBLIC HEARING TO BE HELD PRIOR TO THE ISSUANCE OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATING THERETO.

Incident to the adoption of this Resolution, Charleston County Council ("County Council"), the governing body of Charleston County, South Carolina (the "County"), has made the following findings:

1. Sandpiper Village, Inc. (the "Corporation"), a South Carolina corporation, has proposed that the County refund (the "Refunding") the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain hospital facilities constituting a medically assisted living facility (the "Project") owned and operated by the Corporation in the County, pursuant to the authorization of Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended.

2. County Council adopts this Resolution to evidence its approval of the issuance of the Bonds to effect the Refunding, to authorize a Petition to the State Budget and Control Board of South Carolina (the "State Board") setting forth the facts required by the Act and to provide for a public hearing to be held prior to the issuance of the Bonds.

3. There is a need for the Project, the Corporation is financially responsible and capable of fulfilling its obligations under the proposed Loan Agreement (the "Loan Agreement") between the County and the Corporation, the issuance of the Bonds will not give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers, and the Bonds shall be payable solely out of the moneys to be derived by the County pursuant to a the Loan Agreement.

4. The amount now required to effect the Refunding is not exceeding Six Million One Hundred Eighty Thousand

EXHIBIT

NOV 10 1987 NO. 4

STATE BUDGET & CONTROL BOARD

Dollars (\$6,180,000), which amount is equal to the outstanding principal amount of the Series 1983 Bonds.

5. The Corporation has also submitted to County Council a draft of the Loan Agreement under which the proceeds derived from the sale of the Bonds will be loaned by the County to the Corporation and the Corporation will agree (a) to repay such loan by making payments in the amount necessary to provide the annual payments of principal of, premium, if any, and interest on the Bonds as the same become due, (b) to build up adequate reserves with respect to the Project and the Bonds, and (c) to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured. The Loan Agreement, as permitted by the Act, will provide that the Project shall be the property of the Corporation and that the County shall have no interest therein.

6. Adequate provision has been made by the Corporation and the County for the payment of the principal of, premium, if any, and interest on the Bonds, for the operation and maintenance of the Project and for public facilities, including utilities and public services necessary for the Project.

7. The Corporation has also submitted to County Council a draft of a proposed Trust Indenture (the "Indenture") between the County and a banking association or a trust company to be selected by the Corporation, as Trustee (the "Trustee") pursuant to which the Bonds will be issued. The Indenture prescribes the terms and conditions of the Bonds and the security therefor. The Indenture will be in substantially the form previously used in hospital revenue bond financing.

8. The Corporation has previously requested that the South Carolina Department of Health and Environmental Control ("DHEC") issue a Certificate of Need for the Project. DHEC determined that the acquisition, construction and installation of the Project did not require that a Certificate of Need be issued.

9. Reserve funds for the payment of principal, interest and premium, if any, on the Bonds will be provided for in the Loan Agreement and the Indenture.

10. The Corporation has also submitted a draft of a Bond Purchase Agreement among the County, the Corporation and Bear, Stearns & Co., Inc. pursuant to which the Corporation has arranged for the sale of the Bonds.

11. The Corporation has also submitted a draft of a proposed Mortgage and Security Agreement between the Corporation and the Trustee pursuant to which the Corporation

EXHIBIT

NOV 10 1987

NO. 4

grants to the Trustee a mortgage lien on, and a security interest in, the Project.

STATE BUDGET & CONTROL BOARD

12. Section 147(f) of the Internal Revenue Code of 1986 requires that a public hearing be held in connection with the issuance and delivery of the Bonds by the County, such public hearing to be held before final action by County Council authorizing the issuance and delivery of the Bonds.

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

That County Council finds that the facts set forth above are in all respects true and correct and on such basis determine to issue the Bonds to effect the refunding of the Project above described, and to authorize the sale of the Bonds by the County as aforesaid.

BE IT FURTHER RESOLVED:

The the Petition in form substantially as attached hereto as Exhibit "A" be presented to the State Board to seek the approval required by the Act; and that the Petition shall be duly executed by the Chairman of County Council and attested by the Clerk of County Council.

BE IT FURTHER RESOLVED:

That a public hearing in connection with the issuance and delivery of the Bonds be held before final action by County Council on the Bonds; and that not less than fourteen (14) days prior to such hearing, the Chairman shall cause notice of such hearing to be published in THE NEWS AND COURIER, a newspaper of general circulation in the County. Such notice shall be in substantially the form attached hereto as Exhibit "B".

STATE OF SOUTH CAROLINA

COUNTY OF CHARLESTON

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

P E T I T I O N

The Petition of Charleston County Council ("County Council") pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended (the "Act"), respectfully shows:

1. County Council is the "Governing Body" of Charleston County, South Carolina (the "County") referred to in the Act.

2. The Act authorizes County Council, subject to obtaining the approval and findings, if any, from the State Budget and Control Board of South Carolina (the "State Board") and the South Carolina Department of Health and Environmental Control ("DHEC") required by the Act, to enter into agreements with any hospital agency located or to be located in the County to acquire and construct hospital facilities, to enter into loan agreements with such agency prescribing the terms and conditions of the payments to be made by the agency 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 hospital facilities or for the purpose of refunding outstanding obligations, mortgages or advances made or given by a hospital agency for the cost of hospital facilities.

3. County Council did heretofore agree with Sandpiper Village, Inc. (the "Corporation"), a South Carolina corporation, that County Council would undertake to refund (the "Refunding") the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain hospital facilities (the "Project") constituting a medically assisted living facility.

4. County Council is advised by the Corporation that the Refunding requires at this time the borrowing of approximately \$6,180,000 and that it will therefore be necessary that County Council issue at this time not exceeding \$6,180,000 Charleston County, South Carolina, Hospital Facilities Revenue Refunding Bonds, Series 1987 (Sandpiper Village, Inc. Project) (the "Bonds") the proceeds of which shall be loaned to the Corporation and used to defray the cost of the Refunding.

5. The Corporation has advised County Council that DHEC previously determined that a Certificate of Need need not be issued in connection with the acquisition, construction and installation of the Project.

6. Pursuant to the Act, County Council sets forth the following information:

(a) the Bonds will be issued to provide funds which will be used to refund the Project;

(b) DHEC has determined that a Certificate of Need need not be issued for the Project;

(c) the amount now required to meet the cost of Refunding is approximately \$6,180,000 which amount is equal to the outstanding principal amount of the Series 1983 Bonds; and

(d) the proposed Loan Agreement (the "Loan Agreement") provides in general:

(i) to finance the cost of the Refunding the County will issue at this time not exceeding \$6,180,000 of Bonds which will be secured by a pledge of the payments to be made by the Corporation pursuant to the Loan Agreement, and will be issued pursuant to a proposed Trust Indenture (the "Indenture") between the County and a banking association or a trust company to be selected by the Corporation, as Trustee (the "Trustee");

(ii) proceeds derived from the sale of the Bonds will be deposited with the Trustee under the Indenture and will be applied solely for the Refunding and the issuance of the Bonds;

(iii) under the terms of the Loan Agreement, the Corporation obligates itself to pay the amount necessary to meet the payment of principal of, premium, if any, and interest on the Bonds as the same become due, to build up and maintain adequate

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD

reserves with respect to the Project and the Bonds, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured;

(iv) as permitted by the Act, the Loan Agreement provides that the Project is to be the property of the Corporation and the County shall have no interest therein; and

(v) the Loan Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

7. The Indenture is in conventional form and prescribes the terms and conditions upon which the Bonds will be issued. The Indenture provides for the payment and redemption of the Bonds, the establishment of funds and accounts into which the proceeds of the payments made by the Corporation pursuant to the Loan Agreement are placed, and for the use of the said funds and accounts for the payment of the Bonds. The Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

8. As security for the Bonds, the Corporation will mortgage the real property owned by the Corporation, including the Project, to the Trustee and will grant to the Trustee a security interest in the personal property owned by the Corporation located on such real property pursuant to a proposed Mortgage and Security Agreement (the "Mortgage") between the County and the Trustee.

9. The Corporation has arranged for the sale of the Bonds through Bear, Stearns & Co., Inc. (the "Underwriter") pursuant to a proposed Bond Purchase Agreement (the "Bond Purchase Agreement") among the County, the Corporation and the Underwriter.

Upon the basis of the foregoing, County Council respectfully prays that the State Board accept the filing of this Petition; that, thereafter and as soon as practicable, it make such investigation of the proposed undertaking of the County as it deems advisable; that the State Board find that the proposed Refunding is intended to promote the purposes of the Act and that it is reasonably anticipated to effect such result; that the proposed Refunding is economically feasible; and on the basis of such finding, that it approve the proposed Refunding through the issuance of the Bonds pursuant to the Act, including changes in any details of the Refunding 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 of the Act.

Respectfully submitted,

CHARLESTON COUNTY, SOUTH
CAROLINA

By s/ Lonnie Hamilton, III
Chairman, Charleston County
Council

Attest:

By s/Evelyn K. Bonham
Clerk, Charleston County
Council

October ____, 1987

EXHIBIT

NOV 10 1987 NO. 4

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987

NO. 4

STATE BUDGET & CONTROL BOARD
EXHIBIT B

PUBLIC NOTICE

Notice is hereby given by Charleston County Council ("County Council") that a public hearing relating to the proposed issuance and delivery by Charleston County, South Carolina (the "County") of the not exceeding \$6,180,000 Charleston County, South Carolina, Hospital Facilities Revenue Refunding Bonds, Series 1987 (Sandpiper Village, Inc. Project) (the "Bonds") pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina 1976, as amended, which Bonds are to be issued to refund the outstanding \$6,180,000 in aggregate principal amount of the Charleston County, South Carolina, First Mortgage Hospital Facilities Revenue Bonds, Series 1983 (Sandpiper Village, Inc. Project) (the "Series 1983 Bonds") originally issued in the aggregate principal amount of \$6,210,000 which Series 1983 Bonds were issued to finance the acquisition, construction and installation of certain medically assisted living facilities owned and operated by Sandpiper Village, Inc. (the "Corporation") and located on Anna Knapp Boulevard in the Town of Mt. Pleasant in the County.

The Bonds will be payable by the County solely from the amounts to be paid to the County by the Corporation pursuant to a Loan Agreement (the "Loan Agreement") between the County and the Corporation.

The Corporation will irrevocably covenant and agree to pay when due all sum required to pay the principal of premium, if any, and interest on the Bonds, and the Bonds will be secured by a pledge by the County to _____, as Trustee (the "Trustee") of substantially all of its rights under the Loan Agreement and by a Mortgage and Security Agreement between the Corporation and the Trustee. The Bonds will be issued pursuant to the Act and to an ordinance (the "Bond Ordinance") adopted by County Council.

The hearing will be held at the Council Chambers of Charleston County Council, 4th Floor, 2 Courthouse Square, Charleston, South Carolina, at 7 P.M. on November 17, 1987.

EXHIBIT

NOV 10 1987

NO. 4

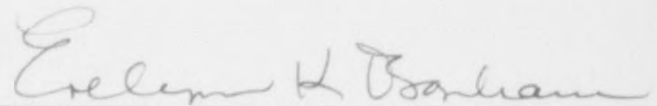
STATE OF SOUTH CAROLINA
COUNTY OF CHARLESTON

STATE BUDGET & CONTROL BOARD

I, the undersigned, Clerk of Charleston County Council,
DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy
of the Resolution unanimously adopted by Charleston County
Council at a duly called and regularly held meeting at which
all members attended and remained throughout on October 20
1987.

21st IN WITNESS WHEREOF, I have hereunto set my hand this
day of October, 1987.


Clerk, Charleston County
Council

07820

NOV 4 1987

TRANSMITTAL FORM, REVENUE BONDS

Date: November 3, 1987
Submitted for BCB Meeting on:
November 10, 1987

TO: William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Building
Columbia, S.C. 29201
OR P. O. Box 12444, Columbia, SC 29211

FROM:

Sinkler & Boyd
Name of Law Firm

Post Office Box 340
Street Address/Box Number

Charleston, S. C. 29402
City, State, Zip Code

803 722-3366
Telephone Area Code and Number

RE: \$6,180,000
Amount of Issue

Hospital Facilities Revenue Refunding	
Type of Bonds or Notes	
General Obligation	
Revenue	
Mortgage	
Other	
Total	

Charleston County, South Carolina
Issuing Authority Name

December 1, 1987
Projected Issue Date

Project Name: Sandpiper Village, Inc.

Project Description:

CEILING ALLOCATION REQUIRED

____ Yes (\$ _____) x No
Amount

REFUNDING INVOLVED

x	Yes (\$6,180,000)	No
	Amount	

PROJECT APPROVED PREVIOUSLY

DOCUMENTS ENCLOSED:

- | | | |
|----|---|----------------|
| G. | x | Processing fee |
|----|---|----------------|

Amount \$3,000

Check No. 1924

Payor Sandpiper Village, Inc.

Typed Name

By:

By: F. Mitchell Sloan Signature

Signature

07821

The State of South Carolina

NOV 10 1987



Office of the Attorney General

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803-734-3680

November 9, 1987

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
Columbia, South Carolina 29201

Re: \$3,200,000, Cherokee County, South Carolina,
Industrial Revenue Bonds: The Holson Company;
Projected Issue Date - December 2, 1987

Dear Mr. McInnis:

Regarding the above-referenced bond, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Section(s) 4-29-140, et seq., Code of Laws of South Carolina, 1976, as amended, and the same appear, in our opinion, to be in order.

This opinion addresses only the legal sufficiency of the documents you have provided for our review. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "DCE", written over a horizontal line.

David C. Eckstrom
Assistant Attorney General

DCE:tgc

Enclosures

67822

EXHIBIT

NOV 10 1987

NO. 5

STATE OF SOUTH CAROLINA)
COUNTY OF RICHLAND)

Holson Company STATE BUDGET & CONTROL BOARD

I, WILLIAM A. McINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr., Governor and Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General;

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

The Honorable Robert N. McLellan, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 10:00 a.m. on Tuesday, November 10, 1987, was given to all members in writing, and at least four (4) days prior to the meeting; that all members of the Board were present at the meeting, with the exception of Senator Dennis, who was represented by Senate Finance Committee Vice Chairman James M. Waddell, Jr. (absent during consideration of this item).

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

FOR MOTION

AGAINST MOTION

4

0

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

November 20, 1987

William A. McInnis

67823

A RESOLUTION APPROVING THE ISSUANCE BY CHEROKEE COUNTY, SOUTH CAROLINA OF NOT EXCEEDING \$3,200,000 PRINCIPAL AMOUNT OF INDUSTRIAL REVENUE BONDS (THE HOLSON COMPANY PROJECT) 1987, PURSUANT TO THE PROVISIONS OF TITLE 4, CHAPTER 29, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED

WHEREAS, heretofore Cherokee County, South Carolina (the "County") did, pursuant to Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board for an undertaking by the County pursuant to the Act; and

WHEREAS, the proposed undertaking (the "Undertaking") consists of the financing of the acquisition, construction and installation of certain land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greeting cards to be owned and operated by The Holson Company (the "Corporation") in the County by the issuance and delivery of \$3,200,000 Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 (the "Bonds") pursuant to the Act and to an ordinance (the "Ordinance") to be adopted by the Cherokee County Council (the "County Council"); and

WHEREAS, the Corporation will agree in a Loan Agreement (the "Loan Agreement") between the County and the Corporation to pay to the County amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, in order to finance the acquisition, construction and installation of the Project, the County proposes to provide for the issuance and delivery of the Bonds pursuant to the Act and to the Ordinance, payable by the County from the amounts derived from the Loan Agreement and secured by a Trust Indenture (the "Indenture") between the County and First Union National Bank of North Carolina, as trustee (the "Trustee") and by a Mortgage and Security Agreement (the "Mortgage") between the Corporation and the County; and

WHEREAS, the County has submitted a copy of a Resolution and Petition adopted by the County Council on November 3, 1987.

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

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

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

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(b)

EXHIBIT

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STATE BUDGET & CONTROL BOARD

(b) That the County has filed a proper Petition with the State Board establishing a reasonable estimate of the cost of the Project and containing a general summary of the terms and conditions of the Loan Agreement, the Indenture, the Mortgage, the Ordinance and the Bonds and a brief description of the Project;

(c) That the Project is expected to provide employment for at least one hundred (100) persons and, therefore, is expected to have a beneficial effect upon the general public welfare of the County and the areas adjacent thereto by providing employment not otherwise provided in the County; and

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

2. On the basis of the foregoing findings, the proposed Undertaking of the County to finance the cost of the acquisition, construction and installation of the Project through the issuance of \$3,200,000 Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 pursuant to the Ordinance to be payable from the revenues to be derived by the County from the Loan Agreement and to be secured by the Indenture and the Mortgage, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said Undertaking) be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the Undertaking shall be published in The Gaffney Ledger, a newspaper having general circulation in the County.

4. The Notice to be published shall be substantially in the form set forth as Exhibit A to this Resolution.

5. This Resolution shall take effect immediately upon its adoption.

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

EXHIBIT

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NO. 5

Exhibit A

STATE BUDGET & CONTROL BOARD

NOTICE PURSUANT TO TITLE 4, CHAPTER 29,
CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED

Notice is hereby given that following the filing of a Petition by Cherokee County, South Carolina (the "County") 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 (the "Undertaking") (including changes in any details of the said financing as finally consummated which do not materially affect the said Undertaking), viz.: the financing of the acquisition, construction and installation of certain land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greeting cards to be owned and operated by The Holson Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, and to be located in the County.

To finance the acquisition, construction and installation of the Project, the County will issue \$3,200,000 Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 (the "Bonds") pursuant to Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended. The Bonds will be payable by the County solely from the amounts to be paid to the County by the Corporation pursuant to a Loan Agreement (the "Loan Agreement") between the County and the Corporation.

The Corporation will irrevocably covenant and agree to pay when due all sums required to pay the principal of and interest on the Bonds, and the Bonds will be secured by a Trust Indenture under which the County will assign to First Union National Bank of North Carolina, as trustee (the "Trustee"), substantially all of its rights under the Loan Agreement and under a Mortgage and Security Agreement between the Corporation and the County pursuant to which the Corporation will grant a mortgage lien on, and security interest in, the Project to the County. The Bonds will be issued pursuant to the Act and to an ordinance (the "Ordinance") to be adopted by the County.

The Project will provide employment for at least one hundred (100) persons.

Notice is further given that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Board in approving the Undertaking of the County by

67826

action de novo instituted in the Court of Common Pleas for the County.

THE STATE BUDGET AND CONTROL BOARD
OF SOUTH CAROLINA

By: William A. McInnis

Dated: November 10, 1987

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

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EXHIBIT

NOV 10 1987

NO. 5

STATE OF SOUTH CAROLINA
STATE BUDGET AND CONTROL BOARD
Standard Form Investment Letter

STATE BUDGET & CONTROL BOARD

TO: Secretary, State Budget and Control Board
P. O. Box 12444
Columbia, SC 29211

Re: Sale by Cherokee County, South Carolina (the "Issuer")
Of its \$3,200,000 Industrial Revenue Bonds (the "Bonds")
(The Holson Company Project) 1987
On behalf of The Holson Company (the "Company")
Cherokee County, South Carolina (the "Project")
manufacturing facility
To First Union National Bank of North Carolina (the "Purchaser")

In connection with the referenced sale of Bonds by the Issuer, the Purchaser makes the following representations and certifications:

1. The Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Bonds;
2. The Purchaser is financially able to bear the economic risk of its proposed investment in the Bonds for an indefinite period;
3. The Purchaser is familiar with the business affairs of the Company and has obtained and examined all financial and other information with respect to the Bonds, the Company and the officers and share holders of the Company which it deems necessary in order to enable it to evaluate the merits and risks of its investment in the Bonds and to make an informed investment judgment in connection with the purchase of the Bonds;
4. The Purchaser has had the opportunity to ask questions of, and receive answers from, the Issuer and the Company concerning the terms and conditions of the offering and any other information which it has deemed relevant to the Bonds and its investment in the Bonds; and
5. The Bonds are being purchased for the account of the Purchaser and for the purpose of investment and not presently for resale, and the Purchaser has no present intention of offering the Bonds or any portion thereof for resale either currently or after the passage of a fixed period of time, or upon the occurrence or nonoccurrence of any predetermined event or circumstances.

SWORN to and subscribed
before me this 17 day
of November, 1987.

Marian J. Swain
Notary Public

My Commission expires
September 16, 1990.

PURCHASER:

Name: FIRST UNION NATIONAL BANK OF NORTH
Address: First Union Plaza, Corp-3 CAROLINA
301 South Tryon Street
Charlotte, North Carolina 28288

BY: [Signature]
Signature of Authorized Official

Date: Nov 17, 1987

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EXHIBIT

NOV 10 1987

NO. 5

KENNEDY COVINGTON LOBDELL & HICKMAN
ATTORNEYS AT LAW

3300 NCNB PLAZA

CHARLOTTE, NORTH CAROLINA 28280-8082

TELEPHONE 704/377-6000

TELECOPIER 704/376-8386

STATE BUDGET & CONTROL BOARD

MARCUS T. HICKMAN
CLARENCE W. WALKER
JAMES E. (BILL) WALKER
HENRY C. LOMAX
EDGAR LOVE III
CHARLES V. TOMPRINS, JR.
GLEN B. HARDYMON
J. DONNELL LASSITER
ROSS J. SMYTH
A. ZACHARY SMITH, III
DAVID GRIER MARTIN, JR.
WILLIAM F. DREW, JR.
CHARLES O. DUBOSE
RALEIGH A. SHOEMAKER
JOHN M. MURCHISON, JR.
STEPHEN M. S. COURTLAND
RICHARD D. STEPHENS
F. FINCHER JARRELL
MAYNARD E. TIPPS
WAYNE R. HUCKEL
J. NORFLEET PRUDEN, III
WILLIAM C. LIVINGSTON
LEE WEST MOVIUS
JOSEPH B. C. KLUTTZ
JONATHAN A. BARRETT
EUGENE C. PRIDGEN
STEPHEN K. RHYNE
E. ALLEN PRICHARD

RAYMOND E. OWENS, JR.
HENRY W. FLINT
DAVID H. JONES
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MYLES E. STANDISH
KIRAN H. MEHTA
MICHAEL S. HAWLEY
R. DOUGLAS HARMON
JAMES P. COONEY III
CAROL NASH NORMAN**
BRIAN R. EVANS
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JEFFERSON W. BROWN
LYNN OLIVER WENIG
GEORGE C. COVINGTON**
DANIEL L. JOHNSON, JR.
DENNARD LINDSEY TEAGUE
L. CAMPBELL TUCKER III
DEAN A. WARREN
ALTON D. BAIN
MERRIE C. DORMAN
WALTER D. FISHER, JR.
LISA D. HYMAN
ALICE CARMICHAEL RICHEY
CLAUDIA F. MANNING

November 19, 1987

FRANK H. KENNEDY
1893-1975

HUGH L. LOBDELL
1908-1982

W. T. COVINGTON, JR.
OF COUNSEL

THOMAS R. PAYNE
SPECIAL COUNSEL

SOUTHPARK OFFICE

6739 FAIRVIEW ROAD
CHARLOTTE, N. C. 28210-3323
TELEPHONE 704/366-5991
TELECOPIER 704/366-1656

SOUTH CAROLINA OFFICE

THE GUARDIAN BUILDING
ONE LAW PLACE-SUITE 301
P. O. BOX 11429
ROCK HILL, S. C. 29731-1429
TELEPHONE 803/327-6171
TELECOPIER 803/324-4737

EXCEPT AS NOTED, ATTORNEYS ADMITTED
IN N.C. ONLY.

*ADMITTED IN S.C. ONLY.
**ADMITTED IN N.C. AND S.C.

Mr. William A. McInnis
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, South Carolina 29201

FEDERAL EXPRESS

RE: \$3,200,000 Cherokee County, South Carolina
Industrial Revenue Bonds (The Holson Company
Project) 1987

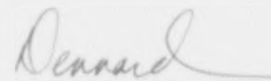
Dear Mr. McInnis:

Per our conversations of last week, enclosed is a Standard
Form Investment Letter from First Union National Bank of North
Carolina, the purchaser of the above-referenced bonds.

It is my understanding that this Investment Letter will
complete the Holson Company's application with your office.

If you have any questions please give me or Hank Flint a
call.

Sincerely,



Dennard Lindsey Teague
For the Firm

DLT/11

Enclosure

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EXHIBIT

NOV 10 1987

NO. 5

State of South Carolina

State Budget and Control Board

BUDGET & CONTROL BOARD

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

December 7, 1987

C E R T I F I C A T E

STATE CEILING ON ISSUANCE OF PRIVATE ACTIVITY BONDS

(UNDER TAX REFORM ACT OF 1986)

FINAL ALLOCATION, CALENDAR YEAR 1987

TO: Cherokee County
c/o Mr. Henry W. Flint
Kennedy Covington Lobdell & Hickman
3300 NCNB Plaza
Charlotte, NC 28280-8082

RE: Issue of \$3,200,000 Cherokee County, South Carolina
Industrial Revenue Bonds
(The Holson Company Project)
Issue Date Projected By Issuing Authority: December 11, 1987
Allocation Expiration Date: December 31, 1987
Issue Amount Certificate Date: December 7, 1987

Based upon my receipt of the issue amount certificate required of the issuing authority by Section 6(B) of Act 117 of 1987, effective May 26, 1987, which certificate is dated not more than ten (10) business days prior to the projected date of issue which, as certified by the issuing authority, is within the time period during which the ceiling allocation approved previously on a tentative basis by the State Budget and Control Board for the referenced project is valid, I have determined that the allocation is now final in the amount indicated above.

I also have determined that the referenced issue when issued and combined with the amount of private activity bonds and notes certified to me previously by South Carolina issuing authorities as having been issued or which are to be issued in 1987 will not exceed the 1987 State Ceiling on the issuance of private activity bonds for the State of South Carolina.

William A. McInnis

William A. McInnis, Secretary

67830

DEC 7 1987
9:38 AM

KENNEDY GOVINGTON LOBDELL & HICKMAN
ATTORNEYS AT LAW
3300 NCNB PLAZA
CHARLOTTE, NORTH CAROLINA 28280-8082

TELEPHONE 704/377-6000
TELECOPIER 704/376-8386

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ALICE CARMICHAEL RICHEY
CLAUDIA E. MANNING

December 4, 1987

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

FRANK H. KENNEDY
1893-1975
HUGH L. LOBDELL
1908-1982

W. T. COVINGTON, JR.
OF COUNSEL
THOMAS R. PAYNE
SPECIAL COUNSEL

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EXCEPT AS NOTED, ATTORNEYS ADMITTED
IN N.C. ONLY.
*ADMITTED IN S.C. ONLY.
**ADMITTED IN N.C. AND S.C.

Mr. William A. McInnis
Deputy Executive Director
and Secretary
State of South Carolina
Budget and Control Board
600 Wade Hampton Office Building
Columbia, South Carolina 29201

Re: \$3,200,000 Cherokee County, South Carolina,
Industrial Revenue Bonds (The Holson Company
Project) 1987 (the "Bonds")

Dear Mr. McInnis:

On behalf of Cherokee County, we hereby request your
certificate making final the state ceiling allocation approved
previously by the State Budget and Control Board on a tentative
basis.

In order to induce you to issue said certificate, we hereby
certify as follows:

1. The issue amount of the above described Bonds will be
\$3,200,000, an amount not in excess of the approved tentative
ceiling allocation amount.
2. The projected Bond issue date is December 11, 1987.

If I can be of further assistance, please do not hesitate to
call.

With best regards,

Henry W. Flint

Henry W. Flint
For the Firm

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HWF/mtp

EXHIBIT

State of South Carolina

NOV 10 1987

NO. 5

State Budget and Control Board

STATE BUDGET & CONTROL BOARD

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.

STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12444

Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

November 10, 1987

C E R T I F I C A T E

STATE CEILING ON ISSUANCE OF PRIVATE ACTIVITY BONDS

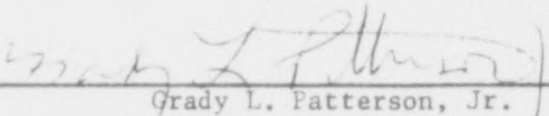
(UNDER TAX REFORM ACT OF 1986)

TENTATIVE ALLOCATION, CALENDAR YEAR 1987

TO: Cherokee County
\$3,200,000
Industrial Revenue Bonds
(Holson Company Project 1987)

The State Budget and Control Board has made a tentative allocation of the State Ceiling established in the Tax Reform Act of 1986 in the amount indicated to the referenced bonds/notes and project. This allocation is valid for calendar year 1987 only. It will expire on December 31, 1987, if the bonds/notes for which the allocation has been approved have not been issued prior to that time.

Before this tentative allocation becomes final, Section 6(B) of Act 117 of 1987, effective May 26, 1987, requires that the exact amount of the bonds/notes being issued be certified to the Board Secretary by the issuing authority **before** the issue is made. In response to that issue amount certificate, the Secretary will issue a certificate which makes the ceiling allocation final.


Grady L. Patterson, Jr.

Attest:


William A. McInnis, Secretary

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EXHIBIT

STATE OF SOUTH CAROLINA

NOV 10 1987

NO. 5

COUNTY OF CHEROKEE

STATE BUDGET & CONTROL BOARD

TO THE STATE BUDGET AND CONTROL

BOARD OF SOUTH CAROLINA

P E T I T I O N

This Petition of Cherokee County, South Carolina (the "County"), pursuant to Title 4, Chapter 29 of the Code of Laws of South Carolina 1976, as amended (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of the County ("County Council") is the governing body of the County as established by law, and, as such, is the "governing board" of the County referred to in the Act.

2. The Act authorizes and empowers the County, if it shall comply with the provisions set forth in the Act, to acquire or cause to be acquired land, buildings, equipment, machinery and other improvements deemed necessary, suitable and useful by any industrial enterprise and to finance the acquisition and installation of the same through the issuance of bonds or notes payable from and secured by a pledge of the revenues to be derived from a financing agreement relating to such land, buildings, equipment, machinery and other improvements.

3. The County has agreed with The Holson Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, that the County will undertake to finance the acquisition, construction and installation of land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greetings cards in the County through the issuance and delivery of Industrial Revenue Bonds pursuant to the Act. In this connection, the County has agreed to issue Three Million Two Hundred Thousand Dollars (\$3,200,000) Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 (the "Bonds") pursuant to the Act and to an ordinance (the "Ordinance") to be adopted by County Council.

4. County Council is advised by the Corporation that the cost of the Project will be approximately Three Million Two Hundred Thousand Dollars (\$3,200,000) and that, therefore, in order to finance the acquisition, construction and installation of the Project (the "Undertaking"), including the costs and charges incident to the issuance and delivery of the Bonds, it is necessary that the County issue and deliver the Bonds in that amount.

07833

5. When completed, the Project will provide employment for at least one hundred (100) persons and will provide stimulation to the economy of the County and neighboring areas by increased payrolls, capital investment and tax revenues.

6. For the reasons above set forth and hereinafter disclosed, County Council has found and determined that:

(a) the Undertaking will subserve the purposes of the Act;

(b) the Undertaking will have a beneficial effect upon the general public welfare of the County and the areas adjacent thereto by providing employment not otherwise provided in the County;

(c) by reason of the Undertaking, no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing powers;

(d) the amount required to finance the acquisition, construction and installation of the Project is approximately \$3,200,000;

(e) the proposed Loan Agreement (the "Loan Agreement") between the County and the Corporation unconditionally obligates the Corporation to pay an amount adequate to provide for the payment of the principal of and interest on the Bonds which will be dated and will mature in the amounts and bear interest at the rates set forth in Section 2 of the Ordinance;

(f) in view of the well established credit of the Corporation and the successful arrangements to effect the issuance and delivery of the Bonds without the establishment of a reserve fund for the payment of the principal of and interest on the Bonds, no such reserve fund will be established; and

(g) the terms of the Loan Agreement require the Corporation to maintain the Project in good repair and to carry all proper insurance with respect thereto.

7. The Loan Agreement will provide, among other things, the following:

(a) to finance the cost of the acquisition, construction and installation of the Project, the County will issue and deliver the Bonds. The Bonds will be secured by a pledge of substantially all of the amounts to be paid to the County by the Corporation, as authorized by the Act;

(b) the proceeds derived from the issuance and delivery of the Bonds will be used to pay the costs incident to the

acquisition, construction and installation of the Project and the issuance of the Bonds;

(c) the Loan Agreement obligates the Corporation to complete the acquisition, construction and installation of the Project and to pay such costs thereof as are in excess of the proceeds of the Bonds; and

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

8. Pursuant to a proposed Trust Indenture (the "Indenture"), the County will assign to First Union National Bank of North Carolina, as trustee (the "Trustee"), as security for the payment of the Bonds, substantially all of the right, title and interest of the County in and to the Loan Agreement and the Mortgage referred to in Paragraph 9 below. The Indenture will provide for the terms of the Bonds, including provisions for the payment of the principal of and interest on the Bonds, the exchange and transfer of the Bonds, the redemption of the Bonds, the means of disbursement of proceeds of the Bonds, default and remedies therefor and various other matters relating to the Bonds. The Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

9. Pursuant to a proposed Mortgage and Security Agreement (the "Mortgage"), the Corporation will grant a mortgage lien on, and security interest in, the Project to the County as additional security for the payment of the Bonds.

10. The Bonds will be issued by the County pursuant to the Ordinance. The Ordinance imposes upon the Corporation the obligation to pay, in addition to the moneys required for the payment of the principal of and interest on the Bonds, all other costs and expenses resulting from the Ordinance and the issuance of the Bonds pursuant thereto and the transactions contemplated to take place in connection therewith.

11. The Loan Agreement, the Mortgage, the Indenture, the Ordinance and the Bonds will be substantially in the form heretofore used in the issuance of industrial revenue bonds or notes pursuant to the Act. While changes may be made in the forms thereof, it is not expected that there will be any changes which will substantially affect the Undertaking as described herein.

12. The undersigned certifies, under penalty of perjury, that neither the approvals granted in connection with the Bonds nor the request for an allocation of the State Ceiling made herein have been made in consideration of any bribe, gift, gratuity, or direct or indirect contribution to any political campaign.

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987

NO. 5

Upon the basis of the foregoing, the ^{STATE BUDGET & CONTROL BOARD} County respectfully prays:

That the State Board accept the filing of the Petition presented herewith; that, thereafter and as soon as practicable, it make such independent investigation of the Undertaking and the terms and provisions of the Loan Agreement, the Mortgage, the Indenture, the Ordinance and the Bonds as it deems advisable; that it find that the proposed Undertaking is intended to promote the purposes of the Act and is reasonably anticipated to effect such result; on the basis of such finding, that it approve the Undertaking, including changes in any details of the said financing as finally consummated which do not materially affect the Undertaking and give published notice of its approval in the manner set forth in the Act; and that a portion of the State Ceiling in the amount of \$3,200,000 be allocated to the Bonds.

November 3, 1987.

Respectfully Submitted,

CHEROKEE COUNTY, SOUTH CAROLINA

By: 

Dolphus C. Medley, Administrator
of Cherokee County, South Carolina

Attest:

By: 

Doris F. Pearson, Clerk of
County Council of Cherokee
County, South Carolina

EXHIBIT

NOV 10 1987

NO. 5

A RESOLUTION

STATE BUDGET & CONTROL BOARD

AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA ("STATE BOARD") FOR ITS APPROVAL OF THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF LAND, BUILDINGS, FIXTURES, MACHINERY AND EQUIPMENT AT INDUSTRIAL FACILITIES IN CHEROKEE COUNTY, SOUTH CAROLINA TO BE OWNED AND OPERATED BY THE HOLSON COMPANY THROUGH THE ISSUANCE AND DELIVERY OF \$3,200,000 CHEROKEE COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS (THE HOLSON COMPANY PROJECT) 1987 (THE "BONDS") PURSUANT TO TITLE 4, CHAPTER 29, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, AND FOR ALLOCATION BY THE STATE BOARD OF A PORTION OF THE STATE CEILING TO THE BONDS; PROVIDING FOR A PUBLIC HEARING TO BE HELD IN CONNECTION WITH THE ISSUANCE AND DELIVERY OF THE BONDS; AND PROVIDING FOR OTHER MATTERS RELATING THERETO.

BE IT RESOLVED BY CHEROKEE COUNTY COUNCIL IN MEETING DULY ASSEMBLED:

Section 1. Findings of Fact. Incident to the adoption of this resolution, Cherokee County Council ("County Council"), the governing body of Cherokee County, South Carolina (the "County"), has made the following findings and determinations:

(a) The Holson Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, has proposed that the County assist in financing the acquisition, construction and installation of certain land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greeting cards in the County at an estimated cost of \$3,200,000 through the issuance and delivery of Industrial Revenue Bonds pursuant to the authorization of Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended (the "Act").

(b) The Corporation has advised County Council that its proposed industrial project would be aided by the assistance which the County might render through the issuance and delivery of Industrial Revenue Bonds in the principal amount of \$3,200,000 (the "Bonds") pursuant to the Act and to a proposed ordinance (the "Ordinance") to be adopted by County Council.

(c) County Council has agreed to finance the acquisition, construction and installation of the Project and adopts this Resolution to evidence its approval of the issuance and delivery of the Bonds as aforesaid, to authorize a Petition to the State Budget and Control Board of South Carolina (the "State Board") for its approval of the acquisition, construction, installation and financing of the Project and for its allocation of a portion of the State Ceiling to the Bonds, and to provide for a public hearing to be held in connection with the issuance and delivery of the Bonds.

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(d) County Council has determined that the financing of the acquisition, construction and installation of the Project (the "Undertaking") will subserve the purposes of the Act and that neither the Undertaking nor the Bonds will give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers.

(e) When completed, the Project will provide employment for at least one hundred (100) persons. It is therefore believed that the Undertaking will have a beneficial effect upon the general public welfare of the County and areas adjacent thereto by providing employment not otherwise provided in the County.

(f) The amount necessary to finance the acquisition, construction and installation of the Project is Three Million Two Hundred Thousand Dollars (\$3,200,000).

(g) The Corporation has submitted to County Council a draft of a proposed Loan Agreement (the "Loan Agreement") pursuant to which the County will lend Three Million Two Hundred Thousand Dollars (\$3,200,000) to the Corporation and under which the Corporation will unconditionally agree:

(i) to complete the acquisition, construction and installation of the Project and to pay such costs thereof as are in excess of the proceeds of the Bonds,

(ii) to pay the amounts necessary to provide the payments of principal of and interest on the Bonds which will be dated and will mature in the amounts and bear interest at the rates set forth in Section 2 of the Ordinance,

(iii) to maintain the Project in good repair, and

(iv) to carry all proper insurance with respect to the Project.

(h) The Corporation has also submitted to County Council a draft of a proposed Trust Indenture pursuant to which the County will assign substantially all of its rights in the Loan Agreement and in the Mortgage and Security Agreement referred to in Paragraph (i) below to First Union National Bank of North Carolina, as trustee (the "Trustee"), as security for the payment of the Bonds.

(i) The Corporation has also submitted to County Council a draft of a proposed Mortgage and Security Agreement pursuant to which the Corporation will grant a mortgage lien on, and security interest in, the Project to the County as additional security for the payment of the Bonds.

(j) The Corporation has arranged for the issuance and delivery of the Bonds to the Trustee.

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

(k) In view of the well established credit of the Corporation and the successful arrangements to effect the issuance and delivery of the Bonds without the establishment of a reserve fund for the payment of the principal of and interest on the Bonds, no such reserve fund will be established.

(l) Neither the approvals granted in connection with the Bonds nor the request for an allocation from the State Board have been made in consideration of any bribe, gift, gratuity, or direct or indirect contribution to any political campaign.

Section 2. Submission of Petition. The Petition in substantially the form attached hereto as Exhibit A shall be presented to the State Board to seek the approval required by the Act and to make an authorized request that \$3,200,000 of the State Ceiling be allocated to the Bonds. The Petition shall be duly executed by the County Administrator and the same shall be attested by the Clerk of County Council.

Section 3. Public Hearing and Notice. Pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, a public hearing shall be held in connection with the issuance and delivery of the Bonds by the County. Such public hearing shall be held before final action by County Council authorizing the issuance and delivery of the Bonds. Not less than fourteen (14) days prior to the public hearing, the County Administrator shall cause notice of such hearing to be published in The Gaffney Ledger, a newspaper of general circulation in the County. Such notice shall be in substantially the form attached hereto as Exhibit B.

Adopted this 3rd day of November, 1987.

CHEROKEE COUNTY, SOUTH CAROLINA

By: Dolphus C. Medley
Dolphus C. Medley, Administrator
of Cherokee County, South Carolina

Attest:

By: Doris F. Pearson
Doris F. Pearson, Clerk of
County Council of Cherokee
County, South Carolina

STATE OF SOUTH CAROLINA

COUNTY OF CHEROKEE

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

TO THE STATE BUDGET AND CONTROL

BOARD OF SOUTH CAROLINA

P E T I T I O N

This Petition of Cherokee County, South Carolina (the "County"), pursuant to Title 4, Chapter 29 of the Code of Laws of South Carolina 1976, as amended (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of the County ("County Council") is the governing body of the County as established by law, and, as such, is the "governing board" of the County referred to in the Act.

2. The Act authorizes and empowers the County, if it shall comply with the provisions set forth in the Act, to acquire or cause to be acquired land, buildings, equipment, machinery and other improvements deemed necessary, suitable and useful by any industrial enterprise and to finance the acquisition and installation of the same through the issuance of bonds or notes payable from and secured by a pledge of the revenues to be derived from a financing agreement relating to such land, buildings, equipment, machinery and other improvements.

3. The County has agreed with The Holson Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, that the County will undertake to finance the acquisition, construction and installation of land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greetings cards in the County through the issuance and delivery of Industrial Revenue Bonds pursuant to the Act. In this connection, the County has agreed to issue Three Million Two Hundred Thousand Dollars (\$3,200,000) Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 (the "Bonds") pursuant to the Act and to an ordinance (the "Ordinance") to be adopted by County Council.

4. County Council is advised by the Corporation that the cost of the Project will be approximately Three Million Two Hundred Thousand Dollars (\$3,200,000) and that, therefore, in order to finance the acquisition, construction and installation of the Project (the "Undertaking"), including the costs and charges incident to the issuance and delivery of the Bonds, it is necessary that the County issue and deliver the Bonds in that amount.

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EXHIBIT

5. When completed, the Project will provide employment for at least one hundred (100) persons and will provide stimulation to the economy of the County and neighboring areas by increased payrolls, capital investment and tax revenues.

6. For the reasons above set forth and hereinafter disclosed, County Council has found and determined that:

(a) the Undertaking will subserve the purposes of the Act;

(b) the Undertaking will have a beneficial effect upon the general public welfare of the County and the areas adjacent thereto by providing employment not otherwise provided in the County;

(c) by reason of the Undertaking, no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing powers;

(d) the amount required to finance the acquisition, construction and installation of the Project is approximately \$3,200,000;

(e) the proposed Loan Agreement (the "Loan Agreement") between the County and the Corporation unconditionally obligates the Corporation to pay an amount adequate to provide for the payment of the principal of and interest on the Bonds which will be dated and will mature in the amounts and bear interest at the rates set forth in Section 2 of the Ordinance;

(f) in view of the well established credit of the Corporation and the successful arrangements to effect the issuance and delivery of the Bonds without the establishment of a reserve fund for the payment of the principal of and interest on the Bonds, no such reserve fund will be established; and

(g) the terms of the Loan Agreement require the Corporation to maintain the Project in good repair and to carry all proper insurance with respect thereto.

7. The Loan Agreement will provide, among other things, the following:

(a) to finance the cost of the acquisition, construction and installation of the Project, the County will issue and deliver the Bonds. The Bonds will be secured by a pledge of substantially all of the amounts to be paid to the County by the Corporation, as authorized by the Act;

(b) the proceeds derived from the issuance and delivery of the Bonds will be used to pay the costs incident to the

acquisition, construction and installation of the Project and the issuance of the Bonds;

(c) the Loan Agreement obligates the Corporation to complete the acquisition, construction and installation of the Project and to pay such costs thereof as are in excess of the proceeds of the Bonds; and

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

8. Pursuant to a proposed Trust Indenture (the "Indenture"), the County will assign to First Union National Bank of North Carolina, as trustee (the "Trustee"), as security for the payment of the Bonds, substantially all of the right, title and interest of the County in and to the Loan Agreement and the Mortgage referred to in Paragraph 9 below. The Indenture will provide for the terms of the Bonds, including provisions for the payment of the principal of and interest on the Bonds, the exchange and transfer of the Bonds, the redemption of the Bonds, the means of disbursement of proceeds of the Bonds, default and remedies therefor and various other matters relating to the Bonds. The Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

9. Pursuant to a proposed Mortgage and Security Agreement (the "Mortgage"), the Corporation will grant a mortgage lien on, and security interest in, the Project to the County as additional security for the payment of the Bonds.

10. The Bonds will be issued by the County pursuant to the Ordinance. The Ordinance imposes upon the Corporation the obligation to pay, in addition to the moneys required for the payment of the principal of and interest on the Bonds, all other costs and expenses resulting from the Ordinance and the issuance of the Bonds pursuant thereto and the transactions contemplated to take place in connection therewith.

11. The Loan Agreement, the Mortgage, the Indenture, the Ordinance and the Bonds will be substantially in the form heretofore used in the issuance of industrial revenue bonds or notes pursuant to the Act. While changes may be made in the forms thereof, it is not expected that there will be any changes which will substantially affect the Undertaking as described herein.

12. The undersigned certifies, under penalty of perjury, that neither the approvals granted in connection with the Bonds nor the request for an allocation of the State Ceiling made herein have been made in consideration of any bribe, gift, gratuity, or direct or indirect contribution to any political campaign.

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

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

That the State Board accept the filing of the Petition presented herewith; that, thereafter and as soon as practicable, it make such independent investigation of the Undertaking and the terms and provisions of the Loan Agreement, the Mortgage, the Indenture, the Ordinance and the Bonds as it deems advisable; that it find that the proposed Undertaking is intended to promote the purposes of the Act and is reasonably anticipated to effect such result; on the basis of such finding, that it approve the Undertaking, including changes in any details of the said financing as finally consummated which do not materially affect the Undertaking and give published notice of its approval in the manner set forth in the Act; and that a portion of the State Ceiling in the amount of \$3,200,000 be allocated to the Bonds.

November 3, 1987.

Respectfully Submitted,

CHEROKEE COUNTY, SOUTH CAROLINA

By: Dolphus C. Medley, Administrator
of Cherokee County, South Carolina

Attest:

By: Doris F. Pearson, Clerk of
County Council of Cherokee
County, South Carolina

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

PUBLIC NOTICE

Notice is hereby given by Cherokee County Council (the "County Council") of a public hearing relating to the proposed issuance and delivery by Cherokee County, South Carolina (the "County") of \$3,200,000 Cherokee County, South Carolina, Industrial Revenue Bonds (The Holson Company Project) 1987 (the "Bonds") pursuant to Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended, which Bonds are to be issued to finance the acquisition, construction and installation of certain land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greeting cards to be owned and operated by The Holson Company, a Delaware corporation, and to be located near the intersection of South Carolina Highways 329 and 18 in the MeadowCreek Industrial Community in Cherokee County, South Carolina on land referred to as Tract "A" in such Community consisting of approximately 12.54 acres.

The Bonds will be issued under a proposed Ordinance of the County Council, will be payable solely out of payments to be made by The Holson Company with respect to the Project and are to be secured by a mortgage of and security interest in the Project. The Bonds shall not constitute an indebtedness of the County within the meaning of any South Carolina constitutional provision or statutory limitation nor give rise to a pecuniary liability of the County. The Bonds shall not constitute a charge against the general credit or taxing powers of the County.

Any person may appear and be heard at the public hearing relating to the proposed Ordinance authorizing the issuance of the Bonds, which will be held at the Council Chambers of Cherokee County Council, 210 North Limestone Street, Gaffney, South Carolina, at _____ .M., on November 25, 1987.

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

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EXHIBIT

NOV 10 1987

NO. 5


STATE OF SOUTH CAROLINA

COUNTY OF CHEROKEE

STATE BUDGET & CONTROL BOARD

I, the undersigned Clerk of Cherokee County Council, do hereby certify that the foregoing is a true, correct and verbatim copy of a Resolution duly adopted by Cherokee County Council having been read at a duly called meeting of County Council on November 3, 1987.

Witness my Hand, this 3rd day of November, 1987.


Doris F. Pearson, Clerk of County
Council of Cherokee County,
South Carolina

67845

EXHIBIT

NOV 10 1987

NO. 5

A RESOLUTION

STATE BUDGET & CONTROL BOARD

AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN CHEROKEE COUNTY, SOUTH CAROLINA AND THE HOLSON COMPANY RELATING TO THE ISSUANCE OF NOT TO EXCEED \$5,000,000 AGGREGATE PRINCIPAL AMOUNT OF CHEROKEE COUNTY INDUSTRIAL REVENUE BONDS (THE HOLSON COMPANY PROJECT) TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF INDUSTRIAL FACILITIES

WHEREAS, The Holson Company, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), has requested Cherokee County Council (the "County Council") to exercise the powers vested in it by Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended (the "Act") and make provision for the issuance and delivery of Cherokee County, South Carolina, Industrial Revenue Bonds (or Notes) (The Holson Company Project) and make available to the Corporation the proceeds thereof in order to assist in financing the cost of the acquisition, construction and equipping of certain industrial facilities to be used for the manufacture and distribution of photo albums and photo greeting cards (the "Project"); and

WHEREAS, the County Council has determined that the granting of such assistance will serve the purposes of the Act; and

WHEREAS, County Council, after due consideration, has determined to exercise the powers vested in it by the Act to provide to the Corporation such assistance, and to that end resolves to enter into a contract with the Corporation whereby Cherokee County (the "County") agrees to make available financing for the Project as aforesaid.

NOW, THEREFORE, BE IT RESOLVED by County Council in meeting duly assembled:

07846

1. That the County shall, to the extent authorized by and consistent with the Act, endeavor to issue one or more Cherokee County, South Carolina Industrial Revenue Bonds or Notes (The Holson Company Project) in the aggregate principal amount not to exceed Five Million Dollars (\$5,000,000) and make the proceeds thereof available to the Corporation to assist in financing the cost of the Project.

2. That an Assistance Agreement to implement the action to be taken pursuant to paragraph 1 above in substantially the form presented to the meeting and attached hereto (but with such changes, if any, as the persons hereinafter authorized to execute the same shall approve, such approval to be evidenced by their execution thereof) shall be executed and delivered on behalf of the County by the Chairman of the County Council under seal of the County and duly attested by the Clerk of the County Council.

3. That the County Council and its duly constituted officers, agents or other representatives shall take any and all further action as may be necessary or convenient to effectuate the action herewith taken and the agreement herein authorized.

4. This Resolution shall take effect immediately.

Adopted this 16th day of September, 1987.

CHEROKEE COUNTY COUNCIL

By:

Barry S. Morgan
Barry S. Morgan, Chairman
Cherokee County Council

(SEAL)

ATTEST:

Doris J. Pearson
Doris J. Pearson, Clerk
Cherokee County Council

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

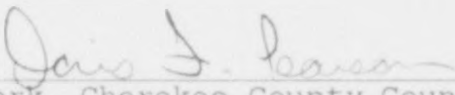
STATE OF SOUTH CAROLINA)
COUNTY OF CHEROKEE)

I, the undersigned, Clerk of the County Council of Cherokee County, South Carolina, DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of a Resolution adopted by said County Council at a meeting duly called and held on September 16, 1987 at which meeting a quorum of Council was present and voted unanimously in favor of the adoption thereof.

That the original of said Resolution is duly entered in the permanent records of said Council, in my custody as such Clerk.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of Cherokee County, South Carolina this 16th day of September, 1987.


Clerk, Cherokee County Council

[SEAL]

EXHIBIT

NOV 10 1987

NO. 5

ASSISTANCE AGREEMENT

STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made and entered into by and between CHEROKEE COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the "County"), and THE HOLSON COMPANY, a Delaware corporation (the "Corporation").

W I T N E S S E T H:

ARTICLE I

RECITATION OF FACTS

As a means of setting forth the matters of mutual inducement which have resulted in the making and entering into of this Agreement, the following statements of facts are herewith recited:

1.1 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 Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended (the "Act"), (i) to enter into agreements with any industry to construct and thereafter operate, maintain and improve a project; (ii) to enter into financing agreements with such industries prescribing the payments to be made by such industries to the County or its assignees to meet the payments that become due on any bonds issued by the County; (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, constructing, enlarging, expanding or improving a project; and (iv) to secure the payment of such bonds, all for the purpose of promoting industrial development and trade in South Carolina by inducing new industries to locate in South Carolina and by encouraging industries now located in South Carolina to expand their investments and thus utilize and employ manpower and other resources of South Carolina.

1.2 The Corporation proposes that the County finance (i) the acquisition of a tract of land containing approximately 12.4 acres in the MeadowCreek Industrial Park in Cherokee County, South Carolina and the improvements thereon, (ii) the construction or rehabilitation thereon of one or more buildings and (iii) the acquisition and installation of machinery, apparatus, equipment and furnishings to be used as a part of an industrial facility to manufacture photo albums and photo greeting cards (the "Project"). The Project, when completed and in operation, will provide additional permanent employment in the County for approximately 100 persons.

1.3 The Corporation has advised the County that it wishes to avail itself of the assistance the County might render through the sale of Industrial Development Revenue Bonds (or Notes) pursuant to the Act, whereby the County would defray a portion of the cost of the Project.

1.4 The County has given due consideration to all the proposals and requests of the Corporation and has agreed to

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EXHIBIT

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NO. 5

endeavor to effect the issuance of the bonds or notes at the time and on the terms and conditions hereafter set forth. STATE BUDGET & CONTROL BOARD

ARTICLE II

UNDERTAKINGS ON THE PART OF THE COUNTY

The County agrees as follows:

2.1 The County will, subject to the approval by the State Budget and Control Board as required by the Act, authorize the issuance of not exceeding Five Million Dollars (\$5,000,000) Cherokee County, South Carolina, Industrial Development Revenue Bonds (or Notes) (The Holson Company Project) (the "Bonds"), as a single issue or as several separate issues, at such time as the Corporation may request the County to do so.

2.2 The County will permit the Corporation to arrange for the sale of the Bonds to defray the cost of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

2.3 The proceeds of any sale of the Bonds shall be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the authorization, sale and issuance of the Bonds, the acquisition, construction and equipping of the Project, including necessary machinery and equipment and other items permitted by the Act, the repayment of any funds advanced or loans incurred by the Corporation for such purposes and the payment, to the extent permitted by the Act, of interest on the Bonds.

2.4 Prior to issuing any Bonds, the County shall enter into a financing agreement as defined in the Act and such other agreements as may be permitted by the Act and as may be reasonably required to effectuate the financing herein described. Such financing agreement shall contain all provisions, terms and conditions as may be required by the Act or by the purchaser of the Bonds and as may be reasonably satisfactory to the County and the Corporation, including, without limitation, a provision for payment to the County of such sums as may be required to pay the principal of and interest and premium, if any, on the Bonds, as and when the same become due and payable, and the expenses of the County incurred in connection with the financing herein described.

2.5 Prior to issuing any Bonds, the County may enter into a trust indenture with a trustee bank or banks to be selected by the Corporation or an indenture with the purchasers of the Bonds pursuant to which the Bonds will be issued. Such trust indenture or indenture shall be substantially in the form used in connection with the issuance of other South Carolina industrial revenue bonds and may constitute a lien on the Project and the revenues derived

from the financing agreement with respect to the Project to secure the payment of the Bonds.

2.6 If requested by the Corporation and in order to provide interim financing pending the issuance of the Bonds, the County will adopt the necessary proceedings and provide for the issuance of bond anticipation notes pursuant to Title 11, Chapter 17, Code of Laws of South Carolina 1976, as amended, in anticipation of the issuance of the Bonds.

2.7 The County will perform such other acts and adopt such further proceedings as may be required to faithfully implement its undertakings and to consummate the proposed financing.

ARTICLE III

UNDERTAKINGS ON THE PART OF THE CORPORATION

3.1 The Corporation agrees that the County will have no obligation to find a purchaser of the Bonds.

3.2 The Corporation further agrees, if the Project proceeds as contemplated:

- (a) to acquire, construct and equip the Project;
- (b) to enter into a financing agreement with the County under the terms of which the Corporation will obligate itself to pay to the County sums sufficient to pay the principal of and interest and premium, if any, on the Bonds, as and when the same become due and payable, said financing agreement to be in such form and contain such provisions as shall be satisfactory to the County and to the Corporation;
- (c) to obligate itself to make the additional payments required by the Act, including, but not limited to, payments in lieu of taxes if necessary;
- (d) to hold the County harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Agreement and in the implementation of its terms and provisions;
- (e) to perform such further acts and adopt such further proceedings as may be required to faithfully implement its undertakings and consummate the proposed financing; and
- (f) to covenant and agree in the financing agreement referred to hereinabove to acquire, construct and equip the Project and thereafter to operate the Project as a facility to manufacture photo albums and photo greeting cards, or for such other purposes as may hereafter be deemed appropriate.

EXHIBIT

NOV 10 1987 NO. 5

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987

NO. 5

ARTICLE IV

GENERAL PROVISIONS

STATE BUDGET & CONTROL BOARD

4.1 All commitments of the County under Article II hereof are subject to all of the provisions of the Act and the condition that nothing contained in this Agreement shall constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing power; but all undertakings by the County hereunder are otherwise fully binding and enforceable by a suit for specific performance or by mandamus.

4.2 The parties hereto agree that the Corporation may proceed with the Project including the acquisition, construction and equipping of the Project prior to the issuance of the Bonds.

4.3 All commitments of the County and the Corporation hereunder are subject to the condition that the County and the Corporation agree on acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

4.4 The parties understand that the Corporation may choose not to finance the Project as herein provided, in which event this Agreement shall become void.

4.5 It is the intention of the parties hereto that this Agreement shall constitute an official action on the part of the County within the meaning of the applicable regulations of the United States Treasury Department relating to the issuance of industrial revenue bonds.

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Agreement on the respective dates indicated below.

CHEROKEE COUNTY, SOUTH CAROLINA

(SEAL)

ATTEST:

Joris L. Pearson
Joris L. Pearson, Clerk
Cherokee County Council,
Cherokee County, South Carolina

By: Ray S. Mang

Chairman,
Cherokee County Council,
Cherokee County, South Carolina

Dated: September 16, 1987

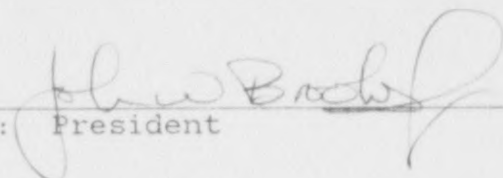
EXHIBIT I

NOV 10 1987

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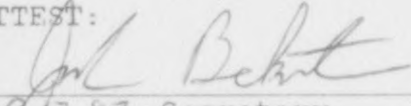
STATE BUDGET & CONTROL BOARD

THE HOLSON COMPANY

By: 
Its: President

(SEAL)

ATTEST:


9-17-87 Secretary

Dated: September 16, 1987

NOV 10 1987

NO. 5

NOV 4 1987

Date: November 4, 1987
Submitted for BCB Meeting on:
November 10, 1987

OW BOARD
A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201
OR P. O. Box 12444, Columbia, SC 29211

Kennedy Covington Lobdell & Hickman
Name of Law Firm
Charlotte, North Carolina 28280
City, State, Zip Code

3300 NCNB Plaza
Street Address/Box Number
(704) 377-6000 X 755/
Telephone Area Code and Number

RE: \$3,200,000
Amount of Issue
Cherokee County, South Carolina
Issuing Authority Name

Industrial Revenue Bonds
Type of Bonds or Notes
December 2, 1987
Projected Issue Date

Project Description:

acquisition, construction, installation and equipping of facility
for the manufacture and assembly of photo albums and photo greeting cards

Employment as result of project: at least 100 persons

CEILING ALLOCATION REQUIRED

<u>X</u>	Yes	(\$3,200,000)	<u> </u>	No
		Amount		

REFUNDING INVOLVED

Yes (\$) ☒ No
Amount

PROJECT APPROVED PREVIOUSLY

Yes () X No
Date

(ALL required for State law approval; A and C only for ceiling allocation only.)

- A. X Petition (executed original and two copies)
B. X Resolution or ordinance (executed copy)
C. X Inducement Resolution or comparable preliminary approval (executed copy)
D. — Standard Form Investment Letter from bonds purchaser (executed original)
(Purchaser:)

OR ☒ Audited financial statements for three most recent years

- E. Department of Health and Environmental Control certificate IF REQUIRED
- F. X Budget and Control Board Resolution and Public Notice (original)
- [Plus four copies for certification and return to counsel]

- G. X Processing fee

Amount \$ 3,000

Check No. 1373

Payor The Holson Company

Bond Counsel: Kennedy Covington Lobdell and Hickman

Typed Name

By:

Signature _____

07854

EXHIBIT

NOV 10 1987

NO. 5

KENNEDY GOVINGTON LOBDELL & HICKMAN

ATTORNEYS AT LAW

3300 NCNB PLAZA

CHARLOTTE, NORTH CAROLINA 28280-8082

TELEPHONE 704/377-6000

TELECOPIER 704/376-8386

STATE BUDGET & CONTROL BOARD

MARCUS T. HICKMAN
CLARENCE W. WALKER
JAMES E. BILL WALKER
HENRY C. LOMAX
EDGAR LOVE III
CHARLES V. TOMPKINS, JR.
GLEN B. HARDYMON
J. DONNELL LASSITER
ROSS J. SMYTH
A. ZACHARY SMITH, III
DAVID GRIER MARTIN, JR.
WILLIAM F. DREW, JR.
CHARLES O. DUBOSE
RALEIGH A. SHOEMAKER
JOHN M. MURCHISON, JR.
STEPHEN M. S. COURTLAND
RICHARD D. STEPHENS
F. FINCHER JARRELL
MAYNARD E. TIPPS
WAYNE P. HUCKEL
J. NORFLEET PRUDEN, III
WILLIAM C. LIVINGSTON
LEE WEST MOVIUS
JOSEPH B. C. KLUTTZ
JONATHAN A. BARRETT
EUGENE C. PRIDGEN
STEPHEN K. RHYNE
E. ALLEN PRICHARD

RAYMOND E. OWENS, JR.
HENRY W. FLINT
DAVID H. JONES
NANCY BLACK NORELLI
JAMES C. HARDIN III
PETER McLEAN III
MYLES E. STANDISH
KIRAN H. MEHTA
MICHAEL S. HAWLEY
R. DOUGLAS HARMON
JAMES P. COONEY III
CAROL NASH NORMAN**
BRIAN P. EVANS
AMANDA BRANTLEY ANDERS
JEFFERSON W. BROWN
LYNN OLIVER WENIG
GEORGE C. COVINGTON**
DANIEL L. JOHNSON, JR.
DENNARD LINDSEY TEAGUE
L. CAMPBELL TUCKER III
DEAN A. WARREN
ALTON D. BAIN
MERRIE C. DORMAN
WALTER D. FISHER, JR.
LISA D. HYMAN
ALICE CARMICHAEL RICHEY
CLAUDIA F. MANNING

November 3, 1987

FRANK H. KENNEDY
1893-1975

HUGH L. LOBDELL
1908-1982

W. T. COVINGTON, JR.
OF COUNSEL

THOMAS R. PAYNE
SPECIAL COUNSEL

SOUTHPARK OFFICE

6739 FAIRVIEW ROAD
CHARLOTTE, N. C. 28210-3323
TELEPHONE 704/366-5991
TELECOPIER 704/366-1656

SOUTH CAROLINA OFFICE

THE GUARDIAN BUILDING
ONE LAW PLACE-SUITE 301
P. O. BOX 11429
ROCK HILL, S. C. 29731-1429
TELEPHONE 803/327-6171
TELECOPIER 803/324-4737

EXCEPT AS NOTED, ATTORNEYS ADMITTED
IN N.C. ONLY.
*ADMITTED IN S.C. ONLY.
**ADMITTED IN N.C. AND S.C.

Mr. William A. McInnis
Secretary, State Budget and Control Board
600 Wade Hampton Office Building
Columbia, South Carolina 29211

Re \$3,200,000 Cherokee County, South Carolina
Industrial Revenue Bonds (The Holson Company Project)
1987

Dear Bill:

Enclosed are the transmittal form and documents required
for State Law Approval and ceiling allocation for the above-
referenced bond issuance.

If you have any questions or if we have omitted any neces-
sary items, please give either Hank Flint or me a call at
704/377-6000.

I look forward to working with you on this project.

Yours truly,

Dennard Lindsey Teague
Dennard Lindsey Teague
For the Firm

DLT/mtp
Encls.

C7855

EXHIBIT DEC 17 1987

4:30 P.M.

NOV 10 1987

NO. 5

KENNEDY GOVINGTON LOBDELL & HICKMAN

ATTORNEYS AT LAW

3300 NCHB PLAZA

STATE BUDGET & CONTROL BOARD

CHARLOTTE, NORTH CAROLINA 28280-8082

MARCUS T. HICKMAN
CLARENCE W. WALKER
JAMES E. BILL WALKER
HENRY C. LOMAX
EDGAR LOVE III
CHARLES V. TOMPKINS, JR.
GLEN B. HARDYMON
J. DONNELL LASSITER
ROSS J. SMYTH
A. ZACHARY SMITH, III
DAVID GRIER MARTIN, JR.
WILLIAM F. DREW, JR.
CHARLES O. DUBOSE
RALEIGH A. SHOEMAKER
JOHN M. MURCHISON, JR.
STEPHEN M. S. COURTLAND
RICHARD D. STEPHENS
F. FINCHER JARRELL
MAYNARD E. TIPPES
WAYNE P. HUCKEL
J. NORFLEET PRUDEN, III
WILLIAM C. LIVINGSTON
LEE WEST MOVIOUS
JOSEPH B. C. KLUTTZ
JONATHAN A. BARRETT
EUGENE C. BRIDGEN
STEPHEN K. RHYNE
E. ALLEN PRICHARD

RAYMOND E. OWENS, JR.
HENRY W. FLINT
DAVID H. JONES
NANCY BLACK NORELLI
JAMES C. HARDIN III*
PETER McLEAN III
MYLES E. STANDISH
KIRAN H. MEHTA
MICHAEL S. HAWLEY
R. DOUGLAS HARMON
JAMES P. COONEY III
CAROL NASH NORMAN**
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WALTER D. FISHER, JR.
LISA D. HYMAN
ALICE CARMICHAEL RICHEY
CLAUDIA F. MANNING

TELEPHONE 704/377-6000
TELECOPIER 704/376-8386

FRANK H. KENNEDY
1893-1975

HUGH L. LOBDELL
1908-1982

W.T. COVINGTON, JR.
OF COUNSEL

THOMAS R. PAYNE
SPECIAL COUNSEL

SOUTHPARK OFFICE

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CHARLOTTE, N.C. 28210-3323
TELEPHONE 704/366-5991
TELECOPIER 704/366-1656

SOUTH CAROLINA OFFICE

THE GUARDIAN BUILDING
ONE LAW PLACE-SUITE 301
P.O. BOX 11429
ROCK HILL, S.C. 29731-1429
TELEPHONE 803/327-6171
TELECOPIER 803/324-4737

December 16, 1987

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

EXCEPT AS NOTED, ATTORNEYS ADMITTED
IN N.C. ONLY.

*ADMITTED IN S.C. ONLY.

**ADMITTED IN N.C. AND S.C.

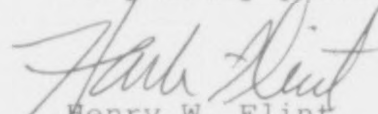
Mr. William A. McInnis, Secretary
State Budget and Control Board
Box 12444
Columbia, South Carolina 29211

Re: \$3,200,000 Industrial Revenue Bonds (The Holson
Company Project) 1987

Dear Mr. McInnis:

Pursuant to Regulation Section 19-102.05, please find enclosed a certified copy of the published notice of approval of the captioned financing by the State Budget and Control Board. We also wish to advise you that the captioned financing closed on December 11, 1987, and we certainly appreciate the assistance of your office in making this financing a successful one for Cherokee County and The Holson Company.

Very truly yours,


Henry W. Flint
For the Firm

HWF:cal

cc: John W. Brooks, Jr.
William E. Whamond

C7856

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

THE GAFFNEY LEDGER, INC.

P.O. Box 670 1604 Baker Blvd.

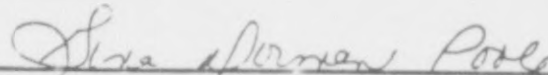
Gaffney, S.C. 29342

(803) 489-1134

STATE OF SOUTH CAROLINA

County of Cherokee

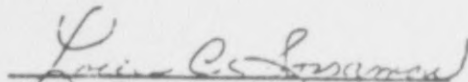
Personally came before me, a Notary Public for State and County aforesaid, Gina Dorman Poole, Office Manager for The Gaffney Ledger (a newspaper published at Gaffney, South Carolina) and on oath says that the above advertisement did appear in said Newspaper, and that the clipping herewith attached and made a part of this affidavit is a true copy of said advertisement as it appeared in said Newspaper.



Gina Dorman Poole, Office Mgr., The Gaffney Ledger, Inc.

Sworn to before me this

16th day of Nov '87


Notary Public for South Carolina

C7857

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

LEGAL NOTICE

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

THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

By William A. Morris

Dated November 10, 1987

Published November 13, 1987

LEGAL NOTICE

NOTICE PURSUANT TO TITLE 4, CHAPTER 29, CODE OF LAWS OF

SOUTH CAROLINA 1976, AS AMENDED

Notice is hereby given that following the filing of a Petition by Cherokee County, South Carolina (the "County") 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 (the "Undertaking") (including changes in any details of the said financing as finally consummated which do not materially affect the said Undertaking), viz.: the financing of the acquisition, construction and installation of certain land, buildings, fixtures, machinery and equipment (the "Project") to constitute a manufacturing facility for photo albums and photo greeting cards to be owned and operated by The Holston Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, and to be located in the County.

To finance the acquisition, construction and installation of the Project, the County will issue \$3,200,000 Cherokee County, South Carolina Industrial Revenue Bonds (The Holston Company Project) 1987 (the "Bonds") pursuant to Title 4, Chapter 29, Code of Laws of South Carolina 1976, as amended. The Bonds will be payable by the County solely from the amounts to be paid to the County by the Corporation pursuant to a Loan Agreement (the "Loan Agreement") between the County and the Corporation.

The Corporation will irrevocably covenant and agree to pay when due all sums required to pay the principal of and interest on the Bonds, and the Bonds will be secured by a Trust Indenture under which the County will assign to First Union National Bank of North Carolina, as trustee (the "Trustee"), substantially all of its rights under the Loan Agreement and under a Mortgage and Security Agreement between the Corporation and the County pursuant to which the Corporation will grant a mortgage lien on, and security interest in, the Project to the County. The Bonds will be issued pursuant to the Act and to an ordinance (the "Ordinance") to be adopted by the County.

The Project will provide employment for at least one hundred (100)

EXHIBIT

NOV 10 1987

NO. 5

STATE BUDGET & CONTROL BOARD

07858

KENNEDY GOVINGTON LOBDELL & HICKMAN
ATTORNEYS AT LAW
3300 NCNB PLAZA
CHARLOTTE, NORTH CAROLINA 28280

Fold at line over top of envelope to the
of the return address

CERTIFIED

P 420 645 173

MAIL

Mr. William A. McInnis, Secretary
State Budget and Control Board
Box 12444
Columbia, South Carolina 29211



Claim Check
No.

740608

☐ Hold

Date

DEC 17 K

1ST Notice

2ND Notice

Return

Detached from:
PS Form 3849-A,
Oct. 1985

07859

The State of South Carolina

NOV 10 1987



EXHIBIT

NOV 10 1987

NO. 6

Office of the Attorney General STATE BUDGET & CONTROL BOARD

T. TRAVIS MEDLOCK
ATTORNEY GENERAL

REMBERT C. DENNIS BUILDING
POST OFFICE BOX 11549
COLUMBIA, S.C. 29211
TELEPHONE 803-734-3680

November 9, 1987

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
Columbia, South Carolina 29201

Re: Not Exceeding \$5,000,000, Lexington County, South
Carolina, Adjustable Rate Psychiatric Hospital
Refunding Revenue Bonds: Charter Medical -
Columbia, Inc.; Projected Issue Date -
December 2, 1987

Dear Mr. McInnis:

Regarding the above-referenced bond, we have reviewed the
Petition and other documents submitted to the State Budget and
Control Board for its approval pursuant to Section(s) 44-7-1590,
et seq., Code of Laws of South Carolina, 1976, as amended, and
the same appear, in our opinion, to be in order.

This opinion addresses only the legal sufficiency of the
documents you have provided for our review. No opinion is
expressed as to any other matters, including whether the Petition
should be approved as a matter of policy.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "D. Eckstrom".

David C. Eckstrom
Assistant Attorney General

DCE:tgc

Enclosures

07860

STATE OF SOUTH CAROLINA)

Charter Rivers Hospital, Inc.

COUNTY OF RICHLAND)

I, WILLIAM A. McINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr., Governor and Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General;

The Honorable James M. Waddell, Jr., Vice Chairman of the Senate Finance Committee; and

The Honorable Robert N. McLellan, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 10 a.m. on Tuesday, October 27, 1987, was given to all members in writing, and at least four (4) days prior to the meeting; that all members of the Board were present at the meeting, with the exception of Senator Dennis, who was represented by Senate Finance Committee Vice Chairman James M. Waddell, Jr. (absent during consideration of this item).

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

FOR MOTION

AGAINST MOTION

4

0

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

December 17, 1987

William A. McInnis

C7851

EXHIBIT

NOV 10 1987

NO. 6

STATE OF SOUTH CAROLINA)

Charter Rivers Hospital, Inc.

STATE BUDGET & CONTROL BOARD

COUNTY OF RICHLAND)

I, WILLIAM A. McINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr., Governor and
Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General;

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

The Honorable Robert N. McLellan, Chairman of the House
Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 10 a.m. on Tuesday, October 27, 1987, was given to all members in writing, and at least four (4) days prior to the meeting; that all members of the Board were present at the meeting, with the exception of Senator Dennis, who was represented by Senate Finance Committee Vice Chairman James M. Waddell, Jr. (absent during consideration of this item).

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

FOR MOTION

AGAINST MOTION

4

0

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

November 18, 1987

William A. McInnis

07862

RESOLUTION

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

WHEREAS, heretofore the County Council (the "County Board") of Lexington County, South Carolina (the "County") did, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the financing of the cost of refunding the County's Psychiatric Hospital Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series A, previously issued to finance the acquisition, construction and equipping by Charter Rivers Hospital, Inc., formerly known as Charter Medical-Columbia, Inc., a South Carolina corporation (the "Hospital Agency") of an 80-bed freestanding psychiatric hospital facility, including the site thereof and certain furnishings and equipment (collectively, the "Project"); the County Board proposes to finance the costs incurred in the refunding of the Project by the issuance of bonds pursuant to the Act, and to loan the proceeds of the sale of the bonds to the Hospital Agency pursuant to a Loan Agreement to be entered into by and between the County and the Hospital Agency; and

WHEREAS, the Loan Agreement will provide for payment of loan payments by the Hospital Agency in amounts sufficient to provide for the payment of the bonds of the County hereafter referred to, and costs and expenses resulting from the issuance thereof; and

WHEREAS, the South Carolina Department of Health and Environmental Control (the "Department") previously approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project; and

WHEREAS, the County pursuant to §44-7-1560 of the Act is authorized to refund any bonds issued under the Act and outstanding, including the Prior Bonds; and

WHEREAS, in order to finance the refunding of the Project, the County Board proposes to provide for an issue not to exceed \$5,000,000 aggregate principal amount of Lexington County, South Carolina Adjustable Rate Refunding Revenue Bonds (Charter Rivers Hospital, Inc. Project) Series 1987, pursuant to the Act; payable from the loan payments derived from the Loan Agreement and additionally secured by a Trust Indenture between the County and the Trustee under the Trust Indenture; and

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of refunding the Project, a general summary of the terms and conditions of the Loan Agreement and the Trust Indenture to be made by the County Board and a statement setting forth the action taken previously by the Department in connection with the Project.

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

(d) That the proposed refunding of the Project is economically feasible.

2. On the basis of the foregoing findings the proposed undertaking of the County Board to finance the cost of refunding the Project by the Health Agency and to loan the proceeds of the sale of its revenue bonds to the Hospital Agency and to finance the cost of refunding the Project, including the repayment of funds advanced and loans incurred by the Hospital Agency for that purpose, through the issuance of an aggregate principal amount not to exceed \$5,000,000 of Lexington County, South Carolina Adjustable Rate Refunding Revenue Bonds (Charter Rivers Hospital, Inc. Project) Series

1987, payable from the revenues to be derived from the loan payments paid by the Hospital Agency pursuant to the Loan Agreement, and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the undertaking of the County above described in paragraph 2, supra, shall be published in The State, a newspaper having general circulation in the County.

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

EXHIBIT "A"

NOTICE PURSUANT TO TITLE 44, CHAPTER 7,
ARTICLE 11, CODE OF LAWS OF SOUTH CAROLINA,
1976, AS AMENDED, WITH RESPECT TO THE APPROVAL
OF THE STATE BUDGET AND CONTROL BOARD OF SOUTH
CAROLINA OF THE ISSUANCE BY LEXINGTON COUNTY,
SOUTH CAROLINA OF ADJUSTABLE RATE REFUNDING
REVENUE BONDS (CHARTER RIVERS HOSPITAL, INC.
PROJECT) SERIES 1987

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

The financing by the County of the cost of refunding the
County's Psychiatric Hospital Revenue Bonds (Charter
Medical-Columbia, Inc. Project) Series A (the "Prior Bonds")
previously issued to finance the acquisition, construction
and equipping by Charter Rivers Hospital, Inc., formerly
known as Charter Medical-Columbia, Inc., a South Carolina
corporation (the "Hospital Agency"), of an 80-bed free-
standing psychiatric hospital facility (the "Project"), which
constitutes a hospital facility as defined in Title 44,
Chapter 7, Article 11, Code of Laws of South Carolina, 1976,
as amended (the "Act"). To finance the costs incurred by the
Hospital Agency in refunding the Prior Bonds, the County

Board will issue an aggregate principal amount not to exceed \$5,000,000 of Lexington County, South Carolina Adjustable Rate Refunding Revenue Bonds (Charter Rivers Hospital, Inc. Project) Series 1987 (the "Bonds"), pursuant to the Act. The County Board has determined, pursuant to Section 44-7-1480 of the Act, to loan the proceeds of the sale of the Bonds to the Hospital Agency pursuant to the provisions of a Loan Agreement and the Bonds will be payable by the County solely from the loan payments to be paid by the Hospital Agency to the County. The Bonds will be additionally secured by a Trust Indenture.

The County is authorized pursuant to §44-7-1560 of the Act to refund any bonds issued and outstanding at any time including the Prior Bonds.

The County Board has heretofore found, pursuant to Section 44-7-1480 of the Act:

(a) there is a need for the Project in the area in which the Project is located;

(b) the Hospital Agency is financially responsible and capable of fulfilling its obligations under a loan agreement with the County (the "Loan Agreement"), including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Project and to discharge such other responsibilities as may be imposed under the Loan Agreement;

(c) adequate provision shall be made for the payment of the principal of and the interest on the Bonds and any necessary reserves therefor and for the operation, repair and maintenance of the Project; and

(d) the public facilities, including utilities and public services necessary for health facilities, have been made available.

The South Carolina Department of Health and Environmental Control has previously, pursuant to Section 14-7-1490 of the Act, approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project.

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

PUBLICATION DATE: November , 1987.

THE STATE BUDGET AND CONTROL
BOARD

By _____
Secretary

EXHIBIT

NOV 10 1987

NO. 6

RESOLUTION

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

WHEREAS, heretofore the County Council (the "County Board") of Lexington County, South Carolina (the "County") did, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the financing of the cost of refunding the County's Psychiatric Hospital Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series A, previously issued to finance the acquisition, construction and equipping by ~~Charter Medical-Columbia, Inc.~~, a South Carolina corporation (the "Hospital Agency") of an 80-bed freestanding psychiatric hospital facility, including the site thereof and certain furnishings and equipment (collectively, the "Project"); the County Board proposes to finance the costs incurred in the refunding of the Project by the issuance of bonds pursuant to the Act, and to loan the proceeds of the sale of the bonds to the Hospital Agency pursuant to a Loan Agreement to be entered into by and between the County and the Hospital Agency; and

REVISED
TO READ
CHARTER
RIVERS
HOSPITAL, INC

EXHIBIT

NOV 10 1987

NO. 6

STATE BUDGET & CONTROL BOARD

WHEREAS, the Loan Agreement will provide for payment of loan payments by the Hospital Agency in amounts sufficient to provide for the payment of the bonds of the County hereafter referred to, and costs and expenses resulting from the issuance thereof; and

WHEREAS, the South Carolina Department of Health and Environmental Control (the "Department") previously approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project; and

WHEREAS, the County pursuant to §44-7-1560 of the Act is authorized to refund any bonds issued under the Act and outstanding, including the Prior Bonds; and

WHEREAS, in order to finance the refunding of the Project, the County Board proposes to provide for an issue not to exceed \$5,000,000 aggregate principal amount of Lexington County, South Carolina Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series 1987, pursuant to the Act; payable from the loan payments derived from the Loan Agreement and additionally secured by a Trust Indenture between the County and the Trustee under the Trust Indenture; and

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of refunding the Project, a general summary of the terms and conditions of the Loan Agreement and the Trust Indenture to be made by the County Board and a statement setting forth the action taken previously by the Department in connection with the Project.

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

(d) That the proposed refunding of the Project is economically feasible.

2. On the basis of the foregoing findings the proposed undertaking of the County Board to finance the cost of refunding the Project by the Health Agency and to loan the proceeds of the sale of its revenue bonds to the Hospital Agency and to finance the cost of refunding the Project, including the repayment of funds advanced and loans incurred by the Hospital Agency for that purpose, through the issuance of an aggregate principal amount not to exceed \$5,000,000 of Lexington County, South Carolina Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds (Charter Medical-Columbia,

Inc. Project) Series 1987, payable from the revenues to be derived from the loan payments paid by the Hospital Agency pursuant to the Loan Agreement, and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the undertaking of the County above described in paragraph 2, supra, shall be published in The State, a newspaper having general circulation in the County.

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

EXHIBIT

NOV 10 1987 NO. 6

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987

NO. 6

EXHIBIT "A"

STATE BUDGET & CONTROL BOARD

NOTICE PURSUANT TO TITLE 44, CHAPTER 7,
ARTICLE 11, CODE OF LAWS OF SOUTH CAROLINA,
1976, AS AMENDED, WITH RESPECT TO THE APPROVAL
OF THE STATE BUDGET AND CONTROL BOARD OF SOUTH
CAROLINA OF THE ISSUANCE BY LEXINGTON COUNTY,
SOUTH CAROLINA OF ADJUSTABLE RATE PSYCHIATRIC
HOSPITAL REFUNDING REVENUE BONDS (CHARTER
MEDICAL-COLUMBIA, INC. PROJECT) SERIES 1987

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

The financing by the County of the cost of refunding the
County's Psychiatric Hospital Revenue Bonds (Charter
Medical-Columbia, Inc. Project) Series A (the "Prior Bonds")
previously issued to finance the acquisition, construction
and equipping by Charter Medical-Columbia, Inc., a South
Carolina corporation (the "Hospital Agency"), of an 80-bed
free-standing psychiatric hospital facility (the "Project"),
which constitutes a hospital facility as defined in Title 44,
Chapter 7, Article 11, Code of Laws of South Carolina, 1976,
as amended (the "Act"). To finance the costs incurred by the
Hospital Agency in refunding the Prior Bonds, the County
Board will issue an aggregate principal amount not to exceed

A-1

6450N

67874

EXHIBIT

NOV 10 1987 NO. 6

STATE BUDGET & CONTROL BOARD

\$5,000,000 of Lexington County, South Carolina Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series 1987 (the "Bonds"), pursuant to the Act. The County Board has determined, pursuant to Section 44-7-1480 of the Act, to loan the proceeds of the sale of the Bonds to the Hospital Agency pursuant to the provisions of a Loan Agreement and the Bonds will be payable by the County solely from the loan payments to be paid by the Hospital Agency to the County. The Bonds will be additionally secured by a Trust Indenture.

The County is authorized pursuant to §44-7-1560 of the Act to refund any bonds issued and outstanding at any time including the Prior Bonds.

The County Board has heretofore found, pursuant to Section 44-7-1480 of the Act:

(a) there is a need for the Project in the area in which the Project is located;

(b) the Hospital Agency is financially responsible and capable of fulfilling its obligations under a loan agreement with the County (the "Loan Agreement"), including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Project and to discharge such other responsibilities as may be imposed under the Loan Agreement;

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(c) adequate provision shall be made for the payment of the principal of and the interest on the Bonds and any necessary reserves therefor and for the operation, repair and maintenance of the Project; and

(d) the public facilities, including utilities and public services necessary for health facilities, have been made available.

The South Carolina Department of Health and Environmental Control has previously, pursuant to Section 14-7-1490 of the Act, approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project.

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

PUBLICATION DATE: November , 1987.

THE STATE BUDGET AND CONTROL
BOARD

By _____
Secretary

State of South Carolina



State Budget and Control Board

OFFICE OF THE STATE AUDITOR

P.O. BOX 11333
COLUMBIA, S.C.
29211
(803) 734-1727

EDGAR A. VAUGHN, JR., CPA
STATE AUDITOR

MARGARET C. STILWELL, CPA
DEPUTY STATE AUDITOR

November 16, 1987

NOV 18 1987

EXHIBIT

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NO. 6

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

RE: Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds -
Lexington County - \$5,000,000 (Charter Rivers Hospital, Inc.)

Dear Mr. McInnis:

The proposed bond issue is intended to provide funds for the refunding of approximately \$4,900,000 of bonds issued to finance the Charter Rivers Hospital project.

Charter Rivers Hospital is an 80-bed psychiatric hospital owned and operated by Charter Medical Corporation. Charter Medical Corporation (a Delaware corporation) is a publicly owned corporation whose Class A and Class B common stock is listed on the American Stock Exchange and on the Pacific Stock Exchange. The Company files annual information reports (Form 10-K) with the U.S. Securities and Exchange Commission.

The Company's independent auditors are Arthur Andersen & Co., Atlanta, Georgia, who issued unqualified opinions on the consolidated financial statements of the corporation and its subsidiaries for the years ended September 30, 1983 through 1986. We reviewed the audited financial statements for the years 1983 through 1986.

Based upon our review of the aforementioned financial statements, the financial position and results of operations of the Charter Medical Corporation appear adequate to support the existing debt; consequently, we see no reason to disapprove the proposed refunding bond issue.

Rosa B. Hughes

Rosa B. Hughes, CPA
Audit Manager

RBH/dc

67877

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER

STATE BUDGET & CONTROL BOARD
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL
REMBERT C. DENNIS
CHAIRMAN
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN
HOUSE WAYS AND MEANS COMMITTEE
JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

EXHIBIT

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NO. 6

McNAIR LAW FIRM, P. A.
ATTORNEYS AND COUNSELORS AT LAW

NCNB TOWER

POST OFFICE BOX 11390

COLUMBIA, SOUTH CAROLINA 29211

803-799-9800

STATE BUDGET & CONTROL BOARD

HILTON HEAD ISLAND OFFICE

NCNB BUILDING

POPE AVENUE

POST OFFICE BOX 5914

HILTON HEAD ISLAND, S.C. 29936

803-785-5169

HILTON HEAD ISLAND OFFICE

17 PARK LANE

POST OFFICE DRAWER 6748

HILTON HEAD ISLAND, S.C. 29936

803-785-3525

WASHINGTON OFFICE

SUITE 400

MADISON OFFICE BUILDING

185 15TH STREET, N.W.

WASHINGTON, D.C. 20005

202-659-3900

GEORGETOWN OFFICE
1112 HIGHMARKET STREET
POST OFFICE DRAWER 459
GEORGETOWN, S.C. 29442
803-546-6131

GEORGETOWN OFFICE
121 SCREVEN STREET
POST OFFICE DRAWER 418
GEORGETOWN, S.C. 29442
803-546-6102

GREENVILLE OFFICE
SUITE 1201
NCNB PLAZA
7 NORTH LAURENS STREET
GREENVILLE, S.C. 29601
803-271-4940

November 9, 1987

(HAND DELIVERY)

Mr. William A. McInnis
Executive Director
STATE BUDGET AND CONTROL BOARD
Wade Hampton Building - 6th Floor
Columbia, South Carolina 29211

Re: Charter Rivers Hospital, Inc.

Dear Bill:

As we discussed over the telephone today, we are acting as special local counsel in connection with the revenue bonds being issued by Lexington County on behalf of Charter Rivers Hospital, Inc. The company advised us today that the documentation forwarded to the Board for agenda purposes reflects the prior name of the company. Accordingly, enclosed please find a blacklined copy for your records and five (5) execution copies of the Resolution proposed for adoption by the Budget and Control Board.

Thank you for your cooperation.

Sincerely,

April C. Lucas

April C. Lucas

ACL:csb
Enclosures

07878

EXHIBIT

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NO. 6

DRAFT
KR&C
11/7/87

RESOLUTION STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

WHEREAS, heretofore the County Council (the "County Board") of Lexington County, South Carolina (the "County") did, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), petition the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the financing of the cost of refunding the County's Psychiatric Hospital Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series A, previously issued to finance the acquisition, construction and equipping by Charter Rivers Hospital, Inc., formerly known as Charter Medical-Columbia, Inc., a South Carolina corporation (the "Hospital Agency") of an 80-bed freestanding psychiatric hospital facility, including the site thereof and certain furnishings and equipment (collectively, the "Project"); the County Board proposes to finance the costs incurred in the refunding of the Project by the issuance of bonds pursuant to the Act, and to loan the proceeds of the sale of the bonds to the Hospital Agency pursuant to a Loan Agreement to be entered into by and between the County and the Hospital Agency; and

WHEREAS, the Loan Agreement will provide for payment of loan payments by the Hospital Agency in amounts sufficient to provide for the payment of the bonds of the County hereafter referred to, and costs and expenses resulting from the issuance thereof; and

WHEREAS, the South Carolina Department of Health and Environmental Control (the "Department") previously approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project; and

WHEREAS, the County pursuant to §44-7-1560 of the Act is authorized to refund any bonds issued under the Act and outstanding, including the Prior Bonds; and

WHEREAS, in order to finance the refunding of the Project, the County Board proposes to provide for an issue not to exceed \$5,000,000 aggregate principal amount of Lexington County, South Carolina Adjustable Rate^ARefunding Revenue Bonds (Charter^ARivers Hospital, Inc. Project) Series 1987, pursuant to the Act; payable from the loan payments derived from the Loan Agreement and additionally secured by a Trust Indenture between the County and the Trustee under the Trust Indenture; and

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

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

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of refunding the Project, a general summary of the terms and conditions of the Loan Agreement and the Trust Indenture to be made by the County Board and a statement setting forth the action taken previously by the Department in connection with the Project.

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

(d) That the proposed refunding of the Project is economically feasible.

2. On the basis of the foregoing findings the proposed undertaking of the County Board to finance the cost of refunding the Project by the Health Agency and to loan the proceeds of the sale of its revenue bonds to the Hospital Agency and to finance the cost of refunding the Project, including the repayment of funds advanced and loans incurred by the Hospital Agency for that purpose, through the issuance of an aggregate principal amount not to exceed \$5,000,000 of Lexington County, South Carolina Adjustable Rate Refunding Revenue Bonds (Charter Rivers Hospital, Inc. Project) Series

1987, payable from the revenues to be derived from the loan payments paid by the Hospital Agency pursuant to the Loan Agreement, and additionally secured by the said Trust Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken by the State Board in giving approval to the undertaking of the County above described in paragraph 2, supra, shall be published in The State, a newspaper having general circulation in the County.

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

EXHIBIT

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STATE BUDGET & CONTROL BOARD

EXHIBIT "A"

NOTICE PURSUANT TO TITLE 44, CHAPTER 7,
ARTICLE 11, CODE OF LAWS OF SOUTH CAROLINA,
1976, AS AMENDED, WITH RESPECT TO THE APPROVAL
OF THE STATE BUDGET AND CONTROL BOARD OF SOUTH
CAROLINA OF THE ISSUANCE BY LEXINGTON COUNTY,
SOUTH CAROLINA OF ADJUSTABLE RATE REFUNDING
REVENUE BONDS (CHARTER RIVERS HOSPITAL, INC.
PROJECT) SERIES 1987

EXHIBIT

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

The financing by the County of the cost of refunding the
County's Psychiatric Hospital Revenue Bonds (Charter
Medical-Columbia, Inc. Project) Series A (the "Prior Bonds")
previously issued to finance the acquisition, construction
and equipping by Charter Rivers Hospital, Inc., formerly
known as Charter Medical-Columbia, Inc., a South Carolina
corporation (the "Hospital Agency"), of an 80-bed free-
standing psychiatric hospital facility (the "Project"), which
constitutes a hospital facility as defined in Title 44,
Chapter 7, Article 11, Code of Laws of South Carolina, 1976,
as amended (the "Act"). To finance the costs incurred by the
Hospital Agency in refunding the Prior Bonds, the County

Board will issue an aggregate principal amount not to exceed \$5,000,000 of Lexington County, South Carolina Adjustable Rate Refunding Revenue Bonds (Charter W.Rivers Hospital, Inc. Project) Series 1987 (the "Bonds"), pursuant to the Act. The County Board has determined, pursuant to Section 44-7-1480 of the Act, to loan the proceeds of the sale of the Bonds to the Hospital Agency pursuant to the provisions of a Loan Agreement and the Bonds will be payable by the County solely from the loan payments to be paid by the Hospital Agency to the County. The Bonds will be additionally secured by a Trust Indenture.

The County is authorized pursuant to §44-7-1560 of the Act to refund any bonds issued and outstanding at any time including the Prior Bonds.

The County Board has heretofore found, pursuant to Section 44-7-1480 of the Act:

- (a) there is a need for the Project in the area in which the Project is located;
- (b) the Hospital Agency is financially responsible and capable of fulfilling its obligations under a loan agreement with the County (the "Loan Agreement"), including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Project and to discharge such other responsibilities as may be imposed under the Loan Agreement;

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(c) adequate provision shall be made for the payment of the principal of and the interest on the Bonds and any necessary reserves therefor and for the operation, repair and maintenance of the Project; and

(d) the public facilities, including utilities and public services necessary for health facilities, have been made available.

The South Carolina Department of Health and Environmental Control has previously, pursuant to Section 14-7-1490 of the Act, approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project.

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

PUBLICATION DATE: November , 1987.

THE STATE BUDGET AND CONTROL
BOARD

By _____
Secretary

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STATE BUDGET & CONTROL BOARD

EXHIBIT

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NO. 6

STATE OF SOUTH CAROLINA)
COUNTY OF LEXINGTON)

STATE BUDGET & CONTROL BOARD

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

P E T I T I O N

The Petition of the County Council (the "County Board") of Lexington County, South Carolina (the "County"), pursuant to Title 44, Chapter 7, Article 11 Code of Laws of South Carolina, 1976, as amended, respectfully shows:

1. The County Council is the governing body of Lexington County as established under Section 4-9-10, Code of Laws of South Carolina, 1976, as amended and as such it is the "County Board" referred to in the Act.

2. The Act authorizes and empowers the County Board, if it shall comply with the provisions set forth in the Act, to issue bonds under the Act, to enter into loan agreements with any hospital agency or public agency, prescribing the payments to be made by the hospital agency or public agency to the County Board or its assignee to meet the payments that shall become due on bonds, and to refund at any time any bonds issued pursuant to the Act and outstanding.

3. The County Board has agreed with Charter Medical-Columbia, Inc., a South Carolina corporation (the "Hospital Agency"), that the County Board will undertake to finance the cost of refunding the County's prior bonds

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previously issued to finance the acquisition, construction and equipping of an 80-bed freestanding psychiatric hospital facility (the land, buildings, furnishings and equipment comprising the psychiatric hospital facility is herein referred to as the "Project") located in the City of West Columbia, Lexington County, South Carolina including the repayment of funds advanced and loans incurred by the Hospital Agency for that purpose through the issuance of Psychiatric Hospital Revenue Bonds pursuant to the Act.

4. The County Board is advised by the Hospital Agency that the cost of refunding the Prior Bonds is not to exceed Five Million Dollars (\$5,000,000) and that, therefore, in order to finance the cost of refunding the Prior Bonds, it will be necessary that the County Board issue up to Five Million Dollars (\$5,000,000) of Lexington County, South Carolina Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds (Charter Medical-Columbia, Inc. Project) Series 1987 (the "Bonds") to refund the County's Psychiatric Hospital Revenue Bonds, Series A (Charter Medical-Columbia, Inc. Project) (the "Prior Bonds").

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

(a) there is a need for the Project in the area in which the Project is located and it is financially

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STATE BUDGET & CONTROL BOARD

advantageous to refund the Prior Bonds issued for
aforesaid Project;

(b) the Hospital Agency is financially responsible and capable of fulfilling its obligations under a loan agreement with the County (the "Loan Agreement"), including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Project and to discharge such other responsibilities as may be imposed under the Loan Agreement;

(c) adequate provision shall be made for the payment of the principal of and the interest on the Bonds and any necessary reserve therefor and for the operation, repair and maintenance of the Project; and

(d) the public facilities, including utilities and public services necessary for health facilities, have been made available.

6. Pursuant to Section 44-7-1590 of the Act, the County Board sets forth the following information:

(a) the Project consists of an 80-bed freestanding psychiatric hospital, including the site thereof and certain furnishings and equipment which are necessary for, and part of, a psychiatric hospital facility;

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(b) the South Carolina Department of Health and Environmental Control approved the acquisition, construction and equipping of the Project through the issuance of a Certificate of Need dated November 10, 1981, with respect to the Project; and

(c) the cost of the Project was approximately Five Million Thirty-five Thousand Dollars (\$5,035,000), including the acquisition of certain land in West Columbia, Lexington County, South Carolina, the construction of the psychiatric hospital facilities thereon and the installation of certain furnishings and equipment therein, and all financing costs and all other expenses incurred in connection therewith.

7. The proposed Loan Agreement will provide, among other things, the following:

(a) To finance the cost of refunding the Prior Bonds, the County will issue Bonds in an amount not to exceed Five Million Dollars (\$5,000,000). All Bonds will be secured by a pledge of the loan payments to be paid by the Hospital Agency and will be further secured by a Trust Indenture as authorized by Section 44-7-1460 of the Act. Payment of the principal, redemption premium, if any, and interest on the Bonds will be unconditionally guaranteed by Charter Medical Corporation (the "Guarantor"), a Delaware corporation,

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pursuant to a Guaranty Agreement to be entered into by and between the Guarantor and the Trustee under the Trust Indenture.

(b) The proceeds derived from the sale of the Bonds will be deposited with the Trustee and will be applied for the payment of costs incident to the refunding of the Prior Bonds and the issuance of the Bonds.

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

8. The proposed Trust Indenture is in conventional form. Included in the granting clause of the Indenture will be:

(a) The right, title and interest of the County in the Loan Agreement.

(b) All revenues derived by the County under the Loan Agreement, except those payments to be made by way of indemnification.

The Indenture makes provision for the issuance of Five Million Dollars (\$5,000,000) of Bonds to be secured thereunder. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the loan payments payable by the Hospital Agency

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are placed, and the use of said fund for the payment of the Bonds. It imposes upon the Hospital Agency the obligation to pay, in addition to the moneys required for the payment of the principal and interest on the Bonds, all other costs and expenses resulting from the execution and delivery of the Indenture and the issuance of the Bonds pursuant thereto.

9. The Hospital Agency along with the Guarantor, will enter into a letter of credit agreement with The Mitsubishi Bank, Limited (the "Credit Agreement") to provide for a letter of credit to secure the payment of principal and interest of the Bonds.

10. The proposed Loan Agreement, Trust Indenture and Guaranty Agreement of the Guarantor will be in the form heretofore used in the issuance of Revenue Bonds pursuant to the Act.

11. In compliance with the provisions of Section 103(n)(12) of the Internal Revenue Code of 1954, as amended, the undersigned hereby certifies, under penalty of perjury, that this Petition of the County to the State Board for an allocation of the South Carolina State Ceiling was not made in consideration of any bribe, gift, gratuity or direct or indirect contribution to any political campaign.

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

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STATE BUDGET & CONTROL BOARD

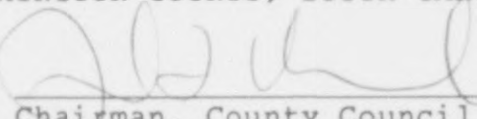
That the State Budget and Control Board accept the filing of this Petition and that, as soon as practicable, make its independent investigation of the terms and provisions of the Loan Agreement, Trust Indenture and Guaranty Agreement of the Guarantor, as it deems advisable, and that thereafter, the said State Board make a finding that refunding the Prior Bonds will promote the purposes of the Act and that it is reasonably anticipated to effect such result, and that the proposed refunding is economically feasible, and on the basis of such finding, that it does approve the refunding, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 44-7-1590 of the Act.

Dated: October 26 , 1987

Respectfully submitted,

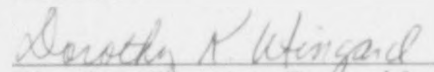
LEXINGTON COUNTY, SOUTH CAROLINA

By


Chairman, County Council
Lexington County, South
Carolina

(SEAL)

Attest:


Clerk, County Council,
Lexington County,
South Carolina

EXHIBIT

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STATE BUDGET & CONTROL BOARD

A RESOLUTION

AUTHORIZING LEXINGTON COUNTY, SOUTH CAROLINA TO PROCEED WITH THE ISSUANCE OF ITS ADJUSTABLE RATE PSYCHIATRIC HOSPITAL REFUNDING REVENUE BONDS (CHARTER MEDICAL-COLUMBIA, INC. PROJECT) SERIES 1987 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$5,000,000; AND AUTHORIZING THE PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO SECTION 44-7-1590 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976.

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

1. The County Board is authorized pursuant to the provisions of Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act") (1) to acquire and in connection with such acquisition, enlarge or expand, whether by purchase, gift or lease, hospital facilities, (2) to enter into loan agreements, as defined in the Act, with any hospital agency or public agency, prescribing the payments to be made by the hospital agency or public agency to the County Board or its assignee to meet the payments that shall become due on bonds, (3) to issue bonds for the purpose of defraying the cost of providing hospital facilities and to secure the payment of such bonds as provided therein and (4) to refund at any time any bonds issued and outstanding.

2. The County previously issued its Psychiatric Hospital Revenue Bonds, Series A (Charter Medical Columbia, Inc. Project) (the "Prior Bonds") under the Act pursuant to a Trust Indenture dated as of June 1, 1982 (the "Prior Indenture") to finance the acquisition, construction and equipping of an 80-bed freestanding psychiatric hospital facility and the acquisition of an 18-acre tract of land located in the City of West Columbia, Lexington County, South Carolina (the "Project") used by Charter Medical Columbia, Inc., a South Carolina Corporation (the "Health Agency").

3. Pursuant to Section 44-7-1480 of the Act, the County Board hereby finds that:

(a) there is a need for the Project in the area in which the Project is located;

(b) the Hospital Agency is financially responsible and capable of fulfilling its obligations under a loan agreement with the County (the "Loan Agreement"), including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Project and to discharge such other responsibilities as may be imposed under the Loan Agreement;

(c) adequate provision shall be made for the payment of the principal of and the interest on the

EXHIBIT

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STATE BUDGET & CONTROL BOARD

Bonds and any necessary reserves therefor and for the operation, repair and maintenance of the Project; and

(d) the public facilities, including utilities and public services necessary for health facilities, have been made available.

4. Pursuant to Section 44-7-1560 of the Act, the County may refund at any time any bonds issued pursuant to the Act and outstanding.

5. The Health Agency has applied to the County for the issuance of adjustable rate psychiatric hospital refunding revenue bonds (the "Bonds") of the County to refund the principal of and any accrued interest on the outstanding Prior Bonds.

6. The County Board has found and determined that the Act and the Prior Indenture authorize the refunding of the Prior Bonds.

7. The County proposes to issue the Bonds and loan the proceeds thereof to the Health Agency to finance the cost of refunding the Prior Bonds.

8. The County proposes to enter into, as lender, a loan agreement with the Health Agency, as borrower, relating to the Project and the Bonds, whereby the Health Agency will covenant and unconditionally agree to pay amounts sufficient to provide for the payment of the

EXHIBIT

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STATE BUDGET & CONTROL BOARD

principal of, premium, if any, and interest on the Bonds and all other costs incurred by the County in connection with the Bonds and the refunding of the Prior Bonds.

9. Based upon current estimates, the County proposes to issue the Bonds in an amount not to exceed \$5,000,000, such Bonds to be sold and delivered by the County to finance the cost of refunding the Prior Bonds.

10. The County proposes to adopt this Resolution to evidence its approval of the issuance of the Bonds and to authorize a petition to the State Budget and Control Board of South Carolina (the "State Board") setting forth the facts required by Section 44-7-1590 of the Act.

11. The County Board has determined that the Bonds to be issued to finance the cost of refunding the Prior Bonds will not give rise to any pecuniary liability of Lexington County or a charge against its general credit or taxing power. The Bonds shall be limited obligations of the County, the principal, interest and redemption premium, if any, on which shall be payable solely out of the revenues to be derived by the County pursuant to the Loan Agreement relating to the Project which the Bonds are issued to finance. The Bonds and interest shall never constitute an indebtedness of the County within the meaning of any State constitutional provision or

EXHIBIT

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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 power.

12. Pursuant to Section 44-7-1490 of the Act, the South Carolina Department of Health and Environmental Control previously approved the acquisition, construction and equipping of the Project with the Prior Bonds.

13. The Health Agency has advised the County Board that the Health Agency will arrange for the sale of the Bonds to an underwriter.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF
LEXINGTON COUNTY, 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 refunding of the Prior Bonds, and to authorize the sale of the Bonds by the County as aforesaid.

EXHIBIT


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NO. 6

BE IT FURTHER RESOLVED:

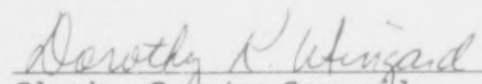
STATE BUDGET & CONTROL BOARD

That the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by Section 44-7-1590 of the Act; and that said Petition shall be duly executed by the Chairman of the County Council and attested by its Clerk.


Chairman, County Council of
Lexington County, South Carolina

(SEAL)

Attest:


Clerk, County Council
Lexington County, South Carolina

EXHIBIT

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NO. 6

STATE OF SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

COUNTY OF LEXINGTON

I, the undersigned, Clerk of the County of Lexington County, South Carolina, DO HEREBY CERTIFY:

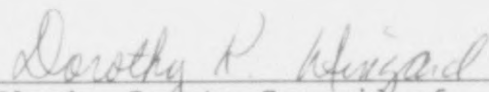
That the foregoing constitutes a true, correct and verbatim copy of a Resolution adopted by the County Council of Lexington County, South Carolina (the "Issuer") at a regular public meeting duly called and held on the 26th day of October, 1987, at which the following constituting a majority of the County Council were present and voted in favor of the adoption thereof:

AYES: Messrs Howard, Shealy, Spires, Merchant, Frick, Sox, Neal, Guerry, Glenn

NAYS:

That the said Resolution was offered by Mr. Shealy was seconded by Mr. Spires and adopted by a majority of those present; that the original of said Resolution is duly entered in the permanent records of the County Council of the Issuer; in my custody as such Clerk.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of Lexington County, South Carolina this 26th day of October, 1987.


Clerk, County Council of
Lexington County, South Carolina

(SEAL)

SOUTH CAROLINA DEPARTMENT OF HEALTH
and Environmental Control



CERTIFICATE OF NEED

EXHIBIT

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NO. 6

STATE BUDGET & CONTROL BOARD

THIS Certificate of Need is issued to : Three Rivers Hospital, West Columbia,
SC; Mr. Douglas J. Holbrook, Project Manager-Agent; Construction of an 80 bed free-
(Name of Applicant & Project)
standing psychiatric hospital by Charter Medical Corporation to include 57 addictive
disease and 23 psychiatric beds.

For Project No. SC-F-573 in accordance with the Code of Laws
of South Carolina.

In determining the need for this project, the South Carolina Department of Health and Environmental Control has taken into consideration the recommendation of the:

Three Rivers Health Systems Agency
(Health Systems Agency)

This Certificate of Need is valid for a period of twelve months from the date of issuance unless the applicant has awarded a construction contract or has made substantial progress toward implementation of the Project, as approved by the Department, within the twelve month period.

In Witness Whereof we have hereunto
set our hands and the seal of the
Department of Health and Environmental Control this the 10th
day of November, 1981

Leon B. Frishman

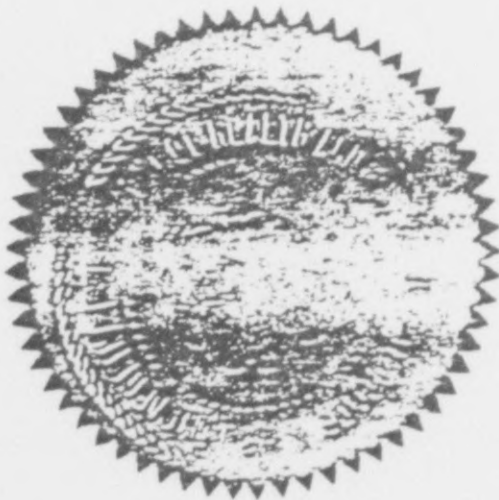
Leon B. Frishman, Director
Division of Certification of Need

John T. McNeely

John T. McNeely, Chief
Bureau of Health Facilities and Services Development

Richard Coney

J. Richard Coney, Deputy Commissioner
Office of State Health Planning and Development



07950

TRANSMITTAL FORM, REVENUE BONDS

Date: November 4, 1987

Submitted for BCB Meeting on:
November 10, 1987

TO: William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201
OR P. O. Box 12444, Columbia, SC 29211

FROM:

Kutak Rock & Campbell

Name of Law Firm

Omaha, NE 68102

City, State, Zip Code

RE: Not to exceed \$5,000,000

Amount of Issue

Lexington County, South Carolina

Issuing Authority Name

1650 Farnam Street

Street Address/Box Number

(402) 346-6000

Telephone Area Code and Number

Adjustable Rate Psychiatric Hospital

Refunding Revenue Bonds

Type of Bonds or Notes

December 2, 1987

Projected Issue Date

Project Name: Charter Medical - Columbia, Inc. Project

Project Description:

Employment as result of project:

CEILING ALLOCATION REQUIRED

Yes (\$) X No
Amount

REFUNDING INVOLVED

X Yes (\$4,900,000) No
Amount

PROJECT APPROVED PREVIOUSLY

* Yes (June 15, 1982) No

*Approval Date
of prior bonds

DOCUMENTS ENCLOSED:

(ALL required for State law approval; A and C only for ceiling allocation only.)

- A. X Petition (executed original and two copies)
- B. X Resolution or ordinance (executed copy)
- C. NA Inducement Resolution or comparable preliminary approval (executed copy)
- D. Standard Form Investment Letter from bonds purchaser (executed original)
- (Purchaser: _____)

OR ☒ Audited financial statements for three most recent years

- E. X Department of Health and Environmental Control certificate IF REQUIRED (See prior bond issue)
- F. X Budget and Control Board Resolution and Public Notice (original)
- [Plus FIVE (5) copies for certification and return to counsel]
- G. X Processing fee

G.	X	Processing fee
----	---	----------------

Amount \$ 3,000.00

Check No. 148152

Payor Charter Medical Corporation

Bond Counsel: Kutak Rock & Campbell

Typed Name

By:

Signature _____

EXHIBIT

NOV 10 1987

NO. 7

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION
ITEM NUMBER

5

AGENCY: Executive Director

SUBJECT: Revenue Bond Issues; State Ceiling Allocations

The required reviews on the following proposals to issue revenue bonds have not yet been completed. Staff will advise the Board on the results of these reviews at the meeting. Each of the projects requires approval under State law. A ceiling allocation is requested for projects (b) and (d).

- (a) Issuing Authority: Charleston County
Amount of Issue: \$6,180,000 Hospital Facilities Revenue Refunding Bonds
Name of Project: Sandpiper Village, Inc.
Project Description: medically-assisted living facility
- (b) Issuing Authority: Cherokee County
Amount of Issue: \$3,200,000 Industrial Revenue Bonds
Allocation Requested: \$3,200,000
Name of Project: The Holson Company Project 1987
Employment Impact: at least 100 persons
Project Description: manufacture/assemble photo albums and photo greeting cards
- (c) Issuing Authority: Lexington County
Amount of Issue: \$5,000,000 Adjustable Rate Psychiatric Hospital Refunding Revenue Bonds
Name of Project: Charter Medical - Columbia, Inc.
Project Description: 80-bed hospital for treatment of patients with acute psychiatric disorders and addictive diseases to be located in West Columbia
- (d) Issuing Authority: Horry County
Amount of Issue: \$30,000,000 Retirement Home Facilities Revenue Bonds
Allocation Requested: \$30,000,000
Name of Project: Myrtle Beach Retirement Community
Project Description: 400-unit retirement home facility, to be occupied partially by low- or moderate-income persons
INCOMPLETE AT TIME OF AGENDA PREPARATION

The status of the State Ceiling as of November 4 (year elapsed 84%) shows:

	CY 1987 Ceiling	Allocated (%)	Not Allocated (%)
State Pool	\$101,340,000	\$16,600,000 (16%)	\$ 84,740,000 (84%)
Local Pool	152,010,000	30,484,350 (20%)	121,525,650 (80%)
Total	\$253,350,000	\$47,084,350 (19%)	\$206,265,650 (81%)

BOARD ACTION REQUESTED:

Adopt resolutions approving proposals to issue revenue bonds, on the condition that the required reviews are completed with satisfactory results; allocate a portion of the State Ceiling to (b) and (d); and receive as information the status report on the State Ceiling.

ATTACHMENTS:

Proposed Board Resolutions

67902

NOV 18 1987

NELSON, MULLINS, RILEY & SCARBOROUGH
ATTORNEYS AND COUNSELORS AT LAW

EXHIBIT

NOV 10 1987

NO. 7

STATE BUDGET & CONTROL BOARD

CLAUDE M. SCARBOROUGH, JR.
RICHARD W. RILEY
EDWARD W. MULLINS, JR.
EDWARD P. RILEY, JR.
WILLIAM S. NELSON, II
R. BRUCE SHAW
JOHN U. BELL, III
ROBERT G. CURRIN, JR.
WILLIAM S. DAVIES, JR.
DONALD H. STUBBS
ROBERT M. ERWIN, JR.
RALSTON B. VANZANT, II
WILLIAM B. SWEENEY, III
STEPHEN G. MORRISON
JOHN L. CHOATE
EDWARD E. POLIAKOFF
BRENTON D. JEFFCOAT
SHERYL CUDD SLENIS
THORNWELL F. SOWELL, III
JOHN T. MOORE
J. CHRISTOPHER HENDERSON
GEORGE S. BAILEY

RICHARD B. WATSON
WILLIAM C. HUBBARD
DWIGHT F. DRAKE
GEORGE B. WOLFE
HENRY S. KNIGHT, JR.
JAMES C. GRAY, JR.
NINA NELSON SMITH
CHARLES R. NORRIS
CLAY D. BRITTAIN, III
J. DOUGLAS NUNN, JR.
RICHARD H. WILLIS
JOEL H. SMITH
DAVID G. TRAYLOR, JR.
MONTEITH P. TODD
L. SIDNEY CONNOR, IV
ROBERT W. FOSTER, JR.
JAMES A. MERRITT, JR.
JAMES T. LAWS
CHARLES RICHARD STEWART
REBECCA LAFFITTE
BARBARA HOWE MCARTHUR
JOSEPH M. STRICKLAND

DAVID E. DUKES
ARTHUR L. COLEMAN
L. WALTER TOLLISON, III
JOHN S. EGAN
KENNETH ALLAN JANIK
STEVEN M. WYNKOOP
LISA D. CATT
CHRISTOPHER J. DANIELS
GEORGE K. LYALL
RICHARD A. FARRIER, JR.
NANCY BYNUM RILEY
JANE THOMPSON DAVIS
JOHN E. SCHMIDT
DOROTHY J. HOPKO
W. THOMAS CAUSBY
THOMAS S. MULLIKIN
LAURA S. CAMPBELL
ROYANN RUSS MURRAY
DEBORAH WILLIAMSON WITT
SUSAN C. PARDUE
PHILLIP LUKE HUGHES

EDWARD W. MULLINS, SR.
EDWARD P. RILEY, SR.
OF COUNSEL

PATRICK HENRY NELSON (856-1941)
WM. SHANNON NELSON (861-9391)
PATRICK H. NELSON (810-1964)
F. BARRON GRIER, JR. (807-1971)

November 18, 1987

COLUMBIA OFFICES:
THIRD FLOOR, KEENAN BUILDING
1310 LADY STREET
POST OFFICE BOX 1070
COLUMBIA, SOUTH CAROLINA 29201
(803) 799-2000
TELECOPY (803) 256-7500

GREENVILLE OFFICES:
TWENTY-FOURTH FLOOR, DANIEL BUILDING
301 NORTH MAIN STREET
POST OFFICE BOX 10084
GREENVILLE, SOUTH CAROLINA 29603
(803) 250-2300
TELECOPY (803) 232-2925

MYRTLE BEACH OFFICES:
SUITE 6, OAK STREET PLAZA
1708 NORTH OAK STREET
POST OFFICE BOX 3939
MYRTLE BEACH, SOUTH CAROLINA 29578-3939
(803) 448-1992
TELECOPY (803) 448-3437

SIMPSONVILLE OFFICES:
111 EAST CURTIS STREET
SIMPSONVILLE, SOUTH CAROLINA 29681
(803) 963-4561

REPLY TO:
Columbia Office

Mr. William A. McInnis
Executive Director
State Budget and Control Board
600 Wade Hampton Office Building
Post Office Box 12444
Columbia, South Carolina 29201

Re: Myrtle Beach Retirement Community Project
Atlantic Housing Group
Our file number: 6626/9000

Dear Mr. McInnis:

This letter is to confirm my conversation with Donna Williams today regarding the above referenced project. Our client has requested that this project not be included on the agenda for the November 25, 1987 meeting. When they are ready to proceed, we will advise you further and remit any further documentation necessary.

Should you have any questions concerning this matter, please feel free to call me.

Very truly yours,

Julie H. Houston
Julie H. Houston
Legal Assistant

JHH/db

07903

TRANSMITTAL FORM, REVENUE BONDS

TO: William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Columbia, SC 29201
OR P. O. Box 12444, Columbia, SC 29211

Date: November 4, 1987

EXHIBIT

NOV 10 1987

NO. 7

FROM: Nelson, Mullins, Riley & Scarborough

Telephone & State Budget & Control Board
Number: 799-2000

Name of Law Firm
1330 Lady Street, 3rd Floor
Street

Columbia, S. C. 29201
City, State, Zip Code

Not exceeding

RE: \$30,000,000 Horry County, S.C.
Amount of Issue, Local Government Issuer
Retirement Home Facilities Revenue
Type of Bonds/Notes Bonds
Myrtle Beach Retirement Community
Name of Project Project

Submitted for BCB Meeting of:
November 10, 1987

Private Activity Bonds:
XX YES NO

Projected Issue Date:
December 15, 1987

Project Description:

a 400-unit retirement home facility, intended to be occupied partially
by persons of low or moderate income

Number of persons to be employed:

\$30,000,000 allocation requested

Documents Enclosed:

(All required for State law approval; A and C only for ceiling allocation only.)

- A. ☒ Petition (executed original and two copies)
- B. ☒ Resolution or ordinance (executed copy) to follow; unexecuted copy incl.
- C. ☐ Inducement Resolution or comparable preliminary approval (executed copy)
- D. ☐ Standard Form Investment Letter from purchaser of bonds (executed original)
OR
☒ Audited financial statements for three most recent years
- E. ☒ Department of Health and Environmental Control certificate
Required ☒ Not Required
- F. ☒ Budget and Control Board Resolution and Public Notice
Original (and 7 copies for certification and return)
- G. ☐ Processing fee being remitted to us ASAP
Amount \$ 4,000 Check No. _____
Payor _____

Bond Counsel: Frederick Kroenke, Jr. By: _____

Typed Name
McCollister, McCleary & Fazio

Signature

07904

WITHDRAWN

EXHIBIT

NOV 10 1987

NO. 7

STATE OF SOUTH CAROLINA)
COUNTY OF RICHLAND)

STATE BUDGET & CONTROL BOARD
Myrtle Beach Retirement
Community Project

I, WILLIAM A. MCINNIS, SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, Carroll A. Campbell, Jr.,
Governor and Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller
General;

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

The Honorable Robert N. McLellan, Chairman of
the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at _____ A.M., on _____, 1987, 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 the vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

AGAINST MOTION

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

That any and all conditions attached to the referenced Board action except that relating to the submission of IRS Form 8038 have been satisfied as of the date of this certificate.

August _____, 1987

67905

A RESOLUTION APPROVING THE ISSUANCE BY HORRY COUNTY, SOUTH CAROLINA, OF NOT EXCEEDING \$30,000,000 PRINCIPAL AMOUNT RETIREMENT HOME FACILITIES REVENUE BONDS, SERIES 1987 (MYRTLE BEACH RETIREMENT COMMUNITY PROJECT), PURSUANT TO THE PROVISIONS OF THE HOSPITAL REVENUE BOND ACT

WHEREAS the County Council of Horry County, South Carolina (the "Governing Board") has heretofore by submitting a petition (the "Petition"), under and pursuant to the provisions of Article 11 of Chapter 7 of Title 44 of the Code of Laws of South Carolina 1976, (as amended), (the "Act") requested the approval by the State Budget and Control Board of the issuance by Horry County (the "County") pursuant to the Act, of its Retirement Home Facilities Revenue Bonds Series 1987 (Myrtle Beach Retirement Community Project) in the aggregate principal amount of not exceeding \$30,000,000 (the "Bonds"); and

WHEREAS, the County proposes to issue the Bonds for the purpose of obtaining moneys to provide financing to Atlantic Housing Group, a South Carolina Joint Venture (the "Developer") for a retirement home facility (the "Development") located or to be located within the County, which is intended to be occupied partially by persons of low or moderate income within the meaning of Section 142 (d) of the Internal Revenue Code of 1986, all for the public purpose of assisting elderly and retired residents of the County to obtain decent, safe and sanitary housing at rentals they can afford;

WHEREAS, the Project is to be made available to Atlantic Housing Group (the "Developer") upon terms which require the Developer to make payments to or for the account of the County in amounts sufficient to pay the principal and interest on the Bond and which secure the obligation of the Developer by a mortgage and security interest in the Project; and

WHEREAS, the Bond will be payable from and secured by an assignment of the obligations of the Developer and the mortgage and security interest in the Project; and

WHEREAS, the County has submitted with the Petition (i) certain financial information and feasibility studies for review by the State Budget and Control Board, (ii) an Assistance Agreement by and between the Developer and the County and (iii) a copy of a resolution and petition adopted by the County on August

4, 1987, and this Board has reviewed and considered each of said documents in its consideration of said Petition by the County;

NOW, THEREFORE, BE IT RESOLVED, by the State Budget and Control Board of the State of South Carolina as follows:

Section 1. The Board has made an independent investigation of the matters set forth in the Petition, and on the basis of such investigation it is hereby found, determined and declared:

(a) The facts set forth in the Petition, and in the preamble hereto, are in all respects true and correct;

(b) The Petition filed by the Governing Board contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 44-7-1590 of the Act; and

(c) The Project subject of the Petition of the Governing Board is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

Section 2. In consequence of the foregoing, the proposal of the County to defray the cost of acquiring the Project, to make the Project available to the Developer, to finance the cost thereof and expenses incidental thereto by the execution and delivery of the Bond, in substantially the form set forth in the Loan Agreement, secured by an assignment of the revenues to be derived from said Loan Agreement, and a mortgage and security interest in the Project, be and the same is hereby in all respects approved. This approval shall not be affected by any changes in the details of the proposal of the County so long as such changes do not impose a pecuniary liability upon the County or its general credit or taxing power, are approved by the County Council and the Developer, and do not make inaccurate, except as to dates and amounts, the summaries of the Loan Agreement and Mortgage and Security Agreement and the description of the Project.

Section 3. Notice of the action taken by this Board in approving the above described undertaking of the County shall be published in THE STATE and THE SUN, which are newspapers having general circulation in Horry County.

Section 4. The Notice, required in Section 3 above to be published shall be in substantially the form set forth in Exhibit "A" of this Resolution.

Section 5. Approval of this undertaking is granted on the condition that a copy of Internal Revenue Service ("IRS") Form 8038 relating to any bonds issued pursuant to this approval

be filed with the Board's Secretary at the same time such Form is submitted to the IRS.

Section 6. The Board certifies that allocation for the Project under the volume cap established by the Deficit Reduction Act of 1984 was not made in consideration of any bribe, gift, gratuity, or direct or indirect contribution to any political campaign.

Section 7. This Resolution shall take effect immediately.

EXHIBIT

NOV 10 1987

NO. 7

STATE BUDGET & CONTROL BOARD

EXHIBIT A

NOTICE PURSUANT TO THE PROVISIONS OF THE CODE OF LAWS OF SOUTH CAROLINA 1976 (AS AMENDED) TITLE 44, CHAPTER 7, ARTICLE 11

Notice is hereby given pursuant to the provisions and requirements of Section 44-7-1590 of the Code of Laws of South Carolina 1976, (as amended), (the "Act") that the State Budget and Control Board of South Carolina, pursuant to a Petition filed by the County Council of Horry County, South Carolina, has given its approval to the following undertaking by Horry County, South Carolina:

The issuance by Horry County of its Retirement Home Facilities Revenue Bonds, Series 1987 (Myrtle Beach Retirement Community Project) in the original principal amount of not exceeding \$30,000,000 (the "Bonds"), to obtain moneys to provide financing to Atlantic Housing Group, a South Carolina Joint Venture (the "Developer") for a retirement home facility (the "Development") located or to be located within the County, which is intended to be occupied partially by persons of low or moderate income within the meaning of Section 142(d) of the Internal Revenue Code of 1986, all for the public purpose of assisting elderly and retired residents of the County to obtain decent, safe and sanitary housing at rentals they can afford. The Project will be made available to Atlantic Housing Group which will unconditionally covenant to make payments sufficient to pay the principal and interest on the Bonds. The Bonds will be payable solely and exclusively out of payments to be made by Atlantic Housing Group for the use of the Project, and are to be additionally secured by a Letter of Credit to be issued by Bayerische Landesbank Girozentrale.

Notice is further given that any interested party may, within twenty (20) days after the date of the publication of this notice, but not afterwards, challenge the validity of the State Budget and Control Board's approval of the Project and the issuance of the Bond by Horry County to finance the same, by action de novo instituted in the Circuit Court for Horry County, South Carolina.

STATE BUDGET AND CONTROL BOARD

BY: WILLIAM A. McINNIS, Secretary

Dated: _____, 1987.

67909

EXHIBIT

NOV 10 1987

NO. 7

STATE OF SOUTH CAROLINA)
COUNTY OF HORRY)

STATE BUDGET & CONTROL BOARD

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

P E T I T I O N

This Petition of Horry County, South Carolina (the "County"), pursuant to the provisions of Article 11 of Chapter 7 of Title 44 of the Code of Laws of South Carolina 1976 (as amended) (the "Act"), respectfully shows:

1. The County Council of Horry County (the "County Council"), is the governing body of the County and as such is the "governing board" of the County referred to in the Act.

2. The Act, among other things, empowers the County, subject to obtaining the approval of the State Budget and Control Board, pursuant to Section 44-7-1440 of the Act: (1) to issue bonds for the purpose of defraying the cost of providing hospital facilities, as defined in the Act to include retirement home facilities and to secure the payment of such bond; (2) to make the proceeds of any bonds available by way of a loan to a hospital or public agency pursuant to a loan agreement specifying the conditions relative to the acquisition and use of hospital facilities and prescribing the payments to be made by such hospital or public agency to the county shall be in amounts sufficient to meet the payments that shall become due on such bonds, and (3) to pledge or assign any money, rents, charges, fees or other revenues, including any proceeds of insurance or condemnation awards, pursuant to any loan agreement to the payment of the bonds so issued.

3. Pursuant to the provisions of Act No. 512 of the Acts and Joint Resolutions for the General Assembly of the State of South Carolina for the year 1984, the State Budget and Control Board and the Joint Bond Review Committee have been assigned certain responsibilities with respect to allocation of the private activity bond ceiling (the "Cap") applicable to the State of South Carolina under Section 103(n) of the Internal Revenue Code of 1954, as amended.

4. The County has agreed to assist Atlantic Housing Group, a South Carolina Joint Venture (the "Developer"), by issuing its revenue bonds for the purpose of defraying the cost of completing certain facilities located in the County (the "Project") more fully described in the Feasibility Study #F5227 prepared by C. J. Fuse, III, S.R.A. dated October 13, 1987 (the "Feasibility Study") copies of which are attached hereto.

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5. The County has been advised by the Corporation that the estimated cost of the Project will be \$30,000,000 and it has requested the County to execute and deliver its Retirement Home Facilities Revenue Bonds Series 1987 (Myrtle Beach Retirement Community Project (the "Bond") in the principal amount of not exceeding \$30,000,000 to defray such costs.

6. Pursuant to Section 44-7-1480 of the Act, the County Council has made the requisite findings that:

(a) there is a need for the retirement home facilities, which the County has determined to be hospital facilities as defined in the Act, in the area in which the retirement facilities are to be located;

(b) the hospital agency is determined by the County to be financially responsible and capable of fulfilling its obligations under the Loan Agreement, including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the hospital facilities and to discharge such other responsibilities as may be imposed under the Loan Agreement;

(c) by means of a letter of credit to be issued by Bayerische Landesbank Girozentrale adequate provision shall be made for the payment of the principal of and the interest on the Bonds and any necessary reserves therefor and other arrangements have been made to assure that monies will be available for the operation, repair and maintenance of the retirement home facilities at the expense of the Developer; and

(d) the public facilities, including utilities, and public services necessary for the Development will be made available.

7. Pursuant to Section 44-7-1590 of the Act, the County sets forth the following information:

(a) The Project, described in detail in the Feasibility Study submitted herewith, consists of land and improvements providing 400 units of retirement housing plus related food service and other facilities.

(b) It is estimated that the cost of the Project, including the items of cost authorized in the Act, will be \$30,000,000.

(c) The following summarizes certain terms included in the bond documents but is in no wise intended to affect or alter the actual terms of the documents themselves:

(i) The bond documents provides in general:

(A) Proceeds derived from the placement of the Bonds, except accrued interest paid by the initial purchasers thereof, will be used and applied by the County upon request of the Developer solely for the payment of the costs (as that term is defined in the Act) incident to the completion, by construction and purchase, of the Project.

(B) The Developer obligates itself: to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient therefor without diminution of any payments to the County required by the Loan Agreement; to meet the payments of principal and interest on the Bonds as the same become due; and to pay the cost of maintaining and insuring the Project to the extent and in the manner provided in the Loan Agreement.

(C) The County does not incur any pecuniary liability or charge upon its general credit or taxing powers.

(D) Pursuant to a Trust Indenture the Trustee to be designated under the bond documents acquires an assignment of the rights of the County under the Loan Agreement between the Developer and the County as security for the obligations of the County under Bonds.

(E) An irrevocable pledge and assignment for the benefit of the Lender or its assigns as holder of the Bond of the County's right, title and interest in and to the Loan Agreement and all payments, receipts and revenues which the County has a right to receive under the Loan Agreement or with respect to any security afforded thereunder or any other financing agreement with respect to the Project in favor of the County (except payments and rights to indemnification payments and administration expenses), and all the moneys and securities in funds created under the Loan Agreement.

(F) The terms of the Bonds, the provisions for exchange and transfer of the Bonds, the redemption provisions, the means of disbursement and investment of the proceeds thereof, provisions for issuance of additional parity bonds, default provisions and remedies therefor and various other matters relating to the Bonds.

(ii) The Loan Agreement specifies that the Developer and the County shall cooperate in having the Project appraised for such purposes and in making payments to the taxing authorities of the County and any school district or districts and other political units wherein the Project is located.

Upon the basis of the foregoing, the County respectfully prays that the State Budget and Control Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make such investigation as it deems advisable, (iii) if it finds that the Project is intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, and (iv) if it shall further find, on the basis of such feasibility study and report, if any, as it shall deem appropriate, that the proposed financing is economically feasible, it approve the Project and the sale and delivery of the Bonds by the County pursuant to the Act to defray the cost of the Project (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the County), and (v) allocate \$30,000,000 of the Cap for the Bonds, and (vi) give published notice of its approval in the manner set forth in Section 44-7-1590 of the Act.

Respectfully submitted,

HORRY COUNTY, SOUTH CAROLINA

By:

Laurie McLeod
Laurie McLeod, Chairman
County Council, Horry County,
South Carolina

Dated: October 29, 1987.

(SEAL)

ATTEST:

Gladys A. Allen
Gladys A. Allen, Clerk to County Council
of Horry County, South Carolina

EXHIBIT

NOV 10 1987

NO. 7

STATE BUDGET & CONTROL BOARD

07913

EXHIBIT

NOV 10 1987

NO. 7

STATE BUDGET & CONTROL BOARD

EXHIBIT A

ASSISTANCE AGREEMENT

This Agreement made and entered into by and between HORRY COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (the "Issuer"), and ATLANTIC HOUSING GROUP, a joint venture of BHW Corporation, a Tennessee Corporation and Atlantic Housing Group, Inc., a South Carolina Corporation, (together referred to as the "Corporation").

W I T N E S S E T H:

ARTICLE I

RECITATION OF FACTS

As a means of setting forth the matters of mutual inducement which have resulted in the making and entering into of this Agreement, the following statements of fact are herewith recited:

1. The Issuer 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 Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976 (the "Act"): (i) to issue bonds for the purpose of defraying the cost of providing "hospital facilities," as defined in the Act, and to secure the payment of such bonds as provided in the Act; (ii) to make the proceeds of any bonds available by way of a loan to a "hospital agency," as defined in the Act, pursuant to a loan agreement; and (iii) to enter into a loan agreement with such

07914

hospital agency prescribing the terms and conditions of the payments to be made to the Issuer to meet the payments to become due on any bonds issued by the Issuer pursuant to the Act; all in order to provide a means for the financing, acquiring, enlarging, improving, constructing, equipping, and providing of hospital facilities to serve the people of the State of South Carolina and of Horry County and to make accessible to them modern and efficient hospital facilities at the lowest possible expense to those utilizing such hospital facilities.

2. The Corporation has informed the Issuer that funds will be required to finance the acquisition of land in Horry County (the "County") and the construction, equipping and installation thereon of a retirement home facility containing approximately 400 assisted living adult residential care units (the "Project").

3. The Corporation has advised the Issuer that it wishes to avail itself of the assistance which the Issuer might render through the sale of Horry County Hospital Revenue Bonds pursuant to the Act, and that its undertaking of the proposed Project depends in part upon the willingness of the Issuer to issue such Bonds.

4. The Issuer has given due consideration to the Corporation's proposal and by Inducement Resolution adopted on even date herewith has agreed to endeavor to effect the issuance of Bonds pursuant to the Act in order to assist the Corporation as aforesaid on the terms and conditions hereinafter set forth.

EXHIBIT

NOV 10 1987

NO. 7

ARTICLE II

STATE BUDGET & CONTROL BOARD

UNDERTAKINGS ON THE PART OF THE ISSUER

The Issuer agrees as follows:

1. That, subject to due compliance with all requirements of law, the holding of all necessary public hearings and the obtaining of all necessary consents and approvals and to the happening of all acts, conditions and things required to exist, happen and be performed precedent to and in connection with such financing in due time, form and manner as required by law, the present intent of the Issuer is to issue Horry County, South Carolina, Hospital Revenue Bonds (Atlantic Housing Group, a joint venture) in an aggregate principal amount not to exceed \$30,000,000. (the "Bonds") pursuant to the Act (as a single issue or as several issues) to finance such portion of the Project and expenses incident thereto (including the costs of the financing) as the Corporation may reasonably request. The terms of the Bonds (date, maturity schedule, interest rates, denominations, redemption provisions) will be determined by a bond purchase agreement to be entered into between the Corporation, the Issuer and the original purchaser(s) of the Bonds.

2. That, if the Bonds shall be sold, the Issuer will enter into a Loan Agreement (the "Loan Agreement") with the Corporation upon such terms and conditions as shall be mutually agreed upon between the Issuer and the Corporation pursuant to which the Issuer will lend the Corporation the proceeds of such Bonds in order that such proceeds be applied to the cost of the Project and expenses incident thereto including the costs of the financing.

3. That it will permit the Corporation to arrange for the sale of the Bonds, and, if successful marketing arrangements can be made, the Issuer's present intent is to adopt such proceedings as are necessary for the execution of the Loan Agreement and the issuance and securing of the Bonds.

4. That, if the Bonds shall be sold, the Issuer will provide that the proceeds thereof shall be applied to the payment of the costs theretofore and thereafter to be incurred in connection with the acquisition, construction and installation of the Project, including costs incident to the issuance of the Bonds and the payment of other expenses in connection therewith during the construction period to the extent permitted by the Act.

5. That prior to the issuance of Bonds the Issuer will enter into an indenture with a bank or banks to be selected by the Corporation, with the approval of the Issuer, as trustee, to secure the Bonds to be issued, upon such terms and conditions as the Corporation shall propose and shall be agreeable to the Issuer. In this connection the parties recognize that such terms and conditions will be initially agreed upon between the Corporation and the original purchaser(s) of the Bonds, and the Issuer will not unreasonably disagree with any terms and conditions so agreed upon.

6. That the Corporation may proceed with the acquisition, construction and installation of the Project prior to the issuance of the Bonds, in which event advances made or loans incurred by the Corporation for that purpose may be reimbursed out of the proceeds of the Bonds. Contracts for the construction of

EXHIBIT

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STATE BUDGET & CONTROL BOARD

the facilities and for the acquisition and installation of any machinery, equipment and related property may be executed by the Corporation in its own discretion.

7. That the Issuer will proceed with seeking approval of the Bonds from the State Budget and Control Board of South Carolina.

8. That it will make such election or take such other action as may be necessary pursuant to Section 103 of the Internal Revenue Code of 1954, as amended, to enable the interest on the Bonds to be exempt from federal income taxation.

9. That the Issuer will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertakings.

ARTICLE III

UNDERTAKINGS ON THE PART OF THE CORPORATION

1. The Corporation will market the Bonds on behalf of the Issuer and, in this connection, the Corporation expressly acknowledges that the Issuer has no obligation with regard to the marketing of the Bonds.

2. The Corporation further agrees as follows:

(a) To enter into the Loan Agreement with the Issuer under the terms of which the Corporation will obligate itself to pay to the Issuer sums sufficient to pay the principal of, premium if any, and interest on all Bonds as and when the same become due and payable; the Loan Agreement shall be in such form and content as may be required by the Act and satisfactory to the Issuer and the Corporation.

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(b) That the Corporation will obligate itself to perform all obligations required of it pursuant to the Act.

(c) That the Corporation will hold the Issuer and the individual officers, agents and employees thereof harmless against any claim of loss or damage to property or any injury or death of any person or persons in connection with the Project and from any pecuniary liability and will reimburse the same for all expenses to which they might be put in the fulfillment of the Issuer's obligations under or in connection with this Agreement and the Loan Agreement and in the implementation of the respective terms and provisions thereof. This indemnity shall be superseded by a similar indemnity in the Loan Agreement, and, if the Bonds are not issued and delivered, this indemnity shall survive the termination of this Agreement.

3. That the Corporation will perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings.

ARTICLE IV

GENERAL PROVISIONS

1. Neither the performance of this Agreement by the Issuer, nor any obligation of the Issuer resulting from the performance of this Agreement, nor any failure by the Issuer to perform under this Agreement, shall constitute an indebtedness of the Issuer within the meaning of any State constitutional provision or statutory limitation or constitute or give rise to a pecuniary liability of the Issuer or charge against its general credit or taxing powers.

2. The parties understand that the implementation of this Agreement through the issuance of the Bonds is subject to obtaining such approvals as are required by the Act of the South Carolina Department of Health and Environmental Control and of the State Budget and Control Board of South Carolina.

3. Nothing herein shall prevent the Corporation from entering into any other mode of financing.

4. If for any reason the Bonds are not issued and delivered within one year from the date hereof, the provisions of this Agreement shall continue unless, at the option of the Corporation or the Issuer to be evidenced in writing, they be cancelled, in which latter event neither party shall have any rights against the other and no third parties shall have any rights against either party except that the Corporation will pay the out-of-pocket expenses of officers, agents and employees of the Issuer and counsel for the Issuer incurred in connection with the Project and the proposed issuance of the Bonds and will pay counsel for the Issuer reasonable fees for legal services related to the Project and the proposed issuance of the Bonds.

5. This Agreement shall be effective as of _____, 1987.

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STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have caused this Agreement to be executed in their respective names and under their respective seals, on the dates indicated below.

(SEAL)

ATTEST:

Bladys A. Allen
Clerk of County Council
Horry County

Dated: June 25, 1987

HORRY COUNTY, SOUTH CAROLINA

BY: James M. Lee
Chairman, Horry County Council

ATLANTIC HOUSING GROUP,
a joint venture of:
Atlantic Housing Group, Inc.,
a South Carolina Corporation

(SEAL)

ATTEST:

Secretary

Dated: _____, 1987

(SEAL)

ATTEST:

Secretary

Dated: _____, 1987

BY _____
William Arthur James,
President

and

BHW Corporation, a Tennessee
Corporation

BY _____
Benjamin Wolmark, President

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EXHIBIT

NOV 10 1987

NO. 7

INDUCEMENT RESOLUTION
OF
THE COUNTY COUNCIL
OF
HORRY COUNTY, SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

The following Resolution of the Horry County Council was adopted at its regular meeting on May 18, 1987.

BE IT RESOLVED BY THE COUNTY COUNCIL OF HORRY COUNTY, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED, as follows:

ARTICLE I

FINDINGS OF FACT

As an incident to the adoption of this Resolution, the County Council of Horry County, South Carolina (the "County Council"), has made the following findings:

1. The County Council of Horry County, a political subdivision of the State of South Carolina (the "Issuer") has been informed by representatives of Atlantic Housing Group, a joint venture of BHW Corporation, a Tennessee Corporation and Atlantic Housing Group, Inc., a South Carolina Corporation, (together referred to as the "Corporation"), that the Corporation is planning the acquisition of land in Horry County (the "County") and the construction, equipping and installation thereon of a retirement home facility containing approximately 400 assisted living adult residential care units (the "Project").

2. The Project will constitute a "retirement home facility" and a "hospital facility" within the meaning of S.C.

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Code Section 44-7-1430 and for the purposes and within the intendment of the Hospital Revenue Bond Act, S.C. Code Section 44-7-1410 to 44-7-1640 (the "Act").

3. Construction of the Project will promote the public health and welfare by providing hospital facilities, as defined by the Act, to serve the people of the State of South Carolina and of the County and to make accessible to them modern and efficient hospital facilities, as defined by the Act.

4. There is a need for the proposed Project in the County.

5. The availability of Horry County Hospital Revenue Bond financing for the purpose of undertaking the Project is a major factor under consideration by the Corporation in determining the feasibility of the Project.

6. Issuance of Horry County Hospital Revenue Bonds for the purpose of financing the Project will promote and subserve the objectives of the Act by making accessible to the people of the State of South Carolina and of the County modern and efficient hospital facilities at the lowest possible expense to those utilizing them.

7. The Corporation is financially responsible and is capable of fulfilling whatever obligations may be imposed upon it by the financing arrangements that should be worked out in connection herewith, including obligations to operate, repair and maintain at its own expense the Project, and to discharge such other responsibilities as may be imposed on it by the financing arrangement to be worked out.

8. Utilities and public services necessary for the Project

EXHIBIT

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NO. 7

are or will be made available.

STATE BUDGET & CONTROL BOARD

9. Adequate provision will be made in the bond financing documents for the payment by the Corporation of amounts sufficient to pay the principal of and the interest on the Hospital Revenue Bonds to be issued and any reserves therefor and for the operation, repair and maintenance of the Project at the expense of the Corporation.

10. At this time, the Corporation estimates that the acquisition, construction, equipping and installation of the Project will require the issuance of Hospital Revenue Bonds in an aggregate principal amount not to exceed \$30,000,000.

11. The Hospital Revenue Bonds to be issued by the Issuer will be in an amount not exceeding Thirty Million Dollars (\$30,000,000.00) and will be in registered form. Over the life of such Bonds, payments to the Issuer by the Corporation shall be sufficient to allow the Issuer to meet the payment schedule on the Bonds. If the Issuer shall reasonably deem it necessary, a reserve fund may be established in connection with the Bonds or in connection with maintenance of the Project. In any event, the Corporation shall be obligated to pay the costs of maintaining the Project in good repair and the costs of keeping it properly insured.

12. Any Bonds issued hereunder and every act performed incidental thereto shall never constitute nor give rise to an indebtedness of Horry County within the meaning of any state constitutional provision or statutory limitation and shall never

constitute nor give rise to a pecuniary liability of Horry County or a charge against its general credit or taxing powers.

ARTICLE II

COMMITMENT TO ASSISTANCE AGREEMENT

Based on the foregoing findings of fact and in order to induce the Corporation to undertake the Project in the County and in order to carry out the purposes of the Act, the Issuer is authorized and encouraged to enter into an Assistance Agreement with the Corporation. This Agreement shall be substantially upon the terms of the document attached as Exhibit "A" to this Resolution.

EXHIBIT

ARTICLE III

NOV 10 1987

NO. 7

EXECUTION

STATE BUDGET & CONTROL BOARD

All documents required in connection with issuance of the contemplated Hospital Revenue Bonds may be executed by the Chairman of County Council (or, in his absence, the Vice-Chairman of County Council) and attested by the Clerk of County Council.

ARTICLE IV

INTENT OF RESOLUTION

The Issuer finds, intends, and declares that this Resolution shall constitute the taking of affirmative official action by the Issuer towards the issuance of said revenue bonds within the meaning of the United States Income Tax Regulations. The Issuer finds, considers and declares that the issuance and sale of the Bonds for the purpose set forth in this Resolution will be appropriate and consistent with the objectives of State law.

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* * *

STATE BUDGET & CONTROL BOARD

The foregoing constitutes a true copy of a Resolution duly adopted by the County Council of Horry County, South Carolina on May 18, 1987 inducing Atlantic Housing Group, a joint venture, to locate and construct a retirement home facility in Horry County, South Carolina.

June 25, 1987

Gladys A. Allen

Clerk, County Council

Horry County, South Carolina

EXHIBIT

NOV 10 1987 NO. 7

STATE OF SOUTH CAROLINA)

COUNTY OF HORRY)

STATE BUDGET & CONTROL BOARD

) Minutes of regular meeting on

) August 4, 1987

There was a regular meeting of the Horry County Council on Tuesday, August 4, 1987, at 7:00 p.m., in County Council Chambers, County Office Building, 103 Elm Street, Conway, South Carolina.

The following were present: Ulysses Dewitt, Vice Chairman, Steve Dawsey, William F. Brown, James R. Frazier, Robert L. Edge, Jr., Dewey Kirkley, Paul Prince, David Canty, Gary Steele and Alton Duncan. Staff members present were Administrator M. L. Love, Jr., County Attorney John L. Breeden and Gladys A. Allen, Clerk to Council. Chairman McLeod and Danny Knight, Assistant Administrator were absent.

There were several citizens, department heads and members of the press also in attendance.

A written notice was mailed to all the radio stations, TV stations and newspapers in Horry County advising the date, time and place of the meeting in accordance with the FOI law.

Vice Chairman Dewitt called the meeting to order and James Frazier gave the invocation.

The minutes of a special meeting of the Horry County Council on July 16, 1987 and the minutes of a regular meeting on July 21, 1987 were approved as written and mailed upon motion of Dewey Kirkley and second of Alton Duncan. Motion carried.

Vice Chairman Dewitt read a Resolution making application to the State Budget and Control Board of South Carolina for approval of the issuance by Horry County, South Carolina of its Retirement Home Facilities Revenue Bonds, Series 1987 (Myrtle Beach Retirement Community Project) pursuant to the provisions of the Hospital Revenue Bond Act in the principal amount of not exceeding \$30,000,000, for Atlantic Housing Group, a South Carolina Joint Venture. David Canty made a motion to adopt the Resolution. Dewey Kirkley seconded the motion, and the motion carried.

Vice Chairman Dewitt read second reading of Ordinance Number 22-87 granting a non-exclusive franchise to Quarles Cable Company, Inc., to own operate and provide a cable television service in the County of

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Horry. James Frazier made a motion to adopt second reading of Ordinance Number 22-87 as read by title. David Canty seconded the motion.

William F. Brown pointed out Council has not received a copy of the map showing the area which they plan to service. David Canty informed Council he talked with the gentleman with the Cable Company on Friday and was informed the map was not yet prepared. He advised Mr. Canty that he would have the map by third reading and if for some reason, he does not, he will pay for expense for readvertising. Mr. Canty explained the area they intend to serve is in the vicinity of Surfside Beach. Mr. Canty requested the County Attorney correspond with Clearview Cable Company and Cox Cable Company and notify them they need to apply for a franchise from the County. Motion carried.

Vice Chairman Dewitt read a Resolution honoring Russell B. "Bo" Shetterly, who has resigned as Executive Director of the South Carolina Association of Counties after serving in that capacity since 1970. Gary Steele made a motion to adopt the Resolution. Paul Prince seconded the motion. Motion carried. (copy attached)

Mike Hogan representing the Grand Strand Sertoma Club of Myrtle Beach, Inc., met with Council and requested they revise the current lease and extend for four additional five year options instead of one five year option. Mr. Hogan informed Council they plan to build a 3,300 sq. ft. brick office building at an approximate cost of \$165,000. They have raised \$115,000 and plan to borrow the additional \$50,000 needed from NCNB. Council was informed before the bank will make the loan, they are requiring a 30 year land lease on the building. The property owned by the County is on 21st Avenue North in Myrtle Beach near the Convention Center. After discussion, Vice Chairman Dewitt referred this to the Building Committee, County Administrator and County Attorney for review and recommendation at the Council meeting on August 19th.

Vice Chairman Dewitt opened the floor for public input at this time. Alton Duncan expressed appreciation to Council, the Administrator, and the Public Works Department for the cooperation and work that has been done on Gumbo-Limbo Lane in Tarpon Bay. He stated he has also received several letters from the people expressing thanks for the work done.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

EXHIBIT

NELSON, MULLINS, RILEY & SCARBOROUGH
ATTORNEYS AND COUNSELORS AT LAW

NOV 10 1987

NO. 7

STATE BUDGET & CONTROL BOARD

CLAUDE M. SCARBOROUGH, JR.
RICHARD W. RILEY
EDWARD W. MULLINS, JR.
EDWARD P. RILEY, JR.
WILLIAM S. NELSON, II
R. BRUCE SHAW
JOHN U. BELL, III
ROBERT G. CURRIN, JR.
WILLIAM S. DAVIES, JR.
DONALD H. STUBBS
ROBERT M. ERWIN, JR.
RALSTON B. VANZANT, II
WILLIAM O. SWEENEY, III
STEPHEN G. MORRISON
JOHN L. CHOATE
EDWARD E. POLIAKOFF
BRENTON D. JEFFCOAT
SHERYL CUDD BLENIS
THORNWELL F. SOWELL, III
JOHN T. MOORE
J. CHRISTOPHER HENDERSON
GEORGE S. BAILEY

RICHARD B. WATSON
WILLIAM C. HUBBARD
DWIGHT F. DRAKE
GEORGE B. WOLFE
HENRY S. KNIGHT, JR.
JAMES C. GRAY, JR.
NINA NELSON SMITH
CHARLES R. NORRIS
CLAY D. BRITTAIN, III
J. DOUGLAS NUNN, JR.
RICHARD H. WILLIS
JOEL H. SMITH
DAVID G. TRAYLOR, JR.
MONTEITH F. TODD
L. SIDNEY CONNOR, IV
ROBERT W. FOSTER, JR.
JAMES A. MERRITT, JR.
JAMES T. LAWS
CHARLES RICHARD STEWART
REBECCA LAFFITTE
BARBARA HOWE MCARTHUR
JOSEPH M. STRICKLAND

DAVID E. DUKES
ARTHUR L. COLEMAN
L. WALTER TOLLISON, III
JOHN S. EGAN
KENNETH ALLAN JANIK
STEVEN M. WYNKOOP
LISA D. CATT
CHRISTOPHER J. DANIELS
GEORGE K. LYALL
RICHARD A. FARRIER, JR.
NANCY BYNUM RILEY
JANE THOMPSON DAVIS
JOHN E. SCHMIDT
DOROTHY J. HOPKO
W. THOMAS CAUSBY
THOMAS S. MULLIKIN
LAURA S. CAMPBELL
ROYANN RUSSELL MURRAY
DEBORAH WILLIAMSON WITT
SUSAN C. PARDUE
PHILLIP LUKE HUGHES

EDWARD W. MULLINS, SR.
EDWARD P. RILEY, SR.
OF COUNSEL

PATRICK HENRY NELSON (1886-1914)
WM. SHANNON NELSON (1881-1938)
PATRICK H. NELSON (1910-1964)
F. BARRON GRIER, JR. (1907-1971)

November 9, 1987

COLUMBIA OFFICES:
THIRD FLOOR, KEENAN BUILDING
1330 LADY STREET
POST OFFICE BOX 11070
COLUMBIA, SOUTH CAROLINA 29211
(803) 799-2000
TELECOPY (803) 256-7500

GREENVILLE OFFICES:
TWENTY-FOURTH FLOOR, DANIEL BUILDING
351 NORTH MAIN STREET
POST OFFICE BOX 10064
GREENVILLE, SOUTH CAROLINA 29603
(803) 250-2300
TELECOPY (803) 232-2926

MYRTLE BEACH OFFICES:
SUITE 6, OAK STREET PLAZA
1705 NORTH OAK STREET
POST OFFICE BOX 3939
MYRTLE BEACH, SOUTH CAROLINA 29578-3939
(803) 446-1992
TELECOPY (803) 446-3437

SIMPSONVILLE OFFICES:
111 EAST CURTIS STREET
SIMPSONVILLE, SOUTH CAROLINA 29681
(803) 963-4551

REPLY TO:
Columbia Office

Mr. William A. McInnis
South Carolina Budget and Control Board
612 Wade Hampton Office Building
Post Office Box 12444
Columbia, South Carolina 29211

Re: Atlantic Housing Group
Our file number: 6626/9000

Dear Mr. McInnis:

Enclosed herewith please find the following:

1. Executed copy of Inducement Resolution of Horry County Council.
2. Executed copy of Assistance Agreement between Horry County and Atlantic Housing Group.
3. Copy of Minutes of August 4, 1987 Meeting of Horry County Council indicating in Paragraph 7 the presentation and acceptance of the Resolution of this Project.

Should you need anything further to complete the package for including this matter on the agenda, please feel free to call me.

Very truly yours,

Julie H. Houston
Julie H. Houston
Legal Assistant

JHH/db
Enclosures

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11-5-87
5:10p

NELSON, MULLINS, RILEY & SCARBOROUGH

ATTORNEYS AND COUNSELORS AT LAW

THIRD FLOOR, KEENAN BUILDING

1330 LADY STREET

POST OFFICE BOX 11070

COLUMBIA, SOUTH CAROLINA 29211

TELEPHONE 799-2000

AREA CODE 803

TELECOPY 256-7500

OTHER OFFICES

GREENVILLE, SOUTH CAROLINA

MYRTLE BEACH, SOUTH CAROLINA

SIMPSONVILLE, SOUTH CAROLINA

Brenton D. Jeffcoat
(803) 733-9432

EXHIBIT

November 4, 1987

NOV 10 1987

NO. 7

William A. McInnis, Secretary
State Budget and Control Board
600 Wade Hampton Office Building
Post Office Box 12444
Columbia, South Carolina 29211

STATE BUDGET & CONTROL BOARD

Re: Retirement Home Facilities Revenue Bonds

Dear Bill:

Per your request, I have enclosed the Distribution List and Feasibility Study for your review. Also, can you send to us the current Transmittal Forms for Revenue Bonds.

If you have any questions, please feel free to give me a call.

Very truly yours,

Brent

Brent Jeffcoat

BJ/db
Enclosures

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\$30,000,000
HORRY COUNTY, SOUTH CAROLINA
MULTIFAMILY HOUSING REVENUE BONDS
1987 Series A
(Myrtle Beach Retirement Community)

EXHIBIT

NOV 10 1987 NO. 7

STATE BUDGET & CONTROL BOARD

ISSUER

Paul E. Creel
Chairman
Horry County Council
Post Office Box 1236
Conway, SC 29526

ISSUER'S COUNSEL

Judge John L. Breeden, Jr.
Post Office Box 1665
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DEVELOPER

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STATE BUDGET & CONTROL BOARD

BOND COUNSEL/SPECIAL TAX COUNSEL

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(504) 926-1015 (Telecopier)

MORTGAGE BROKER/LENDER

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Bromley Capital Corporation
400 Perimeter Centre, Suite 135
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(404) 396-8620 (Telecopier)

MORTGAGE BROKER'S COUNSEL

Tina Wilcox
Dan Smith
Lane & Edson
2300 M Street, NW
Washington, DC 20036

LETTER OF CREDIT BANK

Kazumi Otsuka
Vice President
The Dai-Ichi Kangyo Bank, Limited
New York Branch
1 World Trade Center, Suite 4911
New York, NY 10048
(212) 466-5236
(212) 524-0579 (Telecopier)

LETTER OF CREDIT BANK COUNSEL

Peter del Vecchio
Schulte, Roth & Zabel
900 Third Avenue, 24th Floor
New York, NY 10022
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(212) 752-5560 (Telecopier)

TRUSTEE

Alex R. Ivins
Janice T. Stephens
The First National Bank of Shreveport
400 Texas Street, 4th Floor
Shreveport, LA 71154
(318) 226-2217
(318) 226-2107
(318) 226-2386 (Telecopier)

TRUSTEE'S COUNSEL

Joseph W. Milner
Blanchard, Walker, O'Quin & Roberts
First National Bank Tower
400 Texas Street, 15th Floor
Shreveport, LA 71163
(318) 221-6858

RATING AGENCY

Peter Tomany
Moody's Investors Service
99 Church Street
New York, NY 10007
(212) 553-7123
(212) 233-6263 (Telecopier)

C7932

BROMLEY CAPITAL CORPORATION

Post Office Box 1498 (Mail)
150 West End Ave., #20B (Courier)
New York, NY 10023
(212) 769-2773

EXHIBIT

NOV 10 1987 NO. 7

STATE BUDGET & CONTROL BOARD

October 30, 1987

Brent D. Jeffcoat, Esq.
Nelson, Mullins, Riley & Scarborough
P.O. Box 11070
Columbia, SC 29211

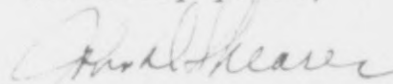
Dear Mr. Jeffcoat:

I have reviewed the Feasibility study recently for the \$30,000,000 Myrtle Beach Retirement Community Project in Horry County, South Carolina. Based on this feasibility study along with the preliminary plans and specifications, project pro forma, developer financials and developer resume previously reviewed, we are willing to provide \$30,000,000 of financing necessary to permit the bonds to be issued.

Based on our commitment to provide the financing, we have arranged for Bayerische Landesbank Girozentrale to provide its Letter of Credit, which will allow the bonds to be rated Aaa by Moody's (the same rating as the bank's other senior debt issues). Enclosed, as you have requested, are the past three year's financial statements for the bank along with its most recent interim report.

Looking forward to completing this financing, I remain

Sincerely yours,



John D. Shearer

Enclosures

cc: Benjamin Wolmark
Stewart Wolmark

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EXHIBIT

NOV 10 1987 NO. 7

STATE BUDGET & CONTROL BOARD
FEASIBILITY STUDY
#F5227

STUDY PREPARED FOR

Philip Kantor Associates, Inc.
2856 Lamb Place, Suite 8
P.O. Box 241414
Memphis, TN 38124-1414

STUDY PREPARED BY:

C. J. FUSE, III - SRA
Grand Strand Appraisers, Inc.
P. O. Box 14637
Surfside Beach, SC 29587-4637

SUBJECT OF STUDY:

Garden City Retirement Center
A proposed retirement community project
Garden City Beach
Horry County, South Carolina

EFFECTIVE DATE OF STUDY:

October 13, 1987

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GRAND STRAND APPRAISERS, INC.

INTRODUCTION AND ANALYSIS OF PRIMARY MARKET AREA

The purpose of this feasibility study is to evaluate the ability of the proposed facility, the Garden City Retirement Center, to achieve full occupancy within a reasonable time.

The proposed facility will have three 15 story buildings, built in two phases, for a total of 402 apartment units. There will be one and two bedroom units built in each building, with some in each specifically designed for use by the handicapped. A detailed project description will be included in the Study and Analysis Section of the report. The facility is targeted for completion eighteen months after start of construction (Phase I).

Project is to be built on a 10 acre site at Garden City Beach, South Carolina. The site is adjacent to a residential subdivision consisting of both single and multi-family dwellings. It is just off Highway 17, the major north-south traffic artery of the Grand Strand area of South Carolina, where there are shopping and service facilities in the immediate neighborhood. A detailed description of the Grand Strand area will be given later in this report.

This analysis has identified the Waccamaw Region as the primary market area. It is anticipated that, based on industry standards, that 70% of the residents who will elect to reside at a retirement facility will originate from within this primary market area. The remaining 30% will originate from persons who were vacation visitors or one time year-round residents (military personnel. See Illustration #1 showing states from which out of State tourists originate.

LOCATION OF WACCAMAW REGION. The Waccamaw Region is a three county district encompassing Georgetown, Horry and Williamsburg Counties. This region, which is located in the northeastern coastal area of South Carolina, is bounded by the North Carolina State line on the north, the Atlantic Ocean on the east, the Santee River on the South, and Marion, Florence and Clarendon Counties on the west. Illustration 2 is a location map showing the location of the Waccamaw Region in relation to South Carolina.

GROWTH AND DEVELOPMENT TRENDS OF WACCAMAW REGION. The primary urban centers are the cities of Conway, Georgetown and Myrtle Beach. Secondary concentrations of urbanization occur at North Myrtle Beach, Surfside Beach, Andrews, Hemingway, Kingstree and Loris. The major growth center is the coastal area known as the Grand Strand, which is the area between the Atlantic Ocean and the Waccamaw River in Georgetown and Horry Counties.

The urban centers in the region can be divided into two distinct types of areas: (1) where development is determined by shore and river locations, and (2) where development is determined by inland development.

07935

INTRODUCTION AND ANALYSIS OF PRIMARY MARKET AREA (Cont'd.)

In the first type development, the established pattern along the coast is resort-residential and commercial development. In the past, development has been predominantly low to medium density transient and seasonal housing. The declining availability of prime land and changing economic conditions appear to be influencing a trend toward more concentrated private and commercial development.

Commercial activities have developed in a random pattern along the frontage of Highway 17 and major roads which provide access to other shore locations. Major concentrations of transient-oriented commercial developments are located in Myrtle Beach with less intensive uses in other Grand Strand municipalities. Continued growth and development pressures are expected to extend the urbanization of the environmentally sensitive coastal area.

In contrast to the linear development between the ocean and the Intracoastal Waterway, growth in Conway and Georgetown has radiated from a business center outward along established transportation routes. A fairly typical mixture of residential, commercial, industrial, public and semi-public land uses has developed in Conway and Georgetown. Both cities have a stable year round permanent population and do not have a major influx of transient residents during the tourist season.

The main concentrations of industries in the region are located in Andrews, Conway, Georgetown, Loris, Hemingway, Kingstree, Myrtle Beach and North Myrtle Beach. The junction of Highways 17 and 701, serviced by the Seaboard Coastline Railroad, a shipping port along with a new industrial park and existing industrial development put Georgetown in the preeminent position for industry in the region.

Inland there are small urban concentrations as well as even smaller communities of less than one thousand inhabitants. Removed from coastal influences, these towns and communities have developed as the result of a different economic stimulus. Originating as small trade centers for the surrounding rural areas, they contain a relatively unstructured arrangement of land uses. Single family residences predominate while commercial activities are located either in a central core area in pockets or strips fronting on the major roads passing through the towns.

07936

INTRODUCTION AND ANALYSIS OF PRIMARY MARKET AREA (Cont'd.)

The remainder of the Waccamaw Region is largely rural. A random pattern of cropland and timberland, swamp and fields characterize the region's landscape. The type of development which has been taking place in rural areas is both farm and rural non-farm residential land uses together with small commercial activities. Better roads with improving vehicular access, the availability of on-site sewage disposal systems and less expensive land costs have influenced many families to live in rural areas in preference to settling in one of the established municipalities. The resulting development trend is a less than desired scattered pattern of low-density strip land use flanking the regional road network.

As the Waccamaw Region continues to grow and develop in future years, hopefully, many of the undesirable land uses will be eliminated and a more desirable pattern allowed to replace it. Future development should be planned to fit into an overall environmentally safe pattern of urban and rural development. Generally this pattern should be urban centers and clusters with population densities that are high enough to make the provision of urban services feasible. Rural area development should be widely separated to keep population densities below levels which would require urban services.

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NOV 10 1987 NO. 7

STATE BUDGET & CONTROL BOARD

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ILLUSTRATION #1 - ORIGINS OF VISITORS ENTERING SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

Year	<u>North Carolina</u>		<u>Georgia</u>		<u>Florida</u>		<u>New York</u>		<u>Virginia</u>	
	Number	%	Number	%	Number	%	Number	%	Number	%
1972	1,982,129	24.7	1,629,037	20.3	465,439	5.8	264,819	3.3	361,117	4.5
1973	1,147,545	15.5	1,298,121	13.9	345,543	3.7	494,967	5.3	588,357	6.3
1974	2,383,484	23.3	2,107,286	20.6	470,559	4.6	347,805	3.4	552,396	5.4
1975	2,566,443	22.2	2,554,883	22.1	497,104	4.3	450,862	3.6	612,709	5.3
1976	2,878,623	22.6	2,539,222	20.2	477,675	3.8	653,661	5.2	703,943	5.6
1980	2,290,456	17.4	1,882,617	14.3	1,320,016	10.1	699,153	5.3	935,845	7.1

Year	<u>Pennsylvania</u>		<u>Maryland</u>		<u>Ohio</u>		<u>Tennessee</u>		<u>Other</u>	
	Number	%	Number	%	Number	%	Number	%	Number	%
1972	256,794	3.2	176,546	2.2	449,390	5.6	449,390	5.6	1,990,154	24.8
1973	569,679	6.1	420,255	4.5	728,442	7.8	494,967	5.3	2,951,124	31.6
1974	399,723	3.8	276,198	2.7	583,084	5.7	603,543	5.9	2,516,469	24.6
1975	427,741	3.7	323,696	2.8	635,831	5.5	612,709	5.3	2,878,578	24.9
1976	427,394	3.4	339,401	2.7	666,231	5.3	641,091	5.1	3,243,165	25.8
1980	557,138	4.2	478,874	3.7	659,097	5.0	702,793	5.3	3,621,408	22.6

SOURCE: Waccamaw Regional Planning & Development Council
1987 Population & Economy Study

07938

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NO. 7

ILLUSTRATION #2 - MAP OF WACCAMAW REGION

STATE BUDGET & CONTROL BOARD



EXHIBIT

NOV 10 1987

NO. 7

GRAND STRAND AREA CHARACTERISTICS STATE BUDGET & CONTROL BOARD

This section of the Study contains a discussion of certain physical, environmental, community and municipal service factors pertaining to the general Grand Strand area, the more specific region affecting Garden City Beach, in the which the Garden City Retirement Center will be located. These factors will have an impact on the proposed Project's desirability and its absorption.

LOCATION: The subject is located in the area generally known as the Grand Strand, a major tourist attraction on the northeast coast of South Carolina, the hub of which is Myrtle Beach. Starting at the North Carolina border, the Strand runs southeast along the coast about 60 miles to Georgetown. Average width of the Grand Strand is 2-4 miles between the western boundary of the Intracoastal Waterway and the Atlantic Ocean. Major towns (northwest to southeast) are North Myrtle Beach, Myrtle Beach, Surfside Beach, Garden City Beach, Murrell's Inlet, Litchfield Beach and Pawley's Island. While most of the Grand Strand is in Horry County, the southern 15 miles is in Georgetown County. Illustration 3 is a map highlighting the Grand Strand of South Carolina.

TOPOGRAPHY: Land is low lying and quite flat, with no elevations exceeding 50' above sea level. Much appeal for this area is its being more wooded than most beach resorts, and the water and beaches are very clean because there are no harbours, shipping or major industry in the area.

CLIMATE: Climate is mild year round. It is one of the country's top localities in annual number of sunshine hours. The prevailing Gulf Stream breezes mean cooler summers and warmer winters compared to inland areas.

RECREATIONAL FACILITIES: There are more than 50 miles of public beaches along the Strand, including two State parks and several large camping grounds. Sunning and swimming are the major attractions to the area. However, boating, surfing and fishing are enjoyed as well. Golf is increasing tremendously. There are 42 championship courses in existence with twenty five more under construction. Between 1980-1990, more than 30 new golf courses are scheduled to open. There are a number of amusement parks, many tennis courts & clubs, miniature and nine-hole golf, museums, water slides and other attractions. The Myrtle Beach Blue Jays is a minor league farm team of the Toronto Blue Jays and its first year of play in 1987 produced favorable community acceptance.

GRAND STRAND AREA CHARACTERISTICS (Cont'd.)

POPULATION: Dun & Bradstreet reports that Horry County's permanent population grew 25% between 1981 and 1985, ranking Horry 13th in nationwide growth in a single year's time. The reasonable explanation for this growth is the popularity of the Grand Strand as a resort. Horry County's retirement age population (65 or older) is predicted to grow at 2 1/2 times the national average growth rate. Older adults already comprise 11% of the Horry County population since the Grand Strand is already an established retirement area. Zoning changes are underway throughout the County to prepare for the future and ensure orderly growth. See Demographic section of this study for detailed population information.

EDUCATION: The Myrtle Beach/Grand Strand area ranks high in the State in educational achievement. Four public school districts are within the Strand, i.e., North Myrtle Beach, Myrtle Beach, Myrtle Beach, Socastee and Georgetown. There are six private schools, one parochial and one technical school. Horry-Georgetown Technical College is located between Myrtle Beach and Conway and provides a well founded variety of courses. Coastal Carolina College is fully accredited by the Southern Association of Colleges and Schools.

TAXES: South Carolina and the Grand Strand have a favorable tax structure. Real estate taxes are assessed as follows: 4% of actual value of the property if you live in your home, 6% if commercial or rental property and 10 1/2% for industrial properties. The County levy is 145.4 mills. The homestead exemption allows homeowners 65 or older to exempt the first \$15,000. value of their home and land from County and special assessment taxes. There is no household tax applied if you own your home. There is no State real estate tax in South Carolina.

TRANSPORTATION: There is limited local metro bus service via C.R.P.T.A. (Coastal Rapid Public Transit Authority). There are several taxi cab companies throughout the area. The Myrtle Beach Jetport presently has three commercial airlines serving the east coast. International flights are available in Wilmington (60 miles north) or Charleston (100 miles south). Greyhound Bus Service originates in Myrtle Beach, Conway and Georgetown.

ECONOMIC BASE: As expected, the main economic activity (73%) is tourist related, concentrated in retail trade, lodging, entertainment/recreation, restaurants, and service/repair related services. The leisure industry has shown a consistent 12% annual growth rate.

Construction is continuing steadily. Resort condominium construction has waned due to large standing inventory; however, single family construction has remained strong.

Visitors during busy summer weekends will spend about \$6 million daily. In 1985, the tourism industry activity reached \$1.8 billion by the 10.6 million visitors.

GRAND STRAND AREA CHARACTERISTICS (Cont'd.)

It is important to note the increasing year-round diversity in activity. More emphasis has been put on golf, conventions & bus tours, tournaments and retail sales. Thus, some visitors to the Strand never even see the beach, but visit for other attractions.

Golf is an increasing income entity and is included in the above tourism revenue figures. However, it is noteworthy that the total estimated direct and indirect income from golf is about \$75,000,000. annually.

Other sports like fishing and tennis attract more visitors with nationally recognized tournaments. More community festivals and arts & crafts shows are being held throughout the Grand Strand.

Expanding bus tour business depends largely on retirees, who play a major role in the winter activity. An offshoot of the retiree tourist business is the many retirees who move here permanently.

The Myrtle Beach Air Force Base is located just south of Myrtle Beach. It is one of the newest military installations in the Country, and the total number of personnel (military and civilian) is approximately 4,050.

A disproportionately large amount of revenue is generated by this area as compared to the balance of the State.

HEALTH CARE: The Grand Strand area has excellent medical facilities and services available to residents. There are three major hospitals in the area, two civilian and one military. The Grand Strand Hospital located to the north of Myrtle Beach has complete diagnostic facilities and has just been expanded to have 172 beds. Expansion of specific departments is planned. Conway Hospital is between Myrtle Beach and Conway on Highway 501 with 160 beds. It also has complete facilities. Conway Hospital is planning a nursing home facility on the hospital site. The Myrtle Beach Air Force Base has a general service hospital with 25 beds, and there is a full service pharmacy and dental clinic on base. There are six medical clinics on the Grand Strand. Grand Strand Hospital has the South Strand Diagnostic Center on Glens Bay Road at Surfside Beach. Conway Hospital will be constructing a \$2 million hospital extension in 1988 called Coastal Medical Center and it will be located on Highway 17 Bypass near Garden City Beach. The Georgetown County Memorial Hospital has a facility in Murrells Inlet, The Waccamaw Neck Medical Center with laboratory and radiology facilities. Area clinics include eight chiropractic clinics, a dialysis center, and six mental health offices and clinics. Some of the medical services available include, but are not limited to, other physicians providing outpatient medical services representing all health care related specialties, over 50 dentists including oral surgeons, 30-plus optometrists and opticians as well as others.

07942

GRAND STRAND AREA CHARACTERISTICS (Cont'd.)

FUNERAL FACILITIES: Funeral homes and services in the Grand Strand Area are adequate. The Goldfinch Funeral Home has chapels in Conway and on the Highway 17 Bypass near Garden City. McMillan-Small and Bullard Funeral Homes are both located in Myrtle Beach. There are at least six other funeral directors in the Grand Strand area.

SHOPPING: Shopping is very good in the greater Myrtle Beach area. The Waccamaw Outlet complex (west of Myrtle Beach), Myrtle Square Mall (in Myrtle Beach), and the new Briarcliffe Mall (north of Myrtle Beach) provide the major shopping complexes. Other shopping centers are located throughout the Grand Strand. There is also central tourist-related shopping activity in downtown Myrtle Beach.

CHURCHES: There are 64 churches of over a dozen denominations throughout the Strand according to available listings.

FUTURE PLANS: To prepare for continued growth, several major items should be mentioned: 1) The area's need for water continues to grow and municipalities are turning to the Intra-coastal Waterway as a major new water source. Its sodium and fluoride levels are less than those in presently used aquifers. 2) Traffic problems, both interstate and local, are being handled by both major road construction (including a major artery from Florence, routing traffic to both north and south Grand Strand areas, bypassing Conway) and by upgrading local roads and traffic handling. 3) Airline and airport service is expected to continually improve. 4) Zoning revamping county-wide is being done to accommodate anticipated growth.

SUMMARY: Growth trends in the Grand Strand area are projected to continue. They are based both on history and projections about future conditions.

In conclusion, the subject property is located in a very desirable general area. The mild climate, beaches and tourist/recreation/retirement-oriented activities provide a solid basis for the Grand Strand's continued appeal.

67943

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ILLUSTRATION #3

STATE BUDGET & CONTROL BOARD



NEIGHBORHOOD CHARACTERISTICS

The following discussion will focus this portion of the feasibility study on (1) the trends and factors of the general area in which the subject is to be built, i.e., the South Grand Strand, and (2) the Garden City Beach neighborhood. See Illustration 4 featuring the area immediately surrounding Garden City.

It is difficult to differentiate individual neighborhoods along the Grand Strand as the land usage is very similar along the entire stretch of accessible beachfront properties. See Illustration 5 - Land use zones. Therefore, the Grand Strand area description is much more detailed and is applicable to many individual neighborhoods along the Grand Strand.

The South Strand area may be defined as the area running approximately from the south City Limits of Myrtle Beach to Georgetown County and between the Atlantic Ocean and the Intra-coastal Waterway.

Currently more than 30,000 residential units are planned for construction in the South Strand area. This is the approximate number of dwelling units presently existing on the Grand Strand. Family members living in these 30,000 homes, about 110,000 persons, will require goods and service facilities in numbers at least equal to current demands of this nature. And they will be needed in a shorter time frame than existing goods and service facilities because the expansion of the South Strand area is expected to grow at a much more rapid pace than the half-century growth period experienced by existing homes and attending facilities.

Land use in this area may be divided into four basic north-south "strips": 1) Beach Resort - oceanfront to Highway 17 Business, 2) Commercial - along Highway 17 Business, 3) Permanent Residential - between Highway 17 Business and Highway 17 Bypass, 4) Forest/Agricultural/Mixed Uses - between Bypass 17 and the Intracoastal Waterway. See Illustration 5 showing these four areas.

The Garden City neighborhood is considered suburban and is built up approximately 70%. Land use may be described as 25% commercial, 45% residential and 30% is vacant land.

67945

NEIGHBORHOOD CHARACTERISTICS (Cont'd.)

Garden City consists of shore front/resort single and multi-family dwellings and a commercial district between the beachfront and Highway 17 Bypass ("Strip" Zones 1-3), a distance of approximately 2 1/2 miles. This area is rapidly developing into residential subdivisions, some with adjacent golf course facilities. Developments include Woodlake Village, Spring Forest, Kings Grant and JamesTowne (the subdivision in which the proposed project will be located). From the Bypass to the Intracoastal Waterway is approximately another 5 miles and is primarily agricultural with scattered residential applications ("Strip" Zone 4). Residential subdivisions under construction in this area include Island Green, Myrtle Beach Golf & Yacht Club and Tern Hall Plantation.

Immediately adjacent to JamesTowne is an established restricted "adult" community comprised of mobile homes, most of them on permanent foundations. It is a quiet, well landscaped community with good appeal. There are 492 sites already built, with a second phase of approximately 100 additional sites to be completed by late 1988.

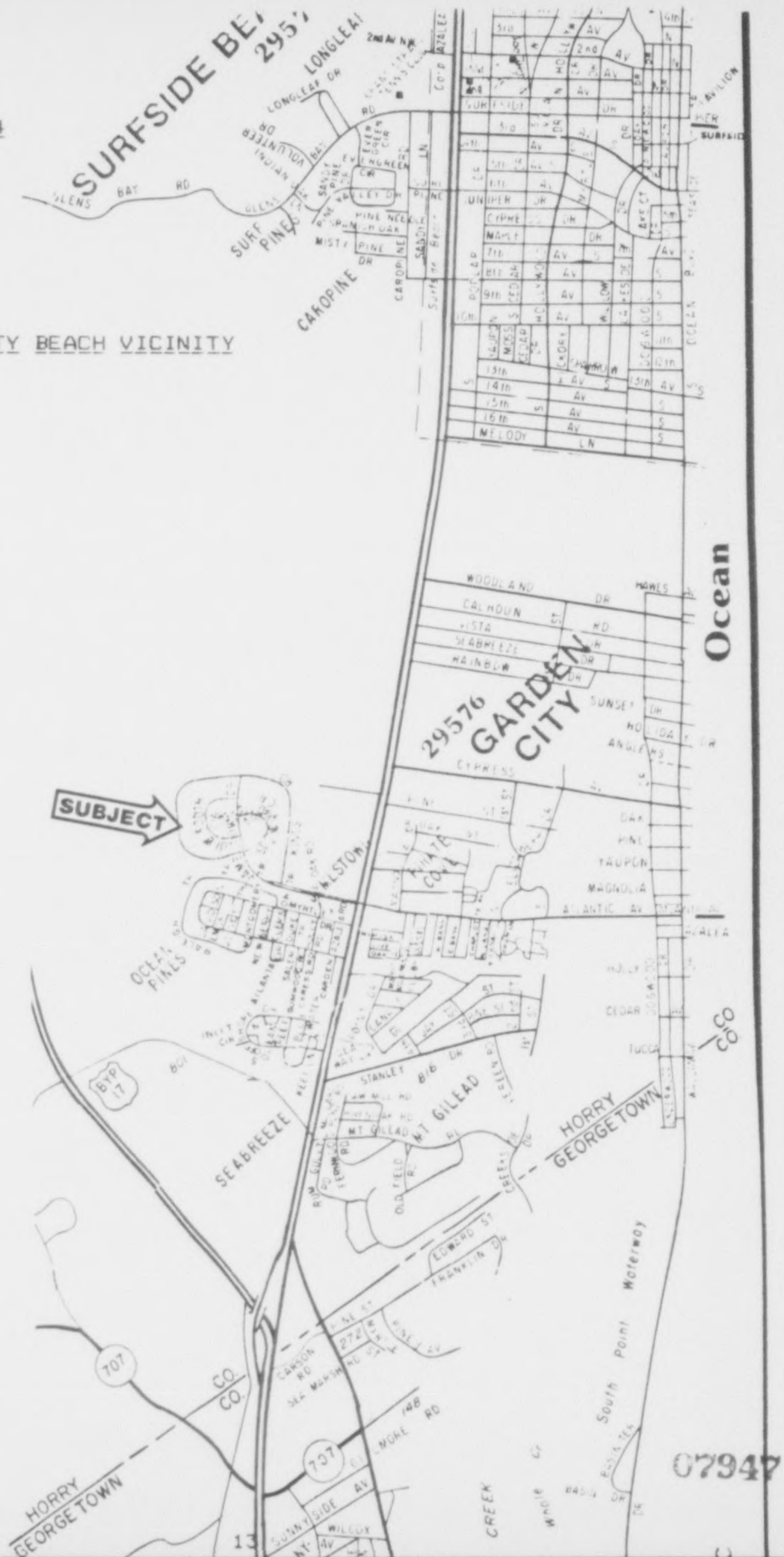
Advantages of this neighborhood include ease in accessing restaurants, shopping centers, hospital & health care facilities, churches and entertainment centers. The resort activities are primarily restricted to the area located between Highway 17 Business and the beachfront. There is adequate public beach access to allow beach usage by perimeter residents.

<u>OVERALL NEIGHBORHOOD RATING:</u>	<u>GOOD</u>	<u>AVG.</u>	<u>FAIR</u>	<u>POOR</u>
Adequacy of Utilities	XX			
Police and Fire Protection		XX		
Property Compatibility		XX		
Protection from Detrimental Conditions		XX		
Appeal to Market	XX			

07946

ILLUSTRATION #4

GARDEN CITY BEACH VICINITY





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SITE CHARACTERISTICS STATE BUDGET & CONTROL BOARD

Details concerning the site and its immediate surroundings will be examined here. Refer to Illustration 4 for exact physical location of subject.

The proposed Garden City Retirement Center will be situated in an established residential subdivision called JamesTowne, located just west of Highway 17 at Garden City Beach. JamesTowne was established in 1973. It is predominantly a single family subdivision. There are a few duplexes, 96 apartment units and 31 condominiums.

The Retirement Center will be situated on a 10 acre site within JamesTowne. Access will be through the subdivision via Heritage Road.

Site is mostly wooded, flat and well drained. It is not in a HUD Flood Zone per FEMA Flood Map Panel #450104-0304C. Flood Zone should be confirmed by a registered land surveyor. There is no zoning applicable from any municipality. Minimal site preparation is needed, as is typical in this area.

There is easy access to Highway 17, the main north-south traffic artery of the Grand Strand. JamesTowne is adjacent to Garden City Beach's business district. Within one mile of the subject are the following amenities:

- Public beach access
- Recreational & amusement facilities
- More than a dozen restaurants, including several specialty restaurants, a McDonald's and a donut shop
- Several churches
- Doctors' offices
- Pharmacies
- Two super markets
- Three fast food stores/gas stations
- One discount department store
- Three banks
- A dry cleaner's
- Several furniture stores or accessory shops
- Scattered specialty shops along Highway 17 in either of the two neighborhood shopping centers or in free standing buildings

The proposed Garden City Retirement Center is, therefore, in a desirable community with adequate neighborhood amenities.

07949

DESCRIPTION OF RETIREMENT HOUSING COMMUNITIES

The feasibility study necessarily needs to address the types of retirement housing currently utilized throughout the country. The advantages of the senior residential housing concept chosen by the Developer for the subject Garden City Retirement Center are briefly discussed here and provide a good preface to a detailed description of the subject project.

A working knowledge of the physical, psychological and social needs of the elderly is essential when designing and developing retirement housing facilities. The ability to foresee future needs is crucial to a well designed retirement community.

Care and housing of the elderly has historically been the responsibility of the family, with government subsidies available primarily for those without other means of support. Today, because of greater longevity and good health, many seniors have established economic and social independence and are remaining independent longer, choosing to remain in their own homes or in retirement housing among their peers. These are the "well elderly", who are often financially independent, a phenomenon which has led to increased housing demand for independent living retirement communities.

Retirement housing has traditionally included four types of housing and levels of care:

- Nursing homes for long-term residence and intensive nursing care;
- Board and care facilities for persons requiring assistance in daily living and less intensive nursing care;
- Lifecare retirement facilities which offer full-service, lifetime medical and residential services; and
- Senior residential housing for those who do not need medical aid but who wish to live in an adult facility which includes amenities and social programs designed specifically for retirees. This is the concept proposed for the subject project.

The full service "lifecare" concept requires the payment of a substantial initial occupancy or endowment fee, plus ongoing monthly service charges which cover medical care.

In contrast to lifecare facilities, a newer concept has resulted in a facility that charges only a single monthly fee. This type facility offers essentially the same services as lifecare facilities, but persons rent rather than own their units and there are no entrance fees. Both lifecare and monthly fee facilities have medical and nursing services available; however, lifecare communities always have a licensed nursing center with fully skilled medical staff available at all times, whereas some monthly rental facilities have them and others do not.

67950

DESCRIPTION OF RETIREMENT HOUSING COMMUNITIES (Cont'd.)

Senior residential housing is for elderly people who do not need any supportive services or assistance. Such housing ranges from privately owned individual housing units to specially designed adult-only communities. Health-related facilities and services are not provided as an integral part of housing for independent living.

There has been a growing national need for full service retirement housing and a definite shift from the lifecare approach to the monthly fee structure.

The monthly fee concept of full service retirement communities is a relatively new solution to the physical and social needs of the well-elderly, and essentially provides the service program of lifecare facilities, but on a monthly fee basis.

In the past, retirement or well-elderly housing has been a situation where the tenant had the services of the management available to him for things they were not able to do for themselves, such as transportation, grocery shopping and errands.

However, the concept for the subject is relatively new, that is, only 2-3 years old. Management adds the features of a central kitchen and congregate dining (although full kitchens are furnished in each apartment) and the provisions for a more active lifestyle, for example, an exercise room, crafts room, swimming pool, and the services of a full time social director.

At this time the contrast between tenants of conventional apartments and tenants of a retirement apartment complex should be noted. Conventional apartments are generally rented to a very mobile group of primarily younger people. These people will choose their rental based on price, location and proximity to their work. However, the well-elderly are quite different when they choose a retirement apartment. They are usually leaving the home in which they've lived for many years, and which usually has extensive equity. These people give much more weight to their decision on where to live and stay for an extended period of time. The average lease term is five years plus. Rental prices are secondary to their priorities of security, safety, and lifestyle. The fact that these people will make friendships among their peers in the retirement facility enhances their desire to stay there for as long as possible.

This type of elderly housing facility offers a full range of services to its residents including, but not limited to a meal program, laundry, housekeeping and maintenance services, and the availability of health care services (nursing care) either on-site or off-site.

C7951

DESCRIPTION OF RETIREMENT HOUSING COMMUNITIES (Cont'd.)

Monthly fee facility financial and ownership questions are much less complicated than lifecare because the projects are marketed on a rental basis with a two- or three-month deposit. The tenants are leaseholders for a predetermined period and, therefore, have provisions that clearly define the termination or extension of their lease. Consequently, the monthly fee facility has a much larger market and does not require that residents tie up their funds.

In addition, because monthly fee facility residents are renting their apartments rather than purchasing them, they do not need to pay the large one-time up front endowment fee that would be required by lifecare. Thus, these residents suffer no loss of interest on their money.

In conclusion, monthly fee facilities appeal to a much broader segment of the older population and present less initial risk for the developer of the facility. A complete discussion of the fee planning and eligibility requirements as well as physical details of the subject proposed project will be discussed later in the study.

07952

PROJECT DESCRIPTION

The Garden City Retirement Center will provide housing and residential common and support facilities for elderly citizens who wish to reside in a community of self-care residents.

The proposed project will be a monthly rental full service retirement community consisting of three fifteen story buildings. Each building will comprise 134 apartments for a total of 402 units. There are central support and common areas for rental management, security offices, dining, work and craft areas, social activities, laundry and other habitation support facilities. Off-street parking located around the perimeter of the property will provide 500 spaces for tenants' automobiles. Each building will have two elevators.

Buildings will be constructed from reinforced concrete, and party walls between units will be concrete masonry with drywall finish. This construction provides fire resistancy and sound-proofing.

Each building will have 92 one bedroom, one bath apartments and 42 two bedroom, two bath apartments. There will be 14 two bedroom units in each building specially equipped for the handicapped. Two lounges will be provided on each residential floor. Units with eastern exposure will have ocean view from about Floor 4 and up. Western exposure will have a general wooded view.

The units' individual construction features include the following features: a balcony off each living room, thermopane windows and doors, and individual heat pumps and thermostats. Bedrooms have walk-in closets. Modern kitchens include range/oven and hood, dishwasher, disposer and refrigerator. Baths have cultured marble vanities and ceramic floors & tub wainscot. Tubs are porcelain enameled. Interior finish items include painted walls, stained wood doors, carpet and drapes. Each unit has additional storage space. Units are unfurnished, based on the fact that the vast majority of retirees prefer to make their apartments "like home".

Fire protection and security will consist of automatic sprinklers in all units, smoke detectors, stand pipes, security locking devices and intercoms for units monitored at the security office.

All utilities (including electricity, water/sewer, fire alarm & smoke detection devices, and emergency call system) are furnished within the rental structure. Telephone and cable TV are extras paid by tenants. There is a nurse on duty 24 hours a day.

The emergency call system is designed to allow residents to call the security office for emergency medical attention. This system is in all bedrooms and baths in the facility.

PROJECT DESCRIPTION (Cont'd.)

The units equipped for the handicapped are slightly modified to accommodate a person confined to a wheelchair. Sinks are a lower height, with an opening below the countertop and plumbing moved back to allow wheelchair access under the sink. Bathrooms are slightly larger and with extra grab bars. Doorways and halls are larger. Cabinets are modified. It has been noted by the Developer that the entire Retirement Center complex is accessible to a person in a wheelchair. Items such as elevator size and placement of floor buttons are given attention in order to make this possible. The guideline for this set of construction criterion is set out in the North Carolina Code for the Handicapped, a State code that has been adopted by other States and individual projects. The Atlantic Housing Group (The Developer) has used this Code in the design of the Garden City Retirement Center.

Amenities and Support Services

An outdoor heated swimming pool with fenced area is easily accessible from the activities building. It is shown on the Site Plan (Illustration 6).

Additionally, there is a dining room, cocktail lounge, billiards room, library and reading room, beauty shop, barber shop, exercise room, crafts room and a meeting room.

Services included in the monthly rental fee are:

- All utilities (except telephone and cable TV)
- Weekly housekeeping
- Weekly flat linen laundry service
- Free self-service personal laundry facilities on each floor
- Grounds & apartment staff maintained
- Valet parking
- Limousine service (subject to 24 hour notice and availability)
- Scheduled transportation
- Two meals per day in center's dining room

To create a park-like atmosphere to the site, extensive landscaping and grounds preparation is planned. There will be several paved walkways for strolling and benches throughout the site.

Phasing

Two towers (along with support buildings, etc.) are included in construction of Phase I. This will mean that 268 (184 one bedroom and 84 two bedroom) apartments will be constructed. Phase I is targeted to open 18 months after construction begins.

The Development Team

The Development Team for the Garden City Retirement Center is The Atlantic Housing Group, a joint partnership of Benjamin Corporation, a Tennessee Corporation and Atlantic Group, Inc., a South Carolina Corporation.

The Atlantic Housing Group partnership has been formed for this project.

The Benjamin Corporation has had extensive experience in housing projects, hotels, shopping centers, etc. Principles of the Benjamin corporation have been active in rental housing for the elderly primarily in the Tucson, Arizona for the past twenty-plus years, since the early 1960's.

One of Atlantic Group's principals has been past Regional Vice President of the National Association of Homebuilders and for many years chaired the Sub-Committee for Housing of Senior Citizens. The Atlantic Group is responsible for about 5,000 single family homes, apartments, etc. Atlantic Group has a combined experience of 65 years in the industry.

As briefly explained in the Description of Retirement Housing Communities section, the Developer is utilizing a relatively new concept in retirement/elderly housing. Only in the last two to three years has the idea of adding the facilities for congregate dining and increased social activity been utilized. There are only a few national management companies that are experienced in executing the management of this newly conceived retirement center idea. Retirement Housing Corporation is the management group to be handling the marketing, management and consulting services for the Garden City Retirement Center.

The Management Group and Concept

Economic feasibility of the Garden City Retirement Center will depend on the ability of the Management to successfully attract qualified residents and maintain a substantial sales and occupancy level.

It is the goal of the Retirement Housing Corporation to lease 20-25% of the project by the time operations in the project begin. As soon as it is safe and feasible, a leasing office is to be made available. Potential residents are more attracted to a full scale model of a unit than to pictures and floor plans. Therefore, a model unit will likely be utilized to allow potential residents to actually visit one of the units.

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NO. 7

PROJECT DESCRIPTION - Management (Cont'd.)

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MARKETING will be done via local media, but primarily by direct mailings. The strategy will be formatted specifically for the over-55 market. Marketing personnel are trained in sales methods that cater to the elderly. There will be on-site marketing operations. A literature package will be used, depicting the quality and lifestyle concept. That direct mail is to be the backbone of the promotional plan is strongly stressed by Retirement Housing Group in their proposal to the Developer.

It is noted that a high front end cost of marketing (that will decrease as the base of interested prospects is developed) has been budgeted by Management's proposal. The Management Group explains that their experience is that it is less costly overall to have a higher initial budget projection for marketing rather than risk a slow lease-up, forcing money from other budget areas for marketing. Therefore, marketing budget is initially very aggressive, then decreases.

The marketing effort will also place a good deal of importance on targeting the children of the well-elderly, as their assistance is usually sought on the decision to move into a retirement facility.

Financial reports by Management to the Developer are to be made regularly and thoroughly. Detail as to content of these reports is contained in Retirement Housing Corporation's proposal to the Developer.

LEASE UP TIME for a retirement rental community like the subject is cited by Management as historically taking approximately 50% longer than conventional rental apartments. Retirement Housing Corporation predicts that the project will be 20-25% leased when the doors open for the Center.

Retirement Housing Corporation data projects that a total of 80% of the initial tenants will come from a combination of 50% of people currently living within the immediate 5 mile radius of the subject and 30% from within the County or a 5-10 mile radius of the subject. They project that only 20% will come from different parts of the State and various areas of the Country.

However, as discussed in the Analysis of Primary Market section, this 80%/20% mix will likely be different for this tourist/recreational area known as the Grand Strand of South Carolina with such a large in-migration, as further substantiated in the Demographics section. A study of local statistics leads to the conclusion that initial occupancy would consist of 70% primary market area and 30% from other parts of the State or Country.

07956

PROJECT DESCRIPTION - Lease-Up Time (Cont'd.)

As was briefly stated earlier, conventional apartments are rented mostly to young single people or young families. The apartment they rent is, more often than not, their first home. They are a very mobile group. The location of the rental, and most importantly, proximity to their work, has a significant bearing on their selection of an apartment. This young, mobile group is usually quite price sensitive in their decision of where to rent.

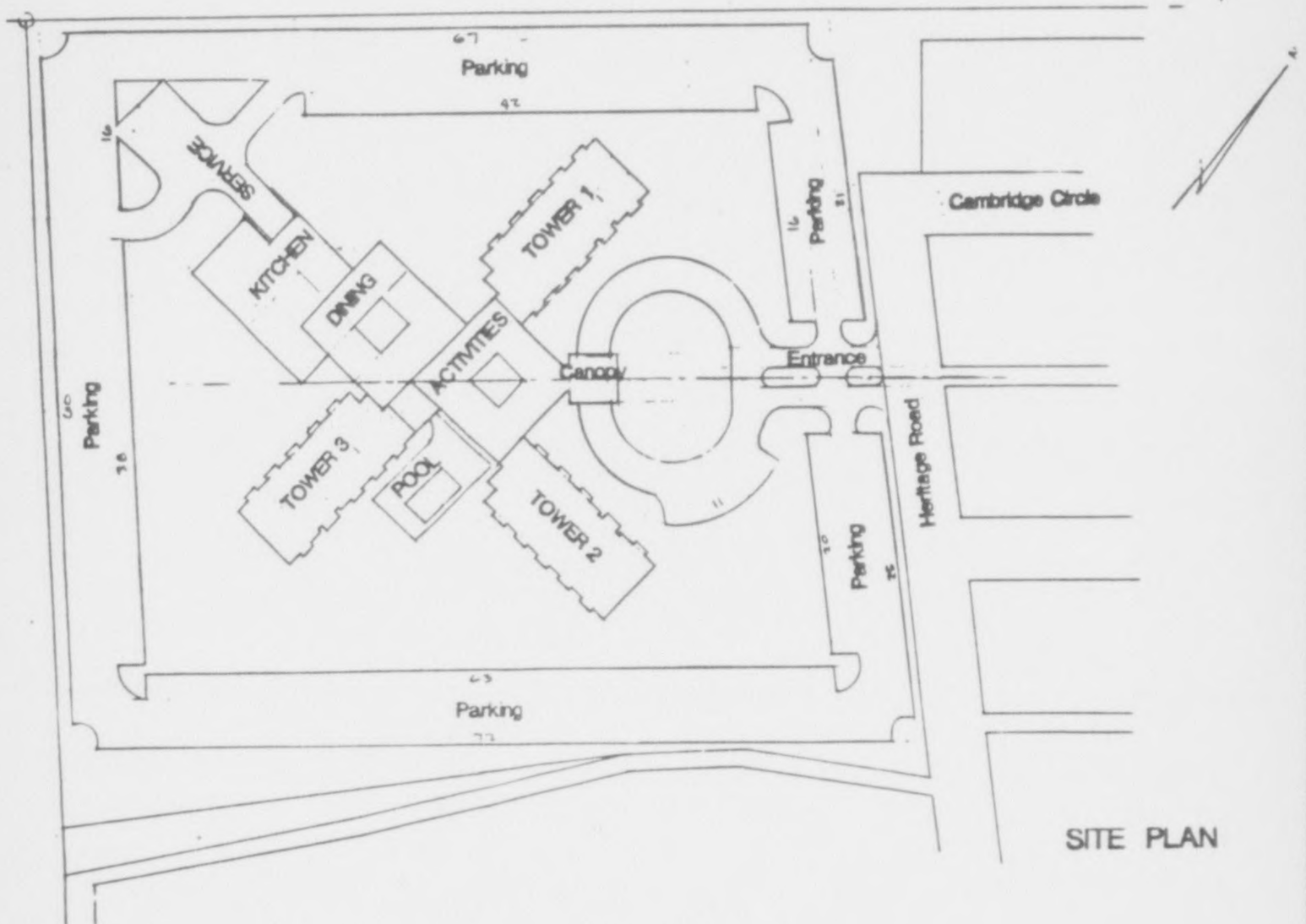
In contrast, the well-elderly present a drastically different profile. They are usually 65 or older (majority are 72 and over). Often, they are leaving the home in which they have lived for many years, and upon which there is little or no mortgage and in which extensive equity exists. Transferring from a permanent home to an apartment in the later years of life is a more significant event than it is to the young mobile group previously mentioned. Therefore, this group of older people is not highly mobile. More weight is given to their decision on where to live. Rental prices are secondary to their priorities of security, safety, dignity and lifestyle. The children of these well-elderly will have a significant input on their parents' decision on where to locate. These older folks are likely to live in their retirement apartment for a long term (usually at least five years). Additionally, the friendships the retirees make at the facility, and not the lease instrument itself, have a significant positive impact on their decision to stay as long as possible.

This background information is given to allow the reader to better understand why the marketing program of a rental retirement apartment facility differs from that of conventional apartments. While it is true that lease-up traditionally takes up to 50% longer, the outstanding "plus" of the well-elderly tenant is that he is likely to stay for a long lease term (five years was found to be the average stay).

Retirement Housing Corporation presents a very confident report of their capability in marketing and management based on their experience. They cite that they have helped turned around facilities in difficulty in Arizona and Texas. Success under these circumstances, they point out, provides them greater depth in management and marketing skills to assist the Developer in avoiding problems on a new project. Retirement Housing Corporation will supervise all the day-to-day activities at the Center and of managing a well run facility.

07957

ILLUSTRATION 6 - PROJECT SITE PLAN



SITE PLAN

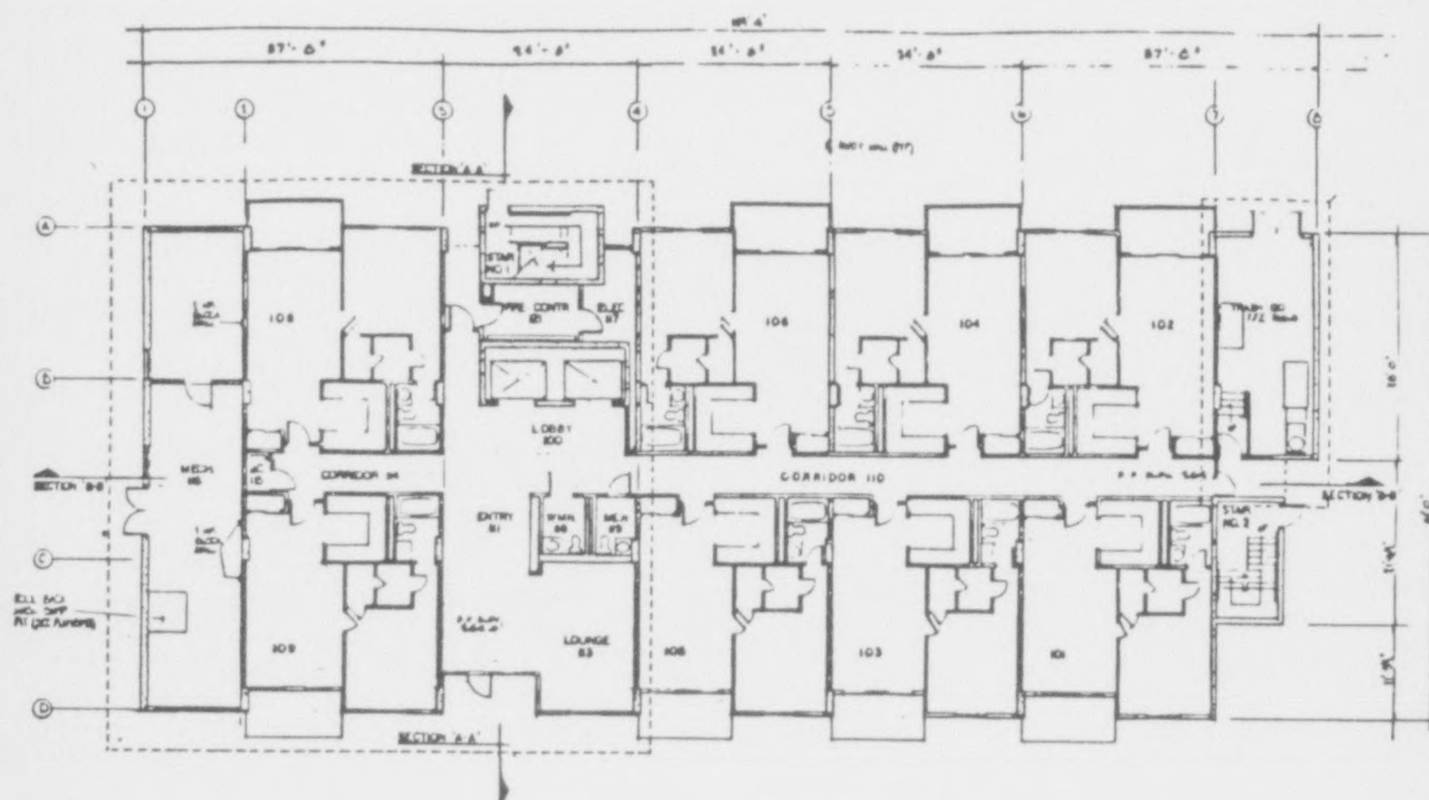
07958

ILLUSTRATION 7 - ARCHITECT'S ELEVATION DRAWING



07959

ILLUSTRATION 8 - GROUND FLOOR PLAN



GROUND FLOOR PLAN

ILLUSTRATION 9 - TYPICAL FLOOR PLAN - FLOORS 2-15

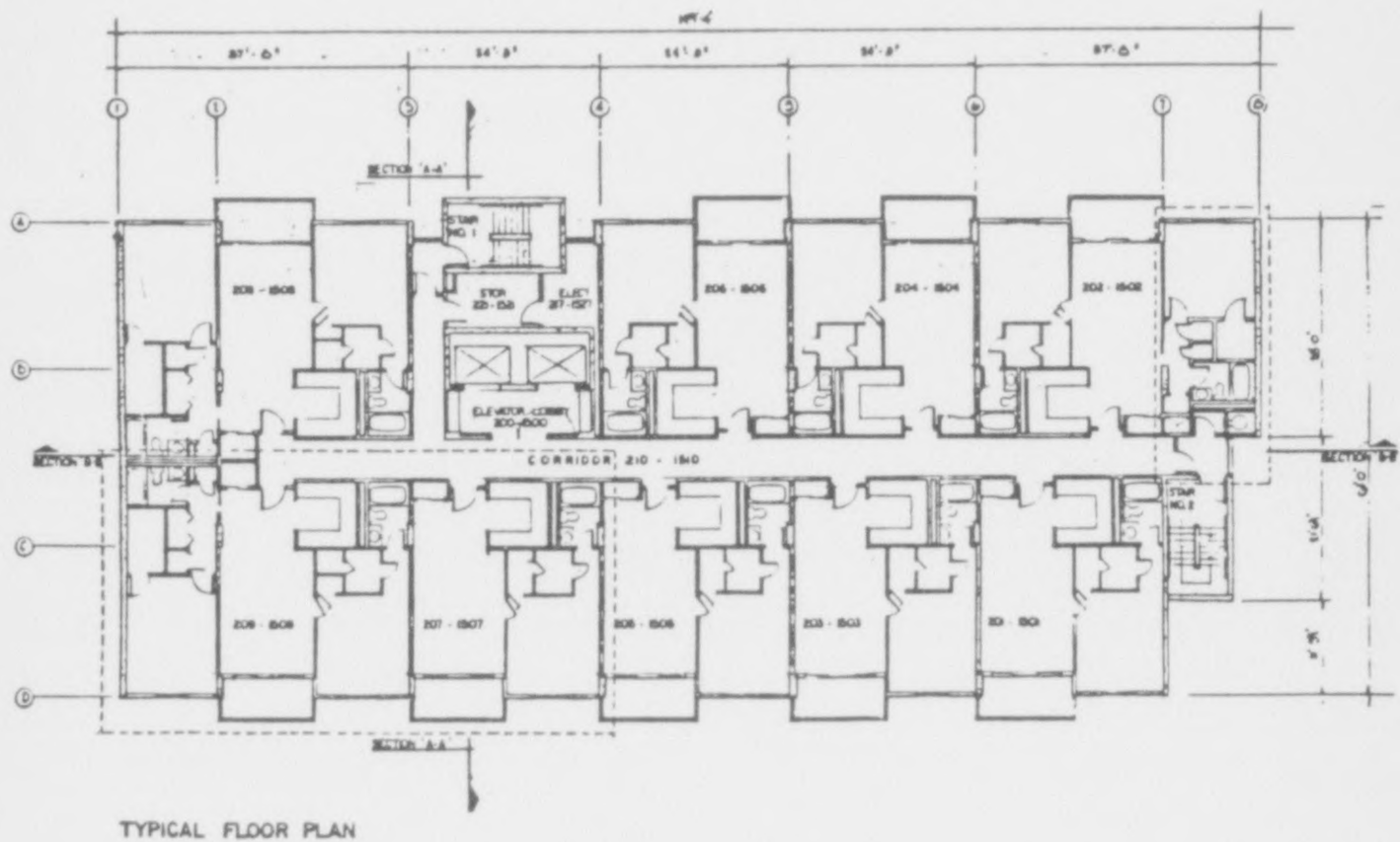


ILLUSTRATION 10 - ONE BEDROOM UNIT SKETCH

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ONE BEDROOM UNIT - 684 S.F.

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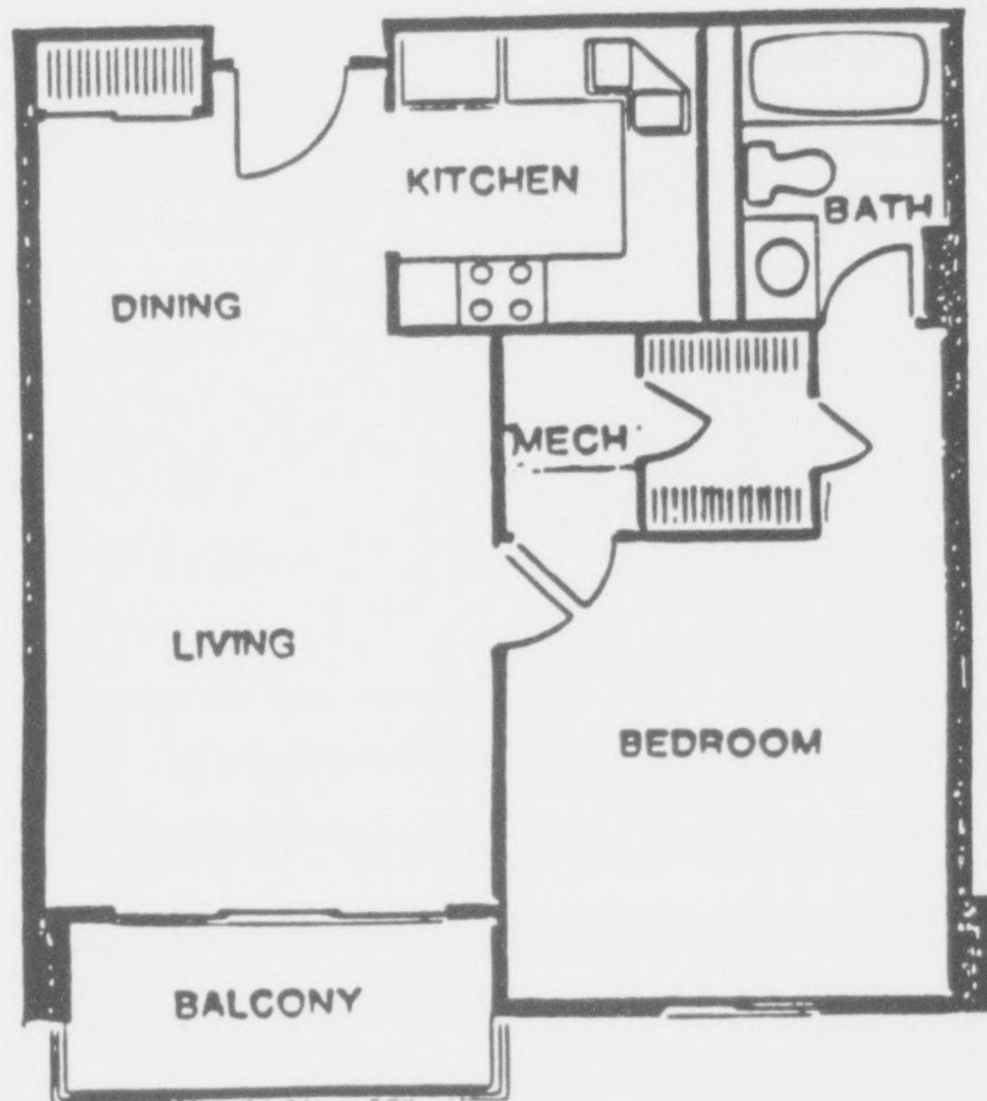
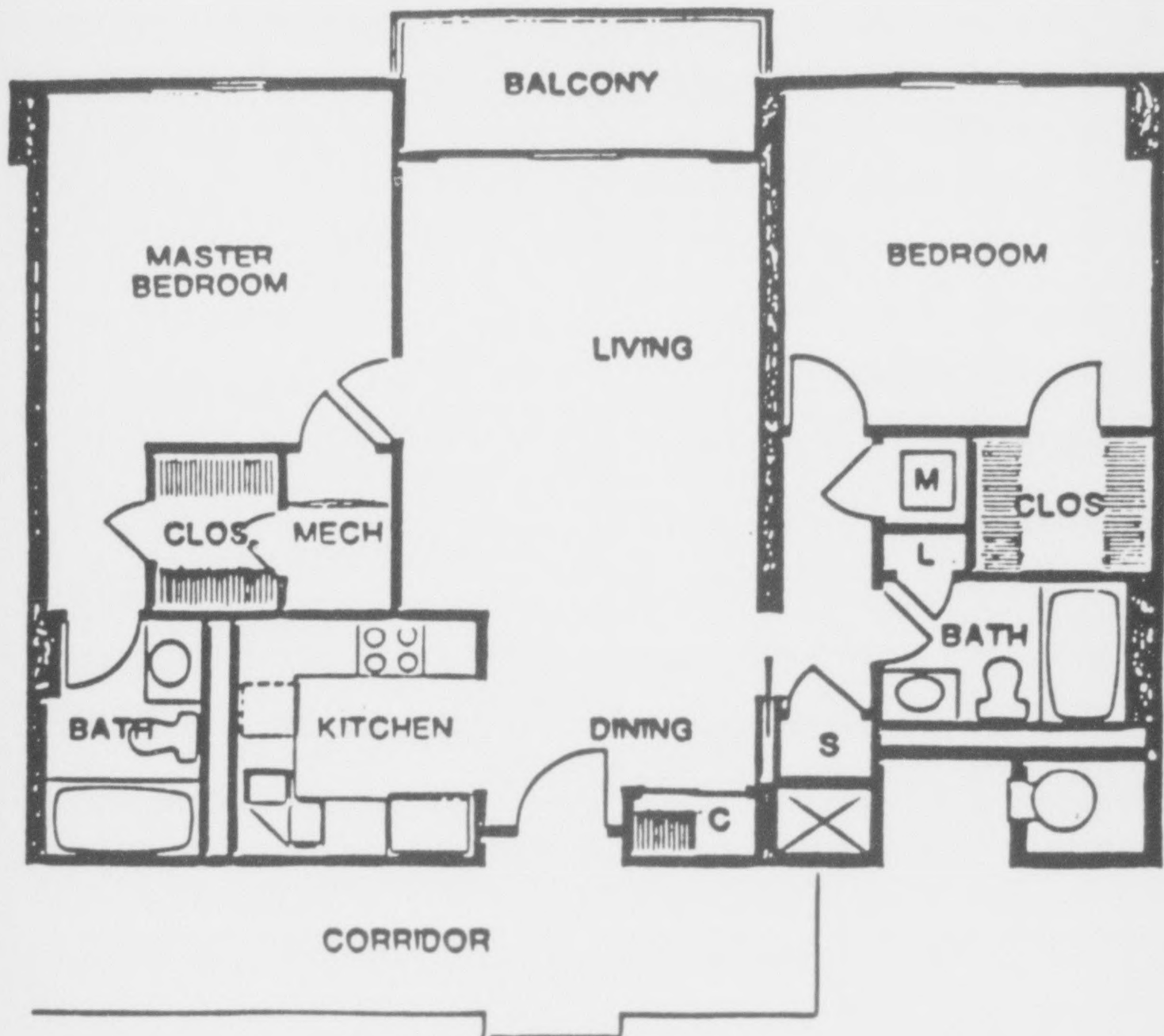


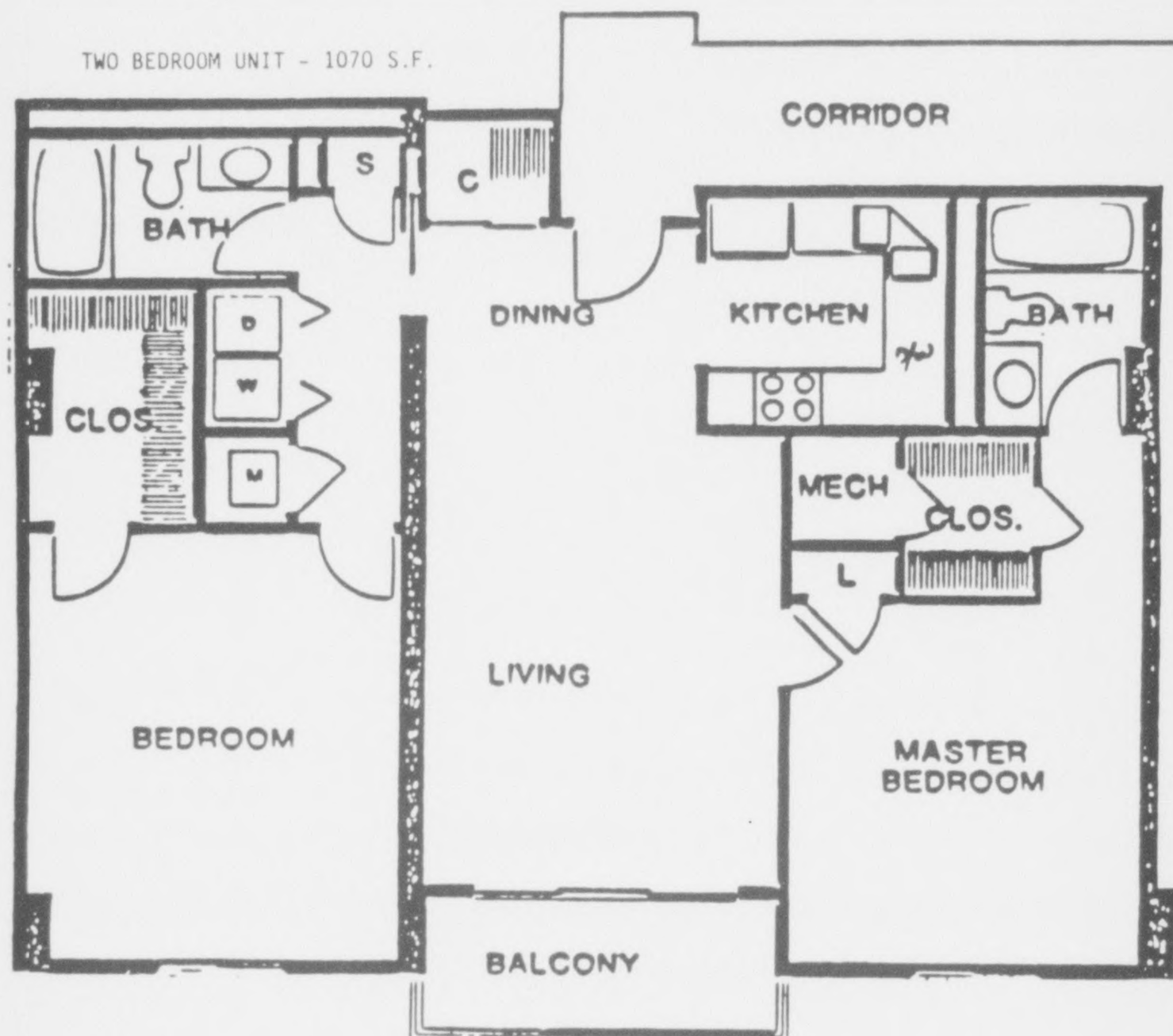
ILLUSTRATION 11 - 982 SF 2 BEDROOM UNIT SKETCH

TWO BEDROOM UNIT - 982 S.F.



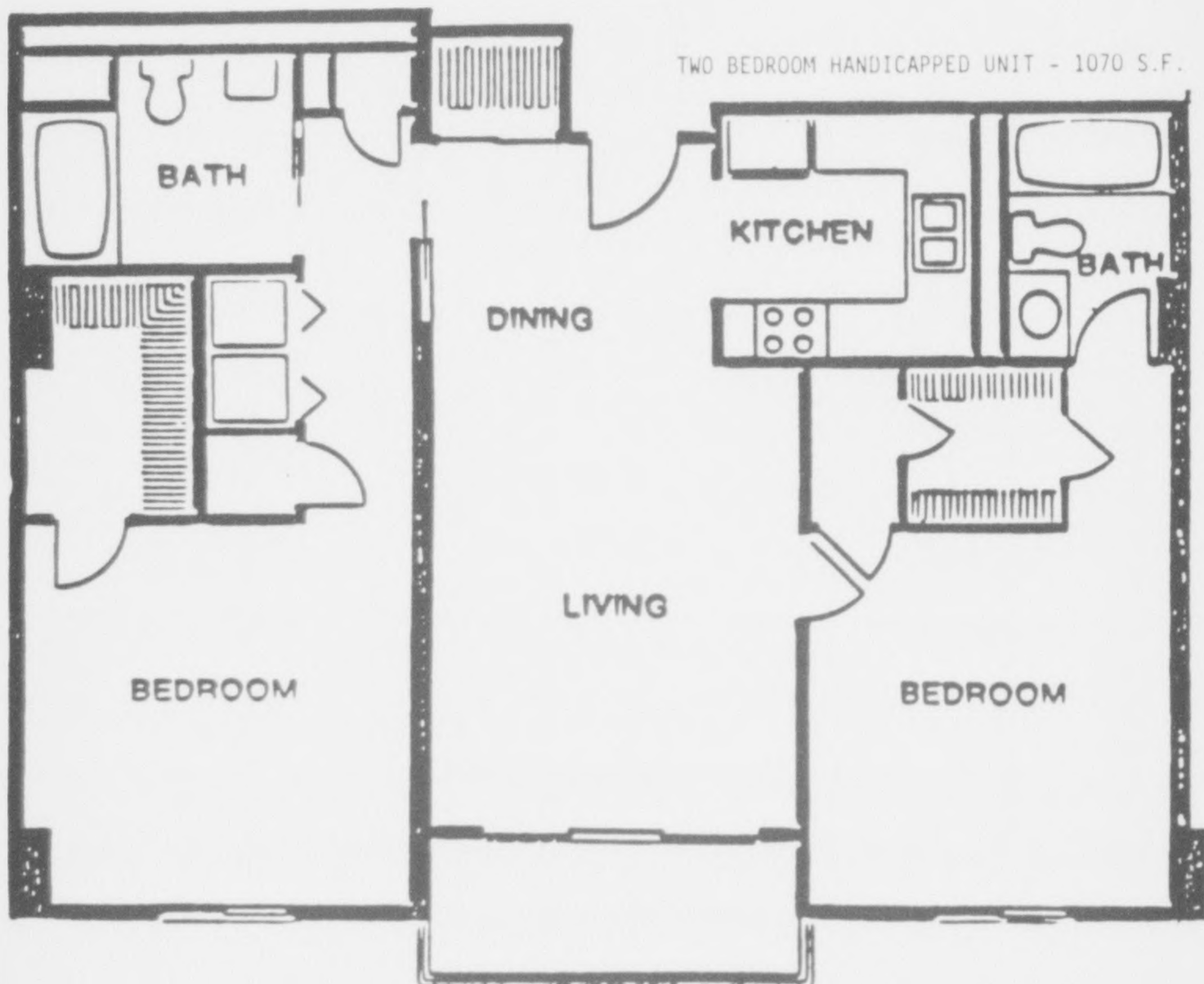
07963

ILLUSTRATION 12 - 1070 SF 2 BEDROOM UNIT SKETCH



07964

ILLUSTRATION 13 - 1070 SF 2 BEDROOM HANDICAPPED UNIT SKETCH



07965

FEE SCHEDULE AND ELIGIBILITY REQUIREMENTS

This portion of the study describes the project's monthly fee plans and eligibility.

Rents paid are for unfurnished units and include all the services previously described in the Project Description section, including: all utilities (except telephone and cable TV), weekly housekeeping, weekly flat linen laundry service, free self-service personal laundry facilities on each floor, grounds and apartments staff maintained, valet parking, limousine service (subject to 24 hours notice and availability), scheduled transportation, two meals per day in the center's dining room. The Developer is the data source for the rent schedule supplied herein.

Rents will run as follows:

One Bedroom Unit - single occupancy - \$1,050.-\$1,100./month
Two Bedroom Unit*- single occupancy - \$1,300.-\$1,400./month
Additional person will be \$300./month

*All three types

Variations in rent apply primarily to view amenity. The premium rents will be those with ocean view. As mentioned before, floor 4 and up with eastern exposure will have an ocean view.

Leases are written for a one year term and require a two month security deposit.

Eligibility requirements are:

- Tenants must be age 65 or older
- Tenants must be in reasonably good health so as to live in this self-care facility
- Tenants must meet credit requirements set by Management

07956

DEMOGRAPHIC CHARACTERISTICS

This section of the feasibility study analyzes historical demographic information to project future trends with regard to eligible persons who would be attracted to the subject community. Characteristics include population, age, sex and race for the primary market area. Projections to the year 2000 are presented at the end of this section. Horry County, where the subject proposed project will be located, is the County in which the most activity in the Primary Market Area will be seen.

A. PRIMARY MARKET AREA

1. POPULATION TRENDS

The Waccamaw Region has both a permanent (resident) population and a large non-permanent (tourist) population. In analyzing the region's population, each type of population is discussed individually. First, the resident population and the resulting migration trends are presented, and then tourist population is discussed.

RESIDENT POPULATION. A review of past population trends indicated that the three counties within the Waccamaw Region increased in population between 1940 and 1950. In the decades between 1950 and 1970, only Horry County showed an increased population. In total, the region's population declined by 6,242 between 1960 and 1970.

Recent population figures show that the trend of declining population has been arrested. Between 1970 and 1980, each of the counties gained in population and the 1980 total region population is 182,106. These resident population trends are shown in Illustration 14. It is significant to note that Horry County is 13th in the Country in permanent population growth.

MIGRATION TRENDS. Investigation of the population growth within the Waccamaw Region between 1970 and 1980 reveals a net migration increase of 26,207 or 19%. During this same period, the State of South Carolina had a net increased migration of 10.5%. This would indicate the Waccamaw Region is growing faster than the State as a whole, a positive factor in anticipating the need for the subject retirement center in this area.

Of the counties within the region, Williamsburg County showed a migration loss. Georgetown County reflected a moderate increase and Horry County recorded the largest increase in migration of 31.1 percent. These trends are shown in Illustration 15.

07967

DEMOGRAPHIC CHARACTERISTICS - Population Trends (Cont'd.)

A breakdown of migration trends by race showed the white population with a net migration increase of 29.9 percent in the region. Horry County showed a white population increase of 38%, Georgetown County recorded 26.2% and Williamsburg County 3%. The percent of net migration increase for the region in this category was 18.3% higher than the State's. Illustration 16 denotes the migration trends of the white population.

Past planning studies of the region noted a major out-migration of the non-white population. This trend has reversed with the non-white population in the region recording a net migration increase of 858 people or 1.6 percent between 1970 and 1980. Horry County and Georgetown County recorded net increases, while Williamsburg County recorded an out-migration. Non-white migration trends are shown in Illustration 17.

TOURIST POPULATION. The region has a large seasonal tourist population. This population is attracted to the region primarily by the Grand Strand's beaches. A significant increase in the tourist population has occurred in recent years. In 1972 almost 2,900,000 tourists visited the region. By 1980, this tourist population exceeded 3,603,520, an increase of about 24.3 percent in the eight year period. The tourist population for the Waccamaw Region and South Carolina is shown in Illustration 18.

Although the tourist population in the region increased significantly during the 1972-1980 period, the tourist population in South Carolina increased at a more rapid pace. In the period, tourist population in the State increased by almost 4.5 million people. In 1972, the Waccamaw Region attracted 36.1% of this total population; however, in 1980, the region attracted only 29.3% of the total state tourist population. Illustration 19 shows the number of visitors entering South Carolina destined for the Waccamaw Region.

2. POPULATION DISTRIBUTION

Investigation of the 1980 census data revealed that the population of Williamsburg County was primarily rural, with almost 90 percent classified in this category. Horry County contained the highest percentage of urban population in the Region with 34.8%. Georgetown County reflected a decrease in the percentage of urban population between 1960 and 1980 because of a faster growth rate in the unincorporated areas of the County.

Illustration 20 shows the urban-rural population by percent for each county, the region and the state. The table indicates quite clearly that the Waccamaw Region is much more rural in character than is the state as a whole. Over 71% of the region is classified as rural as compared to only about 45.9 percent of the state being considered rural.

67968

DEMOGRAPHIC CHARACTERISTICS - Population Distribution (Cont'd.)

Resident population of the Waccamaw Region is not equally distributed throughout each county. The permanent population is concentrated primarily in six Census County Divisions in the eastern section of the region. Of these six divisions, four are in Horry County (Myrtle Beach, Conway East, Little River and Conway) and two are in Georgetown County (Georgetown and Waccamaw). 'Waccamaw' is the area primarily just below the Horry County line close to the beaches in Georgetown County. All of the above areas can be seen in Illustration 2 on Page 5. These six divisions contain approximately 56% of the region's population. The resident population trends by Census County Division and municipalities are shown in Illustrations 21, 22 and 23.

AGE. This analysis of the age structure of the population provides dependable information relative to the population burden that the regional economy must carry. The population that makes up the productive sector, or primary work force, is the group between ages 19 and 64. The size of this group, when compared with the age groups at both ends of the population spectrum, is an indirect measure of the health of the economy.

The size of the age groups in the dependent sectors of the population provides additional important information. The age group up to eighteen years provides data concerning future education needs, future work force potentials and new household potentials. The data derived from the age group of sixty-five and older can provide information for the establishment of new or amended policies concerning programs for the aging. This is, of course, the age group of primary importance in this feasibility study.

Investigation of the various age groups within the region indicates that the percent of the population in the productive sector increased. The age group of sixty-five and over increased from 4.9 percent of the population in 1960 to 9.3 percent in 1980 in Horry County. The percent of resident population by age for each county is shown in Illustration 24.

SEX. A review of the male-female population in the region shows that in 1980, females composed the largest part of the population. Females accounted for 94,101 persons or 51.7 percent of the total Waccamaw Regional population. This percentage is slightly higher than the state average of 51.4 percent. Illustration 25 shows the male-female composition of the region and state in 1980.

RACIAL COMPOSITION. It was noted in the migration trends discussed earlier that out-migration of the non-white population was significant. This trend has caused a change in the racial composition of the region.

67969

DEMOGRAPHIC COMPOSITION - Population Characteristics (Cont'd.)

A review of Illustration 26 shows that the non-white population constituted 44.2 percent of the region in 1960 and only 36.4 percent in 1980. The region's population contains a larger percentage of non-white population than the state.

Of the counties within the region, the majority of the population in Williamsburg County and Georgetown County was non-white in 1960. However, in 1980, the population of Georgetown County was mostly white. In Williamsburg County in 1980, population was still mostly non-white. Horry County varies from the other two counties. In 1960, approximately 73% of the population in the County was white. By 1980, whites comprised 77.1% of the racial composition of the County.

EDUCATION. The educational attainment of the population is an increasingly important factor in the continued socio-economic development of a region. Data from the 1980 census shows that 11.4 percent of the region's adult population completed four or more years of college. The County containing the largest percent of the adult population in this category was Horry County with 12.5%. Education level of the adult population in 1980 is presented in Illustration 27.

INCOME. Per capita income is one of the most available indicators of the economic well being of the population. It notes the efficiency of the economy and the support that the economy provides for the population. Per capita income figures, however, are of little value unless they are compared with regional and state data.

The per capita incomes for the Region, the State, the Southeast and the United States for four stated years are shown in Illustration 28. Of the counties within the region, Horry County maintained the highest per capita income during the period. Williamsburg County had the lowest per capita income during the period, and was \$2,448 lower than the state in 1980.

Median family income is another indicator of the economic well being of the population. While improvements were noted in this indicator between 1970 and 1980, the region still ranked below the state in median family income. The positive point here is that the median family income for each county is increasing at a faster rate than the state. The median family income for the counties and the state is shown in Illustration 29.

07970

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NO. 7

DEMOGRAPHIC CHARACTERISTICS (Cont'd.)

STATE BUDGET & CONTROL BOARD

In order to adequately plan for future growth and development of the Waccamaw Region, it is necessary to know approximately the number of people that will be living in the region at a given time in the future. This information is extremely important to local officials in making long-range decisions concerning capital improvement projects and to developers of the projects like the subject.

Since tourism plays such an important role in the Waccamaw Region, this population sector should be considered along with the resident population. Services and facilities must be considered for both groups. To adequately handle this situation, three separate sets of population projections were developed. First is the resident population. The remaining two projections are the tourist population and the peak day projections. The peak day projection presents the sum of the first two projections. Illustration 30 shows population projections for the three counties and the Waccamaw Region.

To identify growth trends within each county, the population was projected for each Census County Division. Since the subject is to be located in Horry County and Horry will demonstrate the most significant growth, Illustration 31 shows Horry County's projections. It should be noted that generally, the easternmost census divisions will experience the largest increases in population.

TOURIST POPULATION. Although the tourist population is seasonal, local governments in the region must provide services and community facilities to meet the needs of these people. Based on projections from the Grand Strand Environmental Impact Statement (EIS), the tourist population is expected to increase from 302,870 visitors in 1982 to 392,243 visitors in the year 1997. The population projections for the region's resident and tourist populations are shown in Illustration 32. The combination of these two populations provides a peak day number for the regional population. In 1982, the peak day population was 354,870. In 1997, it is expected to exceed 498,418.

B. SECONDARY MARKET

As previously discussed in the Analysis of Primary Market area, 30% of the anticipated tenancy for the Retirement Center is projected to come from other parts of South Carolina and the United States. Illustration #1 showed the states from which the majority of out of state visitors come to South Carolina.

07971

DEMOGRAPHIC CHARACTERISTICS - SECONDARY MARKET (Cont'd.)

On a national level, South Carolina is the third fastest growing retirement state, behind Florida and Texas. The retirement housing market is on the verge of unprecedented and sustained growth. The U.S. Census Bureau projects that the population over age 65 will increase from 28.6 million in 1985 to 35 million by the year 2000. Many of these people have been living in the will continue to live in retirement centers.

Many retirement centers are attracting Americans between the ages of 55 and 65. This trend is expected to continue. It is most likely that because this area is tourist/recreational oriented, it will attract younger retirees, i.e., those who retire early, including military retirees who were once stationed in the Myrtle Beach area.

Since statistics show that 35-40% of persons in nursing homes could live in a retirement center, the market indeed appears favorable for a center such as the subject.

C. EMPLOYMENT FORECASTS & OVERVIEW OF ECONOMY

This discussion will offer a projection of employment and a summation of economic forecasts for the primary market area. Illustration 33 gives a categoric projection of employment by County and for the region. Consistent with other activity previously discussed, Horry County shows the most accelerated growth.

Employment projections were developed from annual employment estimates from 1970 to 1980 which were supplied by the South Carolina Employment Security commission and the South Carolina Division of Research and Statistical Services. The method used for the projection chart was "linear regression". This method assumes that the national economy will continue upward, technological change will continue to advance the economy, transportation system in the Waccamw Region will be improved, amenities associated with urban living will be available, employment & industrial location trends will parallel those of the 1970's.

The economy of the Waccamw Region has changed in the recent past from agricultural to manufacturing, trades and tourism. The present economy is continuing to diversify, bringing a better balance to the region.

Tourist populations bring major ramifications on trades and services, causing high and low sales and employment cycles in the area. However, the tourist season is lengthening with the promotion of non-water related activities.

07972

DEMOGRAPHIC CHARACTERISTICS (Cont'd.)

D. SUMMARY

The resident population in the Waccamaw Region has undergone considerable change in recent years. The population loss which occurred between 1960 and 1970, through a rather large out-migration and a notable increase in population. This new trend is expected to continue.

Although the present resident population is largely rural in character according to Bureau of the Census definitions, it is expected to become more urbanized in the future. These changes are due to the overall changes taking place in the economy, with manufacturing and distribution activities playing larger, more dominating roles in the existing economic activities.

The present annual tourist population of over 3.5 million is expected to continue to increase.

Existing resident population is not equally distributed throughout the region or even within each County. Over 56% of the population is concentrated in the eastern sections of Georgetown and Horry Counties.

The per capita income level, while lower than the state average, is increasing at a faster rate than the state's. The expectation is that these trends will continue at an accelerated rate.

67973

ILLUSTRATION #14 - REGIONAL RESIDENT POPULATION TRENDS

1940 - 1980

<u>COUNTIES</u>	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>
Georgetown	26,352	31,762	34,798	33,500	42,461
Horry	51,951	59,820	68,247	69,992	101,419
Williamsburg	41,011	43,807	40,932	34,243	38,226
Waccamaw Region	119,314	135,389	143,977	137,735	182,106
South Carolina	1,899,804	2,117,027	2,382,594	2,590,713	3,121,833

SOURCE: U.S. Department of Commerce, Bureau of the Census, Census of Population 1940, '50, '60, '70 and 1980, and Waccamaw Regional Planning & Development Council, 1983

G7974

ILLUSTRATION 15 - MIGRATION TRENDS OF WACCAMAW REGION & S.C.

Area	<u>Population Change 1970-1980</u>				<u>Components of Change 1970-1980</u>				
	1970	1980	No.	%	Births	Deaths	Increase	<u>Net Migration</u>	
								No.	%
G'town	33,500	42,461	8,961	26.7	7,624	3,305	4,319	4,642	13.9
Horry	69,992	101,419	31,427	44.9	16,663	6,999	9,664	21,763	31.1
Wm'burg	34,243	38,226	3,983	11.6	7,520	3,339	4,181	-198	-0.6
Wacc. Reg.	137,735	182,106	44,371	32.2	31,807	13,643	18,164	26,207	19.0
S. C.	2,590,713	3,121,833	531,120	20.5	497,141	238,988	258,153	272,967	10.5

SOURCE: S.C. Budget & Control Board, South Carolina Statistical Abstract, 1983, U.S. Department of Commerce, Bureau of the Census, Census of Population 1970 and 1980, and Waccamaw Regional Planning & Development Council, 1985

67975

ILLUSTRATION 16 - WHITE MIGRATION TRENDS - WACCAMAW REGION & S.C.

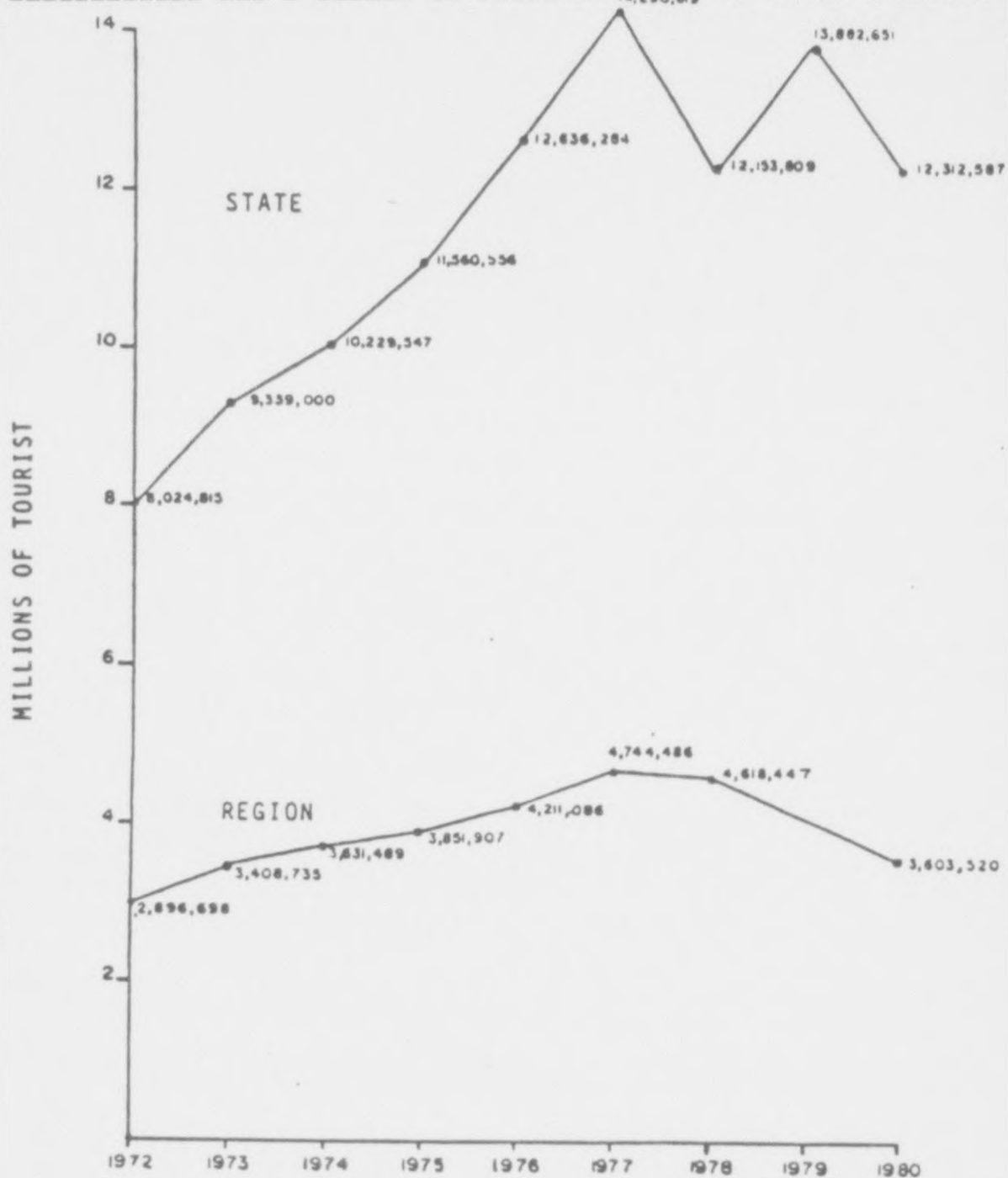
<u>Area</u>	<u>Population</u>		<u>Change 1970-1980</u>		<u>Components of Change 1970-1980</u>			<u>Net Migration</u>	
	1970	1980	No.	%	Births	Deaths	Increase	No.	%
G'town	17,258	23,332	6,074	35.2	3,223	1,677	1,546	4,528	26.2
Horry	52,471	78,185	25,714	49.0	11,120	5,352	5,768	19,946	38.0
Wm'burg	13,356	14,374	1,018	7.6	1,965	1,350	615	403	3.0
Wacc. Reg.	83,085	115,891	32,806	39.5	16,308	8,379	7,929	24,877	29.9
S. C.	1,794,430	2,147,224	352,794	19.7	300,900	156,794	144,106	208,688	11.6

ILLUSTRATION 17 - NON-WHITE MIGRATION - WACCAMAW REGION & S.C.

<u>Area</u>	<u>Population</u>		<u>Change 1970-1980</u>		<u>Components of Change 1970-1980</u>			<u>Net Migration</u>	
	1970	1980	No.	%	Births	Deaths	Increase	No.	%
G'town	16,204	19,030	2,826	17.4	4,385	1,626	2,759	67	0.4
Horry	17,398	22,443	5,045	29.0	5,372	1,596	3,776	2,269	7.3
Wm'burg	20,867	23,806	2,939	14.1	5,414	1,997	3,417	-478	-2.3
Wacc. Reg.	54,469	65,279	10,810	19.8	15,171	5,219	9,952	858	1.6
S. C.	789,041	948,623	159,582	20.2	195,900	81,702	114,198	45,384	5.8

07976

ILLUSTRATION #18 - NUMBER OF VISITORS ENTERING STATE & REGION

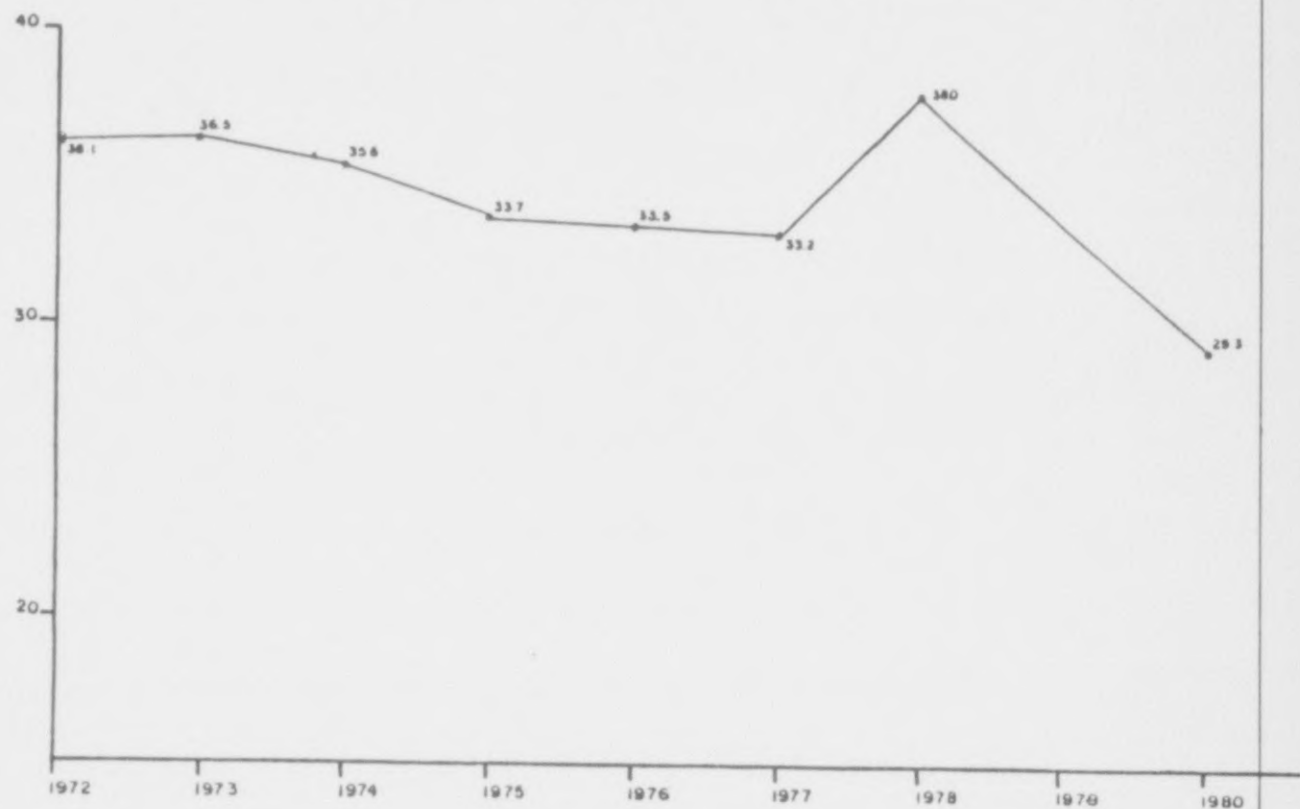


SOURCE: S.C. Department of Parks, Recreation & Tourist, 1983 and Waccamaw Regional Planning and Development Council 1983

67977

ILLUSTRATION #19

PERCENT OF VISITORS ENTERING S.C. DESTINED FOR THE GRAND STRAND



SOURCE: S.C. Division of Parks, Recreation & Tourism Travel and Tourism Data 1972-1978; S.C. Division of Research and Statistical Services; S.C. Statistical Abstract 1981; Waccamaw Regional Planning & Development Council 1983

ILLUSTRATION #20

PERCENT DISTRIBUTION OF POPULATION BY PLACE OF RESIDENCE
WACCAMAW REGION AND SOUTH CAROLINA

1960 - 1980

<u>AREA (COUNTY)</u>	<u>URBAN</u>			<u>RURAL</u>		
	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>
Georgetown	43.7	39.6	31.0	56.3	60.4	69.0
Horry	24.0	29.4	34.8	76.0	70.6	65.3
Williamsburg	9.5	10.0	11.1	90.5	90.0	88.9
Waccamaw Region	24.7	27.1	28.9	75.3	72.9	71.1
South Carolina	41.2	47.6	54.1	58.8	52.4	45.9

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Census of Population, 1960, 1970 & 1980; Waccamaw Regional Planning & Development Council, 1983.

07979

ILLUSTRATION #21

RESIDENT POPULATION TRENDS - GEORGETOWN COUNTY

Census County Divisions Municipalities	1960	1970	1980	% Change 1960-1980
Andrews Division	5,482	5,174	6,914	26.1
Andrews (Total)	2,940	2,831	3,129	6.4
Georgetown Division*	16,683	15,638	19,281	15.6
Georgetown	12,261	10,449	10,144	-17.3
Plantersville Division	3,102	2,499	2,706	-12.7
Pleasant Hill/Folly Grove Division	3,339	3,059	3,518	5.4
Sampit/Santee Division*	3,576	3,977	3,519	-1.6
Waccamaw Division	2,614	3,153	6,523	149.5
TOTALS	34,769	33,500	42,461	22.0

ILLUSTRATION #22

RESIDENT POPULATION TRENDS - HORRY COUNTY

Census County Divisions Municipalities	1960	1970	1980	% Change 1960-1980
Aynor Division	6,437	5,634	7,190	11.7
Aynor	635	536	643	1.3
Conway Division	19,386	18,665	23,868	23.1
Conway	8,563	8,151	10,240	19.6
Conway East Division	3,122	3,419	8,546	173.7
Floyds Division	4,324	3,420	3,771	-12.8
Little River Division	3,809	4,960	8,781	130.5
Atlantic Beach	N/A	215	289	N/A
Briarcliffe Acres	N/A	N/A	338	N/A
North Myrtle Beach	N/A	1,957	3,960	N/A
Longs Division	3,139	2,788	3,299	5.1
Loris Division	10,411	9,895	11,137	7.0
Loris	1,702	1,741	2,193	28.8
Myrtle Beach Division	17,619	21,211	34,827	97.7
Myrtle Beach	7,834	9,035	18,758	139.4
Surfside Beach	N/A	1,329	2,522	N/A
TOTALS	68,247	69,992	101,419	48.6

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Census of Population 1960, 1970 and 1980; Waccamaw Regional Planning & Development Council, 1983

07980

ILLUSTRATION #23

RESIDENT POPULATION TRENDS - WILLIAMSBURG COUNTY

EXHIBIT

NOV 10 1987

NO. 7

1960 - 1980

STATE BUDGET & CONTROL BOARD

Census County Divisions Municipalities	1960	1970	1980	% Change 1960-1980
Cades Division	3,590	2,703	3,126	-12.9
Greeleyville Division*	4,357	3,352	2,999	-31.2
Greeleyville	504	542	593	17.7
Hemingway Division	5,548	5,257	5,857	5.6
Hemingway	951	1,026	853	-10.3
Stuckey	199	193	222	11.6
Indian Division	2,616	2,010	2,299	-12.1
Kingstree Division*	12,744	11,648	14,093	10.6
Kingstree	3,847	3,381	4,147	7.8
Lane Division	5,227	3,657	3,624	-30.7
Lane	497	517	554	11.5
Nesmith Division	4,329	3,460	3,909	-9.7
Trio Division	2,521	2,156	2,319	-8.0
Andrews (Part)	55	48	95	N/A
TOTALS	40,932	34,243	38,226	-6.6

*In 1980 a small change was made between these Divisions.

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Census of Population 1960, 1970 and 1980; Waccamaw Regional Planning & Development Council, 1983

07981

ILLUSTRATION #24 - POPULATION BY AGE - WACCAMAW REGION

AGE GROUP	GEORGETOWN COUNTY			HORRY COUNTY			WILLIAMSBURG COUNTY		
	1960	1970	1980	1960	1970	1980	1960	1970	1980
UNDER 5	4,904	3,280	3,894	9,091	6,343	8,349	5,884	3,548	3,581
5-9	5,097	3,840	3,923	8,606	7,513	7,918	5,977	3,975	3,710
10-14	4,832	4,583	4,062	8,233	7,974	8,327	6,062	4,733	3,887
15-19	3,490	3,977	4,174	6,327	7,510	9,697	4,433	4,242	3,935
20-24	1,851	2,312	3,651	5,304	5,725	10,038	2,136	2,426	3,226
25-29	1,771	1,762	3,568	4,739	4,395	8,989	1,966	1,720	3,092
30-34	1,924	1,666	3,135	4,344	4,131	7,796	2,062	1,489	2,674
35-39	2,148	1,654	2,428	4,374	4,204	5,929	2,301	1,540	1,941
40-44	1,989	1,766	1,925	3,844	4,005	5,442	2,112	1,800	1,551
45-49	1,770	1,889	1,876	3,503	3,887	5,152	1,920	1,828	1,631
50-54	1,325	1,732	1,913	2,636	3,500	4,894	1,448	1,675	1,780
55-59	993	1,511	2,152	2,106	3,204	4,933	1,327	1,455	1,829
60-64	799	1,212	1,889	1,772	2,603	4,560	1,052	1,188	1,715
65-69	764	888	1,635	1,451	2,038	3,938	953	1,072	1,474
70-74	578	664	1,094	923	1,370	2,552	653	739	971
75+	563	764	1,142	994	1,590	2,905	646	813	1,229
TOTAL	34,798	33,500	42,461	68,247	69,992	101,419	40,932	34,243	38,226
% Under 5	14.1	9.8	9.1	13.3	9.1	8.2	14.4	10.4	9.4
% 5-19	38.6	37.0	28.6	34.0	32.9	25.6	40.1	37.8	30.2
% 20-34	15.9	17.1	24.4	21.1	20.3	26.4	15.1	16.5	23.5
% 35-64	25.9	28.2	28.7	26.7	30.6	30.5	24.8	27.7	27.3
% 65 & OVER	5.5	6.9	9.1	4.9	7.1	9.3	5.5	7.6	9.6

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Census of Population, General Population Characteristics, 1960-1980; Waccamaw Regional Planning & Development Council, 1983

07982

TABLE #25 - MALE-FEMALE POPULATION - WACCAMAW REGION
AND SOUTH CAROLINA - 1980

AREA (COUNTY)	MALE		FEMALE		TOTAL
	NUMBER	PERCENT	NUMBER	PERCENT	
GEORGETOWN	20,527	48.3	21,934	51.7	42,461
HORRY	49,382	48.7	52,037	51.3	101,419
WILLIAMSBURG	18,096	47.3	20,130	52.7	38,226
WACCAMAW REGION	88,005	48.3	94,101	51.7	182,106
SOUTH CAROLINA	1,518,013	48.6	1,603,807	51.4	3,121,820

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, General Population Characteristics, 1980; Waccamaw Regional Planning & Development Council, 1983

07983

ILLUSTRATION #26

PERCENT OF POPULATION BY RACE - WACCAMAW REGION & S.C.

1960, 1970 AND 1980

AREA (COUNTY)	TOTAL	YEAR	WHITE		NON-WHITE	
			NUMBER	PERCENT	NUMBER	PERCENT
GEORGETOWN	34,798	1960	16,652	47.9	18,146	52.1
	33,500	1970	17,258	51.5	16,242	48.5
	42,461	1980	23,332	54.9	19,129	45.1
HORRY	68,247	1960	50,005	73.3	18,242	26.7
	69,992	1970	52,471	75.0	17,521	25.0
	101,419	1980	78,185	77.1	23,234	22.9
WILLIAMSBURG	40,932	1960	13,716	33.5	27,216	66.5
	34,243	1970	13,356	39.0	20,887	61.0
	38,226	1980	14,372	37.6	23,852	62.4
WACCAMAW REGION	143,977	1960	80,373	55.8	63,604	44.2
	137,735	1970	83,085	60.3	54,650	39.7
	182,106	1980	115,891	63.6	66,215	36.4
SOUTH CAROLINA	2,382,594	1960	1,550,632	65.1	831,962	34.9
	2,590,516	1970	1,794,430	69.3	796,086	30.7
	3,121,820	1980	2,147,224	68.8	974,596	31.2

SOURCE: U.S. Dept. of Commerce, Bureau of the Census, Census of Population, 1960, 1970 and 1980; Waccamaw Regional Planning & Development Council, 1983

07984

ILLUSTRATION 27 - EDUCATIONAL LEVEL OF PERSONS
25 YEARS AND OLDER - WACCAMAW REGION & SOUTH CAROLINA

<u>AREA (COUNTY)</u>	<u>Total Persons</u> <u>25 Years & Older</u>	<u>4 Years of</u> <u>High School</u> <u>(Percent)</u>	<u>4 Years of</u> <u>College</u> <u>(Percent)</u>
Georgetown	22,757	6,132 (26.9%)	2,529 (11.1%)
Horry	57,090	17,256 (30.2%)	7,143 (12.5%)
Williamsburg	19,887	5,268 (26.5%)	1,748 (8.8%)
Waccamaw Region	99,737	28,656 (28.7%)	11,420 (11.4%)
South Carolina	1,733,022	468,796 (27.1%)	232,629 (13.4%)

SOURCE: U.S. Dept of Commerce, Bureau of the Census, Census of Population Summary Tape File 3A (STF 3A) 1980; and Waccamaw Regional Planning and Development Council 1983

ILLUSTRATION #28 - PER CAPITA INCOME - WACCAMAW REGION, S.C.,
SOUTHEAST AND THE UNITED STATES

<u>AREA (County)</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>Dollar</u> <u>Change</u> <u>1970-1980</u>	<u>Percent</u> <u>Change</u> <u>1970-1980</u>
Georgetown	\$2,358	\$4,136	\$6,430	\$ 8,672	\$4,072	172.7
Horry	\$2,808	\$4,752	\$6,893	\$10,010	\$4,085	145.5
Williamsburg	\$1,950	\$3,554	\$4,820	\$ 6,846	\$2,870	147.2
South Carolina	\$2,990	\$4,618	\$7,268	\$10,111	\$4,278	143.1
Southeast	\$3,257	\$4,964	\$8,111	\$11,168	\$4,854	149.0
United States	\$3,966	\$5,845	\$9,521	\$12,772	\$5,555	140.1

SOURCE: S.C. Div. of Research & Statistical Services, South Carolina Statistical Abstract, 1977, 1981, 1984 and 1986; Waccamaw Regional Planning & Development Council 1987

07985

ILLUSTRATION #29 - MEDIAN FAMILY INCOME - WACCAMAW REGION & S.C.

<u>Area (County)</u>	<u>1970</u>	<u>1980</u>	<u>\$ Change</u>	<u>% Change</u>
Georgetown	\$6,357	\$16,542	\$10,185	160.2
Horry	\$6,101	\$15,249	\$ 9,148	149.9
Williamsburg	\$4,870	\$13,383	\$ 8,513	174.8
South Carolina	\$7,621	\$17,016	\$9,395	123.3

SOURCE: U.S. Dept of Commerce, Bureau of the Census, Census of Population, Summary Tape File 3A (STF 3A) 1980; and Waccamaw Regional Planning & Development Council, 1983

07986

ILLUSTRATION #30 - RESIDENT POPULATION PROJECTIONS - REGIONAL

<u>Area (County)</u>	<u>1980</u>	<u>Percent of Region</u>	<u>1990</u>	<u>Percent of Region</u>	<u>2000</u>	<u>Percent of Region</u>	<u>2010</u>	<u>Percent of Region</u>
Georgetown	42,461	23.3	53,100	21.1	65,100	19.3	79,111	17.6
Horry	101,419	55.7	156,800	62.3	225,800	67.1	319,400	71.2
Williamsburg	38,226	21.0	41,600	16.5	45,700	13.6	50,100	11.2
Region	182,106		251,500		336,600		448,611	

SOURCE: U.S. Dept of Commerce, Bureau of the Census, Census of Population, 1980; S.C. Division of Research & Statistical Services; and Waccamaw Regional Planning and Development Council, 1987.

ILLUSTRATION #31 - RESIDENT POPULATION PROJECTIONS-HORRY COUNTY

<u>CENSUS COUNTY DIVISION</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2010</u>
Aynor	7,999	9,576	10,851	12,671	14,380	16,928
Conway	27,349	34,496	39,879	46,515	53,815	63,880
Conway East	15,175	20,227	24,381	29,128	34,464	43,203
Floyds	4,054	4,717	5,181	5,896	6,427	7,346
Little River	11,836	14,112	17,955	22,580	26,510	31,940
Longs	3,404	3,776	4,147	4,542	5,302	6,068
Loris	12,240	14,366	16,421	18,541	21,873	25,232
Myrtle Beach	44,943	55,530	70,185	85,927	102,329	124,803
<u>COUNTY TOTALS</u>	<u>127,000</u>	<u>156,800</u>	<u>189,000</u>	<u>225,800</u>	<u>265,100</u>	<u>319,400</u>

SOURCE: S.C. State Budget & Control Board, Div. of Research and Statistical Services, Population Projections for South Carolina by County, 1985-2010, July 1, 1986; and Waccamaw Regional Planning & Development Council, 1986.

07987

ILLUSTRATION #32

TOURIST AND PEAK DAY POPULATION PROJECTIONS - GRAND STRAND

	1982	1987	1992	1997
Overnight Transients	264,270	312,166	330,498	335,243
Day Visitors	38,600	44,726	51,825	60,000
Residents	52,000	70,000	89,000	103,175
Peak Day	354,870	426,892	471,323	498,418

SOURCE: Grand Strand Water and Sewer Authority, Grand Strand EIS 1977

07988

ILLUSTRATION #33

EMPLOYMENT FORECASTS - WACCAMAW REGION

	1985	1990	1995	2000
GEORGETOWN				
Manufacturing	5,025	5,043	5,061	5,079
Construction	932	1,147	1,362	1,576
Transportation & Utilities	441	502	563	624
Wholesale & Retail Trade	3,085	3,682	4,279	4,876
Finance, Insurance & Real Estate	572	695	819	942
Services and Miscellaneous	2,554	3,010	3,466	3,922
Government	2,953	3,548	4,143	4,738
COUNTY TOTALS	15,562	17,627	19,693	21,757
HORRY COUNTY				
Manufacturing	9,633	11,653	12,672	15,692
Construction	2,770	3,109	3,448	3,786
Transportation & Utilities	2,049	2,585	3,120	3,656
Wholesale & Retail Trade	14,588	17,948	21,308	24,668
Finance, Insurance & Real Estate	2,026	2,474	2,921	3,369
Services and Miscellaneous	7,707	8,796	9,885	10,974
Government	7,557	9,041	10,525	12,009
COUNTY TOTALS	46,330	55,606	64,879	74,154
WILLIAMSBURG COUNTY				
Manufacturing	4,327	5,217	6,108	6,997
Construction	172	149	127	104
Transportation & Utilities	773	898	1,023	1,148
Wholesale & Retail Trade	2,061	2,373	2,684	2,996
Finance, Insurance, & Real Estate	268	296	325	353
Services and Miscellaneous	1,207	1,484	1,761	2,038
Government	2,278	2,502	2,725	2,949
COUNTY TOTALS	11,086	12,919	14,753	16,585
WACCAMAW REGION				
Manufacturing	18,985	21,913	24,841	27,768
Construction	3,874	4,405	4,937	5,466
Transportation & Utilities	3,263	3,985	4,706	5,428
Wholesale & Retail Trade	19,734	24,003	28,271	32,540
Finance, Insurance & Real Estate	2,866	3,465	4,065	4,664
Services and Miscellaneous	11,468	13,290	15,112	16,934
Government	12,788	15,091	17,393	19,696
REGIONAL TOTALS	72,978	86,152	99,325	112,496

SOURCE: Waccamaw Regional Planning & Development Council, 1983.
Projection based on annual employment from 1970-1980
projected by Linear Regression for each employment
sector in each County.

SUPPLY AND DEMAND

It is vital to evaluate area supply and demand for units similar to the proposed subject project. Garden City Retirement Center is projected to be a 402 unit rental retirement facility, with a unique activity-oriented self-care lifestyle for the well elderly and retiree tenants.

It has been noted that this Center is unique to the Myrtle Beach, Grand Strand and Waccamaw Region, which is the primary market area. Relatively few rental apartment complexes of any type exist in this area. We have chosen four area projects to portray a well rounded cross section of the units competing directly and indirectly with the project.

We will discuss two projects, Quail Marsh and Willow Run, that are rental apartment unit projects. These are not in direct competition with the subject because they are not retirement oriented complexes. People of all ages and backgrounds rent these units, and meet the description presented in the Project Description, Lease-up section of the young, mobile group of tenants. Information on these two projects serves to present local rentals of typical conventional units.

Covenant Towers is a horizontal property regime (condominium). There are no rental units at all in the project. However, we are highlighting the project because it is a retirement community. Since it has a central support center/activity center, it is somewhat similar in concept to the subject, even though all units are owned, not rented.

Myrtle Beach Manor, which is approximately 15 miles north of the proposed subject, is the only retirement community that could be termed as being in direct competition with the subject. Most detail is given to the data regarding this project and should be given most perusal in studying supply & demand for a retirement community.

CONCLUSION: After reading the information to follow regarding the above-mentioned communities, the following conclusions can be drawn: Myrtle Beach Manor is the only project in direct competition with the subject. It utilizes a somewhat similar concept for the retiree. However, units are much smaller than the units proposed by the Developer for Garden City Retirement Center and the Myrtle Beach Manor does not have the same high level of market appeal as the new project would have.

Because Myrtle Beach Manor is the only directly competing project and it currently has a waiting list, and for the reasons stated above, it can be safely concluded that from a supply & demand standpoint, the subject proposed project is indeed feasible.

67990

SUPPLY AND DEMAND (Cont'd.)

QUAIL MARSH APARTMENTS

The Quail Marsh Apartments are located off 21st Avenue North in Myrtle Beach near Highway 17 Bypass. It is approximately 8 miles north of the subject. Quail Marsh is built on a 10 acre site.

There are 192 units in 24 buildings. All units are two bedroom, 2 bath apartments with 858 S.F.

Amenities include swimming pools and tennis courts.

Rent for a standard unit is \$385. per month. Washer and dryer add \$15. per month. A furnished unit may be rented for \$450. Leases are one year terms.

Vacancy rate is 5% annual average (0% vacancy in the summer and +-6-7% in the off-season). During summer season, a vacant unit will usually rent again within 7-10 days. In winter, it will take 30-40 days to fill a vacancy.

CONCLUSIONS: This is one of the projects not in direct competition with the subject. However, it provides data to help establish the typical rental unit in this area.

SUPPLY AND DEMAND (Cont'd.)

WILLOW RUN

These apartments are located off 21st Avenue North in Myrtle Beach between Highway 17 Business and Highway 17 Bypass. The site for the project is approximately 14 acres. It is about 8 miles north of the subject.

There are 160 units in 40 buildings. Amenities include pool and tennis. The following is the schedule of unit layout and size, along with the total number of each type unit and the monthly rent.

2 Bedroom, 1 Bath Unit, 1010 S.F. - \$360./mo	(64 units)
2 Bedroom, 2 Bath Unit, 1095 S.F. - \$380./mo	(32 units)
3 Bedroom, 2 Bath Unit, 1188 S.F. - \$395./mo	(32 units)
3 Bedroom, 2 Bath Unit, 1253 S.F. - \$415./mo	(32 units)

All rents are unfurnished units. Water, sewer, trash pickup and basic cable TV are included. There is an on-site laundry room. Leases are for a one year term.

Vacancy rates are 0% in the summer and between 10-20% in the fall and winter months.

Property Manager reports that the larger units (3 BR, 2 Ba) fill first. These large units rarely stay vacant for longer than 30 days, even during winter months. Because of the large number of the smallest units (64), these units may remain vacant the entire winter season. However, historically, by May, all units are leased and leases are for a one year term.

CONCLUSIONS. This project is very similar to Quail Marsh and provides the reader with an idea of the market rental for conventional apartments.

67992

SUPPLY AND DEMAND (Cont'd.)

COVENANT TOWERS

This retirement community is located near 48th Avenue North on Little River Road in Myrtle Beach, just outside the City Limits. It is approximately 10 miles north of the subject. The community is built on a 9 acre site. There are two residential "towers" and a support center with personal care units, a dining room, kitchen and amenities.

There are 159 units in the two towers. This is the range of sizes and layouts available:

Efficiency Unit - 460 S.F.
One Bedroom, One Bath Unit - 700 S.F.
Two Bedroom, Two Bath Unit - 880 S.F.
Two Bedroom, Two Bath Unit - 1010 S.F.

As stated in the introduction, these are condominium units for sale only.

CONCLUSIONS. Covenant Towers is also not in direct competition with the subject but is mentioned because it is a retirement community, somewhat similar in concept to Garden City Retirement Center. The two larger units available are competitive in size with those available at the subject.

07993

SUPPLY AND DEMAND (Cont'd.)

MYRTLE BEACH MANOR

Myrtle Beach Manor is located north of the City of Myrtle Beach on a 6 acre site fronting the Intracoastal Waterway and Highway 17. It is about 15 miles north of the subject. It offers three types of rental housing (although we will only discuss the second type, since it is most similar to the subject).

There are 1) Apartments (60 units) - independent living facilities only - no central support/amenities, 2) Residential units providing protective care (30 units) - these are most similar to the units proposed at the Retirement Center, and 3) Skilled nursing facility (49 beds).

There are six room styles. Only the three larger styles would be somewhat similar to the subject's styles of apartments. Size of the rooms/units were not made available to this office, but it is apparent from sketches on file that all units are quite small. The following is the rent schedule:

Single room with bath:	\$1,030.
Single room w/bath and kitchenette:	1,060.
Efficiency w/bath and kitchenette:	1,110.
Two Room suite with bath:	1,220. (double-\$1,570.)
Two Room suite w/bath and kitchenette:	1,350. (double-\$1,780.)
Three Rooms 2 BR and kitchen:	-- (double-\$2,000.)

Rents include all meals in the dining room, daily maid service, linens & housekeeping supplies, social activity program, utilities except telephone, emergency nursing services & care as required and transportation as needed.

Average occupancy rate is 86-92%. Currently, all units are filled and there is a waiting list of ten persons.

CONCLUSION. Myrtle Beach Manor is the only retirement community project in the area in direct competition with the subject. However, the concept is not as marketable to the well elderly, active retiree as is the Garden City Retirement Center. The units are much smaller than the subject according to information available to this office with prices that are higher than the Retirement Center's fee schedule.

07994

SUMMARY AND CONCLUSION

The potential market for the proposed retirement center is viable and growing at a rapid rate. The potential market for a resort area such as the Grand Strand encompasses the Atlantic Coast and Midwestern regions of the United States.

The primary market area has only 30+ existing rental retirement care units very similar to the subject with a very limited number planned, not including the proposed project.

The penetration rate for those units which will be absorbed by persons in the primary market area, assuming 100% occupancy, will be estimated at 2%. This gross test indicates a market of approximately 340+ persons in the 65 or older age group (based on 1980 population survey). Based on data indicators, this gross market indicator should increase by some 30% by 1990, or to 442+ persons.

The penetration rate for those units which could be absorbed by persons in the secondary market is difficult to gage but some 5,745+ persons in the 65 or older age group are an available market based on 2% of the total in South Carolina alone (based on 1980 total population statistics).

The following tests of feasibility and credibility are examined and found to be acceptable for the subject project:

1) The newly constructed year round rental units in the primary market area are experiencing acceptable absorption rates.

2) A market estimate of the Project's demand will result in the projected absorption of 126 units during the 18 month construction of Phase I and pre-leasing period or of approximately 7 units monthly. Upon commencement of occupancy, the remaining 142 units are expected to begin absorption at approximately 10 units monthly, requiring just over 14 months for total absorption after being made available for occupancy.

3) It is estimated that over 9.1% (an increase from 5.5% in 1960) of the 1980 total population is over 65 years old, as compared to 10.2% for South Carolina and 8.5% for the United States.

4) The economic indicators in the total area suggest a strong economy with median incomes increasing approximately 160% from 1970 to 1980, providing a continually increasing number of qualified household heads in the primary market area.

67995

EXHIBIT

NOV 10 1987

NO. 7

SUMMARY AND CONCLUSIONS (Cont'd.)

STATE BUDGET & CONTROL BOARD

5) The project will be affordable to a larger segment of the elderly population than the proposed lifecare facilities competing with the project, in that it will not charge high entrance fees.

6) The project's overall design, amenities, services, unit types, recreational and social activities will create a desirable residential environment for prospective tenants, and is competitive with proposed congregate care facilities.

7) Monthly fee plans and eligibility requirements are consistent with industry norms for a congregate care facility, and are comparable to fee plans currently charged at many similar facilities.

8) The site is well located in terms of access to major highways and proximity to services, shopping and recreational activities customarily desired by elderly persons.

9) The Development Team and contractor have a successful record, respectively, as developers of elderly residential communities and as designers and builders of elderly residential communities.

10) The marketing agent/Management Company has extensive experience and a successful track record in leasing and operations of similar residential communities.

I believe that, when all factors are considered, the project known as Garden City Retirement Center in Horry County, South Carolina, is feasible. Population growth, the generally positive economic climate, nature of the population composition, immigration indicators, the location and nature of the community are primary factors supporting this conclusion.



C. J. FUSE, SRA
GRAND STRAND APPRAISERS, INC.

OCTOBER 20, 1987

DATE SIGNED

07996

EXHIBIT

NOV 10 1987

NO. 8

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION
ITEM NUMBER

6

AGENCY: General Services

SUBJECT: Real Property Transactions

The Division of General Services recommends approval of the following real property transactions:

- (a) Piedmont Technical College: purchase 2 acres and a 6,250 square foot building located adjacent to Piedmont TEC land for \$90,000. The property will be used as a site of a new construction management facility. The property has an appraised value of \$100,000. The project is part of the 1987-88 APIP; local funds will be used.
- (b) Employment Security Commission: purchase a 2-acre parcel on Wilson Street Extension in Chester for \$38,500 (project #9292). This purchase will allow the Commission to move from leased space and will relieve severely overcrowded conditions. The parcel has been appraised at \$44,000 and \$37,000; Property Management values the parcel at \$40,000. The source of funding is capital improvement bonds, federal and other funds.

BOARD ACTION REQUESTED:

Approve the following real property transactions:

- (a) Piedmont Technical College: purchase 2 acres and a 6,250 square foot building located adjacent to Piedmont TEC land for \$90,000; and
- (b) Employment Security Commission: purchase a 2-acre parcel on Wilson Street Extension in Chester for \$38,500 (project #9292).

ATTACHMENTS:

Agenda item worksheets; attachments

07997

EXHIBIT

NOV 10 1987

NO. 8

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84)

STATE BUDGET & CONTROL BOARD

Meeting Scheduled for: November 10, 1987

Regular Agenda

1. Submitted By:

(a) Agency: Division of General Services

(b) Authorized Official Signature: Richard W. Kelly

2. Subject:

Piedmont Technical College Land Acquisition - Greenwood County

3. Summary Background Information:

Piedmont Technical College desires to purchase 2 acres and a 6250 square feet building located adjacent to Piedmont TEC land. This property is to become the site of a new construction management facility. This facility is planned to become part of an Engineering Technology Complex designed to centralize the college's advance technology programs. This area will centralize programs in Robotics, Automated Manufacturing and Computer Assisted Drafting. The purchase price of the property is to be \$90,000. The property has an appraised value of \$100,000. This project is part of the 87-88 APIP; source of funding is local.

4. What is Board asked to do?

Approve the purchase of 2 acres and a 6250 square foot building by Piedmont Technical College for \$90,000.

5. What is recommendation of Board Division involved?

Approve

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: Division of General Services

7. Supporting Documents:

(a) List Those Attached:

1. Map of Property
2. Appraisal

(b) List Those Not Attached But Available From Submitter:

07998

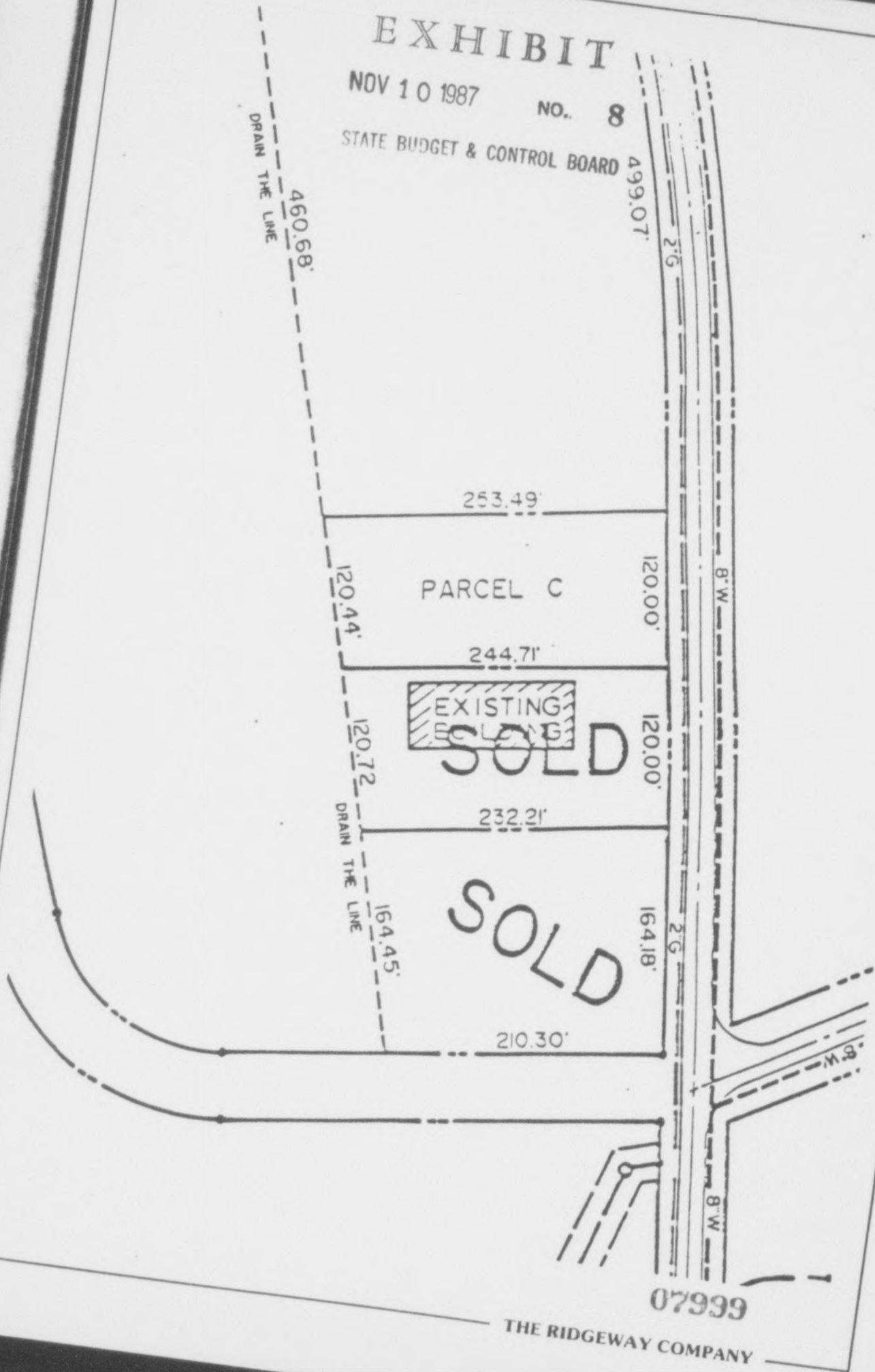
(a)

EXHIBIT

NOV 10 1987

NO. 8

STATE BUDGET & CONTROL BOARD



THE RIDGEWAY COMPANY

THE RIDGEWAY COMPANY

Box 3049
Greenwood, South Carolina 29648

Unit 4 Village Square
Telephone (803) 229-6972

EXHIBIT

NOV 10 1987 NO. 8

STATE BUDGET & CONTROL BOARD

October 26, 1987

Dr. John Morgan
Planning and Development Section
Piedmont Technical College
Post Office Drawer 1467
Greenwood, S. C. 29648

Re: Warehouse building and three lots on Kateway in Greenwood, S. C.

Dear Dr. Morgan:

Pursuant to your request and in conjunction with my person inspection of the above referenced property, I have prepared an appraisal report contained here-with showing my analyses and conclusions, with a final estimate of value shown. These analyses are hereby made a part of this letter of transmittal, and no part of the report is to be used in any manner separate of the remainder.

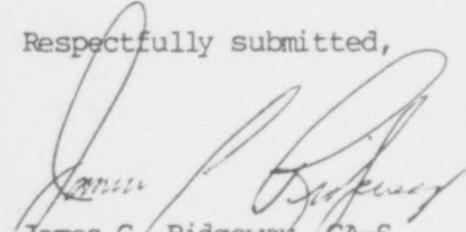
Based on my analyses and conclusions, it is my considered opinion that the market value of the subject property as of October 22, 1987, taking into the consideration the building as purchased from Frances Robinson, is:

ONE HUNDRED THOUSAND AND 00/100-----DOLLARS.

(\$100,000.00)

of which amount \$60,850.00 is allotted to land value.

Respectfully submitted,


James C. Ridgeway, CA-S
Appraiser

08000

EXHIBIT

NOV 10 1987

NO. 8

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84)

STATE BUDGET & CONTROL BOARD

Meeting Scheduled for: November 10, 1987

Regular Agenda

1. Submitted By:
(a) Agency: Division of General Services
(b) Authorized Official Signature: Richard P. Kelly
2. Subject:
Employment Security Commission Land Acquisition in Chester, SC
3. Summary Background Information:
The Employment Security Commission desires to purchase a 2 acre parcel on Wilson Street Extension in Chester, SC, to be the site for a new office building. The purchase of this property and subsequent construction will allow Employment Security Commission to house its operations in a state-owned building rather than in leased space. It will also relieve the severely overcrowded conditions in its present offices. The parcel ESC desires to purchase was appraised at \$44,000 and \$37,000 by two appraisals. Property Management staff feels the property is worth \$40,000. The owner is willing to sell for \$38,500 and has entered into a contract with ESC for that amount. The contract is contingent on Budget and Control Board approval. This is permanent improvement project #9292. Source of funding is Capital Improvement Bonds, Federal and other.
4. What is Board asked to do?
Approve Employment Security Commission's purchase of 2 acres in Chester for \$38,500.
5. What is recommendation of Board Division involved?
Approve
6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____
(b) Division/Agency Name: Division of General Services
7. Supporting Documents:
(a) List Those Attached:
 1. Map of property
 2. Appraisals
(b) List Those Not Attached But Available From Submitter: 08001

(b)

EXHIBIT

NOV 10 1987

NO. 8

STATE BUDGET & CONTROL BOARD

August 6, 1987

Southern Realty, Inc.
Joseph L. Huckabee, Jr.
1688 Ebenezer Road
Rock Hill, South Carolina 29730

South Carolina Employment
Security Commission
Mrs. Adeliene Culclasure
P.O. Drawer 520
Chester, South Carolina 29706

Dear Mrs. Culclasure:

As requested, I have completed an appraisal on property currently owned by Consolidated Engravers, Corp. which is further described within this report. I estimate the current market value to be \$37,000. ✓

If I can be of service to explain the report or any part of the report, please do not hesitate to call.

Sincerely,

Joseph L. Huckabee, jr.
Broker

08002

EXHIBIT

NOV 10 1987

NO. 8

STATE BUDGET & CONTROL BOARD

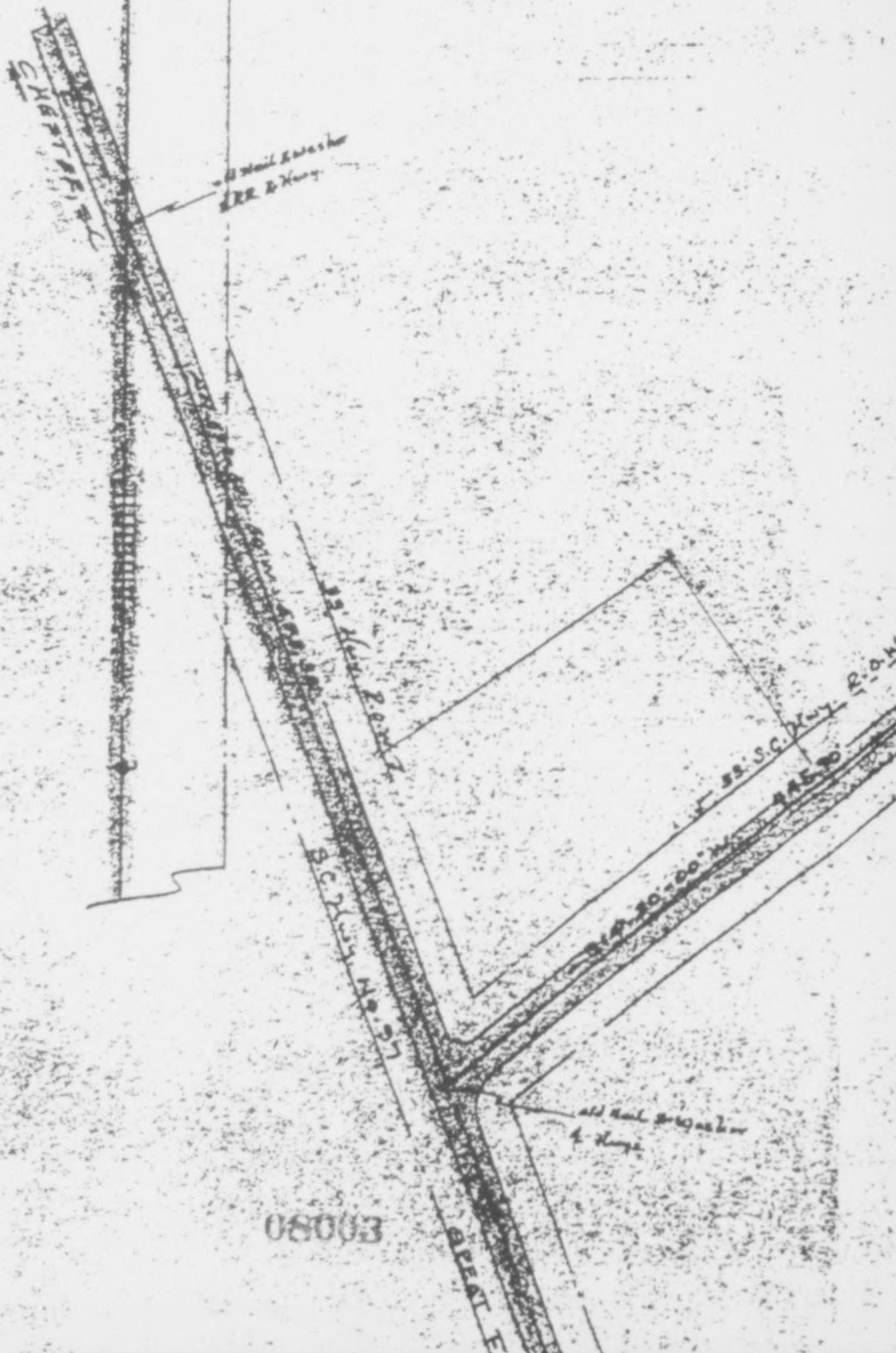
Total Area =

Railroad R.O.W. = 1.74 ± Ac

Highway R.O.W. = 1.11 ± Ac

Total Area in R.O.W.'s =

Net Usable Area =



EXHIBIT

NOV 10 1987

NO. 8

STATE BUDGET & CONTROL BOARD

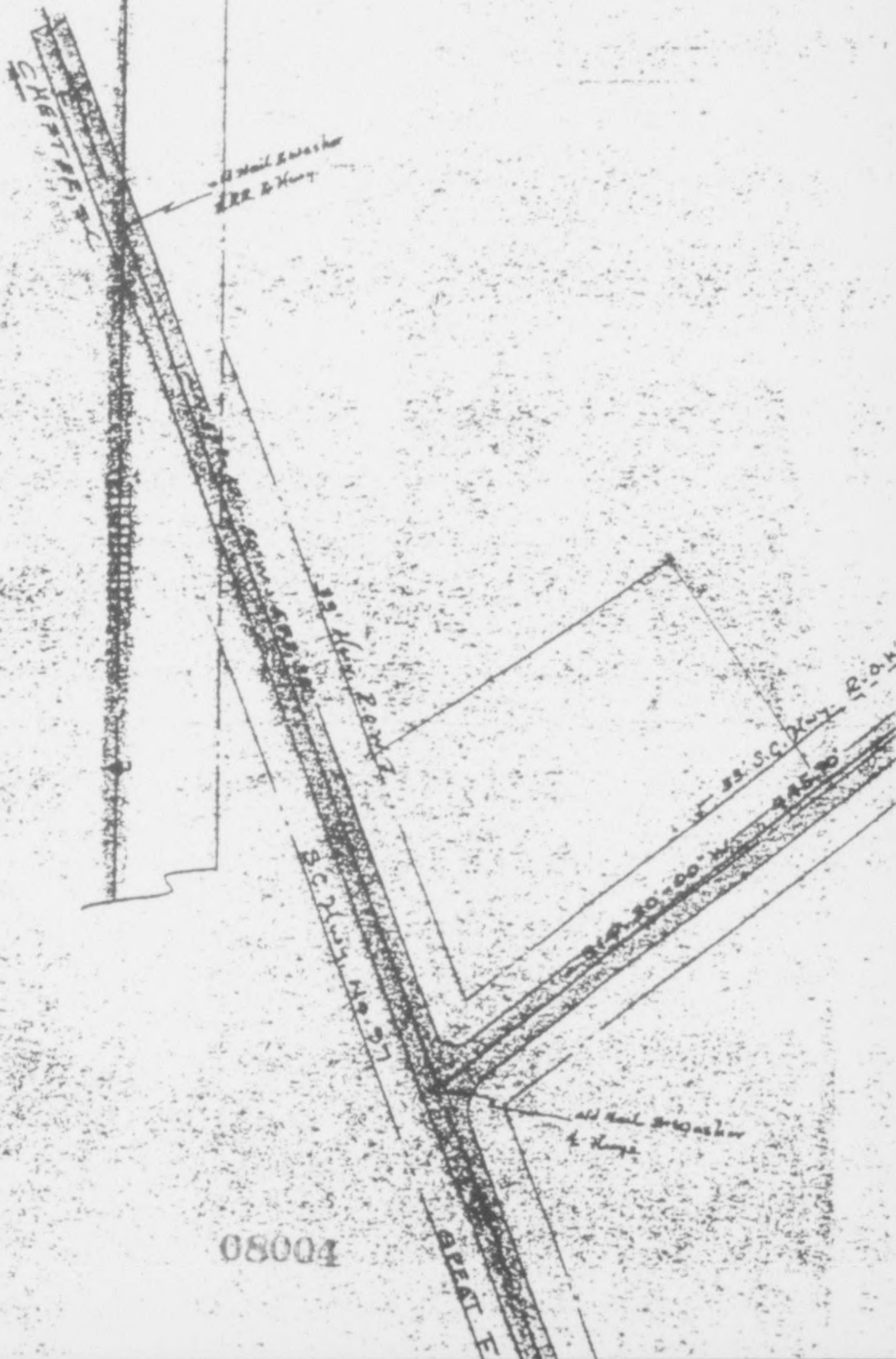
Total Area =

Railroad R.O.W. = 1.74 ± Ac

Highway R.O.W. = 1.11 ± Ac

Total Area in R.O.W.'s

Net Usable Area =



08004

STATE E

EXHIBIT

NOV 10 1987

NO.

STATE BUDGET & CONTROL

EXHIBIT

8

NO.

NOV 10 1987

STATE BUDGET & CONTROL BOARD

LAND APPRAISAL REPORT

IDENTIFICATION	Borrower	South Carolina Employment Service		Census Tract	Map Reference		80-3-3-1		
	Property Address	Hwy 97 & Wilson Street							
	City	Chester	County	Chester	State	SC	Zip Code	29706	
	Legal Description	See Attached							
NEIGHBORHOOD	Sale Price	\$ n/a	Date of Sale	n/a	Loan Term	n/a	yrs	Property Rights Appraised	<input checked="" type="checkbox"/> Fee <input type="checkbox"/> Leasehold <input type="checkbox"/> De Minimis PUD
	Actual Real Estate Taxes	\$ n/a	(yr)	Loan charges to be paid by seller	\$ 0	Other sales concessions			0
	Lender/Client	Jobs Services		Address					
	Occupant	Vacant		Appraiser	Langston	Instructions to Appraiser			Estimate Market Value
NEIGHBORHOOD	Location	<input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural							
	Built Up	<input type="checkbox"/> Over 75% <input checked="" type="checkbox"/> 25% to 75% <input type="checkbox"/> Under 25%							
	Growth Rate	<input type="checkbox"/> Fully Dev <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Steady <input type="checkbox"/> Slow							
	Property Values	<input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining							
	Demand/Supply	<input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply							
	Marketing Time	<input type="checkbox"/> Under 3 Mos <input checked="" type="checkbox"/> 4-6 Mos <input type="checkbox"/> Over 6 Mos							
	Present Land Use	10% 1 Family 30% Industrial 30% Vacant	% 2-4 Family	% Apts	% Condo	30% Commercial			
	Change in Present Land Use	<input type="checkbox"/> Not Likely <input type="checkbox"/> Likely (-) <input checked="" type="checkbox"/> Taking Place (-)							
	Predominant Occupancy	(+) From Residential To Commercial							
	Single Family Price Range	\$ 40,000 to \$ 100,000		Predominant Value	\$ 55,000				
Single Family Age	20 yrs to 60 yrs		Predominant Age	40 yrs					
SITE	Comments including those factors favorable or unfavorable affecting marketability (e.g. public parks, schools, view, noise): Subject is located at the corner of Wilson St. & Hwy 97 approximately 1 mile S. of Chester. Area is predominantly commercial with some residential mixed and is convenient to schools and recreation.								
	Dimensions	See attached		± 2 acres		Sq Ft or Acres	<input checked="" type="checkbox"/> Corner Lot		
	Zoning classification	No county zoning		Present improvements		<input checked="" type="checkbox"/> do <input type="checkbox"/> do not conform to zoning regulations			
	Highest and best use	<input checked="" type="checkbox"/> Present use <input type="checkbox"/> Other (specify)							
	Public	Other (Describe)		OFF SITE IMPROVEMENTS					
	Elec	<input checked="" type="checkbox"/>		Street Access <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private					
	Gas	<input checked="" type="checkbox"/>		Surface <input checked="" type="checkbox"/> asphalt					
	Water	<input checked="" type="checkbox"/>		Maintenance <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private					
	San Sewer	<input checked="" type="checkbox"/>		<input type="checkbox"/> Storm Sewer <input type="checkbox"/> Curb/Gutter					
		<input type="checkbox"/> Underground Elect & Tel		<input type="checkbox"/> Sidewalk <input type="checkbox"/> Street Lights					
MARKET DATA ANALYSIS	Comments (favorable or unfavorable including any apparent adverse easements, encroachments or other adverse conditions): Gently rolling. No adverse conditions noted. SC Highway Dept. has a 33' right of way easement and along roads.								
	The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to, or more favorable than, the subject property, a minus (-) adjustment is made, thus reducing the indicated value of subject. If a significant item in the comparable is inferior to, or less favorable than, the subject property, a plus (+) adjustment is made, thus increasing the indicated value of the subject.								
	ITEM	Subject Property	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3				
	Address	Hwy 97 & Wilson Chester	Wilson St. Ext. Chester	Hwy 9 East Chester	I-77 & Hwy 9 Chester				
	Proximity to Subj		same street	1 mile N	8 miles E				
	Sales Price	\$ n/a	\$ 59,000	\$ 33,000	\$ 46,464				
	Price per acre	\$ n/a	\$ 20,000	\$ 54,098	\$ 22,000				
	Data Source	inspection	courthouse		courthouse				
	Date of Sale and Time Adjustment	n/a	9/86	4/86	1/85				
	Location	Hwy/Commercial	equal	Hwy/Comm/Sup - 55000	equal				
Site/View	Commercial	equal		equal					
	± 2 acres	2.95 acres - 19000	.61 acre + 75196	2.11 acres + 18480					
Sales or Financing Concessions									
Net Adj. (Total)		<input type="checkbox"/> Plus <input checked="" type="checkbox"/> Minus \$ 19,000	<input type="checkbox"/> Plus <input checked="" type="checkbox"/> Minus \$ 20,196	<input type="checkbox"/> Plus <input checked="" type="checkbox"/> Minus \$ 18,480					
Indicated Value of Subject		\$ 40,000	\$ 53,196	\$ 64,944					
RECONCILIATION	Comments on Market Data: Comparable # 1 is most recent sale and is closest in proximity to subject. This sale bears most weight. Comparable # 2 was sold to Winn Dixie for a shopping center on a higher traffic corner- adjusted for traffic. Comparable # 3 was sold for a motel site.								
	Comments and Conditions of Appraisal: Normal Limiting Conditions								
	Final Reconciliation: Subject has frontage on 2 streets making it more accessible-therfore increasing value over interior lots. Estimated value of \$22,000 per acre.								
	ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF 7/22/87 to be \$ 44,000								
	Appraiser:	Robert Langston	08005	Did Not Physically Inspect Property				XX	
FW-66 10 ch Rev 12-82 © 1984 Forms and Worms Inc. 315 Whitney Ave. New Haven, Ct. 06511 All Rights Reserved									

EXHIBIT

NOV 10 1987

NO. 9

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION

ITEM NUMBER

7

AGENCY: General Services

SUBJECT: Property Acquisition, Greenville TEC

The Division of General Services advises that, on its June 9 meeting, the Budget and Control Board carried over consideration of the Greenville Technical College proposal to acquire the Shaw and Smith properties because of Board policy not to approve real property acquisitions for more than the appraised value.

Mr. Smith was asking \$300,000 for the property and refused to accept the appraised value. At Greenville TEC's request, Property Management obtained a new MAI appraisal of \$300,000. Property Management was not satisfied with the appraiser's explanations and assumptions when the final value estimate was questioned.

After Property Management's review of the appraisal, a sale price of \$290,000 was negotiated with Mr. Smith.

Greenville TEC's position is that, due to the building limitations of the campus, the procurement of additional space is the only viable alternative suitable for facility expansion needed to meet the demands of increased enrollment and credit/continued education areas.

Property Management advises that the permanent improvement project (#9469) was approved by the Bond Committee on May 27, 1987, and by the Commission on Higher Education on May 7, 1987.

BOARD ACTION REQUESTED:

Authorize Greenville Technical College to purchase a building (7,000 square feet) and property (1.2 acres) at the intersection of Skyview Drive and Winterberry Court in Greenville for \$290,000.

ATTACHMENTS:

Agenda item worksheet; attachments

08006

EXHIBIT

NOV 10 1987

NO. 9

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET STATE BUDGET & CONTROL BOARD

Meeting Scheduled for: November 10, 1987

Regular Agenda

1. Submitted By:

(a) Agency: Division of General Services

(b) Authorized Official Signature: Richard W. Kelly *Richard W. Kelly*

2. Subject:

Acquisition of the Smith Property by Greenville Technical College

3. Summary Background Information:

1. The Budget and Control Board, at its June 9 meeting, carried over its consideration of the acquisition by Greenville Technical College of the Shaw and Smith properties because its policy is not to approve Real Property Acquisitions at prices which exceed the appraised values. Mr. Smith was asking \$300,000.00 for the property and refused to accept the appraised value.
2. At the request of Greenville Technical College, the Real Property Management Office obtained a new MAI appraisal of the Smith property which resulted in an estimate of \$300,000.00. Property Management questioned this final value estimate and was not satisfied with the appraiser's explanations and assumptions.
3. Based on a Property Management review of the appraisal, a lower sales price of \$290,000.00 was negotiated with Mr. Smith.
4. Due to the building limitations of the campus, procurement for additional space is the only viable alternative suitable for facility expansion needed to meet the demands of increased enrollment and credit/continued education areas.
5. This Permanent Improvement Project #9469 was approved by the JBRC on May 27, 1987 and by the Commission on Higher Education on May 7, 1987.

4. What is Board asked to do?

Approve the purchase of the Smith property for \$290,000.00 and related permanent improvement project.

5. What is recommendation of Board Division involved?

Approve the purchase of the Smith property for \$290,000.00.

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. Supporting Documents:

(a) List Those Attached:

1. Campus Map
2. Form A13 #9469
3. Report on Building Condition

(b) List Those Not Attached But Available From Submitter:

08007

ROBINSON

ROBINSON COMPANY OF GREENVILLE, INC.

600 EAST WASHINGTON STREET • GREENVILLE, SOUTH CAROLINA 29601 • TELEPHONE 803-233-6277

July 7, 1987

Dr. Thomas E. Barton, President
Greenville Technical College
Post Office Box
Greenville, S.C. 29602

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

Dear Dr. Barton:

At your request, I have made a real estate appraisal of the land and improvements located on Skyview Drive and the adjoining lot located at the intersection of Skyview Drive and Winterberry Court, Greenville S.C.

I have considered pertinent data affecting the valuation of the property, including location, demand, highest and best use and the improvements to the property. It is my opinion that the fair market value of the subject property as of June 25, 1987 is:

THREE HUNDRED THOUSAND DOLLARS
(\$300,000.)

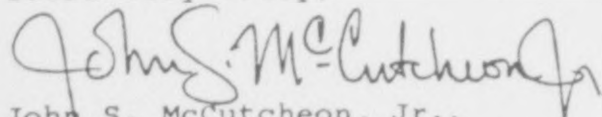
The valuation is of fee simple title ownership, assuming no indebtedness against the property which cannot be satisfied without penalty. It is also subject to all comments and conditions appearing herein.

This report has been prepared in accordance with the standards and reporting requirements of the Federal Home Loan Bank Board as set forth in memorandum R-41c.

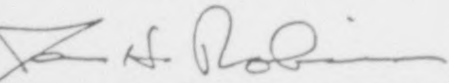
I certify that I have no financial interest in the subject property, present or contemplated, and that my employment is in no way contingent upon the value reported.

I appreciate the opportunity of making this appraisal for you.

Yours very truly,



John S. McCutcheon, Jr.,
Associate Appraiser

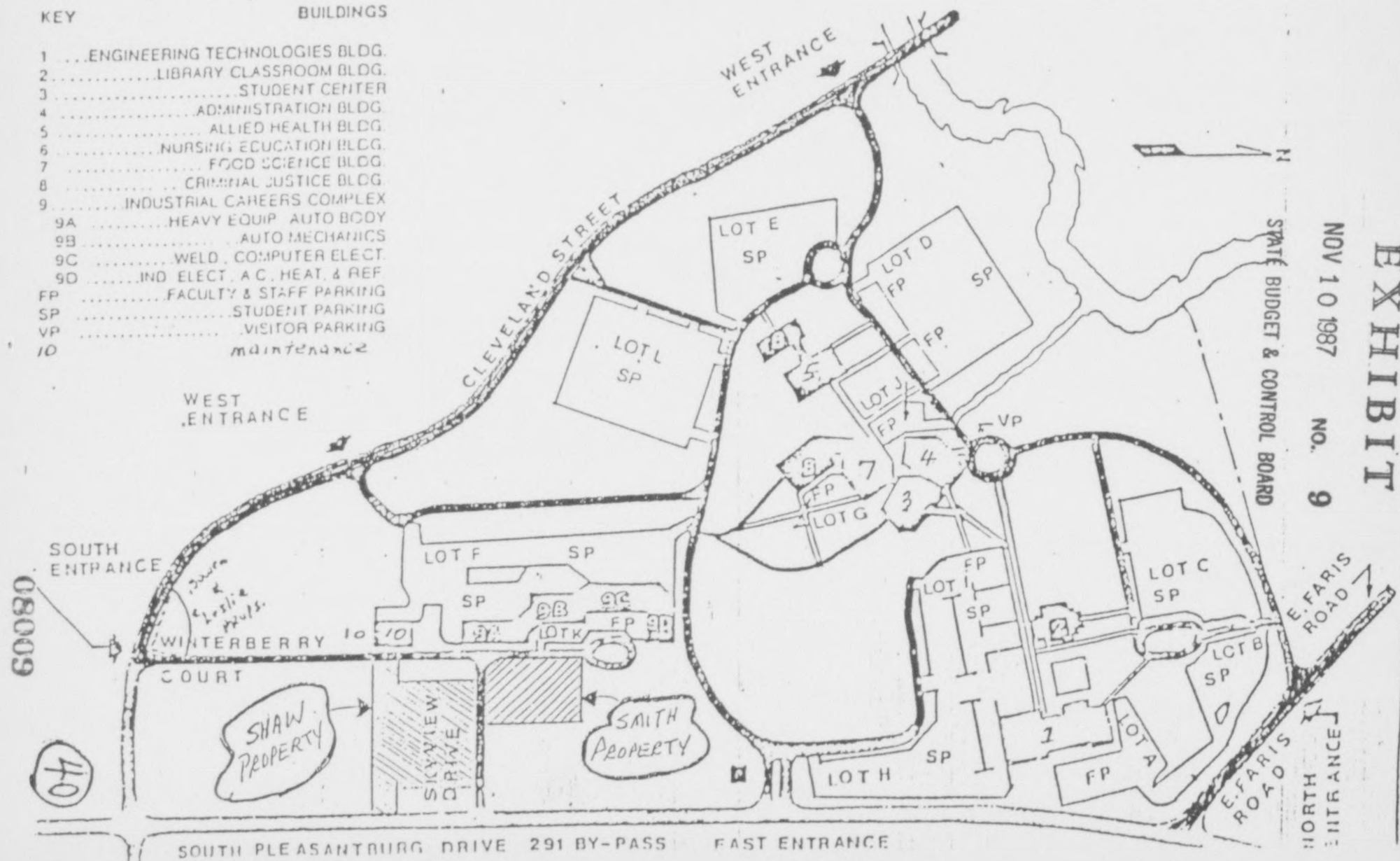


James H. Robinson, M.A.I.

GREENVILLE TECHNICAL COLLEGE

CAMPUS MAP

KEY	BUILDINGS
1	ENGINEERING TECHNOLOGIES BLDG.
2	LIBRARY CLASSROOM BLDG.
3	STUDENT CENTER
4	ADMINISTRATION BLDG.
5	ALLIED HEALTH BLDG.
6	NURSING EDUCATION BLDG.
7	FOOD SCIENCE BLDG.
8	CRIMINAL JUSTICE BLDG.
9	INDUSTRIAL CAREERS COMPLEX
9A	HEAVY EQUIP. AUTO BODY
9B	AUTO MECHANICS
9C	WELD. COMPUTER ELECT.
9D	IND. ELECT. A.C. HEAT. & REF.
FP	FACULTY & STAFF PARKING
SP	STUDENT PARKING
VP	VISITOR PARKING
ID	MAINTENANCE



EXHIBIT

NOV 10 1987

NO. 9

STATE BUDGET & CONTROL BOARD

E. FARIS ROAD
TECHNICAL COLLEGE

SOUTH PLEASANTBURG DRIVE 291 BY-PASS FAST ENTRANCE

APR 7 1987

For Board Use Only

21-87(12)

Packet Number

PROJECT PROPOSAL AND JUSTIFICATION STATEMENT

FOR ANNUAL PERMANENT IMPROVEMENT PROGRAM FOR FISCAL YEAR 86/87

1. PROJECT IDENTIFIERS:

A. Agency: Number H59 Name Greenville Technical College
B. Contact Person Walter L. Brannon, Dir. of Physical Plt. Phone: 803/239-3034
C. Project Name: Smith Property Procurement # 9469
D. Facility Affected: Name N/A Number 040418

2. PROJECT DESCRIPTION (What does it consist of? Attach supporting documentation):

Procurement of 7,000 square foot building and 2 lots totaling 1.2 acres.

Site Description: (Attach a map showing project location)

Location: Greenville 023 Greenville Greenville Technical College
county code city site

3. PROJECT JUSTIFICATION (What does it consist of? Attach supporting documentation): Project activity is the purchase of building (7,000 sq. ft.) and property (1.2 acres) to be used by Greenville Technical College for curriculum and/or continuing education purposes.

(What specific needs does this project address?): Due to projected increased enrollment and demand in credit/continuing education areas, additional instructional space is needed. The expanded facilities provided by this project will allow response to community needs. Due to the scarcity of building sites since the campus was originally a landfill, is critical to acquire this contiguous property which is suitable for facility expansion.

4. ALTERNATIVES CONSIDERED AS A MEANS OF MEETING NEEDS SPECIFIED IN #3:
Due to the nature of the need and building limitations of the campus, the procurement of additional space is the only viable alternative.

5. PRIORITY: This project is priority number n/a of n/a projects proposed in this program.

6. ADDITIONAL OPERATING COSTS: Will this project require additional annual operating costs?

Yes X No If yes, complete and attach addendum A-49.

7. ESTIMATES OF PROPOSED PROJECT COSTS:

A. Total estimated cost of project \$ 300,000

B. Total estimated cost of project includes the following (1. through 10 = 7A above)

- (1) \$ Planning/design services
 - (2) Site work (including utilities)
 - (3) Central energy systems repair/replacement
 - (4) Mechanical systems repair/replacement
 - (5) General renovation/repair of floor space (Gross sq. ft.)
 - (6) Roof repair/replacement
 - (7) Construction of additional floor space: (Gross sq. ft.)
 - (8) Equipment/supplies
 - (9) 300,000 Purchase of facilities: (~~XXXXXXX~~ gross sq. ft. 7,000)
(Land, acres: 1.2)
 - (10) Other (Specify)
- \$ 300,000 Total (Same as 7 A)

C8C10

43

7. C. Total estimated cost of project by broad purpose: Total cost: \$ 300,000
(equals 1 through 8, below and is same as 7A)

1. Purchase land	\$ <u>150,000.00</u>	5. Restore facility	\$ _____
2. Purchase facility	\$ <u>150,000.00</u>	6. Maintain facility	\$ _____
3. Demolish facility	\$ _____	7. Replace facility	\$ _____
4. Construct additional facility	\$ _____	8. Other:	\$ _____

8. PROJECT COMPLETION SCHEDULE AND ESTIMATED EXPENDITURES BY FISCAL YEAR:

A. Estimated expenditures and expenditure purposes, this FY: 86/87 \$ 300,000
(Expenditure purposes (use 7B categories):
(9) purchase of facilities

B. Estimated expenditures after this FY: \$ -0-

C. Total (Same as 7A, 7B and 7C): \$ 300,000

9. PROPOSED SOURCES OF FUNDS: Type	Amount	Revenue Code	Treasurer ID Number	Sub Fund	Mini Code	Object Code
(0) Capital Improvement Bonds	\$					
(1) Dept Capital Imp Bonds						
(2) Inst (tuition) Bonds						
(3) Revenue Bonds						
(4) Excess Debt Service						
(5) Appropriated State						
(7) Federal						
(8) Antileic						
(9) Other *	\$300,000	7841	98800100			
TOTAL (Same as 7A)	\$300,000					

10. Submitted By:

Authorized Official

Typed Name and Title and Signature

Date Submitted March 16, 1987

FY Submitted 86/87

11. APPROVED (For Board Use Only):

Typed Name and Title and Signature

Date

PROJECT NUMBER _____

PROJECT NAME _____

*Greenville County General Obligation Bonds-Funded by Earmarked Greenville Tech Mills

68011

(44)

ADDENDUM TO FORM A-1, A-13, A-23

Form-Addendum A-49

ADDITIONAL ANNUAL OPERATING COSTS RELATED TO PERMANENT IMPROVEMENT PROJECT

(Copy this form as needed; submit completed, typed original as attachment to original A-1, or A-13, or A-23.)

AGENCY NUMBER: H59 AGENCY NAME: Greenville Technical College

NAME OF PROJECT: Smith Property Procurement Priority n/a of n/a.

Complete the left side (below) for all additional annual operating costs attributable to the project. The dollar number entered for each year should be the amount of increase in operating costs over the year prior to the completion of this project. (Example: Assume that operating costs the year prior to the project completion were \$100; after project completion, the operating cost will be \$115; the FY 1 line then will show a \$15 increase in the total column and by financing source. Assume FY 2 costs will be \$120; line 2 then will show a \$20 increase in the total column and by financing source.)

Complete the right side (below) for additional annual personal service costs and number of positions attributable to the project. The dollar number and the position number entered for each year should be the amount of increase in number of positions and personal service costs over the year prior to the completion of the project. (For example, see paragraph above.) Note that the additional costs for personal services are included in the total additional operating costs entered in the left side of the form.

ADDITIONAL ANNUAL OPERATING COSTS RELATED TO PROJECT

FISCAL YEAR (Start with FY project is to be completed.)	TOTAL ADDITIONAL OPERATING COSTS Projected Financing Sources				PERSONAL SERVICE COSTS ONLY Projected Financing Sources				
	Gen. Funds	Federal	Other*	Total	Gen. Funds	Federal	Other*	Total	
								Amount	Positions
(1) 86/87	-0-	-0-		-0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
(2) 87/88	-0-	-0-	\$10,500	\$10,500.00	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
(3) 88/89	-0-	-0-	\$10,500	\$10,500.00	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
(4) 89/90	-0-	-0-	\$10,500	\$10,500.00	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
(5) 90/91	-0-	-0-	\$10,500	\$10,500.00	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

*Specify what "Other" sources are.

LOCAL FUNDS

Show additional positions in parenthesis where appropriate.

08012

45

NOV 10 1987

NO. 9

EXHIBIT

STATE BUDGET & CONTROL BOARD

BARRY A. BANKES • AIA • ARCHITECT
GREENVILLE, S. C.



REPLY TO 14 E. PLAZA, GREENVILLE, SOUTH CAROLINA 29605 (803) 235-3449

EXHIBIT

NOV 10 1987

NO. 9

STATE BUDGET & CONTROL BOARD

February 24, 1987

Mr. Walt Brannon
Director of Physical Plant
Greenville Technical College
P.O. Box 5616
Greenville, SC 29606

RE: Report on Condition of Smith Building adjacent to
Greenville Technical College

Dear Walt:

A visual observation was made on subject building on
February 19, 1987.

The Smith Building is a one story, 3 component building.
Component 1 is a presently unoccupied office of slab on grade.
Exterior walls are concrete block with stucco exterior surface.
Interior walls are block. Roof construction is built up roof of
plywood on wood roof joists with plaster suspended ceiling below
roof joists. HVAC is operating electric heat pump - electric
service is 277V.3Ø. Lighting is standard flourescent. Plumbing
is operating.

Component 2 is presently used as storage constructed of slab on
grade. Exterior walls are concrete block with stucco exterior
surface. No interior partition. Roof construction is exposed
wood roof joists, plywood deck and built up roof. Lighting is
minimal strip lighting. Gas space heat only.

Component 3 is presently used as automotive repair area
constructed of slab on grade. Exterior walls are metal stud with
lath and stucco exterior finish. Roof construction consists of
wood roof trusses, fiberglass shingle roof; plaster ceiling on
bottom of roof trusses. Gas space heat (2) and strip lighting.
Plumbing is operating.

(47)

08C13

EXHIBIT

Mr. Walt Brannon
February 24, 1987
Page 2

NOV 10 1987 NO. 9

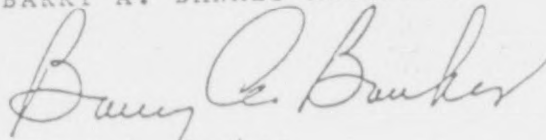
STATE BUDGET & CONTROL BOARD

Visual observation shows no obvious hazardous conditions or materials in there present state. The office area has approximately 1500 square feet of Bestex II (Ga. Pacific) sprayed on gypboard ceiling.

The structural systems do not appear to have any obvious flaws. No weaknesses in roof or cracks in slab.

Yours Very Truly,

BARRY A. BANKES ARCHITECTS



Barry A. Bankes

08014

(48)

JUL 30 1987



STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION

111 Executive Center Drive, Columbia, South Carolina 29210 Tel. 737-9320

EXHIBIT

July 28, 1987

NOV 10 1987

NO. 9

STATE BUDGET & CONTROL BOARD

JAMES R. MORRIS, JR.
EXECUTIVE DIRECTOR

THE STATE BOARD

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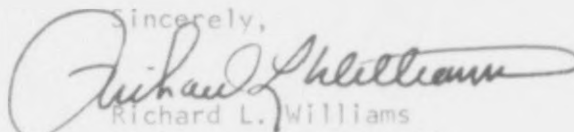
Mr. William A. McInnis
Deputy Executive Director
State Budget and Control Board
618 Wade Hampton Office Building
Columbia, South Carolina 29201

Dear Mr. McInnis:

Enclosed is a copy of the second appraisal on the Smith property. We respectfully request that you reconsider the purchase of this property based on the new appraisal.

Your favorable consideration will be greatly appreciated.

Sincerely,


Richard L. Williams
Director of Accounting

RLW:asl

Enclosure

08015

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

REAL ESTATE APPRAISAL

OFFICE/WAREHOUSE

2 SKYVIEW DRIVE

GREENVILLE, S.C.

08C16

EXHIBIT

July 7, 1987

NOV 10 1987

NO. 9

Dr. Thomas E. Barton, President
Greenville Technical College
Post Office Box
Greenville, S.C. 29602

STATE BUDGET & CONTROL BOARD

Dear Dr. Barton:

At your request, I have made a real estate appraisal of the land and improvements located on Skyview Drive and the adjoining lot located at the intersection of Skyview Drive and Winterberry Court, Greenville S.C.

I have considered pertinent data affecting the valuation of the property, including location, demand, highest and best use and the improvements to the property. It is my opinion that the fair market value of the subject property as of June 25, 1987 is:

THREE HUNDRED THOUSAND DOLLARS
(\$300,000.)

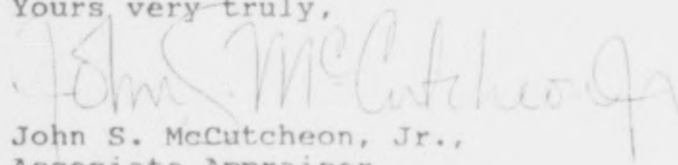
The valuation is of fee simple title ownership, assuming no indebtedness against the property which cannot be satisfied without penalty. It is also subject to all comments and conditions appearing herein.

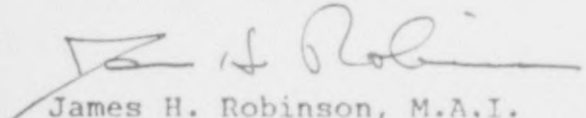
This report has been prepared in accordance with the standards and reporting requirements of the Federal Home Loan Bank Board as set forth in memorandum R-41c.

I certify that I have no financial interest in the subject property, present or contemplated, and that my employment is in no way contingent upon the value reported.

I appreciate the opportunity of making this appraisal for you.

Yours very truly,


John S. McCutcheon, Jr.,
Associate Appraiser


James H. Robinson, M.A.I.

PURPOSE AND SCOPE OF APPRAISAL

PURPOSE OF APPRAISAL: The purpose of this appraisal is to estimate the fair market value of the subject property which consists of a 7,170 SF office/warehouse building and an adjoining unimproved lot.

PROPERTY IDENTIFICATION: The property is identified as Lot Nos. 11.2 & 28, Block 1, Tax Map 269 of Greenville County. It is further identified as 2 Skyview Drive, Greenville, S.C.

PLAT: Book CG, Pages 158 & 159

LEGAL DESCRIPTION: See addendum section for legal description.

PROPERTY RIGHTS APPRAISED: I have appraised the fee simple title ownership of the real estate, assuming no indebtedness against the property which cannot be satisfied without penalty.

DATE OF VALUATION: June 25, 1987

PREVIOUS SALES: There have been no recent sales of the subject property within the last 3 to 5 year period. The only recent sales activity involving the subject property has been the willing of a partial interest to other family members.

08018

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made expressly subject to the following conditions and stipulations:

1. That the title to the subject property is good and marketable.
2. No responsibility for legal matters is assumed and no right to expert testimony in court is included.
3. The sketch included in this report is to assist the reader in visualizing the property. No survey has been made by me and no responsibility is made for such matters.
4. The information contained in this report was obtained from sources considered to be reliable and no responsibility for the accuracy of the information furnished or taken from the records can be taken by the appraiser.
5. The value is reported in dollars based on the currency prevailing at the date of the appraisal.
6. No responsibility for hidden or unapparent conditions of the property can be taken by the appraiser.
7. Possession of this report does not include the right of publication of any portion of this report without the written consent of the appraiser.
8. Any distribution of the valuation in the report between land and improvements applies only to the specific program of utilization stated. Separate valuations for land and improvements must not be used for any other purpose and are invalid if so done.
9. No inspection was made of the electrical or mechanical systems or the roof of the building. These are all assumed to be in good condition and need no repairs at the time of this appraisal.

08019

TERMINOLOGY

MARKET VALUE is defined as:

The probable price money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1) Buyer and seller are typically motivated.
- 2) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.

FEE SIMPLE TITLE is defined as:

The maximum possible estate or right of ownership of real property, continuing forever and subject only to the limitations of eminent domain, escheat, taxation, and police power.

HIGHEST AND BEST USE is defined as:

That probable and legal use of land that would yield to land the greatest net return and thereby develop the highest land value. A use that depends on events or a combination of occurrences which, while in the realm of possibility, are not reasonably probable, are excluded from consideration. Also, if the intended use is dependent on an uncertain act of another person, the intention cannot be considered.

08C20

GREENVILLE AREA DATA

GEOGRAPHY:

Situate in the Northwestern apex of triangular South Carolina, Greenville County has an area of 789 square miles. In its approximate center is the county seat, the City of Greenville, with approximately 28 square miles. Being a portion of the Piedmont plateau, Greenville County is crossed on the north by the Blue Ridge section of the Appalachian Mountain chain. The County's highest point is Sassafras Mountain at 3,548 feet. However, the majority of the county is a rolling plain characteristic of the Piedmont area with an average altitude of 1040 feet.

CLIMATE:

The Greenville area has a moderate climate, being protected from tumultuous weather by the mountains to the northwest. The statistical climate data is as follows:

Average Annual Rainfall	68.33 inches
Average Temperature	60.7 degrees
Number days 90 degrees or over	30
Number days 32 degrees or less	67

POPULATION:

According to the official 1980 U. S. Census, Greenville County has surpassed Charleston County as the state's most populous county with an 19.6% increase from 1970. The official figures for 1980 put Greenville County's population at 287,913. Greenville City's population was estimated as 58,425 and is expected to remain relatively stable. The Standard Metropolitan Statistical Area (SMSA) figure for 1978, which includes Greenville, Spartanburg and Pickens Counties, was estimated at 556,000.

EDUCATION:

Greenville County has one of the larger school districts in the nation with an enrollment of 56,000 plus students and 5,000 plus employees. This district has 107 public schools with an average student/teacher ratio of 19.9:1. In addition, 24 private or parochial schools are located in the county. Three colleges are also located in the

08021

AREA DATA-Continued

county: Furman University, Bob Jones University, and North Greenville College. In addition, 13 colleges and universities are located within a 50 mile radius of Greenville. Greenville Technical College is located in the City of Greenville. Approximately 20,000 students per year attend classes in varying fields. Greenville Tech has collaborated with new industries moving into the Greenville area to meet any special skilled worker requirements enhancing the area's growth rate.

FINANCIAL:

Greenville County has nine banks maintaining numerous separate offices across the county. There are also thirty four savings and loan offices in the county providing an adequate supply of all forms of financing.

GOVERNMENT:

Greenville County has a Council-Administrator form of government with twelve council members elected from single member districts to serve four year terms. County council is responsible for county government policy, local legislation, and fiscal responsibility. County Council employs a county executive to administer the county policies established by the county. The City of Greenville operates under the Council-Manager form of government with a mayor and six council members elected for four year terms. A city manager and a staff of over 750 employees carry out the administrative duties.

TRANSPORTATION:

The Seaboard Coast Line, Southern, and Greenville and Northern Railroads serve the Greenville area which is rapidly becoming one of the nation's major distribution centers. Over 50 trucking firms service Greenville County with 38 having terminals in the metropolitan area. The Greenville-Spartanburg Jetport is located twelve miles northeast of the city and provides two passenger aircraft carriers being Eastern and Republic which provide daily direct flights to most of the

08022

major east coast cities. Both Trailways and Greyhound bus companies have terminals in Greenville. Public bus service is provided by the Greenville Transit Authority.

HIGHWAYS:

Four U. S. Highways pass through Greenville. Its location on I-85 which is a non-stop connection between Washington and Atlanta, is more important, however. I-26 is located approximately 25 miles east which provides a direct link between Charleston and Chicago. With the population and industrial growth continuing, the county and state are constantly expanding and improving the road system in and around Greenville.

UTILITIES:

Water collected from mountain streams in the Table Rock and North Saluda reservoirs supplies the needs of the Greenville area. The two lakes store 34.5 billion gallons of water covering 1,580 acres. Electrical service is provided by Duke Power Company, an investor owned electrical utility. Thirty waste treatment plants are operated by the Western Carolina Regional Sewer Authority providing sewer service for Greenville County. Natural gas is supplied to most parts of the county by Piedmont Natural Gas Company.

INDUSTRY:

Greenville has long been known as the "Textile Center of the World", with approximately 75% of all textile products produced in the U. S. being manufactured within a 100 mile radius. However, over the past decade an influx of new, more diversified industry has located in Greenville. New industry includes metal fabricators, gas turbine engine manufacturers, chemical and electronic plants, computer plants, computer manufacturers and pharmaceutical plants, to mention a few. Industrial investments during the 1970's totaled 600 million dollars with the largest single initial investment in S. C. history by a foreign firm being made in 1973 by Michelin Tire Corporation.

68023

Greenville County is also developing as an important distribution center for the Southeast. Located approximately equidistant from New York and Miami, any point on the East Coast can receive shipments by motor freight with second morning delivery and overnight in most of the Southeast. Other contributing factors cited for such development are the excellent road systems, relatively cheap labor and the unique tax structure.

The following companies made major investments in 1984: Bausch & Lomb - \$3 million; General Electric - \$10 million; Vermont American - \$6 million; Tuffaloy Products - \$1.8 million; and Radison Hotel - \$18 million.

EMPLOYMENT:

The Greenville area has historically enjoyed a low unemployment rate. This rate is expected to remain low with the creation of the new jobs as a result of industrial development mentioned above. The textile industry has been the main employer in the area, but a trend is developing away from the dependence on one industry with the influx of new industries. This diversification should strengthen the economic base of the community. It should be pointed out that one of the attractions to the area for certain new industries is the predominant non-unionization of the labor force.

As of late 1984, Greenville County's unemployment rate was 5.3% compared to a 7.1% national rate. Greenville County's unemployment rate has been consistently lower than national and state average for the past several years. This trend is expected to continue due to relocation of businesses into the area.

In 1984 over 3,000 non-manufacturing jobs have been created in Greenville County. During the same period, approximately 1,000 manufacturing jobs were lost for a net gain of 2,000 jobs. This trend tends to indicate Greenville is shifting from primarily manufacturing to other types of employment as more job diversification continues.

08024

TREND STATISTICS: The latest statistics indicate the growth experienced in the Greenville area over the past decade:

	<u>1975</u>	<u>1980</u>	<u>(Est.)</u> <u>1985</u>
City Pop.	60,000	57,750	59,000
County Pop.	274,200	286,370	316,000
SMSA Pop.	535,700	556,000	606,000
SMSA Bank	\$685	\$1,118	\$4,000
Deposits (Millions)			
Retail Sales	\$1,747	\$2,996	\$4,000
SMSA (Millions)			
Per Capita	\$5,344	\$8,654	\$12,500
Income (County)	\$3,508	\$5,344	\$7,600

The growth factors apparent in the Greenville area are inter-related to the rapid growth in the Southeast in the past few years. Several economic factors influencing demand in the area indicate favorable trends. These include population figures, increases in effective buying income and manufacturing wages. These economic indicators are the highest of any of the upper state South Carolina counties. In addition to the stated factors, the area has ample utilities available, good highway access as well as a moderate climate.

08025

EXHIBIT

NOV 10 1987

NO. 9

NEIGHBORHOOD DATA

STATE BUDGET & CONTROL BOARD

LOCATION:

The neighborhood is considered to be both sides of Skyview Drive and Winterberry Court. Skyview Drive is located off of Pleasantburg Road (State Highway 291/U.S. Highway Bypass 29) approximately 1,165.1 feet north of the intersection of Pleasantburg Road and Cleveland Street. Winterberry Court is located off of Cleveland Street approximately 616.5 feet west of the intersection of Cleveland Street and Pleasantburg Road. This area is commercial in nature and is 100% built up. Skyview Drive and Winterberry Court are secondary roads which wrap around a multi-level strip center, a bowling alley and a movie theater. This area was originally designated for office/warehouses or office distribution but the nature of the area has changed since the development of the bowling alley, movie theater, strip center and the encroachment of Greenville Technical College.

UTILITIES:

Utilities available to the subject site include natural gas from Piedmont Natural Gas Company, water from Greenville Water Works, sewer from the Western Carolina Regional Sewer Authority, electricity from Duke Power Company and telephone service from Southern Bell.

HIGHWAY ACCESS:

Highway access to the neighborhood is by Pleasantburg Drive (State Highway 29/U.S. Highway Bypass 29). In addition there is access to the site via Cleveland Street. Pleasantburg Drive is a six-lane asphalt paved road with a rough medium, concrete curbs, gutters and sidewalks. In addition there are street lights along Pleasantburg Drive in the subject neighborhood. Cleveland Street is a two-lane asphalt paved road. Cleveland

NEIGHBORHOOD DATA - Continued

Street is a secondary road however it is a heavily traveled road which connects residential areas with the central Greenville, S.C. business district.

AREA BUILD-UP:

The neighborhood is commercial in nature. To the east of the subject property are a parking lot, animal hospital and Pleasantburg Drive; to the west is Greenville Technical College and more specifically the heating plant and several automotive machinery repair and storage buildings; to the south is United Electrical Distributors, the former (now vacant) BarBQue King Assembly Plant for retisserie which has a new facade, Harris Machine Company, Curtis Mathes Entertainment Center, Barbizon Academy, Morgan Investments, various shops in the Morgan Manor Shopping Center, Star Lanes Bowling Alley, Astro Twin Theaters, and a Chevron Service Station; to the north is a vacant health spa, Marshall & Williams Textile Machine Manufacture Supplies and Equipment Co. and Greenville Technical College. This area is 100% built up with the only possible building activity being the removal of older existing structures in favor of new construction.

SITE DATA

STREET ADDRESS: 2 Skyview Drive

LOCATION: Skyview Drive and Winterberry Court

FRONTAGE: 242.65 feet on Skyview Drive
222.65 feet on Winterberry Court

ACCESS: There is accessibility to the property via Skyview Drive or Winterberry Court. Skyview Drive and Winterberry Court are two-lane asphalt paved roads with concrete curbs and gutters. Skyview Drive runs in an east-west direction and runs from its intersection with Winterberry Court east towards Pleasantburg Drive and Parkins Mill Road. Winterberry Court is located off of Cleveland Street south of the Cleveland Street and Pleasantburg intersection and runs north to a cul de sac.

SIZE: The subject property is estimated to contain a total area of 62,188 square feet or 1.428 acres of land, more or less. The improvements are located on Lot 28, Block 1, Tax Map 269 of Greenville County. Lot 11.2, Block 1, Tax Map 269 represents excess land area. The excess land area is estimated to contain 37,188 square feet.

SHAPE: The subject property is irregular in shape overall; Lot 28 is rectangular and Lot 11.2 is irregular.

TOPOGRAPHY: The subject site slopes from east to west; Lot 28 is level and as noted earlier is unimproved. Lot 11.2 is not level and slopes down to Winterberry Court.

IMPROVEMENTS: Lot 28, Block 1, Tax Map 269 of Greenville County is improved with a 7,170 SF one-story sutcco office/warehouse. The building was originally built for a plastering business but is now used for automobile repair and storage.

SITE DATA - Continued

FLOOD PLAIN:

A review of the Flood Hazard Map shows that the subject property is not in the flood plain area; the subject property is found on City of Greenville-Community Panel No. 450091-0008A for Flood Hazard Zone.

CENSUS TRACT:

The subject property is located in Census Tract No. 13.01 - Greenville/Spartanburg Standard Metropolitan Statistical Area.

ZONING, TAXES, HIGHEST AND BEST USE

ZONING:

The subject property is currently zoned "S-1" - Service District. This district is intended to accommodate wholesaling, distribution, storage, processing, light manufacturing and general commercial uses. Certain related structures and uses required to serve the needs of such uses are permitted outright and are permitted upon review subject to restrictions and requirements intended to best fulfill the intent of this ordinance. The lot requirements are as follows:

Minimum Lot Area - no minimum lot area required except as needed to meet other requirements.

Minimum Yard - if frontage is 100 feet or more, the required front yard shall be 25 feet.

Side Yard - no side yard is required if buildings are built to side lot line other than at least 3 feet of side yard width is required.

Rear Yard - permitted and permissible principal structures 10 feet. Maximum height of structures 40 feet.

TAXES:

The subject is assessed at a commercial rate of 6% and is in Tax District 500, City of Greenville. The millage rate for the subject is 233.9. The subject property's total assessed value is \$12,855. and results in a tax charge of \$3,046.79.

HIGHEST AND BEST USE:

In considering the highest and best use of the subject property, it is important to recognize four factors; legality, economic demand, physical adaptability, and trends affecting the proposed use.

EXHIBIT

NOV 10 1987

NO. 9

HIGHEST AND BEST USE - Continued

STATE BUDGET & CONTROL BOARD

The subject property is legal under the present zoning laws and there is an economic demand for property of this type as market information indicates that sales of this type of property office/warehouse occur often. In addition the subject property is located within the city limits and is near a busy highway. In terms of physical adaptability the improvements utilize the site to its fullest use in terms of layout and parking. The existing improvements do not encroach upon the addition lot thereby creating excess land area.

Lastly, the trend for the area has seen the existing land area being encroached upon by Greenville Technical College in their quest for additional land and building space. In addition office/distribution or office/warehouse space such as the subject property is hard to find with its convient location to a highway within the city limits and is highly sought after.

In conclusion, this is a site with a good location with excess land area located within the city limits of Greenville, S.C.; these types of sites are very desirable.

08031

ROBINSON COMPANY OF GREENVILLE, INC.

PROPERTY DESCRIPTION

LAND

Street Address:	2 Skyview Drive
Location:	Greenville, S. C.
Area:	1.428 acres or 62,188 SF
Frontage:	242.65 FF - Skyview Drive 242.65 FF on Winterberry Court
Topography:	Slopes from east to west
Streets:	Asphalt paved
Sidewalks:	N/A
Curbs & Gutters:	Concrete
Driveway:	Gravel
Zoning & Restrictions:	"S-1" Service
Present Use:	Automotive Repair
Special Hazards:	None

IMPROVEMENTS

Construction:	Concrete block
Foundation:	Concrete
Exterior Walls:	Stucco
Condition Roof:	Good - Roof has one low spot which needs to be repaired.
Floor Area:	7,170 SF of which 2,400 SF is office and 4,770 SF is warehouse
Interior Condition:	Average
Plumbing:	2 restrooms each having 1 toilet and 1 lavatory.
Heating:	FWA - Gas
Air-Conditioning:	Central - office area only
Walls:	Plaster
Ceilings:	Plaster
Windows:	Metal roll out type
Doors:	Exterior - Steel Exterior 6 wood overhead doors Interior - Wood
Bath Wainscot:	Plaster
Insulated:	Ceilings and walls
Gutters & D.S.:	Galvanized
Age:	20 years
Lighting:	Fluorescent strip lights

VALUATION METHODS

In appraising real estate to arrive at a fair market value, three approaches are generally used. These approaches are the (1) Cost Approach, (2) Income Approach, and (3) Market Approach. With the use of these three approaches an indication of the fair market value is developed.

The Cost Approach adds the market value of the land to the depreciated replacement cost of the improvements made to the land. The Cost Approach is based on the principal that no one would pay more for an existing property than it would cost to replace or substitute the property with one of similar utility.

For the Income Approach an economic rent is determined from similar use properties. Gross income and expenses are projected to arrive at a net income. This net income is then capitalized at a rate to provide an investor with a return of capital and a return on capital. The capitalization of the net income, then, gives an indication by the Income Approach.

The Market Approach compare the subject property with recent sales of other properties of similar type and use. Adjustments for differences between the comparable sales and the subject property provide an indication of the subject property's value.

Correlation of these three independent approaches yields an indication of the fair market value.

EXHIBIT

NOV 10 1987

NO. 9

LAND VALUATION

STATE BUDGET & CONTROL BOARD

In order to value the subject property it was necessary to investigate the Greenville area for information from recent land sales of similar type properties. After comparable sales were verified I adjusted each one individually to the subject property, giving weight to the variance that I would imagine a typical purchaser in the open market would do.

I have utilized five comparable sales in the Greenville City limits and adjustments have been made for time, location, size and topography. The indices ranged in value from \$1.60 per square foot to \$3.30 per square foot.

Time: Adjustments for time have been made for the age of the sale. Time was adjusted up at the rate of 5% per year to reflect a general increase in the price of land in the Greenville, S.C. area.

Location: Adjustments were made for location, according to the amount of traffic flow in the area, how readily accessible the location is from major thoroughfares and the amount of frontage and visibility the comparables have as compared to the subject property.

Size: Adjustments were made for size, considering the amount of land bought or sold and comparing the subject's amount of land. If the comparable was smaller than the subject, a deduction occurs, and if the comparable is larger, there is an upward adjustment.

Topography: Adjustments were made for topography, comparing the subject property to the comparables. If the comparables are inferior in topography, an upward adjustment occurs and if the comparables are superior in topography, as compared to the subject property, a downward adjustment occurs.

LAND VALUATION - Continued

All adjustments are shown in the Comparable Sales Adjustment Chart below:

COMPARABLE SALES ADJUSTMENT CHART

<u>INDEX#</u>	<u>PRICE</u> <u>/SF</u>	<u>TIME</u>	<u>LOCATION</u>	<u>SIZE</u>	<u>TOPO.</u>	<u>COMP.</u>	<u>ADJ. PRICE</u> <u>/SF</u>
70382	\$2.79	+ 1%	-25%	+ 5%	-0-	0.86	\$2.40
70252	\$2.36	+ 1%	-10%	+10%	-5%	0.96	\$2.27
70157	\$1.60	+ 2%	+ 5%	-0-	-5%	1.07	\$1.71
61254	\$3.30	+ 2%	-10%	- 5%	-5%	0.82	\$2.71
60692	\$2.66	+ 5%	-15%	-0-	-5%	0.85	\$2.26

After adjustments shown in the above chart, it may be seen that the adjusted price per square foot ranged from a high of \$2.40 per square foot to a low of \$1.71 per square foot. Therefore, it is my opinion that the indicated unit value for the subject property which contains a total area of 25,000 SF of land and is located on the north side of Skyview Drive is \$2.30 per square foot.

$$\$2.30/\text{SF} \times 25,000 \text{ SF} = \$57,500.$$

The value for the excess land is \$2.40 per square foot. The higher valuation is due to its corner location.

$$\$2.40/\text{SF} \times 37,187 \text{ SF} = \$89,249.$$

COST APPROACH

Replacement Cost Estimates are from Marshall Valuation Service, a national cost service to which I subscribe. The economic life new is based on studies of actual mortality, condition of survivors, and ages at which major reconstruction and/or change of occupancy has taken place. The effective age of the building has been estimated after considering the actual age, as well as the condition and the expected future life of it. It is also noted that the cost figures have been adjusted for current costs and the local multipliers for the Greenville, S.C. area. I have had occasion to check these costs with local contractors and have found them to be very reliable.

OFFICE/WAREHOUSE - Replacement Cost New Estimate from Marshall Valuation Service, Section 14, Page 18, August 1986, Class "C", Good Storage

Base Unit Cost	\$ /SF
Plus: Air Conditioning	+0.80/SF
Adjusted Unit Cost	\$31.08/SF

Multipliers:

Area/Perimeter Multiplier	1.000
Height Multiplier	1.118
Current Cost Multiplier (6/87)	1.02
Local Multiplier (Greenville, SC)	.85
Composite Multiplier	.969

Adjusted Unit Cost of Building:	
\$31.08/SF x .969 =	\$30.12/SF

Replacement Cost New of Building:	
\$30.12/SF x 7,170 SF =	\$215,960.

Less Depreciation:

Physical Incurable (Age/Life Method)

Effective Age 12 years

Economic Life New 45 years

Depreciation - 12/45 = .267

.267 x \$215,960. =

-57,661.

Physical Curable Depreciation

- 3,000.

Depreciated Cost of Improvements

\$155,299.

EXHIBIT

NOV 10 1987

NO. 9

COST APPROACH - Continued

Plus Site Improvements

Asphalt paving

\$0.80/SF x 7,000 SF

\$ 5,600.

Chainlink Fence

1,350.

Gas Pump

2,250.

Storage Tank - 500 gallon

1,960.

Total Site Improvements

\$11,160.

Less Depreciated Assigned (50%)

\$11,160. x .50

-5,580.

Depreciated Cost of Site Improvements

\$ 5,580.

Plus Land Value:

\$1.30/SF x 25,000 SF

=

+ 57,500.

Plus Excess Land Value:

\$1.40/SF x 37,187 SF

=

+89,249.

TOTAL INDICATED VALUE BY COST APPROACH

\$307,628.

ROUNDED TO:

\$307,600.

INCOME APPROACH

In the Income Approach, an attempt is made to find rentals of comparable buildings with similar utility in the Greenville, S.C. area to compare with the subject property. This comparison is made in order to establish the rental value for the subject property which is considered to be economic rent. From this economic rent an estimate of expenses is deducted from the gross income in order to arrive at a net income figure. The net income figure is then capitalized into an indication of value using an overall rate.

The following rental information is mentioned as being the most comparable which I have examined and compared to the subject property.

Rental No. 1

Located on the corner of Grand Avenue and Lowndes Hill Road just west of S.C. Highway 291 is a five unit office/warehouse complex containing a total area of 15,175 SF of which 10,342 SF is in office area and the remaining 4,833 SF is warehouse space. The leases are for a three year period and were negotiated in the early part of 1985. The rents range from \$4.00/SF to \$5.84/SF for office and warehouse combined which equals to an average of \$4.92/SF.

Rental No. 2

Located on North Pleasantburg Drive is a 19,193 SF masonry retail building which was constructed in 1970 with an addition made in 1986. The current lease to Carriage House Furniture calls for an annual rent of \$67,500. on the original building plus \$11,635. per year for the new warehouse addition. This results in a total rent of \$79,135. per year for 19,193 SF or \$4.12/SF. The terms of the lease call for the tenant to pay taxes, insurance, all utilities and interior and exterior maintenance.

Rental No. 3

The Furman Company currently leases a 24,000 SF warehouse distribution complex containing 6 units, each unit containing 4,000 SF. The building is located on Interstate 385 and 1000 Oaks Boulevard and is leased at a rate of \$5.75/SF for office space and \$3.00/SF for warehouse space or \$3.69/SF. The building is of masonry construction and approximately 25% of each unit is in office space.

INCOME APPROACH - Continued

Rental No. 4

The Furman Company currently leases a 24,000 SF warehouse distribution complex containing 6 units, each unit containing 4,000 SF. The building is located on Interstate 385 and 1000 Oaks Boulevard and is leased at a rate of \$5.75/SF for office space and \$3.00/SF for warehouse space or \$3.69/SF. The building is of masonry construction and approximately 25% of each unit is in office space.

Based on the above information, as well as knowledge of other rentals of service related buildings in the Greenville area, it is my opinion that the fair market rental value of the subject property would be \$6.00/SF for the office area and \$3.00/SF for the warehouse area. This relates to an average rental rate of \$4.00 per square foot.

In the Income Approach, I have estimated vacancy and credit loss at 6% which I feel is reasonable for a building of this type. The taxes have been based on the assessed value of similar service oriented buildings on a per square foot basis. The insurance and maintenance expenses have been estimated based on information gathered from past appraisal assignments. A real estate management fee of 6% of the effective gross has been estimated which is typical for property of this type in the Greenville, S.C. area.

Estimated Gross Income

Office Area

2,400 SF x \$6.00/SF = \$14,400.

Warehouse & Storage Area

4,770 SF x \$3.00/SF = 14,310.

Total Gross Income

\$28,710.

Less Vacancy & Credit Loss (6%)

6% x \$28,710. =

-1,723.

Effective Gross Income

\$26,987.

Less Expenses:

Taxes \$ 3,047.

Insurance (\$.10/SF) 717.

Maintenance (\$.05/SF) 359.

Management (6% EGI) 1,619.

Total Expenses

-5,742.

Net Income (N.O.I.)

\$21,245.

INCOME APPROACH - Continued

Capitalization of Net Income

The typical investor in real estate in the current market is anticipating an 14% return on his equity investment. In addition, he will leverage his investment by borrowing as much as possible on his first mortgage loan, usually about 75% of value. His return on his investment will then occur in three ways: (1) An equity dividend after mortgage payments (assuming a positive cash flow), (2) Amortization of a portion of the mortgage during his ownership, and (3) Appreciation or increase in value during his holding period.

In this particular case, a holding period of five years was considered to be typical. After discussions with the owners it is assumed that the typical mortgage on the subject property would be a 75% loan to value ratio at 10.5% for a 25 year amortization schedule. Most probably this would include a balloon payment at the end of 5 to 10 years. The equity yield rate or expected return by an investor has been estimated at 14% which I consider to be consistent with current buyer's expectations for such investments. After adding these two figures together and deducting for the equity build-up over 5 years a basic rate is derived. From this basic rate a figure for appreciation was then deducted. Such appreciation has been estimated, based on a compounded 2% per year figure which is relatively consistent with both the Consumer Price Index as well as the economic indicators and buyers expectations of inflation for this particular area. Utilizing the above criteria the overall rate is developed as follows:

Overall Rate Development

Loan Ratio x Annual Constant	.75 x .1133081	= .0849764
Equity Ratio x Equity Yield Rate	.25 x .14	= .035000
Weighted Rate		.1199764
Less Equity Build-up:	.75 x .0542861 x .1512835	= -.0061594
		.1138170
Less Appreciation Rate @ 2%		
Compounded per year	.1048 x .1512835	= .0157439
Overall Rate		.0980712

I have also supported these figures with sources from the American Council of Life Insurance Companies. Research was conducted by 20 life insurance companies throughout the United States.

INCOME APPROACH - Continued

Contract interest rates on new mortgage commitments averaged 9.30% in the third quarter, down 17 basis points from the previous quarter. Contract rates were the lowest since the first quarter of 1978 when they averaged 9.26%. The overall rate includes commitments with special features which typically carry below-market interest rates. Rates on "straight" loans declined 17 basis points from the preceeding quarter, and are down 447 basis points from their peak in the third quarter of 1984.

Commitment volume soared to \$4.7 billion in the third quarter of 1986, down sharply from the series high \$7.8 billion recorded in the second quarter. Volume was the lowest since the first quarter of 1985, when new commitments totaled \$4.4 billion.

Capitalization rates declined for the eighth straight quarter. Average capitalization rates dropped to 9.1% in the third quarter, compared to 9.3% one quarter earlier and a peak of 13.4% in the fourth quarter of 1981.

A range of capitalization rates for loans on income producing properties by 20 life insurance companies (accounting for 68% of non-farm mortgages held by U.S. life insurance companies) of the American Council of Life Insurance Companies for the 3rd quarter of 1986 were:

<u>Interest Rate</u>	<u>Capitalization Rate</u>
All Loans	9.1%
Purchase of existing property	9.2%
70.0% - 74.9% Loan/Value	9.1%
75.0% - 79.9% Loan/Value	9.0%
Commercial service, less than \$2,000,000.	9.6%
Commercial service, Purchase of existing property	9.4%
Commercial service, South Atlantic	9.3%
North Carolina	9.0%
Georgia	8.9%
South Atlantic	9.0%

Average of above	9.16%
Range, 1 S.D.	8.9% to 9.6%

After reviewing the developed capitalization rate, the results of the study and considering the effects of a shifting interest rate and the age and condition of the subject property, it is my opinion that a capitalization rate of 10% would be applicable for the subject property.

EXHIBIT

INCOME APPROACH - Continued

NOV 10 1987

NO. 9

Capitalization

STATE BUDGET & CONTROL BOARD

Net Income/Overall Rate = Indicated Value

	\$21,245./0.10	=	\$212,450.
Plus Excess Land:			
	47,187 SF x \$2.40/SF	=	+89,249.
Less:			
Functional Obsolescence Curable		=	<u>- 3,000.</u>

INDICATED VALUE BY INCOME APPROACH
ROUNDED TO:

\$298,699.
\$298,700.

MARKET APPROACH

An attempt was made to find sales of similar buildings to which the subject property could be compared. Attached to the addenda of the appraisal is information concerning sales of comparable storage buildings in the area.

Here again, I have adjusted these sales as I would imagine the typical purchaser in the open market would account for the dissimilarities in the buildings that have sold and the subject building. Adjustments have been made for time, location, size, age, quality and condition.

Time: Adjustments for time have been made for the age of the sale, in which all of the comparables have been adjusted for time. A 3% upward adjustment per year was made for the increase in value in order to keep up with the inflationary trend.

Location: Adjustments were made for location, according to the amount of traffic flow in the area, how readily accessible the location is from major thoroughfares, and amount of frontage and the visibility the comparables have as compared to the subject property.

Size: Adjustments were made for size, considering the amount of land bought or sold and comparing the subject's amount of land. If the comparable was smaller than the subject, a deduction occurs, and if the comparable is larger, there is an upward adjustment. It has been my observation of the market in the past that smaller properties tend to sell on a higher per unit basis than larger ones.

Age: An adjustment has been made for age, comparing the age of the comparable improvements to the age of the subject. If the comparable sale is a considerably newer warehouse than the subject, a downward adjustment occurs. If the comparable sale is considerably older than the subject, an upward adjustment occurs.

MARKET APPROACH - Continued

Quality & Condition: Adjustments for quality and condition have occurred considering the type of building materials, quality of materials and the overall condition of the comparables as compared to the subject property. If the comparables are superior in quality a downward adjustment occurs and if the comparable is inferior in quality an upward adjustment occurs.

All adjustments are shown in the Comparable Sales Adjustment Chart below.

COMPARABLE SALES ADJUSTMENT CHART

INDEX#	PRICE /SF	TIME	LOC.	SIZE	AGE	QUAL.& COND.	COMP.	ADJ.PRICE /SF
60209	\$29.17	+ 4%	-5%	- 5%	-0-	- 5%	0.89	\$25.96
50315	\$24.30	+ 6%	-5%	- 5%	-0-	- 5%	0.91	\$22.11
40607	\$27.17	+ 9%	+5%	+10%	-0-	- 5%	1.19	\$32.33
40609	\$27.90	+ 9%	+5%	-10%	-0-	+ 5%	1.09	\$30.41

The adjusted price per square foot for land and improvements ranged from \$22.11 per square foot to a high of \$32.33 per square foot. It is my opinion that the indicated unit value for the subject property is \$30.00 per square foot.

\$30.00/SF x 7,170 SF	=	\$215,100.
Plus Excess Land Value		+89,249.
Less Functional Obsolescence Curable		<u>- 3,000.</u>

TOTAL INDICATED VALUE BY MARKET APPROACH	\$301,349.
ROUNDED TO:	\$301,300.

CORRELATION AND FINAL VALUE ESTIMATE

The three approaches to value indicate as follows:

COST APPROACH	\$307,600.
INCOME APPROACH	\$298,700.
MARKET APPROACH	\$301,300.

The three approaches to value were developed independently of each other and all were derived from market information compiled and interpreted by this appraiser.

The Cost Approach involves a measure of accrued depreciation if the building is anything other than new. The depreciation estimate is a highly judgmental factor and renders the Cost Approach somewhat less reliable.

In the Income Approach to value rentals of office/warehouse buildings were utilized in order to estimate the Net Income for the subject property after deducting reasonable expenses. This Net Income is then capitalization at a rate to provide an investor with a return of capital and a return on capital. The developed overall capitalization rate emphasizes the current market rate and factors.

In the Market Approach, the method of estimating market value is to compare the subject property with comparable properties that have recently sold. The premise of the Market Approach is that the market will determine a price for the subject property in the same manner that it determines the price of comparable, competitive properties.

Since the Market Approach represents what buyers are actually paying for similar type properties and the Income Approach represents what market rents are actually being paid for similar type properties, it is my opinion that the fair market value of the subject property as of June 25, 1987 is:

THREE HUNDRED THOUSAND DOLLARS
(\$300,000.)

CERTIFICATION

The undersigned certifies and agrees that:

1. I have no present or contemplated future interest in the property appraised; and that neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.

2. I have no personal interest in or bias with respect to subject matter of the appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

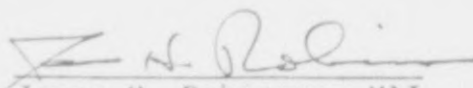
3. I have personally inspected the property. To the best of my knowledge and belief, all statements and information in this report are true and correct, and I have not knowingly withheld any significant information.

4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analysis and conclusions contained in the report).

5. This appraisal report has been made in conformity with and subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the American Institute of Real Estate Appraisers of the National Association of Realtors.

6. In arriving at the analyses, conclusions or opinions concerning the Real Estate in this appraisal report I acknowledge the professional contribution of Mr. John S. McCutcheon, Jr., Associate Appraiser.

7. The American Institute of Real Estate Appraisers conducts a voluntary program of continuing professional education for its designated members. MAI and RM members who meet the minimum standards of this program are awarded periodic educational certification. I am currently certified under this program.


James H. Robinson, MAI

APPRAISER'S QUALIFICATIONS

James H. Robinson is currently engaged in the practice of real estate appraising, after being in many phases of general real estate activity since 1950. His office is located at 600 E. Washington Street, Greenville, South Carolina.

EDUCATION: Graduated Clemson University B. S. Degree, 1949

Completed Real Estate Course No. 1, University of Tennessee, 1953

Completed Real Estate Course No. 2, University of Virginia, 1964

Completed Real Estate Course No. 3, Clemson University, 1966

(Courses sponsored by the American Institute of Real Estate Appraisers)

CLIENTS: A partial list of clients includes:

U. S. Postal Service
U. S. Internal Revenue Service
S. C. Department of Highways and Public Transportation
S. C. Attorney General
S. C. Department of Parks, Recreation and Tourism
City of Greenville, S. C.
City of Anderson, S. C.
City of Greer, S. C.
City of Easley, S. C.
County of Greenville, S. C.
Metropolitan Sewer District
Chemical Bank of New York
North Carolina National Bank
South Carolina National Bank
Southern Bank and Trust Company
American Federal Bank F S B
Bankers Trust
C & S National Bank
Community Bank
First Citizens Bank & Trust
First Federal of South Carolina
First National Bank of S. C.
Security Federal of S. C.

APPRAISER'S QUALIFICATIONS-Continued

PROFESSIONAL
AFFILIATIONS:

Greenville Real Estate Board
(President 1972; Vice President 1970 & 1971;
Secretary 1954)
International Right of Way Association
Member American Institute of Real Estate
Appraisers (President S. C. Chapter No.47 in
1974)

COURT EXPERIENCE:

Qualified as an expert witness in the
following:

Master in Equity Court
Probate Court
Greenville County Court
General Sessions Court
U. S. District Court

LICENSED:

Currently holds a Real Estate Brokers License
in South Carolina, North Carolina and
Georgia.

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

ROBINSON COMPANY OF GREENVILLE, INC.

08048

PHOTOGRAPHS

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD



A SOUTHERLY VIEW OF
WINTERBERRY COURT



A WESTERLY VIEW OF
SKYVIEW DRIVE

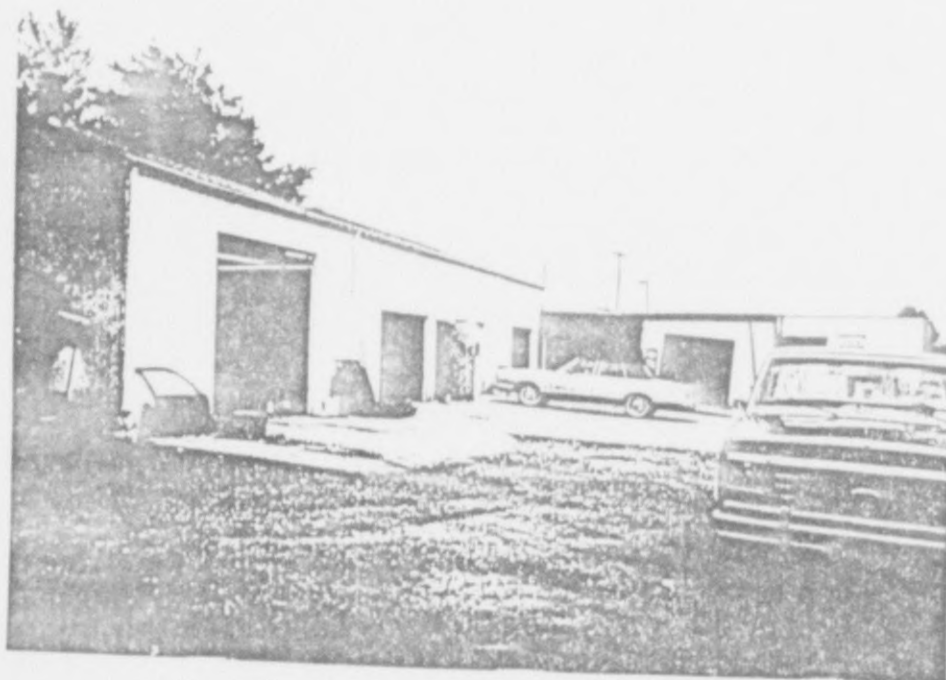
ROBINSON COMPANY OF GREENVILLE, INC.

08049

PHOTOGRAPHS



A NORTHERLY VIEW
OF THE SUBJECT
PROPERTY



A SOUTHERLY VIEW
OF THE SUBJECT
PROPERTY

ROBINSON COMPANY OF GREENVILLE, INC.

08050

EXHIBIT

2684

EXHIBIT

NOV 10 1987

NO. 9

STATE BUDGET & CONTROL BOARD

210
211

K ON CLEVELAND

STREET

CLEVELAND COURT

EXT.

SCALE 1"=100'

PLEASANTBURG

DRIVE

(SOUTH)

Subject

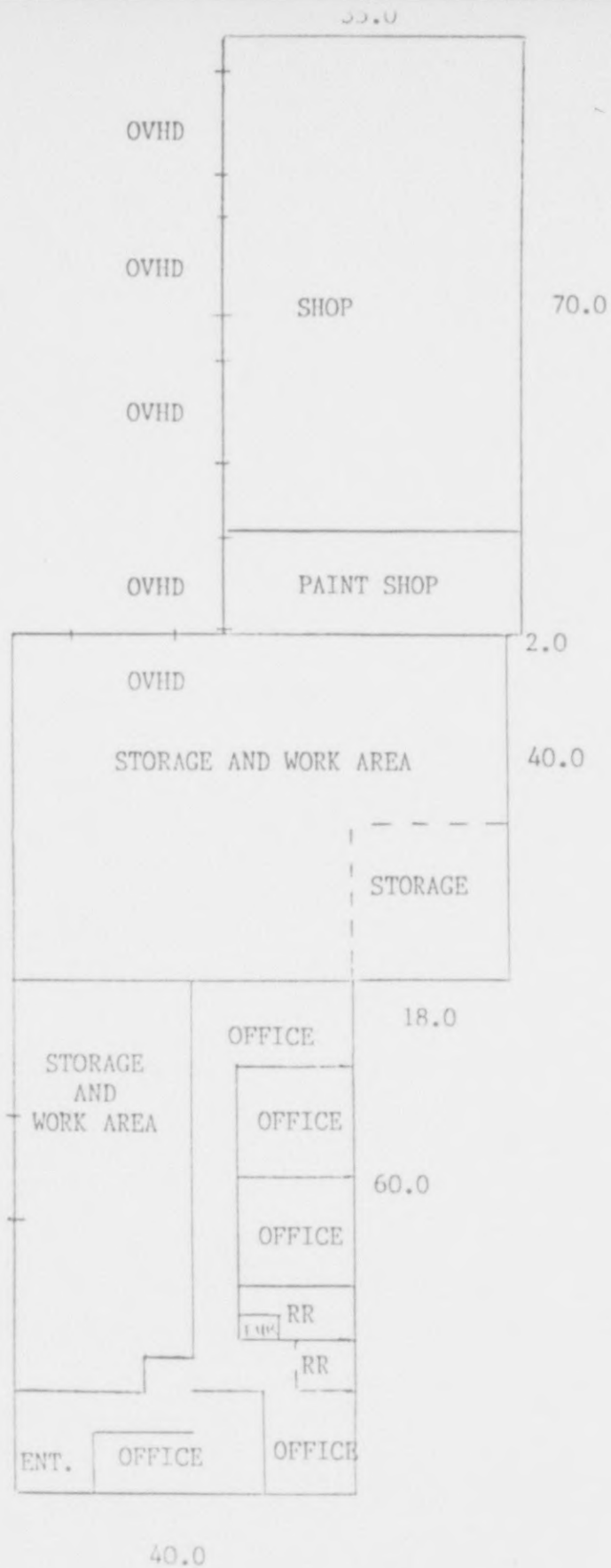
WINTERBERRY

COURT

GREENVILLE COUNTR
SEE 209-3-

08051

OFFICE/WAREHOUSE
2 SKYVIEW DRIVE
GREENVILLE, S.C.



08052

GREENVILLE

08053

COMPARABLE LAND SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		Old Airport Road				61254
GRANTOR						GRANTEE		
Wm. R. Timmons Jr. & Walter W. Goldsmith						B.R. Chandler		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
284	2	28	12-31-86	1287	815		\$65,000.	
USE AT SALE		H & B USE		SIZE			SHAPE	
Vacant				19,690 SF			Rect.	
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		6-29-86						97.9 FF - Old Airport Rd.
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Appears Adequate		All		S-1		Paved		None
								CHANGE SINCE SALE
								Vacant

Sale Price \$ 65,000.
 Price per front foot \$
 Price per square foot \$ 3.30
 Price per acre \$ 143,748.

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD



08054

COMPARABLE LAND SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		Industrial Drive				60692
GRANTOR						GRANTEE		
Perry A. Lenardis						LaTone		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
258	3	1	6-17-86	1268	849		\$80,000.	
USE AT SALE		H & B USE		SIZE			SHAPE	
Vacant		Commercial		30,031 SF			Irreg.	
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		6-29-86				Level		158 FF - Industrial Dr. 171 FF -
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Appears Adequate		All		S-1		Paved		None
								CHANGE SINCE SALE
								None

Sale Price	\$ 80,000.
Price per front foot	\$
Price per square foot	\$ 2.66
Price per acre	\$ 115,869.



C8055

COMPARABLE LAND SALES DATA

PROJECT		COUNTY		LOCATION				INDEX
		Greenville		Cleveland St. Est.				7038
GRANTOR						GRANTEE		
Suitt Construction Co.						B&H Properties		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
269	1	2	3-3-87	1290	626		\$130,000.	
USE AT SALE		H & B USE		SIZE				SHAPE
Vacant		Office		1.07 acres or 46,609 SF				Irreg.
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
								122.9 FF - Cleveland St
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Appears Adequate		All		OD		Paved		None
								CHANGE SINCE SAL
								None

Sale Price	\$ 130,000.
Price per front foot	\$
Price per square foot	\$ 2.79
Price per acre	\$ 121,532.



EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

08056

COMPARABLE LAND SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		Commercial Drive				70252
GRANTOR						GRANTEE		
Walter S. Griffin						John T. Langston		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
258	3	30	2-13-87	1288	528		\$145,000.	
USE AT SALE		H & B USE		SIZE				SHAPE
Vacant		Service-Comm.		1.41 acres or 61,420 SF				Irreg.
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		6-29-87				Level		216.9 FF - Commercial Dr.
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Appears Adequate		All		S-1		Paved		None
								CHANGE SINCE SALE
								*

*Improved with chainlink fencing used for dumpster storage.

Sale Price	\$ 145,000.
Price per front foot	\$
Price per square foot	\$ 2.36
Price per acre	\$ 102,802.



08057

COMPARABLE LAND SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		Airview Drive				70157
GRANTOR						GRANTEE		
Spartan Self Storage Assoc.						Space properties		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
284	2	33	12-31-86	1285	828		\$50,000.	
USE AT SALE		H & B USE		SIZE				SHAPE
Vacant		Commercial		31,253 SF				Irreg.
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		6-29-87				Level		140 FF - Airview Drive
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Appears Adequate		All		S-1		Paved		None
								CHANGE SINCE SALE
								Mini-Warehouses

Sale Price \$ 50,000.
 Price per front foot \$ _____
 Price per square foot \$ 1.60
 Price per acre \$ 69,689.



68058

IMPROVED SALES MAP

29609

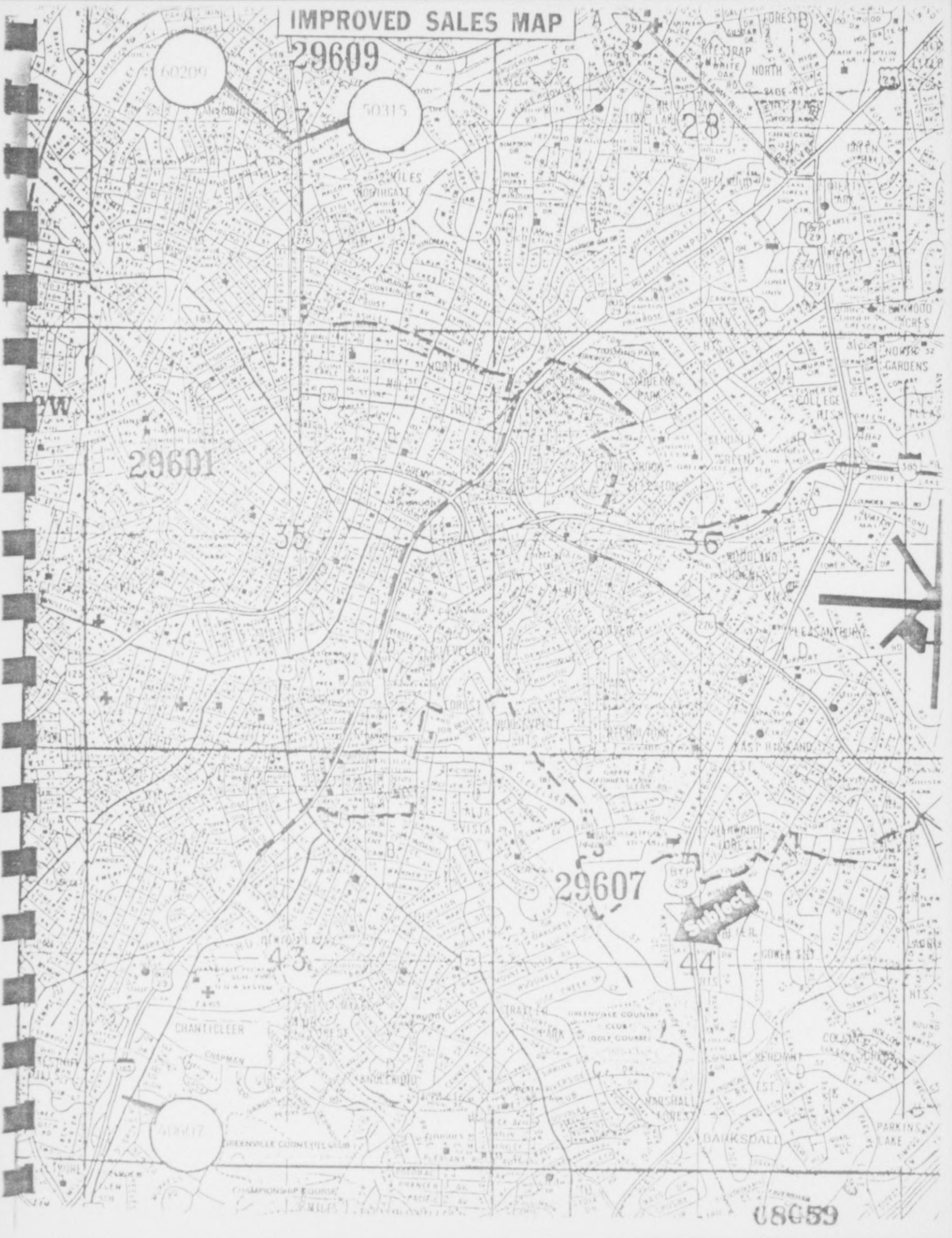
50315

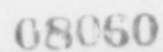
29601

29607

Sublet

08059





COMPARABLE IMPROVED SALES DATA EXHIBIT

PROJECT	COUNTY Greenville	LOCATION 1201 Poinsett Hwy.	NOV 10 1987	NO. 9	INDEX NO. 50315
OWNER Hertz Realty Corporation			GRANTEE STATE BUDGET & CONTROL BOARD S. Duvall		
TAX MAP 171	BLK. 5	LOT 15	DATE 3-12-85	BOOK 1235	PAGE 319
STAMPS			CONSIDERATION \$125,000.		
USE AT SALE Tire Shop		H & B USE Service		SIZE OF LAND 1.14 acres	
FINANCING		DATE INSPECTED		COND. OF SALE Normal	
				TOPOGRAPHY Level	
				ACCESS & FRONTAGE 136' - Poinsett Hwy 231' - Gantt Street	
DRAINAGE Adequate		UTILITIES All		ZONING C-2	
				STREETS Paved	
				EASEMENTS None	
				CHANGE SINCE SALE None	

IMPROVEMENTS DESCRIPTION:

BUILDING TYPE: Masonry
 BUILDING SIZE: 5,143 S.F.
 AGE:
 CONSTRUCTION DETAILS:

Sales Price \$ 125,000.
 Price per square
 foot of building \$ 24.30

One story brick building containing 3,889 S.F.
 of shop area and 1,254 S.F. of office area.
 Nice finished office area with wall to wall
 carpet and acoustical tile ceilings. Shop
 area concrete floors - not finished with
 three overhead doors.



08061

COMPARABLE IMPROVED SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		S.C. 253				40609
GRANTOR						GRANTEE		
W.E. Holtzclaw						Donald Jacks		
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
143	1	55	6-28-84	1215	980		\$62,500.	
USE AT SALE		H & B USE		SIZE OF LAND			SHAPE	
		Commercial		11,880 S.F.			Rectangular	
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		1-30-85		Normal		Level, on grade		253 L.F.
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Adequate		All		C-2		Paved		CHANGE SINCE SALE
								Mr. Alternator

IMPROVEMENTS DESCRIPTION:

BUILDING TYPE: Metal - Wood Truss
 BUILDING SIZE: 32' x 70' = 2240 S.F.
 AGE:
 CONSTRUCTION DETAILS:

Sales Price \$ 62,500.
 Price per square
 foot of building \$ 27.90

Concrete floors, fenced in, insulated overhead
 and walls, oil heat, 2 O.H. doors, small A/C
 office (approximately 5%)



08062

COMPARABLE IMPROVED SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.
		Greenville		Grove Road				40607
GRANTOR					GRANTEE			
Adams, Jean D.					Varat, Joshua E.			
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION	
WG1.1	03	12.7	6/1/84	1214	202		\$550,000.	
USE AT SALE		H & B USE		SIZE OF LAND				SHAPE
Industrial		Industrial		1.87 Acres				Rectangular
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE
		6-17-86		Normal		On grade, fairly level		249.9 LF
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS
Adequate		All		C-2		Paved		CHANGE SINCE SALE
								None

IMPROVEMENTS DESCRIPTION:

BUILDING TYPE: Masonry
 BUILDING SIZE: 20,242 SF
 AGE: Built 1965
 CONSTRUCTION DETAILS:

3,944 SF office

Sales Price \$ 550,000.
 Price per square foot of building \$ 27.17

08063

COMPARABLE IMPROVED SALES DATA

PROJECT		COUNTY		LOCATION				INDEX NO.	
		Greenville		1201 Poinsett Hwy.; New Buncombe Rd.				60209	
GRANTOR						GRANTEE			
S. DuVall						Continential Engines			
TAX MAP	BLK.	LOT	DATE	BOOK	PAGE	STAMPS	CONSIDERATION		
171	5	15	1-31-86	1259	262		\$150,000.		
USE AT SALE		H & B USE		SIZE OF LAND				SHAPE	
Tire Service		Service		1.14 Acres				Irreg.	
FINANCING		DATE INSPECTED		COND. OF SALE		TOPOGRAPHY		ACCESS & FRONTAGE	
				Normal		Level		136' - Poinsett Hwy. 231' - Gantt Street	
DRAINAGE		UTILITIES		ZONING		STREETS		EASEMENTS	
Adequate		All		C-2		Paved		None	
								CHANGE SINCE SALE Continential Engines Retail	

IMPROVEMENTS DESCRIPTION:

BUILDING TYPE: Masonry
 BUILDING SIZE: 5,143 SF
 AGE:
 CONSTRUCTION DETAILS:

One-story brick building containing 3,889 SF of shop area and 1,254 SF or 32% of office area. Nice finished office area with wall-to-wall carpet and acoustical tile ceilings. Shop area floors - not finished, with three overhead doors.

Sales Price \$ 150,000.
 Price per square foot of building \$ 29.17

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

EXHIBIT

NOV 10 1987 NO. 9

STATE BUDGET & CONTROL BOARD

08064

EXHIBIT

NOV 10 1987

NO. 10

STATE BUDGET AND CONTROL BOARD

STATE BUDGET & CONTROL BOARD

MEETING OF November 10, 1987

ITEM NUMBER

8

AGENCY: General Services

SUBJECT: Citadel Procurement Certification

The Division of General Services, in accord with Section 11-35-1210, has audited The Citadel and recommends its certification within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$10,000 per purchase commitment; consultants, \$10,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$10,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

BOARD ACTION REQUESTED:

In accord with Section 11-35-1210, grant procurement certification to The Citadel within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$10,000 per purchase commitment; consultants, \$10,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$10,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

ATTACHMENTS:

Agenda item worksheet and attachment

08065

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (Revised 8/84)

For meeting scheduled for:

EXHIBIT

Blue Agenda

xx Regular Session Agenda

Executive Session Agenda

November 10, 1987

NOV 10 1987

NO. 10

1. Submitted By:

(a) Agency: Division of STATE BUDGET & CONTROL BOARD

(b) Authorized Official Signature: Richard W. Kelly, Division Director

2. Subject:

Procurement Certification of The Citadel

3. Summary Background Information: In accordance with the Consolidated Procurement Code Section 11-35-1210, the Division of General Services has audited The Citadel's procurement system and recommends its certification within the parameters described in the audit report for the following limits for a period of three (3) years:

I. Goods and Services *\$10,000 per purchase commitment

II. Consultants *\$10,000 per purchase commitment

III. Information Technology in accordance with the approved Information Technology Plan *\$10,000 per purchase commitment

IV. Construction Services *\$25,000 per purchase commitment

*Total potential purchase commitment to the State whether single year or multi-term contracts are used.

4. What is Board asked to do?

Grant procurement certification for The Citadel

5. What is recommendation of the Board Division involved?

Grant certification

6. Recommendation of other office (as required)?

(a) Office Name

Authorized

(b) Signature

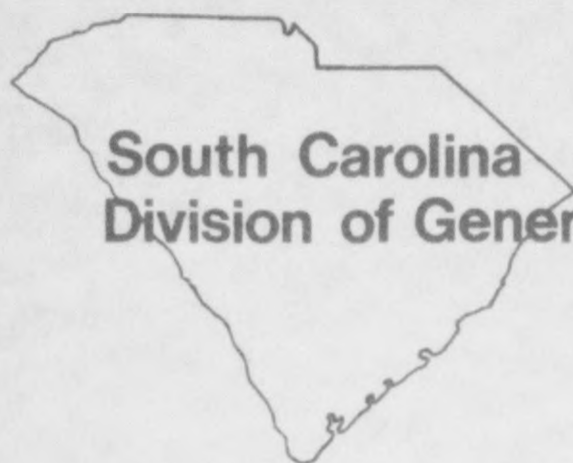
7. Supporting Documents:

List Those Attached

List Those Not Attached But Available from Submitter

1. 20 copies of Procurement Audit and Certification Report.

C8C66



South Carolina
Division of General Services

EXHIBIT

NOV 10 1987

NO. 10

STATE BUDGET & CONTROL BOARD

PROCUREMENT AUDIT AND CERTIFICATION

THE CITADEL

AGENCY

APRIL 1, 1985 - SEPTEMBER 30, 1986

DATE

08067

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 600
COLUMBIA, S.C. 29201
(803) 737-0600



RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

EXHIBIT

NOV 10 1987

NO. 10

STATE BUDGET & CONTROL BOARD

REMBERT C. DENNIS
CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

DR. JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

September 30, 1987

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street
Columbia, South Carolina 29201

Dear Rick:

Attached is the final audit report of The Citadel and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant The Citadel three (3) years certification as outlined in the audit report.

Sincerely,

Richard J. Campbell
Assistant Division Director

Attachment

08068

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Coia, S.C. 29169
734-4335

Supply, Warehousing & IMS
1942 Laurel Street
Coia, S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Coia, S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Coia, S.C. 29201
737-0600

Office of Audit & Certification
1201 Main Street
Suite 600
Coia, S.C. 29201
737-0600

Installment Purchase Program
1201 Main Street
Suite 600
Coia, S.C. 29201
737-0600

THE CITADEL
AUDIT REPORT

APRIL 1, 1985 - SEPTEMBER 30, 1986

C8C69

EXHIBIT

NOV 10 1987

NO. 10

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STATE BUDGET & CONTROL BOARD

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EXHIBIT

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
300 GERVAIS STREET
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-2150

NOV 10 1987

NO. 10

STATE BUDGET & CONTROL BOARD

CARROLL A. CAMPBELL, JR.
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



WILLIAM J. CLEMENT, AIA
ASSISTANT DIVISION DIRECTOR

REMBERT C. DENNIS
CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

May 6, 1987

Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
300 Gervais Street
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of The Citadel for the period April 1, 1985 through September 30, 1986. As part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing a recommendation for recertification above the \$2,500 limit.

The administration of The Citadel is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The

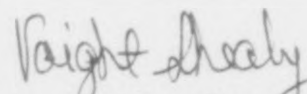
objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions, enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place The Citadel in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of The Citadel. Our on-site review was conducted November 18 through December 19, 1986 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code states in part:

In procurement audits of governmental bodies thereafter, the auditors from the Division of General Services shall review the adequacy of the systems's internal controls in order to ensure compliance with the requirements of this code and the ensuing regulations.

Our audit was performed primarily to determine if recertification is warranted. Increased certification limits were not requested.

EXHIBIT

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SCOPE

STATE BUDGET & CONTROL BOARD

Our examination encompassed a detailed analysis of the internal procurement operating procedures of The Citadel and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions up to the requested certification limits.

The Audit and Certification team statistically selected random samples for the period July 1, 1985 through June 30, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) warehousing, inventory and disposition of surplus property;

(10) economy and efficiency of the procurement process;
and

(11) approval of Minority Business Enterprise Plan.

SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system at The Citadel produced findings and recommendations in the following areas:

PAGE

I. Compliance - General

9

A. Procurement Exceptions - Random Sample

As part of our testing, we reviewed samples of two hundred forty randomly selected transactions. During this test, we noted six compliance exceptions.

B. Review of Competitive Sealed Bid Invitations

11

In addition to the testing mentioned in I.A. previously, we reviewed all formal competitive sealed bid invitations processed by The Citadel since receiving procurement certification. We noted exceptions and/or weaknesses in nine of these.

C. Consolidation of Orders

13

Four consecutively numbered purchase orders were processed in a manner so as to circumvent the competitive sealed bid process.

PAGE

II. Compliance-Emergency Procurements

14

Two procurements in excess of ten thousand dollars each were made legitimately as emergencies. In both cases, competition was solicited but not as much as was practicable under the circumstances.

III. Compliance - Departmental Purchase Orders

16

Four departmental purchase orders exceeded the college's limit of fifty dollars.

IV. Procurement Procedures

17

Our observations of procurement procedures at the college resulted in several recommendations for improvement.

EXHIBIT

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RESULTS OF EXAMINATION

STATE BUDGET & CONTROL BOARD

I. Compliance - General

A. Procurement Exceptions - Random Sample

As part of our testing, we reviewed samples of two hundred forty randomly selected transactions. The following exceptions were noted.

<u>P.O. #</u>	<u>P.O. Amount</u>	<u>Item Description</u>
41940	\$2,167.36	Open-plan system panels
42057	1,275.00	Oscilloscope
42531	502.71	Storage Boxes
43351	2,474.85	Boat
48391	3,885.00	Microfiche duplicator
47885	3,195.00	Mimeograph Machine

The college procured the open-plan panels (P.O. 41940) from the state contract vendor for office furniture. However, that term contract indicated that "open-plan panels are excluded from state contract and therefore must be purchased using another procurement method."

We understand that the vendor may have indicated that the state term contract included open-plan panels. It is the college's responsibility, however, to determine if such statements are correct.

The college used the sole source methodology to procure an oscilloscope at a price of \$1,275.00 (P.O. 42057). However, six months later, they submitted a request to State Procurements for six more oscilloscopes of the same model number. As a result of the competitive process and consolidation of orders, an award was made to another vendor (State P.O. #51330) for these items at a unit cost of \$1,133.75 a savings of \$141.25 each.

Competition was not solicited for the procurement of storage boxes (P.O. 42531) because it was anticipated to be less than \$500.00, the threshold at which competition is required. However, the addition of freight charges resulted in the purchase exceeding \$500.00. All cost except for sales tax must be considered when determining the level of competition required.

The procurement of a new boat (P.O. 43351) for \$2,474.85 included a trade-in allowance of \$120.00. The college solicited three informal written quotations to comply with the Code and regulations. However, an opinion written by the Materials Management Officer on December 4, 1984 states in part "The original purchase price without consideration to the trade-in value of used equipment shall be the dollar limit which determines proper solicitation practices."

The two procurements of a microfiche duplicator and a mimeograph machine (P.O.'s 48391 and 47885) were made based on competitive sealed bids. However, the solicitation was not advertised as required by Section 11-35-1580, Item 4, of the Consolidated Procurement Code, which states in part "All invitations to compete for information technology procurements shall be formally advertised in an official state government publication." The definition of information technology in Section 11-35-310(1) of the Procurement Code includes office equipment of this nature.

We recommend that care be taken to ensure that:

- (1) state term contracts are utilized correctly;

- (2) sole source procurements are made only where appropriate;
- (3) all components of cost are considered when determining competition requirements; and,
- (4) information technology procurements are advertised in "South Carolina Business Opportunities."

COLLEGE RESPONSE

The Citadel concurs with all findings and recommendations. Procedures have been revised or developed and are now in place to ensure proper compliance. All Citadel procurement officers have been reminded of the requirements as noted.

B. Review of Competitive Sealed Bids

In addition to the testing mentioned in I.A. previously, we reviewed all formal competitive sealed bid invitations processed by the college since receiving procurement certification. We noted the following exceptions and/or weaknesses:

1) Bid number 6126-70 for an automatic flush valve was not awarded to the low bidder based on the fact that his delivery time was twelve weeks where as the successful bidder's delivery time was five weeks. To complicate matters, the successful bidder bid an alternate, not the item specified. The low bidder bid as specified.

The bid conditions stated, "Delivery desired in five days. Delivery may be a factor in the award."

We question this award on the basis that; (1) the required delivery time was unreasonable as evidenced by the fact that no one could meet it; (2) the rejected low bidder submitted a bid for the specified item but the successful bidder did not; and (3) the delivery condition in the invitation for bids was not specific, indicating may rather than will and showing it as a desired delivery time. Since no vendor could meet the desired delivery, it was not mandatory.

2) On bid numbers 6121-793 and 7109-120, bids were solicited from less than the required number of vendors. Regulation 19-445.2035, which establishes the required number of invitations for bids for various dollar amounts, states in part, "If the minimum number of qualified bidders required by this Regulation cannot be solicited, the appropriate Chief Procurement Officer or the head of a governmental body shall certify in writing that all known sources were solicited." These determinations were not prepared.

3) The college has a policy of documenting reasons for single bid responses. However, this was not done on bid numbers 6121-793, 7108-120, 7120-700 and 7125-793. We concur with this policy and recommend that it be applied consistently.

4) Vendor terms offering a discount if payment was made within thirty days were not taken into consideration in determining the award for bid numbers 6126-670 and 7125-793. Offers of cash discounts for payment within short periods of time such as ten to fifteen days should not be considered if it is doubtful that payment can be made as required. However, liberal

discount offers of thirty days should be considered when determining awards.

The Citadel should take care to fully implement and consistently apply the requirements of the Consolidated Procurement Code and internal policy for competitive sealed bidding. These are in the interest of compliance and protection of the college.

COLLEGE RESPONSE

The Citadel concurs with all findings and recommendations. The director of procurement services now reviews all bid packages prior to mailing to ensure compliance. All procurement officers have been briefed on the proper consideration of discounts as well as the proper procedures for documentation of non-response. Action has been completed to correct all findings and implement all recommendations.

C. Consolidation of Orders

The following consecutively numbered purchase orders were processed in a manner so as to circumvent the competitive sealed bid process.

<u>P.O. #</u>	<u>Date</u>	<u>Req. #</u>	<u>Date</u>	<u>Acknowledgement</u>	<u>Amount</u>
43027	06/28/85	06773	06/26/85	06/26/85	\$2,336.04
43028	06/28/85	06774	06/26/85	06/26/85	2,241.69
43029	06/28/85	06775	06/26/85	06/26/85	1,549.49
43030	06/28/85	06778	06/26/85	06/26/85	1,327.20

The above requisitions for office furniture were initiated by the same person, from the same academic department, on the same date. These procurements which totaled \$7,454.42, should have been combined and solicited using the competitive sealed bid methodology. In this case, five or more qualified bidders should have been solicited in accordance with Regulation 19-445.2035.

COLLEGE RESPONSE

As we noted during the exit interview on 15 July 1987, this improper utilization of consecutively numbered purchase orders took place in order to expedite end of the fiscal year orders. However, The Citadel concurs that the four orders should have been consolidated and bid competitively. Action has been taken to preclude such actions in the future.

II. Compliance Emergency Procurements

We reviewed all sole source and emergency procurements and supporting documents for the period April 1, 1985 through June 30, 1986 for the purpose of determining the appropriateness of procurement actions taken and the accuracy of the reports submitted to the Division of General Services.

We found the majority of the transactions to be accurate and correctly reported; however, we did encounter the following emergency procurements where additional competition should have been solicited.

EXHIBIT

NOV 10 1987

NO. 10

<u>P.O. #</u>	<u>Amount</u>	<u>Description</u>	STATE BUDGET & CONTROL BOARD
43307	\$12,285.00	Office shelves...." unusually large class of freshman created shortage."	
43308	13,230.00	Wardrobe cabinets. Same justification as above.	

Although these two emergency procurements seem valid, in our opinion, additional competition could have been solicited. P.O. 43307 was supported by one phone quotation and two "No Bids", and P.O. 43308 was supported by two phone quotes. Section 11-35-2110, Subsection E, states in part that "...as much competition as is practicable should be solicited." These orders were made from the same vendor on the same day. The items procured are normally available as open-line products. Chances are that competition would have been available if solicited through an invitation for bids. The Procurement Code regulations allow for a minimum seven day bid. We recommend the college seek more competition on future emergency procurements of this size where time permits.

COLLEGE RESPONSE

The Citadel will attempt to solicit more competition for future emergency purchases. When competition must be limited for any reason, those facts will be fully documented in the emergency procurement documentation.

III. Compliance-Departmental Purchase Order

We reviewed departmental purchase orders for fiscal year 1985/86. The following orders exceeded the college's limit of fifty dollars.

<u>P.O. #</u>	<u>Amount</u>	<u>Description</u>
2547	\$146.39	Miscellaneous merchandise
2540	100.89	for various departments
2542	113.39	throughout the college.
2535	112.80	

COLLEGE RESPONSE

The director of procurement has developed a formal microcomputer program to review departmental purchase order data and identify departments in which possible abuse of the limited purchase authority is noted. Where appropriate, authority to use departmental purchase orders will be suspended. The Citadel is confident that the many benefits of the departmental purchase order system far outweigh the very few apparent abuses of the system.

EXHIBIT

NOV 10 1987

NO. 10

IV. Procurement Procedures

STATE BUDGET & CONTROL BOARD

The following recommendations are made to tighten the procurement procedures at the college.

- (1) During a test of a block sample of five hundred purchase orders, we noted what we consider to be a high frequency of change orders. From time to time change orders are necessary but a little more care in the processing of original orders might reduce their number.
- (2) Purchase orders 43027 and 43028 were awarded based on a low price from a vendor catalog. However, the price sheet from the catalog was not retained. In the future, we recommend that catalog price sheets be copied and retained to document the prices used.
- (3) Sealed bid number 6127-500 was awarded based on a vendor's personal quotation submitted in response to the invitation. In this case, his terms and conditions agreed with ours so there was no problem. Care must be taken however to ensure that, if vendor forms are accepted, their terms and conditions agree with those requested in the invitation for bids.
- (4) We were unable to locate the college's written policy regarding procedures for the continued development of the bidders list through the addition of bidders, maintenance of bid history records, periodic updates.

The overall effectiveness of the procurement system to maximize the purchasing dollar is directly related to the quality of the bidders list. Maintaining qualified sources of supply and

broadening of the vendor base enhances competition and normally results in lower prices for the same or higher quality of goods.

COLLEGE RESPONSE

The Citadel concurs with each of the four recommendations provided and has already taken necessary action to implement each.

EXHIBIT

NOV 10 1987 NO. 10

CERTIFICATION RECOMMENDATIONS

STATE BUDGET & CONTROL BOARD

As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place The Citadel in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. In accordance with Section 11-35-1230 of the Code, The Citadel should take this corrective action prior to September 30, 1987.

Toward this end, the Office of Audit and Certification will perform a follow-up review on or about that date to determine if the proposed corrective action has been taken. Based on the follow-up review and subject to this corrective action, we will recommend that The Citadel be recertified at the current levels, which are as follows:

<u>CATEGORY</u>	<u>AMOUNT</u>
I. Goods and Services	* \$10,000 per purchase commitment
II. Consultant Services	* \$10,000 per purchase commitment
III. Information Technology in accordance with the approved Information Technology Plan	* \$10,000 per purchase commitment
IV. Construction Services	* \$25,000 per purchase commitment

*This limit means the total potential purchase commitment to the State whether single year or multi-term contracts are used.

EXHIBIT

NOV 10 1987

NO. 10

COLLEGE RESPONSE

STATE BUDGET & CONTROL BOARD

On 6 July, 1987, The Citadel implemented the first phase of a new administrative computer support system which, when fully implemented, will provide a much broader range of management controls and reports for the entire procurement process at the college. The combination of corrective actions implemented in response to this audit report, other improvements recommended verbally by the audit staff, and the improvements offered by the new computer system will enable The Citadel to offer more responsive procurement service to its faculty and staff while, at the same time, fully complying with all provisions of the South Carolina Procurement Code.

James M. Stiles

James M. Stiles, P.P.B.
Audit Supervisor

R. Voight Shealy

R. Voight Shealy, Manager
Audit and Certification

EXHIBIT

NOV 10 1987

NO. 10

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 600
COLUMBIA, S.C. 29201
(803) 737-0600



CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

REMBERT C. DENNIS
CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

DR. JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

September 30, 1987

Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Richard:

We have returned to The Citadel to determine the progress made toward implementing the recommendations in our audit report covering the period April 1, 1985 through September 30, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that The Citadel has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of three (3) years.

Sincerely,

A handwritten signature in cursive script that reads "R. Voight Shealy".

R. Voight Shealy, Manager
Audit and Certification

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Cola, S.C. 29169
734-4335

Supply, Warehousing & IMS
1942 Laurel Street
Cola, S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Cola, S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
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737-0600

Office of Audit & Certification
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Suite 600
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737-0600

Installment Purchase Program
1201 Main Street
Suite 600
Cola, S.C. 29201
737-0600

C8C91

EXHIBIT

NOV 10 1987

NO. 11

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

STATE BUDGET & CONTROL BOARD
ITEM NUMBER

9

AGENCY: General Services

SUBJECT: Youth Services Procurement Certification

The Division of General Services, in accord with Section 11-35-1210, has audited the Department of Youth Services and recommends its certification within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$25,000 per purchase commitment; consultants, \$25,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$25,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

BOARD ACTION REQUESTED:

In accord with Section 11-35-1210, grant procurement certification to the Department of Youth Services within the parameters described in the audit report for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for a period of three years: goods and services, \$25,000 per purchase commitment; consultants, \$25,000 per purchase commitment; information technology in accordance with the approved Information Technology Plan, \$25,000 per purchase commitment; and construction services, \$25,000 per purchase commitment.

ATTACHMENTS:

Agenda item worksheet and attachment

08092

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (Revised 8/84)

EXHIBIT

For meeting scheduled for:

NOV 10 1987

NO. 11

Blue Agenda

xx Regular Session Agenda

Executive Session Agenda

November 10, 1987

STATE BUDGET & CONTROL BOARD

1. Submitted By:

(a) Agency: Division of General Services

(b) Authorized Official Signature: Richard W. Kelly, Division Director

2. Subject:

Procurement Certification of the Department of Youth Services

3. Summary Background Information: In accordance with the Consolidated Procurement Code Section 11-35-1210, the Division of General Services has audited the Department of Youth Services' procurement system and recommends its certification within the parameters described in the audit report for the following limits for a period of three (3) years:

I. Goods and Services

*\$25,000 per purchase commitment

II. Consultants

*\$25,000 per purchase commitment

III. Information Technology in accordance with the approved Information Technology Plan

*\$25,000 per purchase commitment

IV. Construction Services

*\$25,000 per purchase commitment

*Total potential purchase commitment to the State whether single year or multi-term contracts are used.

4. What is Board asked to do?

Grant procurement certification for the Department of Youth Services

5. What is recommendation of the Board Division involved?

Grant certification

6. Recommendation of other office (as required)?

(a) Office Name

Authorized

(b) Signature

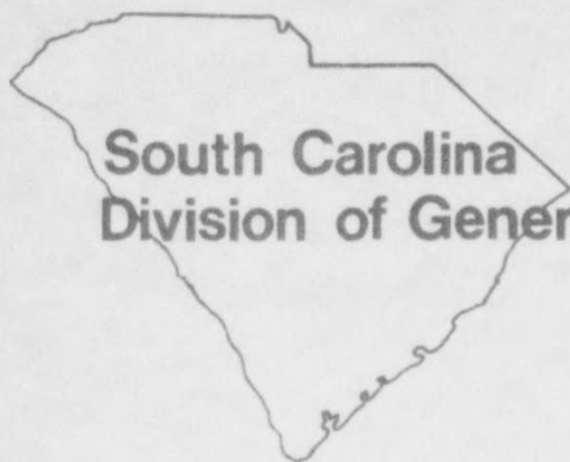
7. Supporting Documents:

List Those Attached

List Those Not Attached But Available from Submitter

1. 20 copies of Procurement Audit and Certification Report.

08093



South Carolina
Division of General Services

EXHIBIT

NOV 10 1987

NO. 1 1

STATE BUDGET & CONTROL BOARD

PROCUREMENT AUDIT AND CERTIFICATION

DEPARTMENT OF YOUTH SERVICES

AGENCY

JANUARY 1, 1985 - DECEMBER 31, 1986

DATE

08094

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
1201 MAIN STREET, SUITE 600
COLUMBIA, S.C. 29201
(803) 737-0600

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NO. 11

STATE BUDGET & CONTROL BOARD

CARROLL A. CAMPBELL, JR., CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



RICHARD J. CAMPBELL
ASSISTANT DIVISION DIRECTOR

REMBERT C. DENNIS
CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

DR. JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

October 30, 1987

Mr. Richard W. Kelly
Division Director
Division of General Services
1201 Main Street
Columbia, South Carolina 29201

Dear Rick:

Attached is the final South Carolina Department of Youth Services audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department of Youth Services three (3) years certification as outlined in the audit report.

Sincerely,

Richard J. Campbell
Assistant Division Director

Attachment

MATERIALS MANAGEMENT OFFICE

State Supply & Surplus Property Management
Surplus Property
Boston Avenue
W. Coia. S.C. 29169
734-4335

Supply, Warehousing & IMS
1942 Laurel Street
Coia., S.C. 29201
734-7919

Training & Research
300 Gervais Street
Annex 3
Coia., S.C. 29201
737-2060

State Procurements &
Information Technology Management Office
1201 Main Street
Suite 600
Coia., S.C. 29201
737-0600

Office of Audit & Certification
1201 Main Street
Suite 600
Coia., S.C. 29201
737-0600

Installment Purchase Program
1201 Main Street
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737-0600

08095

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STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA DEPARTMENT OF YOUTH SERVICES AUDIT REPORT

January 1, 1985 - December 31, 1986

08096

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STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
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CARROLL A. CAMPBELL, JR., CHAIRMAN
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CHAIRMAN,
SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

DR. JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

June 25, 1987

Mr. Richard J. Campbell
Assistant Director
General Services
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Department of Youth Services, for the period January 1, 1985 through December 31, 1986. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Department of Youth Services is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by

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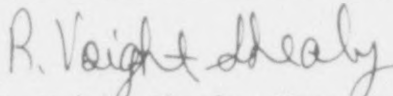
management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which we believe to be subject to correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Department of Youth Services in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


R. Voight Shealy, Manager
Audit and Certification

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INTRODUCTION

STATE BUDGET & CONTROL BOARD

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the Department of Youth Services.

Our on-site review was conducted January 20, 1987 through February 13, 1987, and was made under the authority as described in Section 11-35-1230 (1) of the South Carolina Consolidated Procurement Code and Regulation 19-445.2020.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

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BACKGROUND

STATE BUDGET & CONTROL BOARD

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operations, shall certify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

Our audit was performed primarily to determine if recertification is warranted for these existing limits:

<u>Category</u>	<u>Requested Limit</u>
1. Goods and Services	\$25,000
2. Consultant Services	25,000
3. Information Technology	25,000
4. Construction	25,000

SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Department of Youth Services and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

The Audit and Certification team statistically selected random samples for the period July 1, 1985 through June 30, 1986, of procurement transactions for compliance testing and performed other auditing procedures that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and Regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order registers;
- (4) evidences of competition;
- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selections;
- (8) file documentation of procurements;
- (9) disposition of surplus property;
- (10) economy and efficiency of the procurement process;
- (11) Minority and Business Enterprise Utilization Plan approval.

EXHIBIT

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SUMMARY OF AUDIT FINDINGS

STATE BUDGET & CONTROL BOARD

Our audit of the procurement system of the South Carolina Department of Youth Services, hereinafter referred to as DYS, produced findings and recommendations in the following areas:

I.	<u>Contractual Bedspace</u>	<u>Page</u>
	DYS requested and received a temporary waiver from the Consolidated Procurement Code for the procurement of contractual bedspace for clients. After thorough review of this issue, we find that continuation of this waiver is unnecessary.	8
II.	<u>Compliance-Information Technology</u>	8
A.	<u>New Telephone Systems</u>	9
	DYS exceeded its procurement authority in the purchase of new telephone systems for three area offices.	
B.	<u>Leases of Modems</u>	10
	Three annual lease agreements were extended improperly, without competition.	
III.	<u>Compliance-Sole Source Procurements and Trade-in Sales</u>	11
A.	<u>Sole Source Procurements</u>	11
	One procurement was handled improperly as a sole source.	

B. Trade-in Sales

Page

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Eleven purchase orders involving trade-ins totalling \$8,070.00 were not approved by the Materials Management Officer as required by Section 19-445.2150, Subsection E, of the regulations.

IV. Omission of Fixed Assets From Property Records

12

In a test of twenty equipment procurements, we discovered that three items had not been added to DYS's property inventory records.

RESULTS OF EXAMINATION

I. Contractual Bedspace

In February, 1982, shortly after enactment of the Consolidated Procurement Code, DYS requested a waiver from the provisions of the Code which pertained to the procurement of contractual bedspace for clients. On March 5, 1982, the Materials Management Officer granted such a waiver saying, "Until such time as our audit staff can thoroughly review this situation, I recommend you continue to contract for bedspace as you have in the past."

The audit staff has had the opportunity to explore this issue thoroughly and can find insufficient justification for continuing the waiver. Toward this end, we recommend that DYS work with the Materials Management Office of the Division of General Services toward development of competitive solicitations for contractual bedspace for clients.

We indicated this in the attached letter to DYS on December 4, 1986. We cannot accept continued use of the waiver beyond that date. Any procurement of contractual bedspace after December 4, 1986 that is not handled in compliance with the Consolidated Procurement Code must be considered a violation.

II. Compliance-Information Technology

In the area of information technology we noted two contracts initiated in violation of the Consolidated Procurement Code and Regulations. These exceptions were as follows:

A. New Telephone Systems

Proposal number 1102 was for the lease/purchase of electronic key telephone systems for DYS offices in North Charleston, Oconee County, and Aiken County. The lease/purchase commitment for each office was \$3,304.80, \$4,594.32 and \$7,546.20, respectively, making the total procurement resulting from this request for proposals \$15,445.32.

The proposal was handled as one solicitation with three separate awards. Requests for proposals were mailed to two potential offerors for all three contracts.

The following violations were noted:

- 1) The total awards resulting from this solicitation exceeded DYS's procurement certification limit of \$10,000.00, thus these are unauthorized procurements.
- 2) Proposals were solicited from only two offerors. The Procurement Code regulations require solicitation of a minimum of ten bids or proposals for procurements in excess of \$10,000.00. (Reference Section 19-445.2035). Even if the transaction could be considered to be three separate procurements, proposals should have been solicited from a minimum of three qualified sources for two of the systems and a minimum of five qualified sources for the other.
- 3) A written determination was not prepared to justify the use of competitive sealed proposals rather than competitive sealed bidding, as required by Section 11-35-1530 of the Procurement Code.
- 4) The solicitation was not formally advertised in South Carolina Business Opportunities as required by Section 11-35-1580(4) of the Procurement Code for information technology procurements.

- 5) The State of South Carolina Standard Equipment Agreement was not used nor were the agreements approved by the Director of General Services, as required by Section 19-445.2150, Subsection F, of the regulations.

The procurements must be ratified by the Materials Management Officer in accordance with Section 19-445.2015 of the regulations. In the future, when determining the required amount of competition or the required authority level for a transaction, the total potential award should be considered, not the award to each vendor.

B. Leases of Modems

The following three purchase orders were for annual lease agreements for modems:

<u>PURCHASE ORDER #</u>	<u>DATE</u>	<u>AMOUNT</u>
50707	8/22/85	\$3,024.00
54748	4/29/86	1,008.00
56783	8/29/86	3,840.00

The lease extensions were not competitively bid, nor were sole source determinations prepared. Further, these same modems are available for purchase on state contract. The payback period of buying versus leasing these modems is about one additional month beyond the twelve month lease. DYS should strongly consider the option of procuring similar modems from State contract vendors upon expiration of the existing lease agreements. They have been leasing this equipment since 1981.

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III. Compliance-Sole Source Procurements and Trade-in Sales

We examined the quarterly reports of sole source and emergency procurements and trade-in sales and all available supporting documents for the period January 1, 1985- December 31, 1986, for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services, as required by Section 11-35-2440 of the Consolidated Procurement Code. We found the majority of these transactions to be proper and accurately reported, but we did note the following exceptions.

A. Sole Source Procurements

We noted the following exceptions to purchase order 46825 for \$1500, dated 12/10/84, for providing class instructions in the "Youth Law Diversion Program". First, we disagree that this company is a sole source vendor for this program and competition should have been sought. Second, there was no approval date on the sole source determination, so we do not know if approval was obtained prior to the contract. Third, we could find no record of the procurement being reported to the Division of General Services.

B. Trade-in Sales

Eleven purchase orders, with trade-ins totalling \$8,070.00, did not have the Materials Management Officer's approval as required by Section 19-445.2150, Subsection E, of the regulations. This section states "Governmental bodies may trade-in personal property, the trade-in value of which may be applied to the purchase of new like items. The trade-in values of such personal property shall not exceed five hundred dollars (\$500.00). When the trade-in value exceeds five hundred dollars (\$500.00), the governmental body shall refer that

matter to the Materials Management Officer for disposition by the office or for submission to the Board for consideration."

IV. Omission of Fixed Assets from Property Records

In a test of twenty equipment procurements, we discovered that three items had not been added to DYS'S property inventory records. When the voucher was prepared for payment, the fixed asset forms were not completed and forwarded to fixed asset control resulting in an understatement of the fixed asset records of \$1,110.00. We recommend that these procurements of fixed assets be added to property control records.

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations in the body of this report, we believe, will in all material respects place the South Carolina Department of Youth Services in compliance with the State Consolidated Procurement Code and ensuing regulations.

Prior to October, 15 1987, the Office of Audit and Certification will perform a follow-up review in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken by the department. Based on the follow-up review, and subject to this corrective action, we will recommend that the Department of Youth Services be re-certified to make direct agency procurements for a period of three years as follows:

<u>Procurement Area</u>	<u>Recommended Certification Limits</u>
I. Goods and Services excluding procurements of contractual bedspace as addressed in Item I. herein.	\$25,000* per purchase commitment
II. Consultant Services	\$25,000* per purchase commitment
III. Information Technology in accordance with the approved Information Technology Plan.	\$25,000* per purchase commitment
IV. Construction Services	\$25,000* per purchase commitment

* The total potential purchase commitment to the State whether single year or multi-term contracts are used.

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STATE BUDGET & CONTROL BOARD

Contractual bedspace has never been procured in accordance with the Consolidated Procurement Code by the Department of Youth Services. Without an auditable track record for this procurement activity we cannot recommend certification at this time.

James M. Stiles
James M. Stiles PPB
Audit Supervisor

R. Voight Shealy
R. Voight Shealy, Manager
Audit and Certification

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
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RICHARD W. RILEY, CHAIRMAN
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COMPTROLLER GENERAL



WILLIAM J. CLEMENT
ASSISTANT DIVISION DIRECTOR

REMBERT C. DENNIS
CHAIRMAN,
SENATE FINANCE COMMITTEE

TOM C. MANGUM
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

December 4, 1986

Ms. Susan DeWitt
Director of Finance Division
Department of Youth Services
1122 Lady Street, Suite 500
Columbia, South Carolina 29202

Dear Susan:

This letter is pursuant to our meeting of November 25 with Richard Campbell, Materials Management Officer, concerning the Department of Youth Services' (DYS) procurement of foster homes and residential group homes. Since the discussion clearly separated the procurement of different service lines, I will address them separately here.

Foster Homes

As I understand it, DYS contracts with approximately 100 regular foster homes and approximately 50 jail removal or emergency foster homes. Each home must be licensed by DYS and meet various other standards established by the department. Once a home is licensed, DYS counsellors assign clients based on availability, community location and the needs of each client. Assignment is handled locally.

Fees per unit of service are established in the Appropriations Act annually. Since this is not a variable, price competition is eliminated.

With that in mind, the only competition aspect to be satisfied is to ensure that qualified and willing potential providers are afforded an opportunity to participate in the program. We must ensure that the door is not closed to competition based on quality of service.

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Ms. DeWitt
December 4, 1986
Page 2

The current list of licensed homes provides the nucleus of a potential provider list (bidders list). Obviously, these are both qualified and willing.

To supplement this list, we recommend that DYS advertise annually or bi-annually in newspapers of general circulation across the state for interested potential providers. Possibly, newspapers from Greenville, Columbia and Charleston should be used. South Carolina Business Opportunities should also be utilized. Finally, if DYS identifies specific target areas local papers might be used periodically.

Interested parties would, of course, be required to meet all DYS licensure qualifications. If acceptable, they should be licensed. If not acceptable, reasons for rejection should be documented carefully. We are not proposing that licensure requirements be changed, but merely that sufficient documentation be maintained to support their rejection.

It should be made clear to all potential providers that each home will be used on an "as needed" basis with each client's welfare in mind. Counsellors would continue to assign clients to homes as they do now.

We recommend that licenses be expanded slightly to document this assignment procedure and to indicate that, by signing, the provider agrees to accept the rate per unit of service established in the Appropriations Act.

There should be a central depository for these licenses/contracts, possibly in Purchasing. I believe they prepare purchase orders for foster homes annually anyway, so hopefully the additional workload will be manageable.

As in the past, interested parties who contact DYS directly asking to be licensed should be afforded the same opportunity. I believe the combination of using the existing list of licensed homes, advertising for interested qualified providers and accepting inquiries from interested parties throughout the year meets the goals of the Consolidated Procurement Code, particularly that of ensuring the fair and equitable treatment of all persons.

Finally, it is my understanding that all of these agreements are within the procurement certification of DYS. If so, ratification of current contracts is not necessary. DYS may continue to conduct this procurement activity within the current goods and services certification.

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Ms. DeWitt
December 4, 1986
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STATE BUDGET & CONTROL BOARD

Residential Group Homes

In addition to foster homes, DYS contracts with residential group homes for short term, intermediate and long term placement. I believe it was indicated during our meeting that DYS currently contracts with fifteen (15) residential group homes. Contracts are in two forms; (1) reserved bed space which is used in areas of high use and limited availability to ensure necessary bed space when needed, and (2) placement only for more long-term clients.

Based on my files, during fiscal year 1984/85 contracts ranged from \$5,000.00 to \$110,000.00. During this same time period, rates per unit of service ranged from \$11.50 to \$48.53, depending on the programs being provided.

It is my understanding that the contractual relationships between DYS and current group homes evolved over the years based upon needs for service, local cooperation, availability and political influence. Further, I understand that at one time certain group homes were listed by name in DYS's budget. When legislative intent was specifically directed, the Consolidated Procurement Code was not applicable. However, since this has been discontinued, the Procurement Code must be applied.

In order to ensure compliance, I recommend the following:

- (1) Ratification be requested for fiscal year 1986/87 contracts that exceed DYS's procurement certification.
- (2) DYS work with the Materials Management Office of the Division of General Services to develop a competitive request for proposal solicitation for provision of these services during fiscal year 1987/88.

As we discussed, this would be a statewide solicitation with resulting multiple awards based in part on the criteria stated in DYS's letter dated February 28, 1982, when a waiver from the Procurement Code was requested. These were:

- a) licensing by the Department of Social Services (DSS),
- b) compliance with local and state fire safety codes,
- c) acceptable staffing patterns to deliver supervision as well as special treatment when required,
- d) community location to meet anticipated geographical placement needs, and
- e) willingness to accept children with sometimes extreme behavioral problems.

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STATE BUDGET & CONTROL BOARD

Ms. DeWitt
December 4, 1986
Page 4

- (3) Since licensing is required, the DSS list of licensed providers may comprise the bidders list. Of course, the solicitation would have to include those potential providers who demonstrated the capacity to obtain a license prior to award.

DYS Operated Residential Group Homes

Other group homes staffed and operated by DYS are fully under the Procurement Code so their purchases must be made accordingly. If facilities are leased, the leases must be approved by the Real Property Management Section of the Division of General Services.

In my opinion, the procedures that we have recommended will provide compliance with the South Carolina Consolidated Procurement Code without endangering the provision of required services. Certainly, this is our goal. If you have any questions or comments please let me know.

Sincerely,

R. Voight Shealy

R. Voight Shealy, Manager
Audit and Certification

CC: Mr. James LeBlanc, DYS
Ms. Nancy Kuhl, DYS
Mr. Richard J. Campbell, General Services
Mr. Jeff Widdowson, General Services

08115



Harry W. Davis, Jr.
Commissioner

Youth Services

P.O. Box 7367/Columbia, S.C. 29202

Telephone (803) 734-1340

EXHIBIT

NOV 10 1987

NO. 11

October 7, 1987

STATE BUDGET & CONTROL BOARD

Mr. R. Voight Shealy, Manager
Audit and Certification
Budget and Control Board
Division of General Services
Columbia, South Carolina 29201

Dear Voight:

The procurement audit completed for the period of January 1, 1985 through December 31, 1986, has been received and reviewed by this office. We concur with all findings cited. I would like to emphasize that concurrence in no way indicates contentment with our performance. As in the past, we will continue to strive for an unqualified audit opinion.

Implementation of necessary internal control changes has, prior to audit completion or immediately upon receipt of the draft audit, taken place. Compliance with all recommendations will be completed by October 15, 1987.

Once again, I would like to thank you and your staff for their assistance, patience and extreme professionalism.

Sincerely,

Susan DeWitt
Director of Finance

SD/mlh

cc: Richard Campbell
Nic Church
Tim Giffel

08116

STATE OF SOUTH CAROLINA
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ASSISTANT DIVISION DIRECTOR

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SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN
CHAIRMAN,
HOUSE WAYS AND MEANS COMMITTEE

DR. JESSE A. COLES, JR.
EXECUTIVE DIRECTOR

October 20, 1987

Mr. Richard J. Campbell
Assistant Division Director
Division of General Services
1201 Main Street
Columbia, South Carolina 29201

Dear Richard:

We have returned to the South Carolina Department of Youth Services to determine the progress made toward implementing the recommendations in our audit report covering the period January 1, 1985 through December 31, 1986. During this visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

We observed that the Department of Youth Services has made substantial progress toward correcting the problem areas found and improving the internal controls over the procurement system. With the changes made, the system's internal controls should be adequate to ensure that procurements are handled in compliance with the Consolidated Procurement Code and ensuing regulations.

We, therefore, recommend that the certification limits as outlined in the audit report, be granted for a period of three (3) years.

Sincerely,

R. Voight Shealy, Manager
Audit and Certification

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EXHIBIT

NOV 10 1987

NO. 12

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION
ITEM NUMBER

10

AGENCY: Fire Commission

SUBJECT: Proposed Regulations, Fire and Life Safety

The State Fire Commission advises that the drafting period for developing regulations regarding fire and life safety, notice of which was published in the September 23, 1987, State Register, ended October 27.

The Commission has revised Subarticle I to correct technical errors and to allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards. The Commission advises that the revision will advance the rights of handicapped persons and ease their placement back into society. These regulations are now in effect on an emergency basis which will expire in mid-January 1988.

The Commission also has revised Subarticles 2, 4, 7, 9 and 10 to correct technical errors and to incorporate the appropriate references to the adopted 1985 Southern Standard Building Code and 1985 Fire Prevention Code.

The Commission asks Board authorization to submit the proposed regulations to the Legislative Council for publication in the State Register to begin the formal approval process. A public hearing is scheduled for 10 a.m., December 31, 1987.

BOARD ACTION REQUESTED:

Authorize the Fire Commission to submit to the Legislative Council for publication in the State Register regulations regarding fire and life safety which include technical corrections and which allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards.

ATTACHMENTS:

Lee November 2 letter to McInnis; referenced regulations

08118

EXHIBIT

State of South Carolina

NOV 10 1987

NO. 1 2

STATE FIRE COMMISSION

STATE BUDGET & CONTROL BOARD

800 Dutch Square Blvd., Suite 201
Columbia, S.C. 29210
Telephone: (803) 737-8300

Lewis B. Lee, Chairman
Fourth Congressional District
Newberry

John R. Buckner
First Congressional District
Hardeeville

Wilmot E. Guthrie
First Congressional District
Charleston

Robert Ellison
Second Congressional District
Blythewood

James Bartley
Second Congressional District
Columbia

Alex Gundry
Third Congressional District
Starr

Grady Hill
Third Congressional District
Greenwood

Andy Littlejohn
Fourth Congressional District
Union

Thomas Forrester
Fourth Congressional District
Greenville

B. Eddie Rivers
Fifth Congressional District
Pageland

Robert M. Baker
Fifth Congressional District
Sumter

S.K. Brockington, Jr.
Sixth Congressional District
Lake City

Carter Jones
Sixth Congressional District
Manning

Brunson L. Cromer
Member at large
Aiken

Carl R. Dickert
Member at large
Piedmont

Robert M. Lee
Member at large
Johns Island

Priscilla Mayes
Member at large
Columbia

Michael G. Padgett
Member at large
Spartanburg

B. Harold Tarleton, Jr.
Member at large
Greenville

November 2, 1987

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
Wade Hampton Office Building
Columbia, South Carolina 29201

Dear Mr. McInnis:

The State Fire Commission has just completed the Intent to Promulgate phase of developing regulations regarding fire and life safety. The Commission has revised Subarticle I to correct several technical errors and to allow placement of clients in wheelchairs in intermediate care facilities/mental retardation (ICF/MR) and in community residential care (CRC) facilities constructed to ICF/MR standards. This revision will advance the rights of handicapped persons and ease their placement back into society. The Commission also revised Subarticles 2, 4, 7, 9 and 10 to correct technical errors and to incorporate the appropriate references to the adopted 1985 Southern Standard Building Code and 1985 Fire Prevention Code.

I have enclosed fifteen (15) copies of these regulations for your use. The Commission is seeking approval of these regulations by the Budget and Control Board at their November 10, 1987 meeting. The Fire Commission has set December 31, 1987 as the date for a public hearing on these regulations. The public hearing will take place at Suite 810, AT&T Building, 1201 Main Street, Columbia, South Carolina. Upon approval by the Board, please send these regulations to Ms. Lynn Bartlett to be included in the December issue of the State Register.

If you have any questions, please contact Mr. David Cullum at 737-8300.

Sincerely,

Lewis Lee / dr

Lewis B. Lee, Chairman
State Fire Commission

LBL:cpd
Enclosures

68119

EXHIBIT

NOV 10 1987

NO. 12

State Budget and Control Board
NOTICE OF PROPOSED REGULATIONS
Chapter 19, Code of State Regulations

STATE BUDGET & CONTROL BOARD

The State Budget and Control Board and the State Fire Commission propose to amend regulations contained in Chapter 19, Code of State Regulations, as amended. The regulations involved include the following:

- 19-300 Fire Prevention & Life Safety - Buildings
- 19-301 Use of Hazardous Substances
- 19-303 Service Stations
- 19-306 Tents, Grandstands, and Air-Supported Structures
- 19-308 Fire Safety: Construction & Operation of Local Detention Facilities
- 19-309 Fire Safety: Existing Local Detention Facilities

A Notice of Drafting Period on these proposed amendments was published in the State Register on September 23, 1987.

A synopsis of the proposed changes follows this Notice. A copy of the proposed regulations may be obtained by writing to Mr. David Cullum, 800 Dutch Square Boulevard, Suite 201, Columbia, SC 29210, or by calling him at 803-737-8300.

Persons who wish to present views on the proposed regulations may do so by writing to Mr. Cullum at the address indicated. To be considered, such comments must be received by Mr. Cullum not later than December 30, 1987.

A public hearing on the proposals has been scheduled as follows:

Public Hearing Date and Time: Thursday, December 31, 1987, 10:00 a.m.

Place: Suite 810, AT&T Building, 1201 Main Street, Columbia, SC

William A. McInnis
Secretary

08120

EXHIBIT

NOV 10 1987

NO. 12

PUBLIC DOCUMENT TRANSMITTAL

1. DATE OF FILING

STATE BUDGET & CONTROL BOARD

INSTRUCTIONS

Three copies of this form must be completed and submitted with each document to be filed with the Legislative Council. Follow the additional instructions below for completing the form.

Item 1 - Leave blank. This block is for use by the Legislative Council to record the time and date of receipt for filing.

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Item 3 - Enter the subject as shown on the document, i.e., "Fair Hearings."

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Item 5 - Type name of the person in Legal Office responsible for the document being transmitted. It is very important that the Legislative Council know the specific name of the individual to contact regarding the document.

Item 6 - Enter telephone number at which the individual indicated in Item 5 may be contacted.

Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977," Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER

19-300

3. SUBJECT OF REGULATION

FIRE PREVENTION + LIFE SAFETY - BUILDINGS

4. TYPE OF REGULATION

PROPOSED

5. FOR REFERENCE CONSULT

David Cullum

6. PHONE NUMBER

737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL

William A. McInnis

8. SIGNATURE OF OFFICIAL

William A. McInnis

9. DATE OF CERTIFICATE

November 12, 1987

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10.

Published in Volume _____ Issue _____ State Register.

Edited and Approved by _____

Document Number Assigned by Legislative Council _____

08121

EXHIBIT

NOV 10 1987

NO. 1 2

DIVISION OF STATE FIRE MARSHAL

STATE BUDGET & CONTROL BOARD

SUBARTICLE 1

FIRE PREVENTION AND LIFE SAFETY-BUILDING

This subarticle has been amended to correct a continuing problem of placement of handicapped individuals in intermediate care facilities/mental retardation (ICF/MR) facilities and community residential care facilities (CRCF). The existing regulation states that clients shall be ambulatory to be placed in residential care facilities and we feel that handicapped persons are being deprived of their rights to stay in these facilities and to merge into society. This regulation also sets forth construction standards for ICF/MR and CRCF facilities to accommodate handicapped/mental retarded clients and provide a safer environment for their care. The amended regulation also corrects a number of minor technical errors that have been present in Subarticle 1 for many years.

68122

EXHIBIT

SUBARTICLE 1

NOV 10 1987

NO. 1 2

STATE BUDGET & CONTROL BOARD

19-300.5 Amend to read as follows:

Nothing contained in these Rules and Regulations shall apply to buildings, whether heretofore or hereafter constructed, occupied exclusively as dwellings and all usual out-buildings including barns and other farm buildings in connection therewith, and one-story buildings not exceeding five thousand square feet area, other than those used for assembly, educational, institutional, domiciliary, or hazardous occupancies.

19-300.10 Amend to read as follows:

The provisions of the 1987 Edition of the National Electrical Code shall constitute the minimum general standards covering fire prevention and life protection of persons and property from hazards from the use of electricity.

19-300.11B(2) Amend first sentence to read as follows:

(2) All facilities in South Carolina which provide care for four or more children under twenty-four months of age and who are unattended by a parent or guardian shall provide the following safeguards.

19-300.11C(6) Amend to read as follows:

(6) Fire extinguishers intended for use in patient areas shall be of the 2-A, two and one-half gallon stored-pressure water type. A 4-A: 40 BC minimum classification fire extinguisher shall be installed in the following hazardous areas: kitchen, laundry room, and any other area having an unusual fire hazard. At least one 2-A:10 BC minimum classification type fire extinguisher shall be located at each nurse's station.

08123

EXHIBIT

NOV 10 1987 NO. 1 2

19-300.11D(1) Amend to read as follows:

STATE BUDGET & CONTROL BOARD

(1)(a) Adult Residential Care Facilities are hereby defined as buildings or structures, or any portion thereof, used for providing boarding and lodging facilities for twenty-four consecutive hours to persons who are aged, handicapped or developmentally disabled who may need a degree of personal care or supervision.

(1)(b) All residents of these facilities shall have mental and physical capabilities of self-preservation. EXCEPTION: Intermediate Care Facilities Mental Retardation - 15 and Community Residential Care Facilities. Facilities licensed under State Law as Intermediate Care Facilities - Mental Retardation - 15 beds or less (ICF-MR15) and/or Community Residential Care Facilities (CRCF) that comply with ICF-MR15 construction requirements may house residents who may require physical assistance to exit the building. ICF-MR15 and CRCF facilities that house four or more residents who may require physical assistance to exit the building shall be fully sprinkled in accordance with NFPA 13. These residents that may require physical assistance to exit the building shall not be located above or below the floor of exit discharge. The approved fire alarm system shall transmit an alarm automatically to the fire department serving the facility and shall be in accordance with the appropriate NFPA standard.

19-300.11D(2)(d) Amend to read as follows:

(d) No portable electric or unprotected open flame heaters shall be allowed. Unvented heaters are prohibited. Vents for heaters must be installed in compliance with applicable codes.

08124

EXHIBIT

NOV 10 1987

NO. 12

19-300.11D(2)(f) Amend to read as follows:

STATE BUDGET & CONTROL BOARD

(f) All drapes or curtains shall be constructed of flame resistant material or if not constructed of flame resistant material, they shall be treated annually with fire resistant material.

19-300.11D(2)(q) Amend second sentence to read as follows:

(q) This plan shall note the location of all clients temporarily incapable of maintaining self-preservation.

19-300.11D(3) Amend to read as follows:

(3) All Adult Residential Care Facilities licensed for six through twelve residents shall meet requirements for Residential Dormitory Occupancy in addition to requirements in 19-300.11D(2) above.

19-300.11D(4) Amend to read as follows:

(4) All Adult Residential Care Facilities licensed for thirteen or more residents shall meet all requirements in 19-300.11D(2) and 19-300.11D(3) in addition to:

19-300.11E(1) Amend to read as follows:

(1) All Child and Adult Day Care Facilities with less than thirteen clients receiving care, maintenance, and supervision for less than twenty-four hours or more than four hours per day shall be considered Residential Occupancy.

08125

19-300.11E(2) Amend to read as follows:

(2) All Child and Adult Care Facilities with more than twelve clients receiving care, maintenance, and supervision for less than twenty-four hours or more than four hours per day shall be considered Educational Occupancy.

19-300.11F(1) Amend to read fifth sentence as follows:

(1) The textual information of the notice shall be legibly printed in a minimum of 48 point type. When affixed, the notices shall be unobstructed by curtains, shades or other material.

19-300.11F(2) Amend to read second sentence as follows:

(2) The notice shall be legibly printed in a minimum of 48 point type and shall be unobstructed.

19-300.13 Amend first and second sentences to read as follows:

Whenever any municipality, county, state agency or any owner or occupant of premises directly affected by an ORDER of the State Fire Marshal, enforcing or interpreting these Rules and Regulations and any subsequent Rules and Regulations filed in accordance with Title I, Chapter 23, Code of Laws of South Carolina 1976, as amended, feels he has been aggrieved by such ORDER, he may appeal this ORDER to the South Carolina Budget and Control Board. Notice of appeal of an ORDER shall be in writing and contain the specific grounds of appeal. This notice of appeal shall be served by mail or in person to the State Fire Marshal as soon as possible but no later than thirty days after receipt of the ORDER.

EXHIBIT

NOV 10 1987

NO. 12

PUBLIC DOCUMENT TRANSMITTAL

1. DATE OF FILING

STATE BUDGET & CONTROL BOARD

INSTRUCTIONS

Three copies of this form must be completed and submitted with each document to be filed with the Legislative Council. Follow the additional instructions below for completing the form.

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Item 6 - Enter telephone number at which the individual indicated in Item 5 may be contacted.

Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977," Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER

19-301

3. SUBJECT OF REGULATION

USE OF HAZARDOUS SUBSTANCES

4. TYPE OF REGULATION

PROPOSED

5. FOR REFERENCE CONSULT

David Cullum

6. PHONE NUMBER

737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL

William A. McInnis

8. SIGNATURE OF OFFICIAL

William A. McInnis

9. DATE OF CERTIFICATE

November 12, 1987

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10. Published in Volume _____ Issue _____ State Register.

Edited and Approved by _____

Document Number Assigned by Legislative Council _____

68127

EXHIBIT

NOV 10 1987

NO. 12

DIVISION OF STATE FIRE MARSHAL

STATE BUDGET & CONTROL BOARD

SUBARTICLE 2

USE OF HAZARDOUS SUBSTANCES

This regulation is amended to reference the adopted 1985 Edition of the Standard Fire Prevention Code with 1986 revisions and to delete specific chapters not adopted by the Fire Commission.

C8128

EXHIBIT

SUBARTICLE 2

NOV 10 1987

NO. 12

STATE BUDGET & CONTROL BOARD

19-301.3 Amend to read as follows:

The provision of the 1985 Edition of the Standard Fire Prevention Code with 1986 revisions shall constitute the minimum general standard covering the protection of life and property from the hazards of fire and explosion due to storage, use and handling of hazardous materials, substances and devices, and to provide for minimum hazards to life and property due to panic, exclusive of those hazards considered in building code regulations, provided that the following chapters are hereby deleted and do not constitute a part of the Code which is adopted by reference herein:

CHAPTER 1 - ADMINISTRATION

CHAPTER 2 - PERMITS AND CERTIFICATES

CHAPTER 17 - LIQUEFIED PETROLEUM GAS

CHAPTER 19 - EXPLOSIVES, BLASTING AGENTS, AMMUNITION

CHAPTER 20 - FIRE WORKS

08129

EXHIBIT

NOV 10 1987	NO. 12	PUBLIC DOCUMENT TRANSMITTAL	1. DATE OF FILING
STATE BUDGET & CONTROL BOARD			

INSTRUCTIONS

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Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977," Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER 19-303	3. SUBJECT OF REGULATION SERVICE STATIONS	
4. TYPE OF REGULATION PROPOSED	5. FOR REFERENCE CONSULT David Cullum	6. PHONE NUMBER 737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL William A. McInnis	8. SIGNATURE OF OFFICIAL William A. McInnis	9. DATE OF CERTIFICATE November 12, 1987
---	--	---

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10. Published in Volume _____ Issue _____ State Register.

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Document Number Assigned by Legislative Council _____

08130

EXHIBIT

NOV 10 1987

NO. 12

DIVISION OF STATE FIRE MARSHAL

STATE BUDGET & CONTROL BOARD

SUBARTICLE 4

SERVICE STATIONS

This regulation is amended to specify a different type of fire
extinguisher more suited for the hazards at service stations.

08131

EXHIBIT

SUBARTICLE 4

NOV 10 1987

NO. 12

STATE BUDGET & CONTROL BOARD

19-303.2-4. Amend to read as follows:

4. Fire extinguishing equipment having a minimum classification of 10-BC, shall be provided and located so as to be within 50 feet of each pump, dispenser, underground fill pipe opening and lubrication or service room.

19-303.3-7. Amend to read as follows:

7. Fire extinguishing equipment having a minimum classification of 10-BC, shall be provided and located so as to be within 50 feet of each pump, dispenser or underground fill pipe opening.

10-303.5-1. Amend to read as follows:

1. Each tank vehicle shall be provided with at least one (1) fire extinguisher having a minimum classification of 10-BC.

08132

EXHIBIT

NOV 10 1987	NO. 12	PUBLIC DOCUMENT TRANSMITTAL	1. DATE OF FILING
STATE BUDGET & CONTROL BOARD			

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Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977. Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER 19-306	3. SUBJECT OF REGULATION TENTS, GRANDSTANDS, AND AIR-SUPPORTED STRUCTURES	
4. TYPE OF REGULATION PROPOSED	5. FOR REFERENCE CONSULT DAVID CULLUM	6. PHONE NUMBER 737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL William A. McInnis	8. SIGNATURE OF OFFICIAL <i>William A. McInnis</i>	9. DATE OF CERTIFICATION November 12, 1987
---	---	---

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10. Published in Volume _____ Issue _____ State Register.

Edited and Approved by _____

Document Number Assigned by Legislative Council _____

08133

DIVISION OF STATE FIRE MARSHAL

SUBARTICLE 7

TENTS, GRANDSTANDS AND AIR-SUPPORTED STRUCTURES

This regulation is amended to reference the adopted edition of the
Standard Building Code and correct some technical errors.

SUBARTICLE 7

19-306.1 A. Amend to read as follows:

A. The provisions of the National Fire Protection Association Standard No. 102-1978 shall constitute the minimum fire prevention and protection standards for the prevention of fire and for the protection of life in tents, folding and telescopic seating, and air-supported structures.

B. The provisions of the Standard Building Code, 1985 Edition, Section 503, thereto shall constitute the minimum fire prevention and protection standards for the prevention of fire and for the protection of life in grandstands.

19-306.2 A. Amend first sentence to read as follows:

A. National Fire Protection Standard No. 102-1978 is concerned with the hazards of fire, storm, collapse, and panic, and covers the construction, location, protection and maintenance of tents and air-supported structures used for assembly; interior folding or telescopic seating normally used in gymnasiums, multi-use rooms, and similar indoor mass seating as differentiated from grandstands and bleachers intended primarily to support persons for purposes of assembly for outdoor use.

19-306.2 B. Amend first sentence to read as follows:

B. The Standard Building Code, 1985 Edition, Section 503, thereto is concerned with the hazards of fire, storm, collapse, and panic, and covers the construction, location, protection and maintenance of reviewing stands, grandstands, and bleachers intended primarily to support persons for purposes of assembly for outdoor use.

EXHIBIT

NOV 10 1987	NO. 12	PUBLIC DOCUMENT TRANSMITTAL	1. DATE OF FILING
STATE BUDGET & CONTROL BOARD			

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Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977." Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER 19-308	3. SUBJECT OF REGULATION FIRE SAFETY: CONSTRUCTION AND OPERATION OF LOCAL DETENTION FACILITIES	
4. TYPE OF REGULATION PROPOSED	5. FOR REFERENCE CONSULT David Cullum	6. PHONE NUMBER 737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL William A. Mc Innis	8. SIGNATURE OF OFFICIAL William A. Mc Innis	9. DATE OF CERTIFICATE November 12, 1987
--	---	---

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10. Published in Volume _____ Issue _____ State Register.

Edited and Approved by _____

Document Number Assigned by Legislative Council _____

08136

EXHIBIT

DIVISION OF STATE FIRE MARSHAL NOV 10 1987 NO. 12

SUBARTICLE 9

STATE BUDGET & CONTROL BOARD

FIRE SAFETY: CONSTRUCTION AND OPERATION OF LOCAL DETENTION FACILITIES

This regulation is amended to reference the adopted edition of the Standard Building Code and clear up some technical errors.

08137

EXHIBIT

NOV 10 1987

NO. 12

SUBARTICLE 9

STATE BUDGET & CONTROL BOARD

19-308.2(1) Amend to read as follows:

(1) "S.B.C." means the Standard Building Code, 1985 Edition.

19-308.7 Exits Delete in its entirety.

19-308.8 Changed to 19-308.7 Hazardous Areas.

19-309.9 Changed to 19-308.8 Prohibition of Polyurethane Products.

19-310.10 Changed to 19-308.9 Fire Retardant Paint.

19-308.11 Changed to 19-308.10 Minimum Requirements. Amend to read as follows:

Except as provided by more stringent requirements included in these regulations, the minimum standards for new facility construction shall be as provided in Standard Building Code, 1985 Edition, for Group I, Restrained, Institutional Occupancies.

19-308.12 Changed to 19-308.11 Emergency Fire Plans and Procedures.

19-308.13 Changed to 19-308.12 Fire Hazard Policies.

19-308.14 Changed to 19-308.13 Training.

19-308.15 Changed to 19-308.14 Reporting.

08138

EXHIBIT

NOV 10 1987

NO. 12

PUBLIC DOCUMENT TRANSMITTAL

1. DATE OF FILING

STATE BUDGET & CONTROL BOARD

INSTRUCTIONS

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Item 7 - Enter name of the Executive Director.

Item 8 - Self explanatory.

Item 9 - Enter date as "September 15, 1977, Do Not Use Abbreviations.

Item 10 - Leave blank. This block is for use of the Legislative Council.

2. REGULATION NUMBER

19-309

3. SUBJECT OF REGULATION

FIRE SAFETY:

EXISTING LOCAL DETENTION FACILITIES

4. TYPE OF REGULATION

PROPOSED

5. FOR REFERENCE CONSULT

David Cullum

6. PHONE NUMBER

737-8300

CERTIFICATE OF AUTHORIZED OFFICIAL

I certify that the attached regulation has been promulgated (proposed) in full compliance with the requirements of Act 176 of 1977, including all notice and hearing requirements.

7. TYPED NAME OF OFFICIAL

William A. McInnis

8. SIGNATURE OF OFFICIAL

William A. McInnis

9. DATE OF CERTIFICATE

November 12, 1987

TO BE COMPLETED BY LEGISLATIVE COUNCIL

10.

Published in Volume _____ Issue _____ State Register.

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Document Number Assigned by Legislative Council _____

08139

EXHIBIT

NOV 10 1987

NO. 1 2

DIVISION OF STATE FIRE MARSHAL

STATE BUDGET & CONTROL BOARD

SUBARTICLE 10

FIRE SAFETY: EXISTING LOCAL DETENTION FACILITIES

This regulation is amended to reference the adopted edition of the
Standard Building Code.

EXHIBIT

NOV 10 1987

NO. 1 2

STATE BUDGET & CONTROL BOARD

08140

EXHIBIT

NOV 10 1987

NO. 12

SUBARTICLE 10

STATE BUDGET & CONTROL BOARD

19-309.2(1) Amend to read as follows:

- (1) "S.B.C." means the Standard Building Code, 1985 Edition.

EXHIBIT

NOV 10 1987

NO. 12

STATE BUDGET & CONTROL BOARD

08141

EXHIBIT

NOV 10 1987

NO. 13

STATE BUDGET AND CONTROL BOARD REGULAR SESSION
MEETING OF November 10, 1987 ITEM NUMBER

11

AGENCY: University of South Carolina

SUBJECT: Foreign Travel Blanket Approval

The University of South Carolina advises that the College of Earth Science and Resource Institute is presently involved in a joint ESRI research program with Syrian geologists in Syria. The project will cover a period of approximately six months and ESRI faculty and staff will be traveling to Syria, some more than once, during the November 1987 - May 1988 time period.

USC advises that the Louisiana Land and Exploration Company is fully funding the project and no State funds will be used.

USC requests that the Board grant blanket approval for the faculty and staff of the Earth Science and Resource Institute to travel to Syria during the November-May period to participate in a joint ESRI research program with Syrian geologists with the project to be fully funded by the Louisiana Land and Exploration Company.

BOARD ACTION REQUESTED:

Grant blanket approval for the faculty and staff of the USC Earth Science and Resource Institute to travel to Syria during the November 1987 - May 1988 period to participate in a joint ESRI research program with Syrian geologists with the project to be fully funded by the Louisiana Land and Exploration Company.

ATTACHMENTS:

Denton October 23 letter to McInnis

68142



OCT 28 1987

UNIVERSITY OF SOUTH CAROLINA

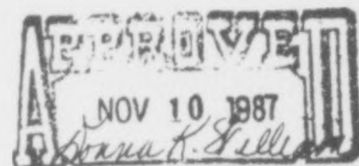
COLUMBIA, S. C. 29208

SENIOR VICE PRESIDENT

Business and Finance
(803) 777-7478

October 23, 1987

Mr. William A. McInnis
Deputy Executive Director
Budget and Control Board
618 Wade Hampton Office Bld
Columbia, SC



STATE BUDGET AND
CONTROL BOARD

RE: Foreign Travel Blanket Approval - Syria

Dear Bill:

The College of Earth Science and Resource Institute is presently involved in a joint ESRI research program with Syrian geologists in Syria. This is a project that will cover a period of approximately six months. ERSI faculty and staff will be traveling as part of this project, some more than once.

We are requesting blanket approval just for the faculty and staff of the Earth Science and Resource Institute. No state funding will be utilized. The project is fully funded by the Louisiana Land and Exploration Company.

Sincerely,

R. W. Denton
Senior Vice President

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EXHIBIT

NOV 10 1987

NO. 14

STATE BUDGET AND CONTROL BOARD
MEETING OF November 10, 1987

REGULAR SESSION
ITEM NUMBER

12

AGENCY: CCI Site Selection Committee

SUBJECT: Status Report

The CCI Site Selection Committee will present those portions of its report which can be disclosed without jeopardizing the overall effort.

An item has been included on the proposed executive session agenda for consideration of those parts of the report which cannot be disclosed now.

STAFF:
(SEE EXHIBIT 15)

BOARD ACTION REQUESTED:

Consider.

ATTACHMENTS:

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