

MINUTES OF
Budget and
Control Board
Meeting

August 17, 1979

MINUTES OF BUDGET AND CONTROL BOARD MEETING

AUGUST 17, 1979 9:30 A. M.

The Budget and Control Board met at 9:30 a.m. on Friday, August 17, 1979 at the Wampee facilities of the Public Service Authority with the following members in attendance:

Govenor Richard W. Riley
Mr. Grady L. Patterson, Jr.
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

Also attending this combination staff and regular business session were Executive Director William T. Putnam; Governor's Executive Assistants Donald R. Hinson and Katherine M. Clarke; State Auditor Edgar A. Vaughn, Jr.; Division of General Services Acting Director R. D. Counts and staff members Jerry W. Branham, James Simpson and Fred Savarence; Division of Local Government Director Woody Brooks; Motor Vehicle Management Council Chairman E. Graves Jones, Division Director Allan J. Spence and staff members Claudie Davis and Bob Davis; State Personnel Division Director Jack S. Mullins and Deputy Director Joseph A. Mack; State Planning Division Director Jesse A. Coles, Jr., and staff members A. T. Loftis and J. S. Griswold; Research and Statistical Services Division Director E. A. Laurent and staff member Bobby Bowers; Retirement System Division Director Purvis W. Collins; Consultant P. C. Smith; Executive Director's Office staff members John A. Crosscope, Jr., Edward P. Brophy, Michael L. Windham, Donna K. Williams and Board Secretary William A. McInnis.

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Harry M. Johnston, Jr., of the Senate Finance Committee staff and House ways and Means Committee staff members Beverly Beckwith, Mike Ey and Scott Inkley also were present.

Senator Jeff R. Richardson, Jr., also attended.

PRAYER FOR SENATOR RODDEY - At the suggestion of Governor Riley, the meeting was opened with a moment of silent prayer for Senator Frank L. Roddey of Lancaster who is in the Oschner Clinic Hospital in New Orleans suffering from complications related to recent surgery.

EXECUTIVE DIRECTOR'S OFFICE - Executive Director Putnam noted that a presentation on S.623, a concurrent resolution requesting the Board to make an analysis of the growth of State government, would be delayed until the arrival of Senator Dennis. He then introduced staff member Edward P. Brophy who described an on-going effort aimed at the development of a common fee schedule for health care services purchased for agency clientele by State agencies and institutions. Mr. Brophy indicated that the focus of this effort is the twenty-five to thirty million dollars which the State government now spends to provide professional (as opposed to institutional) health care services to agency clientele. He described the problem to which this effort is addressed from the following orientations: State Government (agencies within the State government award differing medical service fees for the same procedure); State agencies (some are losing medical services because of lower fees than offered by other State agencies); client (some are being discriminated

against and some are encouraged to change agencies because of the differing fees paid for the same procedure); and association (physicians are subject to differing fee awards from State agencies for performing the same procedure). Mr. Brophy then stated that the proposed solution is to develop an individual professional health care services provider fee schedule to be followed by all State agencies and he described the project advisory group approach to developing a consensus proposal.

A paper summarizing Mr. Brophy's presentation was distributed and a copy of it has been retained in these files.

Staff member Michael L. Windham made a brief presentation on the activities of a committee formed to develop plans to meet State agency space needs.

Staff member John A. Crosscope then summarized his paper entitled "State Government Financial Development Strategy" prepared in response to S.623. Mr. Crosscope suggested a unified planning and programming process based on "State Objectives" and a "Five Year Government Structure and Financial Plan" consisting of the following elements: (1) program structure in terms of mission; (2) the analytical comparison of alternatives; (3) the continual updating of the governmental agency structure and financial program; (4) the related year-round decision making on new programs and changes; and (5) progress reporting to test the validity and administration of programs.

At the conclusion of Mr. Crosscope's presentation, Governor Riley inquired as to why the Planning Division did

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not handle this matter. In response, Mr. Putnam indicated that Planning Division Director Coles and Mr. Crossscope had worked together on the report presented.

Senator Dennis (who joined the meeting at about 10:00 A. M.) expressed the view that the intent of the General Assembly in adopting S.623 was to indicate legislative support for the planning process in State government and for the expansion and extension of the work of the Planning Division.

Senator Richardson expressed general agreement with Senator Dennis but also indicated his belief that the Concurrent Resolution goes a little beyond expressing support for the Planning Division. He called attention to the requirement to identify future revenue sources and State government goals which are to be fulfilled.

Mr. Patterson expressed concern that this matter is in the Planning Division's area of responsibility and that the work on it should not be done by two different parts of the Board staff.

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

PLANNING DIVISION - Consultant P. C. Smith briefly outlined his efforts to assist in defining the responsibilities of the Office of Executive Director. He also noted that an analysis of the numerous requirements placed upon the Board by the General Assembly, covering some 414 Code sections, also is underway. Mr. Smith noted several areas of administrative

responsibility assigned to the Board which now are outdated and expressed the view that the whole Code needs review and updating.

Governor Riley expressed the view that dead laws weaken any system of laws and commented that Mr. Smith's effort appears to be a worthwhile undertaking. He also urged that rules and regulations, along with statutes, be included in this review.

Mr. Putnam noted that Section 2-A of the Appropriation Act provides for a nine-member committee to study the feasibility of making general appropriations for the State every two years with supplemental appropriations for emergency and extraordinary purposes every year. That committee is to report its findings and recommendations by June 1, 1980 and the Board is to provide such administrative assistance as may be necessary.

Planning Division Director Jesse Coles prefaced his report with a brief commentary on the presentation outlining a response to S.623 presented earlier by Mr. Crossscope. Dr. Coles noted that he had been given an opportunity to review Mr. Crossscope's paper on Tuesday of this week. He described the model presented as a classical planning, programming and budgeting system concept which had been successfully employed by the national defense establishment. He also noted that the organizational structure envisioned in Mr. Crossscope's paper for the state planning function was considered by the Division early in its existence but was not pursued because it appeared too authoritarian for the South Carolina environment.

Dr. Coles then commented briefly on the STARS (Statewide Accounting and Reporting System) by noting that it deals with organizational structure in budgets rather than program structures and he also commented briefly on efforts to improve the planning capabilities within State agencies.

Dr. Coles advised that, as a result of budget reductions, \$26,000 are needed to finance the completion of the Clemson project as it was conceived originally. Dr. Coles also pointed out that this project will produce considerable socio-economic and demographic data which is responsive to S.623.

Following a brief discussion in which Senator Dennis made the suggestion and Governor Riley agreed with it, the Budget and Control Board without objection authorized the allocation of \$26,000 from the Civil Contingent Fund to the Planning Division to finance the completion of the referenced Clemson project on the condition that Dr. Coles and the Planning Division make every effort to reimburse the Fund from federal or other sources.

Dr. Coles then requested that the Budget and Control Board authorize the Planning Division to update the agencies' five-year plans on the basis of the 1980-81 budget submissions due September 7. The procedure recommended by Dr. Coles included: (1) projecting the five-year impact of the base budget based on the 1980-81 budget requests to include alternative forecasts concerning salary, fringe benefits and inflation; (2) coordinating the development by each agency of a five-year service and fiscal impact statement for each "program improvement" requested in

the 1980-81 budget; (3) projecting the five-year impact of reducing the 1980-81 base budget by twenty percent and assessing the operational and service consequences of this action by program; and (4) collecting and analyzing all information in a time frame consistent with the Board's responsibility to develop the recommended budget.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board authorized the Planning Division to update the agencies' five-year plans on the basis of the 1980-81 budget submissions following the procedure recommended by Dr. Coles.

Dr. Coles initiated his report by briefly reviewing the 1979-80 appropriation act in relation to projected revenues.

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

DIVISION OF LOCAL GOVERNMENT - Director Woody Brooks presented materials which show that, during fiscal year 1978-79, total expenditures of \$2,139,714.80 were made against appropriated funds in the amount of \$2,140,000. Of the total expended, \$519,997.80 were expended as grant funds while \$1,619,717 were expended as matching funds. Mr. Brooks estimated that some 940 jobs were created and that about 18 project requests had been turned down as not qualified.

Executive Director Putnam then referred to procedures which had been developed for use by the Local Government Division. Mr. Putnam noted that these procedures were developed at the

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direction of the Board in response to Mr. Brooks' concerns on this subject. Mr. Putnam noted that the records on this Division, by law, are maintained by the Governor's staff and that he had met with them and State Auditor Vaughn in the development of these procedures.

Mr. Putnam then outlined the recommended procedures as follows: (1) applicants should be required to complete specific forms setting forth basic information; (2) reviews of applications will be conducted by the Director of the Division of Local Government; (3) approval of applications will be at the discretion of the Director of the Division of Local Government; (4) plans should be developed to require progress reports on approved projects which are to be made periodically to the Director of the Division of Local Government by any grant recipient; (5) reports shall be filed by the Division Director with the Budget and Control Board on a monthly basis showing all pending applications and all applications either approved or disapproved since the prior report; and (6) grant recipients shall be required to sign a notarized statement to the effect that funds were received and were in fact expended in accordance with the grant application and an audit will be made by the Finance Division of each grant at the close of the project.

Following a brief discussion, Senator Dennis made a motion which was seconded by Representative Mangum that the Board approve the procedures as presented by Mr. Putnam (which was Option 2 of the proposed procedures).

In the ensuing discussion, Governor Riley suggested that projects involving \$15,000 and over be approved by the Board itself. Representative Mangum expressed concern about the necessity for the Board to be called in to approve projects in that amount and expressed the view that this involvement of the Board would be "meddling" with prerogatives of the General Assembly which could result in the legislature starting to earmark all of these funds for individual counties. Governor Riley expressed the view that Board members could be polled as is done in other situations and urged that the Board try for a while an approach involving Board approval of awards of \$15,000 or greater. Senator Dennis expressed the hope that the Budget and Control Board would carry out legislative commitments made on these funds and the legislative intent involved. Governor Riley agreed with Senator Dennis' view but also took the position that official governmental approval should be given in the handling of public funds.

Senator Dennis then indicated a willingness to consider setting \$25,000 and above as the level of awards requiring Board approval but Representative Mangum again expressed the view that if the Board takes this approach the General Assembly will earmark these appropriations in the future. Senator Dennis then indicated that the issue is whether projects will be selected by the legislature or by the Budget and Control Board and he pointed out that ninety percent or more of the funds are legislatively designated.

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Following this discussion, Mr. Morris offered an amendment of the pending motion by Senator Dennis to provide that the Budget and Control Board would approve project awards involving \$50,000 or more of funds appropriated for rural improvements. This motion was seconded by Senator Dennis and approved by the Board.

Mr. Morris suggested that the Board review this procedure within six months.

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

MOTOR VEHICLE MANAGEMENT - CONCURRENT RESOLUTION S.572 -

Executive Director Putnam advised that one of the Board's legislative members (Senator Dennis) would not be able to attend the afternoon session of the meeting and expressed the view that while the Board is considering what, in effect, is legislative business, the legislative members of the Board should be present. The Board agreed with Mr. Putnam's view on this and without objection agreed also to revise the order of business so as to permit consideration of the Concurrent Resolution at this time.

Executive Director Putnam noted that the Concurrent Resolution is addressed to the Division of Motor Vehicle Management and that it, in substance, requests the Division to delay until April 1, 1980, the implementation of regulations adopted in accord with Section 25 of Part II of Act 644 of 1978.

Senator Dennis observed that the Concurrent Resolution was sponsored by the chairman of the transportation committee after his committee had heard and discussed numerous complaints arising out of the regulations adopted and implemented by the Board pursuant to the referenced Act. He noted that the Resolution was adopted unanimously and that, while it does not have the force of law, it should be adhered to by the Budget and Control Board. Senator Dennis further noted that the Board should comply with the request expressed in the Resolution and not implement the referenced regulations until a report is presented by the special study committee provided for in the Resolution.

Governor Riley indicated that he respects the authority of the General Assembly to pass a concurrent resolution such as S.572 but he expressed the view also that the Board is additionally bound to comply with the law, at least to some degree. Governor Riley further expressed the view that a more acceptable approach would be to enforce the provisions of the Act but not to implement it completely.

At this point, Senator Dennis moved that the Board reconsider its prior action to implement the total plan of regulations pursuant to the Motor Vehicle Management Act so as to reconsider those parts now at issue. Mr. Putnam reviewed briefly the various categories addressed by the referenced Act and noted that the commuting fee issue is not in the Motor Vehicle Management Act specifically but arises out of the prohibition against perquisites

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contained in the General Appropriations Act each year. Mr. Putnam further, in response to Senator Dennis, indicated that while there are some dates by which certain events must have occurred expressed in the Act it does not provide for a specific time schedule for implementation.

Governor Riley suggested that rather than reconsider its previous action on this matter the Board send a Budget and Control Board resolution to the Division of Motor Vehicle Management expressing the Board's approach to proceed with the implementation of various aspects of the Act and withholding implementation of others and that such a resolution be in keeping with the tenor of the request expressed by the General Assembly in its Concurrent Resolution.

At this point, Senator Dennis offered and Mr. Morris seconded a motion providing that the Director of the Division of Motor Vehicle Management be requested to comply with the provisions of the Concurrent Resolution and to confer with the authors of that Resolution in order to determine their intent with respect to implementation of the Motor Vehicle Management Act pending the results of the study committee established by the Concurrent Resolution.

In the ensuing discussion, Governor Riley expressed a desire to limit the Board's implementation delay to the issue of the commuting charge while going ahead with other features of the Act and Mr. Patterson suggested that the Board continue on a limited basis in other non-controversial areas. Mr. Putnam noted that a log of some sort is necessary to meet the gasoline usage reporting requirements.

Following this discussion, upon a motion by Senator Dennis, seconded by Representative Mangum, the Board agreed that implementation of the Motor Vehicle Management Act should proceed on a limited basis, avoiding known controversial areas, in an attempt to respond to the general spirit and intent of the Concurrent Resolution. This Board action was taken with the understanding that it is subject to refinement on the basis of the presentation by the Motor Vehicle Management Council and staff in the afternoon portion of the meeting.

[Secretary's Note: In the afternoon session, following an appearance by Retirement System Director Collins, Motor Vehicle Management Council Chairman Graves Jones, accompanied by Division Director Spence and staff members Claudie Davis and Bob Davis, appeared before the Board to discuss the matter further.]

Following a presentation by Division Director Spence in which he reviewed the organizational structure and activities of the Division, including the consultant study on the feasibility of establishing motor pools and maintenance facilities, Chairman Jones addressed himself to S.572, the Concurrent Resolution adopted by the General Assembly requesting that regulations under the Motor Vehicle Management Act be delayed until April 1, 1980.

Mr. Jones noted that, of the controversial subjects relating to the Concurrent Resolution, the keeping of logs and the transfer of title to motor vehicles are specifically included in the law while the identification of state vehicles, the commuting

charge, the permanent assignment of vehicles and the assignment of vehicles based on mileage are in regulations adopted to implement the Motor Vehicle Management Act.

Chairman Jones then presented the recommendations of the Motor Vehicle Management Council with regard to these six items as follows: (1) commuting charges: delay implementation pending consultation with Study Committee; (2) identification of state vehicles: no further decisions until Study Committee meets and advises; (3) logging: continue in order to provide gasoline usage reporting and to provide base data for use by the Study Committee; (4) permanent assignment of vehicles: no further decisions until Study Committee meets and advises; (5) assignment of vehicles based on mileage: keep status quo in the interest of saving energy; and (6) titles: no further action until Study Committee meets and advises.

Governor Riley and other Board members expressed general concurrence with the recommendations presented by Chairman Jones. Governor Riley urged the Council and the Division to proceed in non-controversial areas so as to maintain progress while still responding to the spirit of the General Assembly Concurrent Resolution. He also noted that the precise form and content of the logs to be required is a matter to be considered further.

[Secretary's Note: The Board took no specific action on this matter but it was apparent that, as noted, it concurred with the recommendations presented by Chairman Jones while urging

the Council and Division to continue their efforts in the non-controversial aspects of implementing the Motor Vehicle Management Act.]

Information relating to this matter has been retained in these files and is identified as Exhibit 4.

MINUTES OF PREVIOUS MEETINGS - Draft versions of the minutes of meetings held on June 26, July 12 and 24, and of polls conducted on June 29, August 6 and 10, and of a meeting of the Education Assistance Authority held on July 24 previously had been furnished to the members.

Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved the referenced minutes as written.

RATIFICATION OF ACTIONS APPROVED PREVIOUSLY - In compliance with the spirit of the 1978 Freedom of Information Act, the Budget and Control Board, upon a motion by Mr. Morris, seconded by Mr. Patterson, ratified the following actions which had been approved previously by the Board:

(1) Poll dated June 29, 1979: authorized Clemson University to purchase a Subaru vehicle from other than contract sources and took action to process the Clemson request to purchase two compact pickup trucks from other than contract sources;

(2) Poll dated August 6, 1979: approved an allocation from the Civil Contingent Fund to cover the costs associated with the attendance of the National Association of Business Economists Conference in New York City by Board of Economic

Advisors Chairman James A. Morris; and

(3) Executive session poll dated August 10, 1979: received as information the decision of the State Employee Grievance Committee in a case involving the Medical University.

Additional detail on these actions may be found in minutes of the referenced polls.

PLANNING DIVISION - BUDGET CHANGE REQUEST - Upon a motion by Senator Dennis, seconded by Mr. Morris, the Board approved a request by Planning Division Director Jesse A. Coles, Jr., for authorization to transfer \$12,989 from "classified positions" to "operating expenses" for fiscal year 1979-80.

Information relating to this matter has been retained in these files and is identified as Exhibit 5.

GENERAL SERVICES - LEASE/PURCHASE OF MEMORY TYPEWRITERS FOR ATTORNEY GENERAL - The Division of General Services advised that its purchasing office has solicited bids for memory typewriters to be used by the Attorney General's Office which proposes to enter into a lease/purchase agreement with IBM for \$44,285.51 over a five-year period. The Division also reported that this arrangement will result in an annual cost avoidance of \$11,737.

Upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board approved the referenced lease/purchase agreement, as recommended by the Division of General Services.

Information relating to this matter has been retained in these files and is identified as Exhibit 6.

COMMISSION ON WOMEN AND INSURANCE COMMISSION - POSITIONS

ABOVE NUMBER AUTHORIZED - Executive Director Putnam indicated to the Board that the following requests appear valid simply because the positions were not explicitly specified in acts of the General Assembly which provided the funding to support them. One of the requests involves a single position for the Commission on Women while the second request involves eight positions for the Insurance Commission.

Representative Mangum expressed the view that these additional employees should not be approved because they would have been listed if the General Assembly had intended to include them.

Senator Dennis expressed the view that it is appropriate to correct an error by the General Assembly in the case of the Commission on Women request. He indicated that he had no information on the Insurance Commission matter.

Upon a motion by Senator Dennis, seconded by Mr. Morris, the Board approved one additional position above the number authorized for the Commission on Women and agreed to carry over the Insurance Commission request for further study.

COMPTROLLER GENERAL - POSITIONS ABOVE NUMBER AUTHORIZED -

Unanimous consent was granted to Mr. Morris to add to the agenda a request for two positions above the number authorized for his office. Mr. Morris indicated that these two grade 28 positions are involved in the STARS accounting study. He further indicated that the funds for this study and these positions are in the

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Finance Division budget and that the two positions have been filled and the people are on board.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Senator Dennis, the Board approved two positions above the number authorized for the Comptroller General's Office.

SPARTANBURG COUNTY - POLLUTION CONTROL REVENUE BOND

PETITION - A Spartanburg County petition was presented which requested Board approval of the issuance of \$2,700,000 Pollution Control Revenue Bonds on behalf of the Monsanto Company.

After being advised that the required reviews by the Attorney General's Office and the State Auditor's Office had been completed with satisfactory results, the Budget and Control Board, upon a motion by Mr. Patterson, seconded by Representative Mangum, adopted a resolution approving the Spartanburg County proposal to issue \$2,700,000 Pollution Control Revenue Bonds on behalf of the Monsanto Company.

Information relating to this matter has been retained in these files and is identified as Exhibit 7.

FUTURE MEETING - Governor Riley indicated that he will be in China on August 28, 1979 and asked Mr. Patterson to preside at that meeting which is scheduled for 10:00 a.m. in the Governor's conference room.

CIVIL CONTINGENT FUND ALLOCATION - The Budget and Control Board without objection agreed that the expenses of this meeting to be paid to the Public Service Authority should be paid from the Civil Contingent Fund.

[Secretary's Note: The morning portion of the meeting was adjourned at 12:45 p.m. for a lunch break. Senator Dennis excused himself from the meeting at about 1:45 p.m.]

DIVISION OF GENERAL SERVICES - Acting Director R. D. Counts, accompanied by Deputy Director Jerry W. Branham and Assistant Director for Support Services James M. Simpson, Jr., appeared before the Board to review the organizational arrangement and activities of the Division of General Services. Mr. Counts briefly reviewed the several insurance programs carried by the Division including insurance on public buildings, hospital, tort, auto, school bus and aircraft, and pointed out that in excess of four billion dollars worth of insurance is now in force. He advised Mr. Patterson that his office has been trying to increase the coverage on National Guard armories.

With regard to the purchasing operation, Mr. Counts indicated that some 416 term contracts are in effect and that no prequalification of bidders is required. He advised Governor Riley that while the system presently does not include information on minority business enterprises the Division will be conducting seminars over the State which are intended to encourage participation in State business by minority businesses. He further noted that the mail and courier service results in a savings of about \$25,000 annually in the Capitol Complex area alone and that additional savings are projected to result from similar operations in the Charleston, Pee Dee and Piedmont areas.

Mr. Counts advised Mr. Morris that it would be possible to include all State agencies in the Columbia area in the interagency

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mail service. With regard to State printing, Mr. Counts advised Mr. Patterson that the Division of General Services now has no authority for questioning the necessity of printing done by State agencies. He did indicated that legislation which passed the House this year would give authority to the Board to make these judgments.

With regard to the Division's computer operations, Mr. Counts expressed his strong feelings that his Division should be the State's service bureau and that institutions of higher learning should primarily be involved in developmental activities.

Mr. Counts advised that the State presently leases some 452,000 square feet of space in the Columbia area (compared to some 46,000 square feet leased in 1967). In addition, some 281,000 square feet of space outside the Columbia area are leased. He also noted that the inventory of land owned by the State now includes some 783,000 acres.

Mr. Counts reported that improvements have been made in energy utilization as reflected in the drop from 18.9 kilowatt hours per square foot of space in 1973 to 14.1 kilowatt hours per square foot of space in 1978.

Mr. Counts reported that the Centrex system now is comparable in size to the entire City of Columbia phone network in 1945 and that the system now realizes savings of some \$3.5 million annually over alternative approaches.

Mr. Counts concluded his presentation by noting that he has eight departments which operate on a business basis and

that Division personnel now number about 650 (up from 450 in 1974 and 269 in 1970). Mr. Counts agreed to transfer the 35 persons (20 in the Fire Marshal's Office and 15 associated with the LP Gas Board) to the new division created within the Board by the General Assembly during this most recent session.

STATE PERSONNEL DIVISION - Division Director Jack S. Mullins and Deputy Director Joe Mack appeared before the Board to review briefly the activities of the Personnel Division and to discuss future directions for the agency.

Dr. Mullins noted that the Division now is ten years old, having become legitimized as a result of legislative action four years ago. He noted that some 56,000 State employees in 111 agencies are included in the Division's record system. Dr. Mullins also indicated that 44 agencies have 24 or fewer staff while 13 agencies represent 80-90% of all State employees.

Dr. Mullins then expressed the view that it is timely to decide future directions of the personnel function within the State government. He noted that this issue involves such questions as whether or not the Board should exercise more approval authority in personnel matters; whether the Personnel Division should audit the personnel situation in each agency; whether the Division should plan to delegate some or all aspects of the classification and compensation function to certain agencies subject to periodic audit; what role the Division should play in human resources management; and whether the merit system should be extended to other agencies.

Dr. Mullins then reviewed Legislative Audit Council recommendations resulting from the Council's 1978 audit of the Personnel Division and noted that a majority of the recommendations had been implemented. The Board agreed that Dr. Mullins should provide copies of questions posed to the Board and present at a future meeting specific proposals relating to the Audit Council recommendations for further discussion by the Board.

Mr. Putnam noted that the State government is tending more and more to finely drawn rules and regulations and suggested that the Board give consideration to the possibility of allowing more leeway and providing better guidelines with the understanding that improved monitoring of their activities would be undertaken. Governor Riley expressed interest in having information on how other states approach these matters.

Dr. Mullins also distributed a document entitled "South Carolina State Government Demographic Information."

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

RETIREMENT SYSTEM - Director Purvis W. Collins appeared before the Board to summarize the activities of his Division. He first outlined the efforts of the Deferred Compensation Commission which he chairs and advised the Board that the Commission now is in the process of selecting an administrator for the program after having taken bids. Mr. Collins indicated that it is his expectation that a contract will be awarded within thirty days and that the program will be operational on or about January

of 1980. He indicated that the Commission expects to offer the following two products: (1) fixed income; and (2) life insurance with disability protection which he expects will be very popular programs for public employees.

Mr. Collins reported that beginning next July the State will be required to remit Social Security collections within fifteen days after the close of each month but that legislation has been introduced to change these regulations to allow thirty days. He estimated the loss of some \$240,000 annually in interest earnings as a result of the contemplated change.

Mr. Collins then provided general information on the growth of the Retirement System. Benefit payments in 1972 were \$17,000,000, in 1978 they amounted to \$72,000,000 and in 1979 they are expected to be about \$84,000,000. Mr. Collins noted that the number of retirees in 1972 was 10,832 as compared with 22,119 in 1979. He pointed out that the assets of the System have increased from \$591,000,000 in 1972 to approximately \$1,370,000,000 in 1979. Mr. Collins indicated that his chief concern with the System presently is the effects of inflation on retirees and how the System can provide cost-of-living increases in the future. He reported that no additional cost-of-living increases are now authorized. Mr. Collins also noted that the consulting actuary report will be completed in time for consideration by the Board in preparing its 1980-81 budget recommendations.

Mr. Collins alluded to a need for providing internal auditing capability within the Retirement System as had been

recommended by the State auditors. Board members urged Mr. Collins to make provision for this requirement in his 1980-81 budget request.

[Secretary's Note: Refer to Note on Page 13.]

DIVISION OF RESEARCH AND STATISTICAL SERVICES - Division

Director E. A. Laurent and staff member Bobby M. Bowers appeared before the Board. Dr. Laurent outlined a State Data Center program being promoted by the U. S. Census Bureau under which his Division, the State Library, major universities and the ten regional councils of government would receive complete sets of published census materials. In addition, the program would provide for the training of key users of these information resources. Dr. Laurent recommended that the Board authorize his Division to pursue the State Data Center prospect and he indicated that its cost to the State would be a maximum of \$60,000 but that steps could be taken to reduce this cost to approximately \$35,000.

Following a brief discussion, upon a motion by Mr. Patterson, seconded by Mr. Morris, the Budget and Control Board authorized the Division of Research and Statistical Services to pursue with the U. S. Bureau of the Census the establishment of a State Data Center at an estimated cost not to exceed \$60,000 after being assured by Dr. Laurent that this cost could be reduced to approximately \$35,000.

Dr. Laurent advised the Board of the possibility that South Carolina would be selected as a test state for a program sponsored by the National Aeronautics and Space Administration under which a substantial amount of data processing equipment

and software could be secured at no charge to the State.

With regard to statistical coordination, Dr. Laurent noted that his Division previously had attempted to coordinate statistical standards through a committee of agency statistical representatives and that it had also attempted to approve survey instruments going to ten or more respondents. He indicated that these efforts had received very little support and that most agencies have ignored the procedures. Dr. Laurent then recommended that his Division implement fully the questionnaire review aspect of these earlier efforts.

Governor Riley then asked Dr. Laurent to review the whole program and seek agency reaction and involvement and then bring a recommendation to the Budget and Control Board at a future meeting.

Executive Director Putnam noted that both Motor Vehicle Management and the Division of Research and Statistical Services have indicated a need for computer programming assistance and suggested that an assessment of the Board's own computer capabilities and requirements be initiated.

FINANCE DIVISION - State Auditor Edgar A. Vaughn began a review of the diverse activities of his Division by reporting to the Board that he expects the Audit Unit to have completed audits of all fiscal years through 1978 by December after having been some 4,400 man-days behind in this work. State Auditor Vaughn called particular attention to the 277 man-days of audit work invested during last fiscal year in investigations of potential

white-collar crime.

Mr. Vaughn called the Board's attention to his efforts to secure a change in South Carolina law which would permit the acceptance of experience in the State Auditor's Office in meeting CPA certification requirements.

Mr. Vaughn then reported that the Engineering staff is somewhat behind in its work although the amount of funding encumbered for projects now active is now somewhat reduced from the prior year.

With regard to Computer Systems Management, Mr. Vaughn expressed the view that a data processing plan is needed and that consideration should be given to consolidation of Computer Systems and Computer Operations within the Board. Mr. Vaughn also urged that the Board reassess the functional group computer center plan and he expressed concern over recent experiences relating to computer procurements.

In the ensuing discussion, Mr. Vaughn and Mr. Putnam noted that the Budget and Control Board has a total of about 175 persons involved in data processing activities and that it presently has two computer centers in operation, all of which argues for an evaluation study of this situation.

Mr. Vaughn expressed the view that the Grants and Contracts Unit has sufficient staff but that additional policy guidelines for this area are much needed. He reported that the unit processed 1,679 federal grant applications involving approximately \$884,000,000 in 1978-79.

With regard to the Budget Development Unit which presently has eleven analyst and two clerical positions, eight of which are filled, Mr. Vaughn expressed the view that this unit is very deficient in personnel. He noted that approximately 170 budgets comprise the Board's recommended budget and that the clerical effort alone involved in assembling the State budget is tremendous. He urged that the Board give more consideration to its budget recommendations and committed his staff to meet the January 1 deadline for having the Board's recommendations to the General Assembly.

Mr. Vaughn then broached the idea of using position headcounts in the budget process in connection with colleges and universities rather than using full-time equivalent positions. Mr. Vaughn expressed the view that it is impossible to control the number of employees when the basis is full-time equivalent positions rather than headcount. He also indicated that if this approach were to be approved it would require conversion of the full-time equivalent numbers in this year's Appropriation Act to headcount figures. Mr. Vaughn also expressed the view that this change would have no effect on funding.

In the ensuing discussion, Representative Mangum and other Board members expressed concern that this would impact on funding requests and agreed to leave this situation as it is for the present.

The meeting was adjourned at 5:10 p.m.

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[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the Office of the Governor's Press Secretary in the State House and near the Board Secretary's office in the Wade Hampton Building on August 15, 1979.]

EXHIBIT

AUG 17 1979

NO. 01

STATE BUDGET & CONTROL BOARD

THE DEVELOPMENT OF A COMMON FEE SCHEDULE
For Health Care Services
purchased for
Agency Clientele by State Agencies and Institutions

Prepared For:

The South Carolina State Budget and Control Board

Prepared By:

Edward P. Brophy
Office of Executive Director
South Carolina State Budget and Control Board

August 15, 1979

\$1 Billion - Human Services (-)
(Excludes Education)



\$25 - \$30 Million
Professional Health Care
Provider (Individual) i.e. MDs, etc.
(Non-Governmental)

S. C. Agencies (Institutions included in total above):

DMR	\$61.2M	DSS	\$444.8M	Comm. Blind	\$.5M (-)
DMH	\$86.7M	DHEC	\$ 90.7M	Jud. Dept.	\$.4M (-)
VRD	\$31.2M	MUSC	\$105.1M	DC	\$ 1.8M (-)

Other known agencies/institutions with medical program \$ expenditures:

USC	Citadel	College of Charleston
CLEMSON	Winthrop College	Wil Lou Gray Op. School
S.C. STATE COLLEGE	Lander College	TEC Institutions
J. de la H. School	Adjutant General	Childrens Bureau
School for Deaf and Blind	Retirement Div., B & C Bd	DYS
GS, B & C Bd	Comptroller Gen.	Dept. of Labor
JPA	Misc. Others	ADA

NARRATIVE VU-GRAPH 1.

The current budget and accounting system being used in South Carolina makes any program analysis very difficult, because the program activity cannot be firmly identified in the budget. But based upon the best information available, the Human Services sub-program, excluding the educational part, of the Human Resources Program is approximately \$1 billion, which is largely represented by the agencies shown here. (Indicate Group 1.) Approximately \$500 million of that is devoted to the Health Care activity. Our target area is the wedge of pie marked 3% and represents approximately \$25 - \$30 millions which South Carolina spends to provide professional (as opposed to institutional) health care services to agency clientele. All of the agencies shown and more have some Health Care dollar expenditures. (Indicate Group 2.)

STATEMENT OF PROBLEM

State Government Oriented

Agencies within state government are awarding differing medical service fees for the same procedure to the detriment of their clients; to the detriment of the agencies missions; to the detriment of efficient management of State funds.

State Agencies Oriented

Some state agencies are losing physicians from their programs who furnished medical services to agency clients because of lower fees than offered by other State agencies. (Procedure vs. Specialty)

Client Oriented

Some agency clients are being discriminated against or some agency clients are being encouraged by some physicians to change agencies because of the differing fees paid for the same procedure.

SCMA Oriented

Physicians practicing in South Carolina are being subject to differing fee awards from State agencies for performing the same procedure on agency clientele.

NARRATIVE VU-GRAPH 2.

The problem presented by Commissioner Dusenbury of the Vocational Rehabilitation Department to Mr. Putnam is presented here in the second statement of the problem. The other versions were developed for two reasons:

1. To assist the PAG members in achieving an unbiased perspective, and
2. To assure, as far as possible, that the problem is being viewed from all major facets.

PROPOSED SOLUTION TO PROBLEM:

DEVELOP AN INDIVIDUAL PROFESSIONAL HEALTH CARE SERVICES PROVIDER FEE SCHEDULE FROM WHICH ALL STATE AGENCIES/INSTITUTIONS WILL DERIVE THE AMOUNT TO BE PAID FOR A GIVEN HEALTH CARE SERVICE.

METHODOLOGY:

CONSTITUTE A PROJECT ADVISORY GROUP, FROM THE RESOURCES OF THE MAJOR AGENCIES TO BE IMPACTED BY THE FEE SCHEDULE TO:

1. DEFINE THE PROBLEM
2. RESOLVE DIFFICULTIES
3. PRESENT A CONSENSUS PROPOSAL

NARRATIVE

VU-GRAPH 3.

This proposed solution was presented to the major health care agencies who accepted it as a viable answer to the problem. The Agency heads of DSS, VRD, DHEC, Commission for the Blind, and the Industrial Commission were at the initial meeting and decided that a committee be formed to arrive at the solution. DMR, DMH, MUSC, and DC were asked to join in the solution as a result of this meeting.

The concept of a Project Advisory Group was decided upon because it is an action oriented, product creating committee--like formation. The agency heads were asked to appoint representatives who would be empowered to act for the agency in this project. I have been lead to believe that on projects of this size, it has been customary in the State to use consultant firms. So far our group has spent approximately four hundred (400) man-hours (ten man-weeks) in this project without additional cost to the State. For many of the members, these are hours spent in addition to their regular duties.

PLANNING STEPS

1. CREATE LEGISLATIVE LIAISON
2. INVITE PARTICIPATION FROM SOUTH CAROLINA
PHYSICIAN GROUPS
3. ADOPT A COMMON IDENTIFIER OF SERVICES
4. ADOPT A MECHANISM USABLE BY ALL AGENCIES
5. DEVELOP COMPUTER REPORT PROGRAM AND SUPPORT
6. DEVELOP A COMMON BILLING/REPORT FORM
7. DETERMINE LEGALITY
8. DETERMINE BUDGET IMPACT

NARRATIVE

VU-GRAPH 4.

In order to accomplish this project's goal of creating a fee schedule, our PAG representatives were asked to chair and man (again from agency resources) subcommittees in five (5) areas:

1. Policy and Procedures
2. Medical Services Procurement form development
3. Relative Value - Conversion Factor Study
4. Legal Complications
5. Budget Impact and Projections

The subcommittees and the PAG have generally identified these fifteen (15) planning steps as necessary ingredients to a comprehensive, quality product.

1. From the beginning of the project, all legislative committees, dealing with State medical affairs have been informed of our activity and kept updated by means of our meeting minutes. Senator Roddy's joint committee has assigned Mr. Wagdy K. Demian, with the assent of the Governor's Office, to assist in this project. Mr. Demian brings a great deal of experience with him and will be of considerable help in securing the Federal approval required which I will amplify a little later in the presentation.

2. We also invited the South Carolina Medical Association to participate from the beginning. Almost before we started, the Sumter-Clarendon Medical Association denounced our fee schedule. The Medical Association's reaction was equally excited, but since then, I feel, we have assured them that this is only a management tool of the State, which should benefit all participants, one way or another.

3. In order to have a product that all participants could use, we decided on the American Medical Association's, Current Procedural Terminology, Fourth Edition, which lists and codes 33,000 procedures. Ninety to 95 percent of the physicians in the State use this reference. All participating agencies are in the process of converting to this book, and by special committee action, with the concurrence of the Budget Section in Mr. Vaughn's office and the accounts payable division in Mr. Morris' office, the Case Services Disbursement Codes were expanded to better define what the State is paying for in this area. Another reason for this expansion is to provide a transition information base in the event that our implementation is delayed beyond our projected date of July 1, 1980.

4. The California Medical Association's Relative Value-Conversion Factor Study was selected as the mechanism which would serve our purposes. The Industrial Commission had already done significant work on this study and as such was a wheel that did not need reinvention. This study provides the formula of fee determination in this matter:

$$\begin{array}{l} \text{RELATIVE VALUE} \times \text{CONVERSION FACTOR} = \text{FEE} \\ \text{(degree of difficulty} \times \text{(i.e., .80, .62 or 1.2)} \\ \text{or professional} \\ \text{assessment of the} \\ \text{procedure)} \end{array}$$

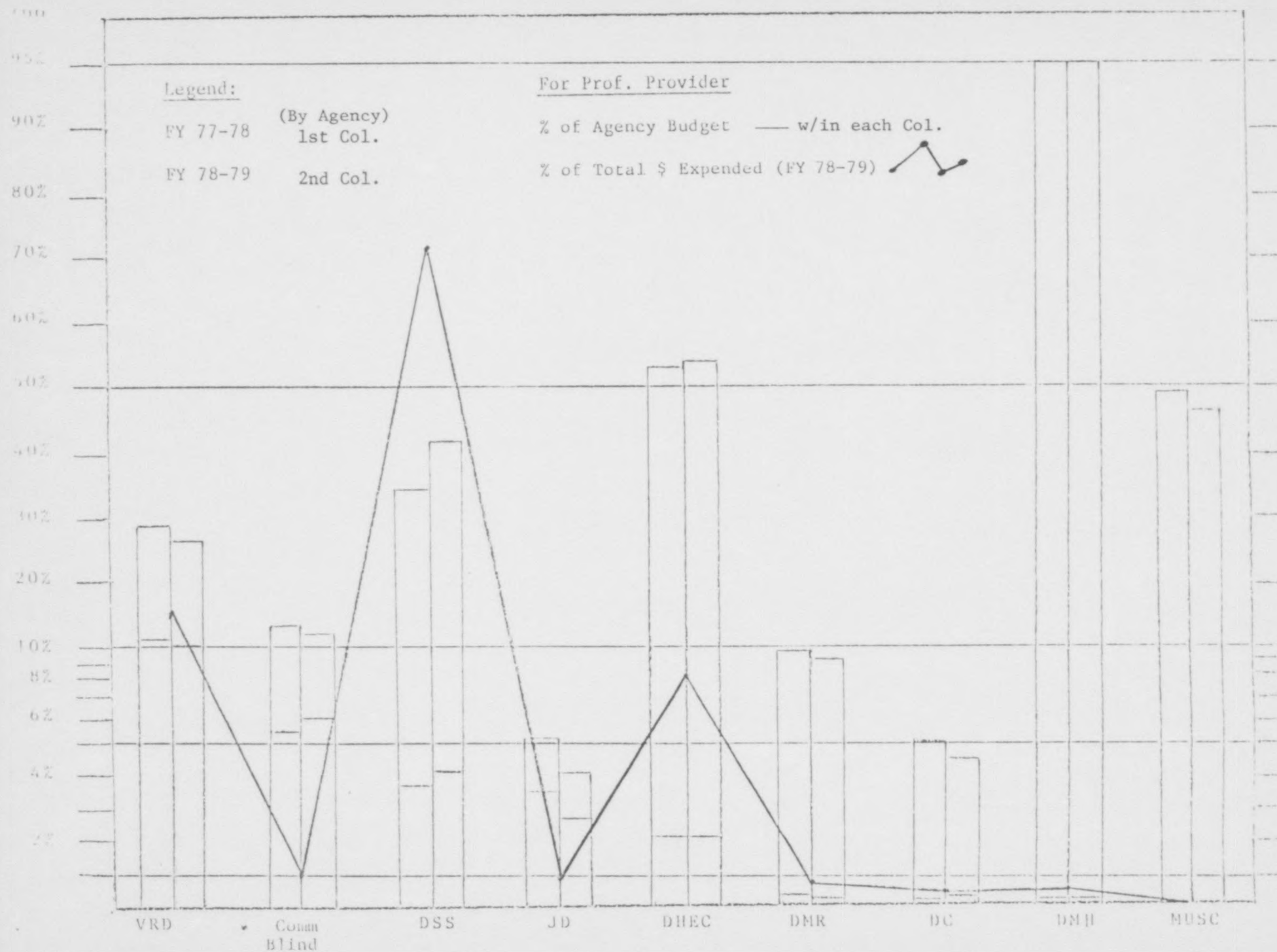
This is a simplistic explanation, but it provides the general concept of how the fee is determined. I would like to emphasize at this point, that this fee is what is referred to as the professional component, that is, what is paid to the individual professional—not including any payment to the institution if hospitalization is involved. Under Medicaid and Medicare this is called Part B; Part A is the hospital cost.

5. Vocational Rehabilitation volunteered to provide programming support for the project. We are proposing a quarterly report of expenditures by CPT-4 coding from each agency which the program will audit for compliance with the fee schedule. We should be able to verify this quarterly report against the Comptroller General's file. I will discuss other oversight considerations a little later in the presentation. While still being investigated, the general consensus is now that computer support should be obtained from Mr. Vaughn's computer service as opposed to being obtained from a participating agency.

6. The variety of agency requirements on billing and reporting forms is presenting significant delay in this area. The agency orientations are so diverse that consensus of content is nearly non-existent. We have not given up on getting a common form, as we feel that it will help provide better acceptance of the fee schedule.

7. Action is being taken at this time by the Attorney General's office on our request for an opinion. Initial impressions indicate that we are legal, but as Mr. Halford stated, it is a "muscle opinion" because there is no precedent. We also will probably have to comply with the State Administrative Procedure Act insofar as advertising and holding a public meeting is concerned.

8. Budget Impact - VU-GRAPH 5



NARRATIVE

VU-GRAPH 5.

Because most of the action in this chart is below the ten percent (10%) mark, we have a parabolic effect which can give you a visual distortion. To keep you aware of this effect, lines have been entered.

This chart represents the total budget for nine agencies as shown for FY 77-78 (green column) and FY 78-79 (blue column). To begin at the top, the uncompleted portion of the columns represent other than medical activities, and not a subject of this presentation. The completed column, medical activities, represent the \$4 - 500 million of the pie shown in the first vu-graph. Within each column is a red line which indicates percentage of the total agency budget dedicated to paying for health care services (payment to individual professional providers).

The red lines connected by the black dots within the agency columns indicate the percent of the provider dollars spent by that agency from the total available on this chart. To say it another way, DSS is shown in excess of 70%. That says that of the \$30 million in FY 78-79 paid to professional providers, DSS paid approximately \$24 million. With this ability for DSS to be a price trend setter, we can see why Commissioner Dusenbury is concerned when his agency is committing 11% of its total budget to this end.

Each agency represented here has independently developed its own fee schedule. Without going into specific details, DSS has traditionally paid the highest dollar amount with the other agencies trailing behind. The purpose of the fee schedule is to place all agencies on a parity with each other. After we receive the procedure experience from the agencies, for FY 78-79, we will be better able to determine how to do this. Some of our initial assumptions in the project were:

1. That no significant difference in the overall level of funding will occur.

2. That no significant impact on the level of health care services rendered to clients by individual agencies will occur.

3. That some new distribution scheme of health care funds to individual agencies may be necessary.

Because of the difficulty of obtaining the information on procedures, because of the lack of a common identifier, we were forced to accept the most current procedure experience translated into CPT-4 codes. It is very difficult to translate these codes accurately, but it is essential to determine the degree of overlap by agency to see if parity is a possible actuality or an illusion. At any rate, the central government will be able to use it as a management tool in the overall area of individual professional health care provider expenditures. It can be revised, updated, added to and deleted from, and the expenditures can be audited for compliance.

NARRATIVE

VU-GRAPH 6.

9. Earlier, I referred to Mr. Demian being helpful in securing Federal approval for the fee schedule. The Federal Government requires that State plans for Federal programs ensure sufficient participation by providers and we will be able to get definitive guidance in this respect prior to the formal submission. The fee schedule will in all likelihood have to be included in the State plans for the programs impacted by the schedule.

10. The PAG is currently developing a number of policy recommendations which will hopefully be approved and enacted with the schedule. These recommendations refer to such items as:

1. Providers accepting the schedule reimbursement as full payment for services rendered.
2. Use of in-house State capability where available, prior to using non-governmental sources.
3. All provider payments by all agencies will be based upon the schedule.

11. Continuing oversight is required so that problems can be resolved; the schedule can be updated, and revised. It is also required to ensure compliance by the agencies. This oversight responsibility is capable of being split with the Auditor's office and the Legislative Audit Council ensuring compliance and, another body, yet to be determined, to provide the administrative/operation support. Professional and qualitative oversight should be provided for by the agencies.

12 - 15. These last steps are pretty much determined by two things:

1. The PAG's ability to complete the package, and
2. The Budget and Control Board's acceptance of the concept and further approval of the recommended fee schedule when presented.

PLANNING STEPS (Continued)

9. ENSURE PAYMENT LEVEL PROMOTES ADEQUATE PARTICIPATION
10. DEVELOP POLICY PROPOSALS FOR IMPLEMENTATION
11. DEVELOP OVERSIGHT CAPABILITY
12. PRESENT TO MAJOR AGENCY HEADS (PAG MEMBERS)
FOR APPROVAL
13. PRESENT TO BUDGET AND CONTROL BOARD FOR APPROVAL
14. SUBMIT PROPOSED SOLUTION TO GENERAL ASSEMBLY WITH
SUGGESTED IMPLEMENTATION DATE OF JULY 1, 1980
15. IMPLEMENT AS DIRECTED BY LEGISLATION

(Please Furnish Original Attached to This with Six Carbon Copies Loose)

S 623

EXHIBIT

Concurrent Resolution

AUG 17 1979

NO. 01

By ~~xxx~~ Mr. Richardson

A Concurrent Resolution

STATE BUDGET & CONTROL BOARD

TO REQUEST THE BUDGET AND CONTROL BOARD TO MAKE AN ANALYSIS OF
THE GROWTH OF STATE GOVERNMENT.

IN THE SENATE

	DATE	ORDERED
Introduced	JUN 28 1979	Finance
Considered	JUL 10 1979	Reported
"	JUL 11 1979	Adopted
"		
"		

SENT TO HOUSE



By Order of the Senate

Clerk

IN THE HOUSE

	DATE	ADOPTED	ORDERED
Introduced	JUL 11 1979		
Considered			
"			
"			
"			

CONCURRED IN
as Amended
and RETURNED to SENATE
By Order of the House

Clerk

IN THE SENATE

JUL 12 1979

House Amendments agreed to and a message sent accordingly

Concurrence of House RECEIVED AS INFORMATION

Clerk

Copies Sent to

July 3, 1979.

The Committee on Finance Townshen was offered S.623 Report that they have considered and recommend that the same do pass favorably.

Herbert C. Dennis
Chairman

THE COMPTROLLER
JUL 10 1979

LEGISLATIVE COUNCIL
OF
INDONESIA

A CONCURRENT RESOLUTION

TO REQUEST THE BUDGET AND CONTROL BOARD TO MAKE AN ANALYSIS OF THE GROWTH OF STATE GOVERNMENT.

Whereas, the General Assembly hereby expresses its grave concern over the growth trends within state government; and

Whereas, the growth trends are attributable to many factors, including inflation, population growth, urbanization, and the assumption of the costs of programs previously funded by other than state funding and the assumption of certain program costs heretofore previously administered at other levels of government; and

Whereas, other growth factors include revisions in priorities leading to new governmental activities and efforts to improve service levels and performance; and



Whereas, as government has perceived a variety of needs and responded to them, it has sometimes created expectations that cannot always be met; and

Whereas, programs are sometimes launched with extensive description about objectives, but in practice may never fully achieve the desired results; and

Whereas, it is the intent of the General Assembly to take action to control and restrict such growth trends, in the future, without unduly hampering the legitimate functions of state government.

Now, therefore,

Be it resolved by the Senate, the House of Representatives concurring:

That in order to further increase the efficiency and promote the economy of state government, the Budget and Control Board is requested to make an analysis of the growth of South Carolina state government. The in-depth analysis will highlight population growth, expenditures, revenues, tax burdens, federal and state aid, public employment and wages and public debt and interest costs. Subsequent to the completion of the State Growth Study, the Budget and Control Board will develop the strategic "State Joint Objectives Plan" which will state the objectives of state

government in the major program areas, outline the resources used to obtain the objectives and develop policies that are to govern the use, acquisition, and disposition of these resources. From this "State Joint Objective Plan" the "Five Year Government Structure and Financial Plan" will be developed looking at current, plus four years projected. Every effort shall be made to complete the analysis and a report thereon to be made to the General Assembly no later than February 1, 1980. Programs will be fully costed and continuously updated. Finally, the functional budget ("Operation Plan") will be submitted annually and reflect each governmental organizations' projects and activities, specifying the total work to be accomplished, with stated resources, in support of the "Five Year Government Structure and Financial Plan" and within the prescribed time span. The "State Joint Objective Plan" will be developed in concert with the agencies of government and with the Budget and Control Board carefully outlining the governmental organizational structure to be implemented into the "Five Year Government Structure and Financial Plan". The annual "Operational Plan" will be structured from the coordinated data combined from the individual agencies, staff of the Budget and Control Board (research and statistics, grants and contract review, planning and budget office) bringing together at one place and at one time all of the relevant information needed for the General Assembly to make sound decisions on the forward total program of state government, which projects the number and types of agencies, the personnel, equipment, supplies, construction and budget dollars to support any one year.

Budgets will be in balance with programs, programs with requirements, and requirements with state missions and objectives. Planning and operational dollars required for future years will not exceed the responsible opinion of what is necessary and feasible. As changes in programs become necessary at any time during any one year, a program change request will be submitted to the Budget and Control Board, who in turn will provide decisions to the State Planning Office and the various state agencies.

Be it further resolved that a copy of this resolution be sent to the Chairman of the Budget and Control Board and to the Director of the State Planning Division.

EXHIBIT

AUG 17 1979

NO. 01

STATE BUDGET & CONTROL BOARD

STATE GOVERNMENT FINANCIAL DEVELOPMENT STRATEGY

Prepared For:

The South Carolina State Budget and Control Board

Prepared By:

John A. Crosscope, Jr.
Office of the Executive Director
South Carolina State Budget and Control Board

August 13, 1979

P R E F A C E

In the spring of 1979, the General Assembly of South Carolina passed a Concurrent Resolution (S.623) "to Request the Budget and Control Board to Make an Analysis of The Growth of State Government." The State Budget and Control Board, as the corporate management body of State government, is the principal agency of government assigned to carry out the action of the entire General Assembly as recorded in the two Houses concurrently. The first in process review of this assignment is to be reported to the General Assembly on February 1, 1980.

The text of this article is designed for the generalist and is aimed to provide a general appreciation of the nature and scope of the requirements problem, provide some discussion of an outlined procedure for determining requirements, provide certain statements on how requirements can be managed and financed; and, describe how they are related to source capabilities. In this context, the definition of requirements is defined as "a plan indicating the need or demand for personnel, equipment, supplies, resources, facilities, or services by specific quantities for specific periods of time or at a specific time."

From the national and State economy must come the resources (the personnel, funds, materials, facilities, equipment and services) to support the "people" of the State. To meet the need for extending time frames in budgetary planning and for improved presentation of information to make the budget more useful in illuminating program choices and in measuring program performance, a unified planning and programming process based on "State Objectives" and a "Five Year Government Structure and Financial Plan" is suggested. The suggested process, as presented here, consists of five major elements; 1) program structure in terms of missions; 2) the analytical comparison of alternatives; 3) the continual updating of the governmental agency structure and financial program; 4) the related year-round decision making on new programs and changes; and, 5) progress reporting to test the validity and administration of programs. Under this concept, in the course

of budget review, the need for hectic and hurried decisions on major programs is reduced considerably since the annual budget is derived from an increment of a longer range program.

The process involves the planning and control of resource inputs to achieve a desired output within a necessarily ever present budget context. It is concerned with the cost, feasibility, and effectiveness of alternative methods of meeting requirements, in order to attain the greatest benefit from any given resource expenditure.

John A. Crosscope, Jr.

STATE GOVERNMENT FINANCIAL DEVELOPMENT STRATEGY

A series of crises, both domestic and international, have caused government to state the case for designing a sound economic strategy. The essence of strategy is risk and uncertainty. If you know what is going to happen tomorrow and the next day, then the worry about the future is a trivial process. It is only when you do not know what the future holds that looking ahead becomes important. The most basic question decision makers have, as a result of the unknown, is—"how to deal with it?" Two concerns are involved at this point—the first is the extreme importance of making correct decisions, and second is the risk of getting the right answer too late. Thus, the need for a State Government Financial Development Strategy is evident and a system to assist high level decision makers in making major decisions is vital. The several factors which have dramatically served to emphasize the need for a Development Strategy are:

- Assessing the financial requirements of future activities and programs.
- Estimating the future availability of financial resources.
- Identifying the economic, social and intergovernmental implications of State fiscal policies.

Currently, a number of problems and opportunities are prompting government to reflect more upon the future:

* Energy — The energy crisis which first emerged in late 1973 and early 1974 was like a shock wave which reverberated around the world. Today, the oil problem in the Middle East, the steadily rising price of crude oil, fossil fuels, and soaring electric energy rates are still with us.

* Economic Uncertainty — In 1975, governmental officials were faced with two very serious problems—one, a continuation of double digit inflation, and two, inflation coupled with what has been described as the worst recession since the 1930's. The inflation gave way to a spiraling cost structure and the recession ate away at projected revenue sources at all levels of government. Across the nation, city councils, state legislators, and the Congress all faced considerable difficulty in deciding budgetary appropriations for the next fiscal year. Many "what if" questions were being asked about such things as what impact reduced or discontinued Federal funding might have in various areas on total state revenue sources,

and considerable effort was being made to assess, adequately, the consequences of continued economic recession.

* Liquidity Crunch — Another factor that has served to underscore the importance of Government Development Strategy. Inflation, tight money, high interest rates, and periods of recession caused cash flow problems for a number of state and local governments in 1975.

* Political Events — All governments are influenced by external political events which are frequently beyond their direct or indirect control. In the recent past, government had to deal with the Middle East War, the Arab oil embargo, and Watergate. And more recently, we have had the experience of Proposition 13 in California, and to bring it more closely to home, the threat to close major Defense Department installations in South Carolina among which are Fort Jackson, Parris Island Marine Base, and Myrtle Beach Air Force Base. In the latter instance, Defense Strategies are ways of using budgets or resources to achieve objectives. The defense economic problem is to choose that strategy (including personnel, equipment, and everything else necessary to implement it) which is the most efficient (maximizing attainment of the objective with the given resources) or determining which is the most economical (maximizing the cost of achieving the given objective). In this regard, the strategy which is most efficient is also the most economical. In this example, it is a fact that the Defense installations in South Carolina always receive high marks on any defense economic rating scale; however, should service secretaries have a tendency to lean into the wind with some political issue, objectivity could lose out and the loss of the defense economic investment would make its adverse impact upon the hard hit areas of the State, through no fault of State Government.

* Deteriorating Quality of Life — Within some environments, it has been stated that there appears to be almost overwhelming evidence that we are well on our way to destroying or doing permanent damage to our global environment. These pressures to preserve the environment are not likely to diminish any time soon. Integrating environmental plans and policies into overall State Strategy is not an easy process. However, it is crucial that policy makers get a handle on the relationship between environmental costs and the opportunity costs associated with pollution control devices and regulations.

* New Opportunities — The preceeding paragraphs have emphasized the need for improved Government Strategy by stressing the negative Governmental Strategy. However, there is also a positive side. Effective Governmental Strategy enables governments to take advantage of new opportunities. In most cases, opportunities directly or indirectly related to some of the problems described above.

Having discussed some of the factors that demonstrate the need for a Government Financial Development Strategy, an overview of Strategy along with some examination of problems and techniques found in policy processes and a word about taking a systematic approach to forming a State Financial Development Strategy are worthy of some detailed discussion.

A Concurrent Resolution (S.623) was introduced in the General Assembly by Senators Dennis and Richardson on June 23, 1979, and was adopted by the Senate and the House of Representatives on July 11, 1979. The subject of this Resolution was "To Request the Budget and Control Board To Make An Analysis Of The Growth Of State Government." Within the body of this message, the General Assembly expressed its grave concern over the growth trends within State Government and cited the factors of inflation, population growth, urbanization, assumption of the costs of programs previously funded by other than State funding and the assumption of certain program costs previously administered at other levels of government as being the most attributable to State Government growth. Some of the other growth factors mentioned in the Resolution addressed revisions in priorities leading to new governmental activities and efforts to improve service levels. The Resolution further pointed out that as State Government has perceived a variety of needs and responded to them, it has sometimes created expectations that cannot always be met and sometimes launches programs with extensive description about objectives, but in practice sometimes never fully achieves desired results. The Resolution further states that it is the intent of the General Assembly to take action to control and restrict growth trends, in the future, without unduly hampering the legitimate functions of State Government. As an aid in assisting the General Assembly in their efforts to increase the efficiency and to promote the economy of State Government, the General Assembly has addressed a request to the Budget and Control Board to make an in-depth analysis of the growth problem and to develop a system of Strategy that would provide a "State Joint Objective Plan" from which a "Five Year Government Structure and Financial Plan" would be structured which, in turn,

would state the requirements for the "Annual Operational Plan" (State Budget) for each governmental organization's projects and activities specifying the total work to be accomplished, with stated resources and within a prescribed time frame. Budgets are to be in balance with programs, programs with requirements, and requirements with State missions and objectives. Planning and operational dollars required for any future year are not to exceed the responsible opinion of what is necessary and feasible. Should changes in programs become necessary at any time during any one year, a formal program procedure is to be followed to revise the plans at all levels of management. The first project reporting date to the General Assembly as outlined in the Resolution is established as February 1, 1980. The February report will provide a scenario describing the condition of the State looking back historically for one year, analyzing the current year and projecting into the future for four years. The report will also provide a well defined schedule for the managerial direction and control required to attain the established objectives of the Resolution.

Fundamental to taking the systems approach to a Governmental Strategy is the premise that the Strategy must be fully integrated into the political structure. In this regard, decision analysis must be developed from the best input that can be provided from:

- . The Governor;
- . The Legislature;
- . The Budget and Control Board;
- . Other government leaders;
- . The opinion leadership

throughout the State.

In today's complex society, certain specific social and economic developments affect the status of individuals. Realizing this, the methodology for making an analysis of "State Growth" will, to a great extent, take into consideration the citizens of the State within an environment of social and economic change from the period of World War II to the current time frame. Historical documentation shows that during the period from the mid 1950s to the mid 1970s, fiscal relationships between the levels of government changed dramatically, and the public sector grew much faster than the private sector. Pulling this into some sort of perspective requires that some very significant historical facts be reviewed:

- Expenditures — Federal government expenditures, for example,

increased from 26.5% of Gross National Product (GNP) in 1954 to 34.2% of GNP in 1976.

- Civilian domestic expenditures, including social security, increased from 13.6% of GNP in 1954 to 26.8% in 1976.

- The growth of civilian domestic expenditures was financed in two ways—about half from new or increased taxes and deficit spending, and the other half by a shift in Federal expenditures from national defense to civilian programs. It must also be pointed out that the growing Federal role in the domestic public sector excludes Federal expenditures for national defense, international affairs and finance, and space research and technology. However, the domestic expenditures attributable to social security, and all Federal aid to State and local governments, including general revenue sharing payments, are included.

- In the state-local sector, the State government role is steadily expanding.

- Social Welfare Expenditures — The Federal government has emerged as the ever more dominant provider of income maintenance throughout the post World War II period.

- Since the mid-1960s, the Federal financial support for health and medical activities has risen rapidly.

- For the past twenty-five years, the shares of school expenditures provided by the public and private sectors, however, have remained relatively constant.

- The Federal government provides an estimated two-thirds (2/3) of public and private outlays for welfare services.

* Revenues

- Federal own source general revenue has been growing at a slower pace than that of the state-local sector.

- The Federal government has come to rely on taxes measured by individual income to raise both general and insurance trust revenue.

- There has been an increased reliance by State and local governments on Federal aid, income taxes and fees and charges resulting in a far more diversified state-local revenue system than existed twenty years ago. Federal aid has grown as a proportion of state-local own source revenue and local governments in particular have come to depend more heavily on both Federal and State aid.

* Public Employment and Wages

- Employment in the state-local sector has grown faster than any major sector of the economy, public or private, during the last twenty plus years.

* Public Debt and Interest Costs

- Throughout the postwar period, Federal debt expressed as a percentage of GNP has trended downward until recent years when record peace time Federal deficits caused a leveling of the trend line.

- The average interest cost on long-term treasury, corporate triple A and high grade municipal bonds has tripled since 1949.

- For more than twenty years, government interest payments have been rising at a faster rate than government revenues.

As we look at these historical facts, we begin to see that finding the balance point between the taxation of the employed and continuing provision of equitable social services to the disadvantaged (as well as meeting expectations of all income groups) remains as a central problem to Federal, State and local policy-making groups both now and for years to come. The growing public sector does have certain very identifiable trends; however, it appears that several significant features of this growth are tied directly to fiscal federalism. Therefore, it is suggested that the methodology for making an analysis of the growth of the South Carolina State Government begin with a look at the disturbing problems on the American scene since World War II, examine closely how attitudes have been shaped as a result of these problems, and look at how these attitudes influenced the private and public decisions that eventually shaped national growth and development. Once this has been determined, the growth analysis on the regional scene can more easily be completed, and finally, the State growth analysis can be developed. This approach should not only provide a good description of the condition of the State of South Carolina, but will also demonstrate a comparison of South Carolina with other states within the regional boundaries, as well as make a comparison with the national scene.

Once the condition of the State has been established, a disciplined and systematic Strategy using nine basic steps can be implemented to provide control over "State Government Growth." The proposed nine step process is expressed as follows:

* Specification of Objectives - this is the logical starting point and begins with a statement of the State goals and objectives for a specified

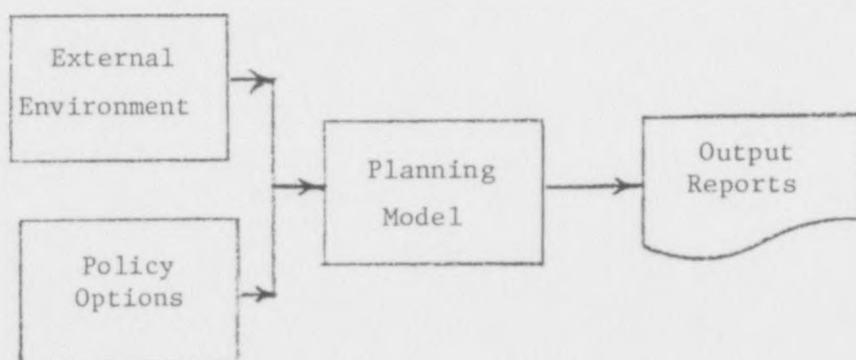
period of time. It must be emphasized in the very beginning that the executive decisions, legislative decisions, and the research effort be brought together in a consensus of acceptance to prevent any conflict in direction.

* Definition of External Assumptions - at this point it becomes an absolute necessity to develop a set of assumptions about the external environment which the State government will face over the planning horizon. These assumptions are the factors over which State and local governments have limited or no control.

* Definition of Policy Options - this step involves the development of an inventory of policy options to be considered as possible candidates for implementation. Such an inventory of policies can also be used later on in the systems analysis process to arrive at "Alternative Futures." The number of policy options available to government are likely to be extremely large. Thus, it becomes most important that the selection of assumptions be reduced to a viable set which can be evaluated through scientific techniques of analysis.

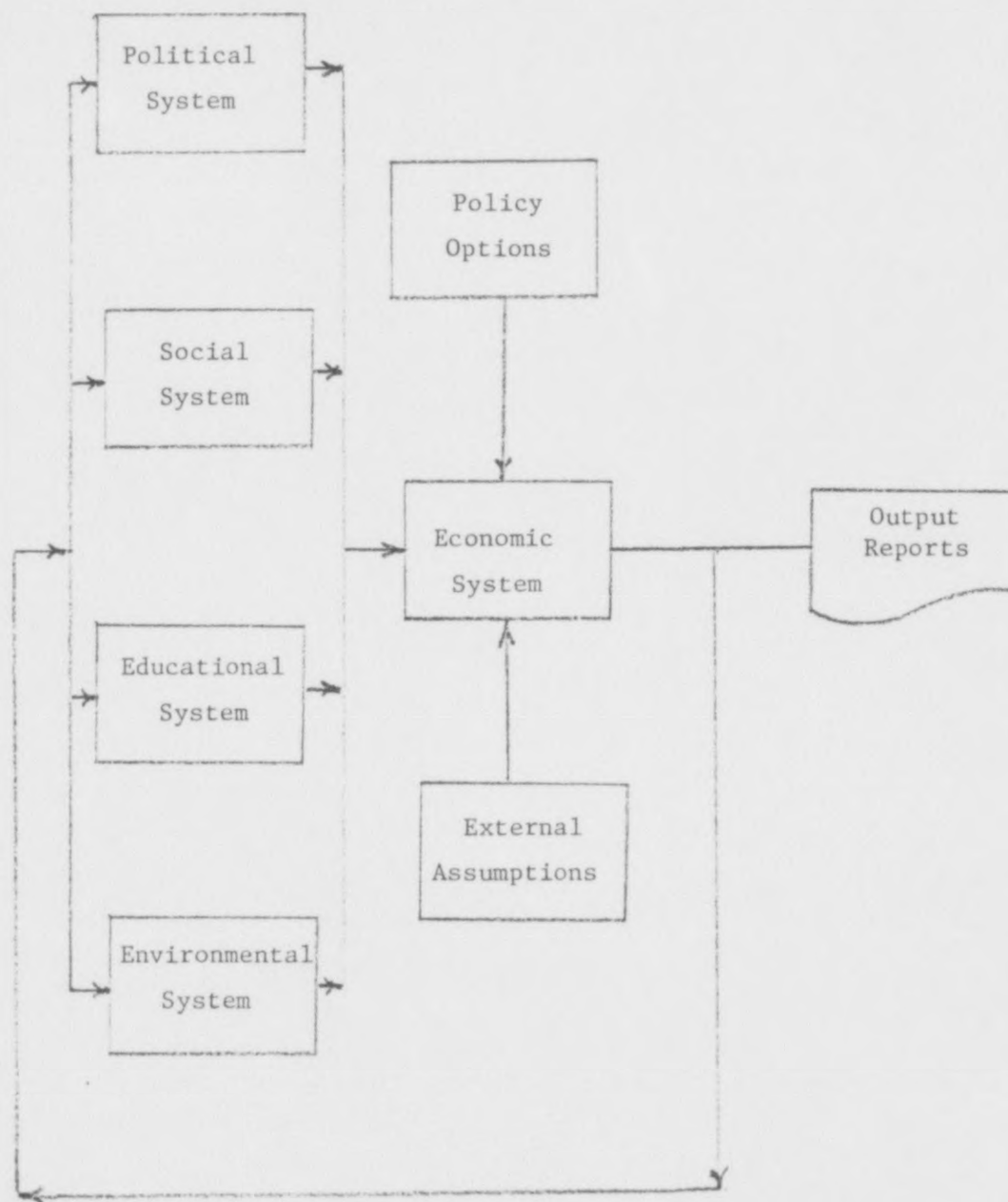
* Collection of Data - the collection of data is an important element in the overall process. Econometric models used to forecast demographic patterns, growth, tax revenues, and the demand for governmental services requires the use of substantial amounts of relevant data. The scarcity or unavailability of data in some areas of government has oftentimes been used as the excuse for either poor planning or no planning at all.

* Formulation of a Planning Model - this step is the formulation of a mathematical or logical model relating the outputs of a government system to a set of external variables and policy variables.



Typical output variables for a State plan are income, employment, investment, pollution index, education level, health care, population growth, urbanization, tax revenues, unemployment, expenditures, and housing supply. The General

Assembly's "Concurrent Resolution" requesting an analysis of the growth of State government identifies some of these very same variables as subjects for analysis. As we proceed with the model concept, specification of particular econometric models are possible. To illustrate how some of these modeling concepts may be applied in the context of an economic planning model for a State, the example model shows how the output requested is derived:



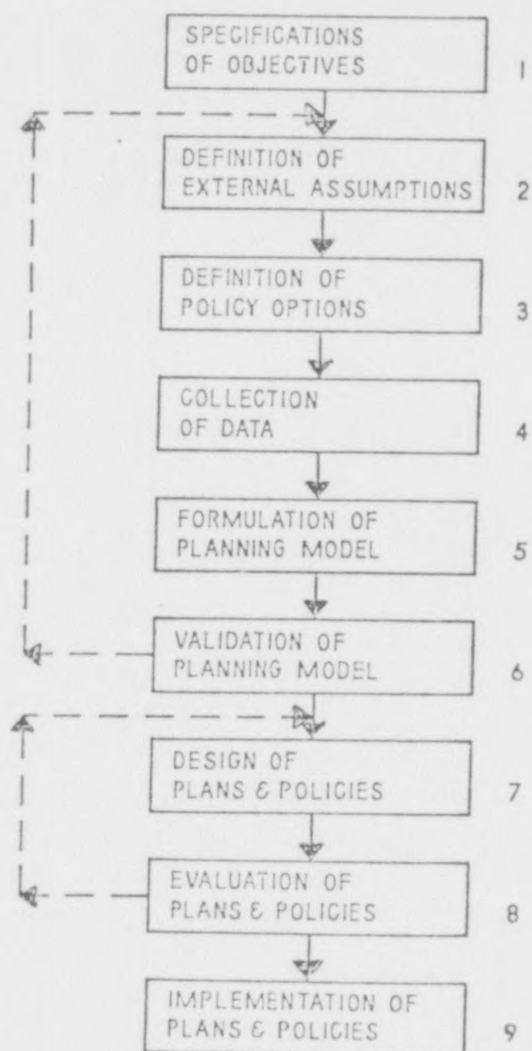
* Validation of the Planning Model - to validate any kind of a model, means to prove the model to be true. Another way of putting it is to say that through a series of experiments the number of positive instances increase, and the users confidence in the model is affirmed. In other words, we are increasing the confidence we have in a theory, hypothesis, or computer model. However, in all validation experiments, it must be recognized that the concept of validation is meaningless unless it is expressed in terms of the original objectives set forth in the process.

* Design of Plans and Policies - in a previous step, the Definition of Policy Options was announced. During this step, the inventory of policy options is reduced to manageable proportions before going on the computer and subsequently is run through simulation experiments.

* Evaluation of Plans and Policies - once the simulation experiments designed in the previous step have been run on the computer model, the experimental plans and policies must be completed. The analysis and evaluation of the simulation results may be as simple as comparing several graphs which have been generated by the simulation model for alternative plans and policies. On the other hand, more complex statistical analyses may be required depending on the objectives of the policy makers. Suffice to say, the policy evaluation process may involve recycling through the "Design of Plans and Policies" and the "Evaluation of Plans and Policies" many times to arrive at suitable plans and policies; policy design and evaluation are integrally related processes. The computer in this instance is in reality being used not only as a tool of policy evaluation, but also as a tool of policy design.

* Implementation of Plans and Policies - the implementation stage of the process involves the recommendation of specific plans and policies for both the executive branch and the legislative branch of the government. These recommendations are based on the results achieved during the "Design of Plans and Policies" and the "Evaluation of Plans and Policies" steps. The success in having any recommendation implemented depends a great deal on the extent to which the nine-step Strategy process has been integrated into the political process. In the earlier part of this presentation it was stated emphatically that it is a fundamental premise that the systems approach to a governmental Strategy be fully integrated into the political structure. If the nine-point Strategy, or any other approach to problem solving takes place independently of the political system, the chances for success are indeed destined for failure.

NINE BASIC STEPS OF STRATEGY



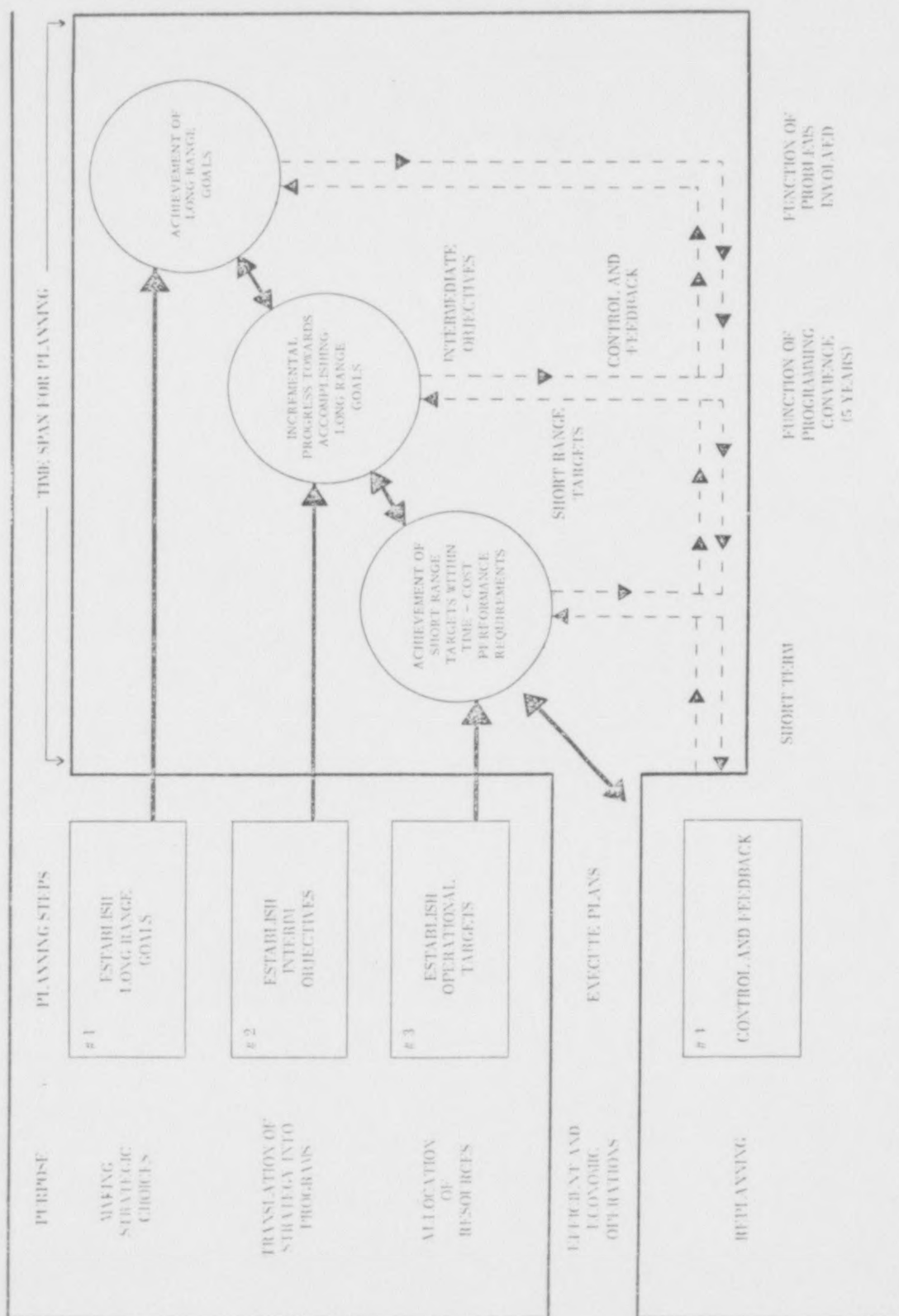
The suggested systems approach in this presentation is directed to the realization of one objective—the most effective allocation of the resources available to State government. This has always been the major concern. Further, the management problem at the level of central government as, indeed, it is with the heads of all government departments and agencies, is how to deal with uncertainties. The unique features of this system are 1) the response to the quest for alternatives, and 2) the emphasis on analysis of cost effectiveness in deciding what is best in all program areas. The broader aspects of the system, aside from techniques and methodologies, are the discipline, essential characteristics, its applications, its strengths, and, indeed, its limitations. Hopefully, the ideas expressed get at the heart of basic questions of vital concern: How are the fundamental choices to be made? What considerations must be weighed and what kind of information is needed to solve the complex problems of choice in making decisions? Viewed in this manner, a systematic approach to orient management's attention to the determination of goals and objectives is desirable—"A Comprehensive Management Approach for State Government Financial Development Strategy" model.

Understanding the purpose of a particular strategy or a set of plans is critical to the determination of the content of a plan covering a specified time. While in theory, strategy involves a set of common and iterative steps, in practice there is need for many distinctions depending upon the magnitude, level, and type of planning problems to be solved. The complete strategy involves three types of plans and are distinguishable as: strategic, program development, and operations.

Strategic planning is viewed as an ultimate top management device for the integration of all plans and planning with well considered organizational purposes and goals. In other words, a systems approach to top management thinking. In discussing the Strategy spectrum, the importance of making a sharp distinction between operations plans, and program development is necessary. Operations plans deal with the momentum of the organization. Two obvious advantages accrue from this concept: firstly, organization decisions are put in their logical sequence and given appropriate attention; and secondly, gaps or overlaps in action programs are greatly reduced.

CREATING A PLAN

Translate the choices into statements of: Why the action is required. Plans and Resources involved. End results expected and when. Means of assuring progress by: (a) Identifying critical planning assumptions to be monitored; (b) Specifying performance standards; (c) Prescribing the performance schedule to be met; (c) Prescribing the financial limitations to be met.



A COMPREHENSIVE MANAGEMENT APPROACH FOR STATE GOVERNMENT FINANCIAL DEVELOPMENT STRATEGY-MODEL

State Joint Objectives Plan
(Strategic Planning)

The strategic plan formulates the purpose of government, determines its basic strategy in the light of environmental projections and constraints, and translates these decisions and assumptions into specific, attainable goals. While it gives direction to today's operational planning and tomorrow's program development planning and encompasses them both, the strategic plan embraces a longer time span than either. Yet, strategic decisions may be required at any point in the managerial process. Ideally, the strategic planning process should reach into the future far enough to allow time for making and executing development plans that reflect all foreseeable needs, threats, and opportunities for the organization. However, it should be comprehensive enough to identify those areas which are strategic to organizational goals. Its primary purpose, then, is to start the organization toward attainment of its purposes, leaving to subsequent plans the details of execution.

Strategic planning is "the process of deciding on objectives of the organization, on changes in these objectives, on resources used to obtain these objectives, and on the policies that are to govern the acquisition, use, and disposition of these resources." Thus, strategic planning is seen as a process having to do not only with the formulation of long-range and policy-type plans, but also of shorter range strategic decisions that can change the character or direction of the organization and the principal allocation of resources at its disposal.

An important role of the strategic plan is to identify the key decisions that must be made to integrate current operations and new developments into the longest-range plans. The term "strategic planning" is preferred to "long-range planning" because it describes its purpose more clearly and brings the principal thrust inward—toward current decision-making. Too often, long-range planning is a deceptive term describing activities which can be detached from the organization's day-to-day priorities and results often in blue-sky thinking, unrealistic wishing, and sometimes without real purpose or effect. Strategic planning as defined here, however, is a living term describing a process which must be intimately associated with both top management and current operations to achieve its function.

Five Year Government Structure and Financial Plan
(Program Development)

The second of the purpose-directed types of planning goes under many names and descriptions, but may be simply defined as those processes which concern the translation of strategy and broad goals into definitive objectives, policies, directives, and work programs to be accomplished within a specific time schedule. As such, programming is the crucial link which provides the transition from the basic purpose and long-range goals of government into detailed courses of action and makes available the necessary resources at the appropriate time to achieve desired end results.

Program development will be concerned with the maximum time span under consideration and will deal with strategic questions. Common practice appears to have the programming process include not only short-range planning, but also a time horizon usually four or five years into the future with some detail. When there is no strategic input into the program development, current projects or programs are usually projected outward with their phase-out and new starts being considered. This approach, although useful as a starting point and as a means for projecting the consequences of current decisions, assumes that the overall present direction of an organization is adequate to deal with the future—often a dangerous pitfall.

The function of program development, which differs from that of either strategic or operational planning, is to provide a basis for management control, i.e., assuring that resources are obtained and used both effectively and efficiently in the accomplishment of an organization's objectives. It is carried out within the framework and premises established by strategic planning. Among the principal tasks of programming are:

- (a) Formulation of the objectives. This is the translation of broad goals into definitive and integrated objectives which provide the direction and criteria for planning, measurement, control, and evaluation.
- (b) Monitoring changing conditions. Programs are developed with certain implicit and explicit assumptions, technical and otherwise, about the environment in which the programs will operate and the needs that are to be met. The assumptions about the environment critical to a plan's effectiveness must be monitored to determine what effect any variances noted

may have on objectives, plans, and requirements.

- (c) Evaluation of alternatives. Systems analysis (including cost-benefit, cost-utility, or cost-effectiveness analyses) is an important part of the programming process. It provides data on the possible courses of action to select, the probable consequences, and the trade-off values. Quantitative and qualitative criteria are developed both for choice and evaluation purposes.
- (d) Translation into action programs. At this stage, decisions on objectives and courses of action are translated into directives and work programs within both a specified time and a given allocation of resources.

Whereas strategic planning is apt to involve mainly staff with top management, program development is most likely to involve the line with top management. In government, middle management usually plays the crucial role, e.g., agency chiefs provide the nexus between political and operating management.

Operation Plan (Annual Functional Agency Budgets)

An operational plan combines an organization's current projects and activities into functional groups, specifying the total work to be accomplished in the plan's time span. It subdivides the work into logical work units; assigns the work stations at which the work will be done; defines the flow of work among the work stations; and establishes the lines of authority that build the work stations into an organization. It also sets short-range schedules and budgets. In government, an operations plan and a budget or financial plan have sometimes amounted to the same thing.

The central purpose here is the achievement of short-range targets, within pre-established limits of time, cost, and performance. It is the point of actual resource allocation. The principal emphasis is on projecting in great detail the activities for the next fiscal year with stress on administrative and organizational considerations. The major tasks involved are:

- (a) Relating short-term targets to goals and objectives;
i.e., balancing the exigencies of the present and near-term

future with long-range requirements and integrating functional objectives with program needs;

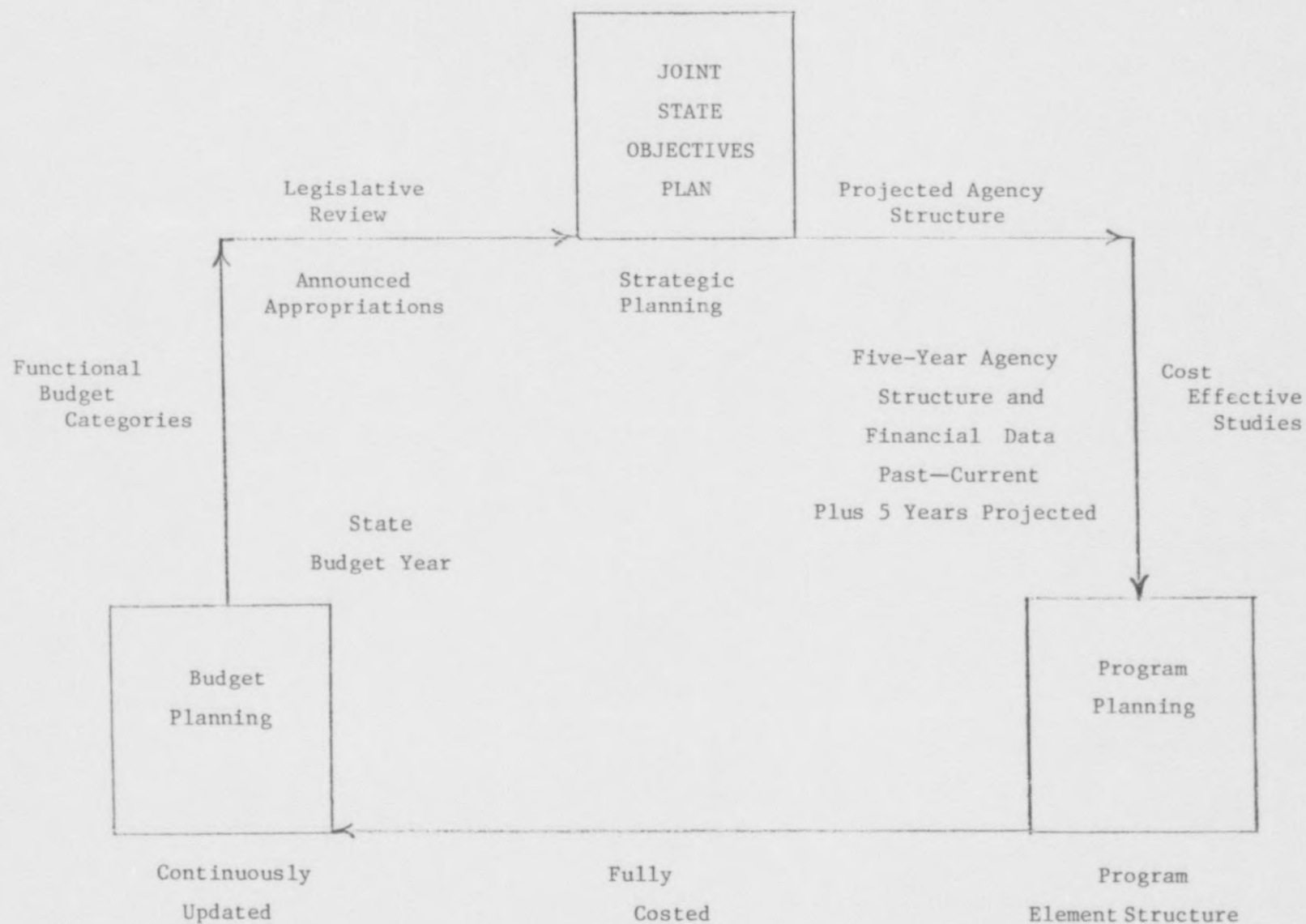
- (b) The implementation of programs through detailed plans and projects, i.e., devising schedules, subdividing work into logical units, defining work-flow, lines of authority, and
- (c) The conversion of these detailed administrative plans into financial terms and requirements for budget formulation and control purposes.

Operational short-term planning is the primary concern of line or operating management, and questions of who, where, and when become crucial, particularly since these questions involve the allocation of resources. Usually, such planning represents the point where a "freeze" is placed on the consideration of alternative courses of action. Efficient and economic implementation becomes the major concern and administrative criteria are paramount.

Replanning (Control and Feedback)

In the strict sense of the term, "replanning" is not a planning level. However, it is inadequate to describe the various phases of planning without discussing the recycling process depicted in the planning model of comprehensive strategy, and is necessary not only for replanning, but also for control purposes. Control is used here in the sense of constraining, regulating, and directing action in accordance with the requirements of a plan for accomplishment of an objective. As such, planning and control are closely related; together they link what is desired to what is happening.

Replanning will be influenced from two directions: firstly, the internal feedback from operations and actual performance; and secondly, and not to be discounted, the "feed in" from strategic planning which might provide new objectives, new planning assumptions, or changes in existing planning premises. Feedback closes the management cycle, providing a regular system of communication between the measuring and review points of operations and the decision-maker. However, information on environmental changes and other inputs from outside the organization may be equally important. Care must be taken to assure that internal feedback does not become predominant simply because the information is more readily available.



THE COMPLETE CYCLE

The comprehensive model for strategy shows the interdependency of all levels of planning and the fact that a change in any one level may have important ramifications in other levels. For example, a determination of the technical feasibility or infeasibility of a particular approach may affect either the strategic goal or the operational target or both. This is an item that was stressed in the Concurrent Resolution which stated that as program changes become necessary at any time, a program change request will be submitted to the Budget and Control Board which, in turn, will decide what action should be taken as a result of a particular program change.

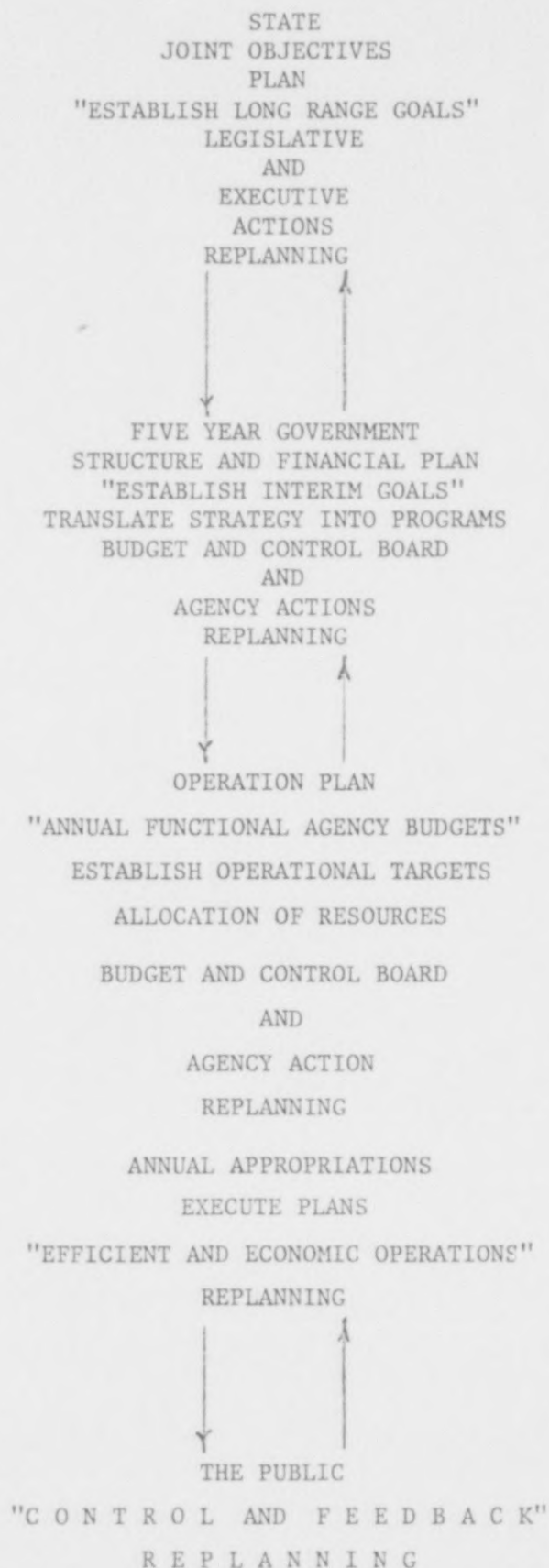
The three types of plans discussed make up the total system for designing a State Government Financial Development Strategy, and have certain elements in common. They all include "end results," although the ability to specify and quantify these results becomes easier as the time span shortens. Time phasing of activities is essential to all types of planning, although again the importance of precise schedules increases as the time span decreases. Finally, to some extent, all types of plans must deal with the resources required to accomplish desired end results although for strategic and certain programming purposes, sound estimates are usually sufficient.

Having briefly acknowledged that there are fundamental similarities in these planning processes, more emphasis has to be given to the differences and the need for careful distinction by management.

A System of Strategy

A comprehensive and formal system is, then, really a system of plans covering the long, intermediate, and short-range time periods. The various levels of planning are the building blocks or derivatives of this system and are arranged in successive echelons. Each echelon receives guidance from a prior plan and refines it by focusing on groups of activities having a common purpose. The system encompasses planning for the entire government; it allows for planning at all levels of government and includes plans for all the different functions of the government, from research to auditing. It facilitates orderly subdivision of the total work of planning into tasks which can be performed separately, but which collectively assure coverage of the work to be done.

The various points of focus of comprehensive planning will differ.



INTEGRATION OF THE MODEL INTO THE PLANNING PROCESS

THE PURSUIT OF EXCELLENCE

- #1 State Joint Objectives Plan
(Strategic Planning)
Establish Long Range Goals
Making Strategic Choices
Legislative and Executive Action
Replanning



- #2 Five Year Government Structure and Financial Plan
(Program Development)
Establish Interim Goals
Translation of Strategy Into Programs
Budget and Control Board/Agency Action
Replanning

- #3 Operation Plan
(Annual Functional Agency Budgets)
Establish Operational Targets
Allocation of Resources
Budget and Control Board/Agency Action
Replanning
Annual Appropriations
Execute Plans
(Efficient and Economic Operations)
Replanning



- #4 THE PUBLIC
(Control and Feedback)
Replanning

Long-term planning covers the broadest scope, is highly concerned with the external and political environment, and is in search of problem specificity and decision-criteria. At the other extreme, short-term planning is narrow in scope, technical in character, and more concerned with the present and recent past and frequently permits the programming of decision-criteria. The planning steps are:

- * Making Strategic Choices

- Establish Long-term Goals: review of mission, gather information, set tentative goals, enumerate the difficulties, forecast uncertainties, develop alternative methods of overcoming difficulties, prepare criteria for selection of alternatives, compare and analyze—CHOOSE.

- Develop Strategy: review goals and assumptions, develop the inputs, identify and develop alternative courses of action, compare and analyze—CHOOSE.

- * Translation of Strategy Into Programs

- Establish Interim Objectives: review goals and long-range assumptions (forecasts), gather information, set tentative objectives, enumerate the difficulties, prepare planning assumptions, develop alternative methods of overcoming difficulties, prepare criteria for selection of alternatives, compare and analyze—CHOOSE.

- Develop Program Plan: review intermediate-range objectives and assumptions, develop the inputs, identify and develop alternative courses of action, compare and analyze—CHOOSE—design programs, designate tentative allocation of resources.

- * Allocation of Resources

- Establish Operational Targets: review interim objectives, review program plan, forecast workload, identify and develop alternative methods, develop targets and performance standards—CHOOSE.

- Develop Operations Plan: review targets and forecasts, assign specific responsibility, prepare detailed schedules, formulate financial requirements, draft necessary legislative changes, specify administrative requirements.

- * Replanning

- Control and Feedback: develop indices of accomplishments (related to goals, objectives, and targets), measure, monitor critical assumptions, report, evaluate—CHOOSE—adjust plans.

Planning Framework for Problem Solving

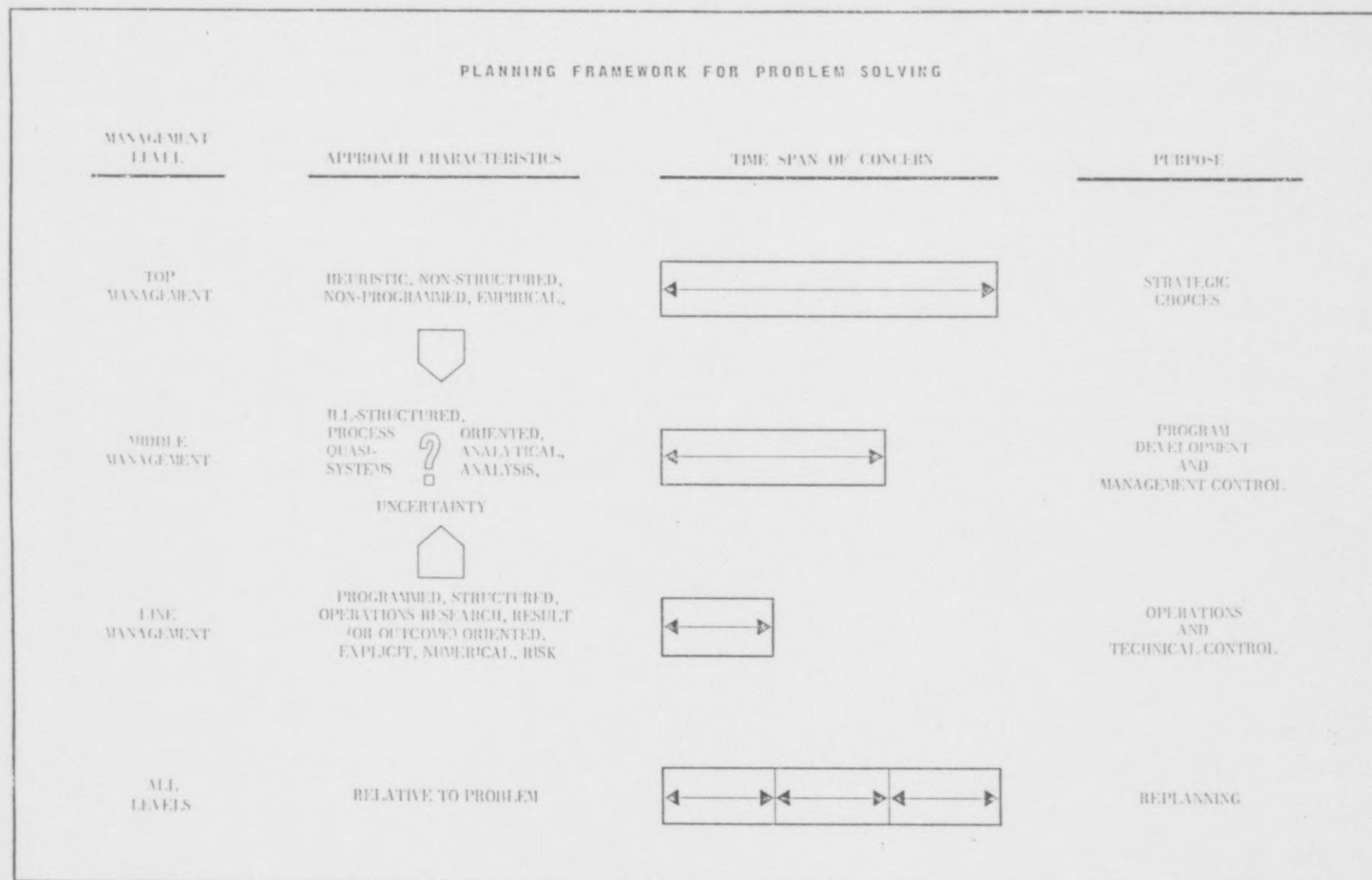
The Planning Framework for Problem Solving relates the characteristics and approaches of the range of techniques possible to both planning and management levels, as well as to the structure and time span of concern. It should be noted that the graphic presentation follows the same conceptual framework included in the comprehensive model.

* * * * *

Analysis of problems of the magnitude discussed in this presentation are full of uncertainties; not only uncertainties about technical and operational parameters, but also conceptual uncertainties. However, the best way to deal with uncertainties is to explore their limits with more and better analysis and to proceed cautiously. This is what has been introduced in this paper—a planning, programming and budgeting system that will enable management to:

- Identify State-wide goals with precision and on a continuing basis.
- Choose among those goals the ones that are most urgent.
- Search for alternative means of reaching those goals most effectively at the least cost.
- Be informed not merely on next year's cost, but on the second and third, and subsequent year's costs of programs.
- Measure the performance of programs to ensure a dollar's worth of service for each dollar spent.

Translating the concept of a systems approach into action will improve State government's ability to control programs and budgets. Studies, goals, program proposals and reviews can be scheduled throughout the year instead of being crowded into budget time. The overall objective of the Strategy is simple: to use improved management techniques so that the full promise of a finer life can be brought to the citizens of this State at the least possible cost. The total concept is aimed at finding ways to accomplish goals and objectives faster, better, and less expensively; to provide decision makers with more accurate information; and to pinpoint those things



which might be improved or expanded; and, to spotlight items which possibly should undergo some reduction.

South Carolina has good government; it is both compassionate and prudent, and it demands the fullest value for each dollar spent. The General Assembly, however, has asked the Budget and Control Board in the form of a Concurrent Resolution to establish a system to increase the efficiency and to promote the economy of State government. The resources for accomplishing this systematic approach are already in place within State government, and the concept outlined in this presentation will provide the framework to establish the system and carry out the studies.

In summary, the "State Government Financial Development Strategy" provides, within a few pages, the broad spectrum of systems analysis in practice and shows how it can be an important and effective tool for decision-makers at all levels of management. It will provide economic analysis and quantitative approaches to the decision making process as addressed in Concurrent Resolution, S.623. It will not deny the role of value judgments; instead, the techniques will contribute to the factual and analytical basis for informed and reflective judgment. What is so different about this approach from what might be described as a more conventional approach is the insistence on a more systematic application of objectivity, logic, and explicit analysis of the issues and alternatives in considering the best decisions to obtain State objectives.

EXHIBIT

AUG 17 1979

NO. 01

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

MEMORANDUM TO: The File

DATE: August 23, 1979

REFERENCE: Budget and Control Board Meeting (Wampee Site)
August 17, 1979

SUBJECT: Concurrent Resolution S.623

This memorandum specifically relates to the comments of Dr. Jesse Coles, State Planning Officer, in his response to the Concurrent Resolution (S.623) presentation.

The first comment addressed the matter of the Budget and Control Board being referenced as a corporate body. In this instance, there appears to be some reservation on the part of the Planning Officer to refer to the Board as such. However, by definition, "corporate" means to be associated by legal enactment for the transaction of business, and the most fundamental obligation of public officials/employees is the duty to serve. Nowadays, corporate entities at the level of State government, such as the Budget and Control Board, are usually prescribed by statute. At the national level, groups such as the National Security Council and the Joint Chiefs of Staff fall under similar definitions by Federal statute. In the context of private business, a corporate body offering a kind of service is defined by a charter or franchise having the force of statute. In the case of the government of South Carolina, if the Budget and Control Board is not the corporate management group for State government, then to whom do the operating units of government look for answers to such things as questions on policy, procedure, and certain expenditure authority?

In another comment, it was stated that the presentation interpreting S.623 was really a classic Planning, Programming and Budgeting system concept. I think it only fair and proper to point out that there is no single system that can be bought and installed or developed from blueprints; therefore, research will support the fact that all of the writings and advice by experts on this subject avoid really defining Planning, Programming and Budgeting. Rather, the experts prefer to write and discuss the subject in terms of improving the decision making and budgeting processes, measuring program outputs, and improving the management of information systems.

The State Planning Officer was also wanting to leave an impression with the audience that the interpretation of S.623, as presented, is very suitable to the Defense establishment at the national level, but maybe not too desirable for implementation in State government. It should be noted here that the management group within the Defense Department at the national level did not champion the Planning, Programming, and Budgeting concept—this idea was introduced to the membership of the Defense Department by some of the best management experts coming from private business and industry. The department decision makers subsequently designed the techniques for implementing this system. There is no panacea to deal with this subject—the number of forms or variations of the idea are as great as the number of private and public entities that have worked with it. The whole idea is to improve the allocation of tax dollars and

see that maximum effect is achieved within stated purposes. In other words, provide techniques to hard pressed decision makers that will give them a beginning point to have information that tells them what is not producing results and what new demands can be anticipated.

The major components of the idea are really very basic.

1. Provide a senario - what is the condition of the State now and into some defined period of time? From this, real needs can be identified and direction provided.
2. From the identifiable needs and guidance in step 1 above, define the period of time for which planning must be accomplished (usually five years foreward with the first year being an historical and documented year). Estimate and allocate the total resources available for each of the planning years in terms of estimated obligational authority.
3. Develop annual or biennial budgets based on the allocation of resources and obligation authority guidance provided in step 2 above (five year planning).
4. Provide a procedure for making necessary program changes which might occur in any of the above steps - keeping in mind that a change within any one step impacts upon all other steps of the process.

BENEFITS:

Some of the major results, apart from possible cost savings or increased efficiency, are:

— attracting bright young talent to State and local government which has not, in the past, been considered promising for career employment by college graduates.

— creating an in-house tool that provides an alternative to crash task forces or outside consultants yet also increases their utility by developing an information base and contact points from which they can work.

— providing an early-warning system to the development of problems before they reach the crisis stage.

— suggesting new organizational alignments and assignment of responsibilities.

USES:

— providing an initial basis for questioning government performance.

— stimulating a rethinking of priorities.

— providing a more systematic and informative presentation of the budget to lawmakers and the public.

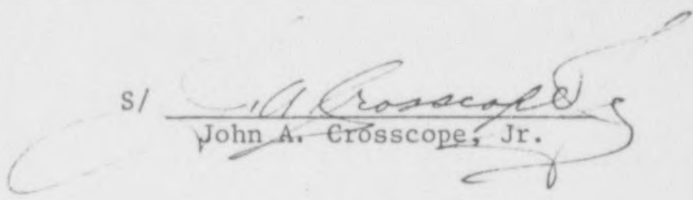
MEMO TO: The File

- 3 -

August 23, 1979

Finally, as with any system there are pitfalls and points of caution. In brief, history documents that planning and budgeting should not be located in separate facilities and work in isolation (functionally, as well as physically) from one another. And to obtain the real payoff from the systems approach recommended in S.623, usually, requires two to three years; this, of course, depends upon what resources are available and what information is already compiled within the various data bases when implementation begins.

S/


John A. Crossscope, Jr.

JACjr/nk

cc: William T. Putnam
Bill McInnis

EXHIBIT

AUG 17 1979

NO. 02

STATE BUDGET & CONTROL BOARD

EXECUTIVE

BRIEFING REPORT



AUGUST

1979

STATE
PLANNING
DIVISION

JESSE A. COLES, JR.

J. SAMUEL GRISWOLD

ALTON T. LOFTIS

1979-80 OPERATING BUDGET

GRAND TOTAL \$ 2,943.3

STATE GENERAL FUND	STATE HIGHWAY FUND	FEDERAL FUNDS	OTHER FUNDS
\$ 1556.7	\$ 214.2	\$ 873.0	\$ 299.4
52.9%	7.3%	29.7%	10.2%

8/1/79

1979-80 OPERATING BUDGET

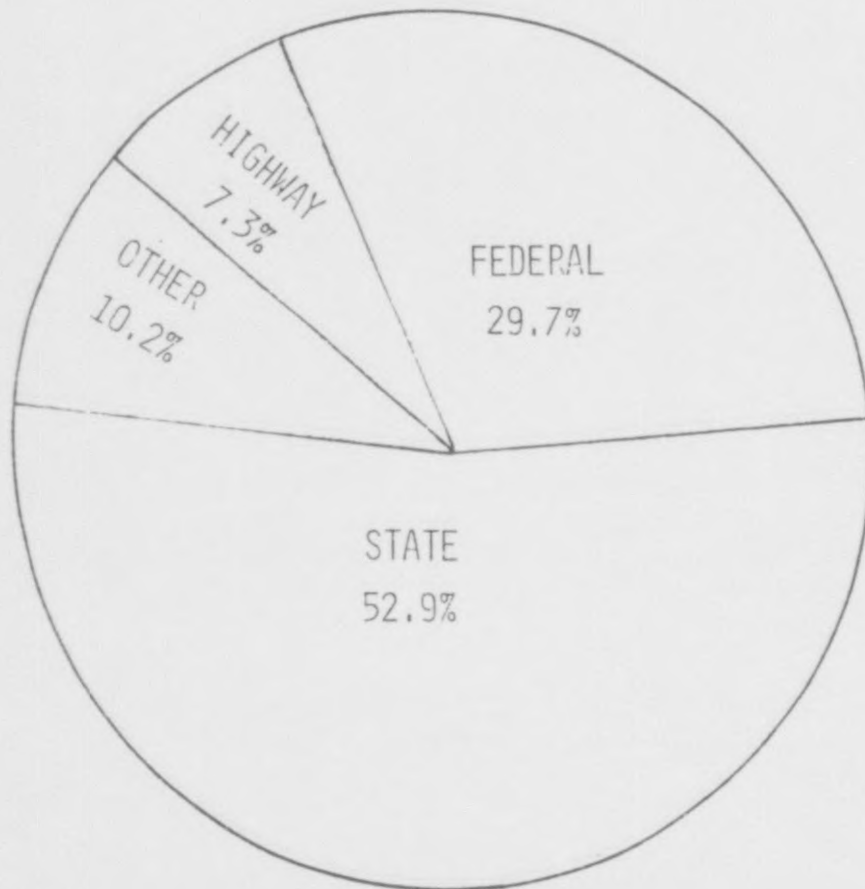
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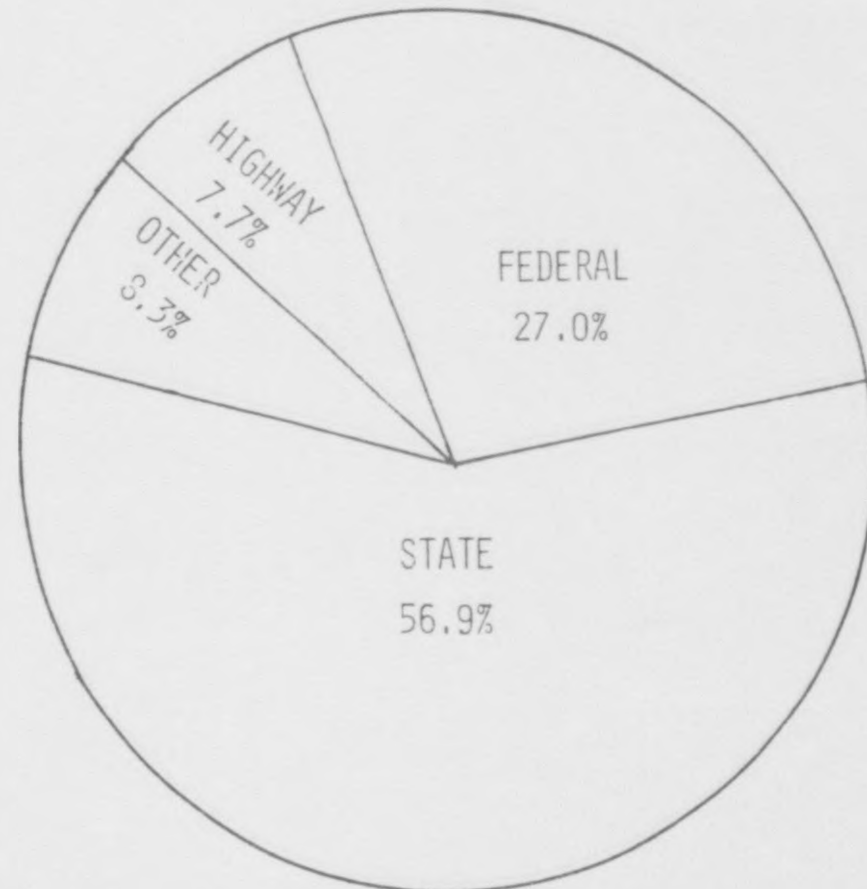
8/1/79

DISTRIBUTION OF THE STATE BUDGET BY FUND SOURCE

FY 1980
\$ 2,943.3



FY 1984 *
\$ 4,705.6



* FROM THE FIVE YEAR PLANS

8/1/79

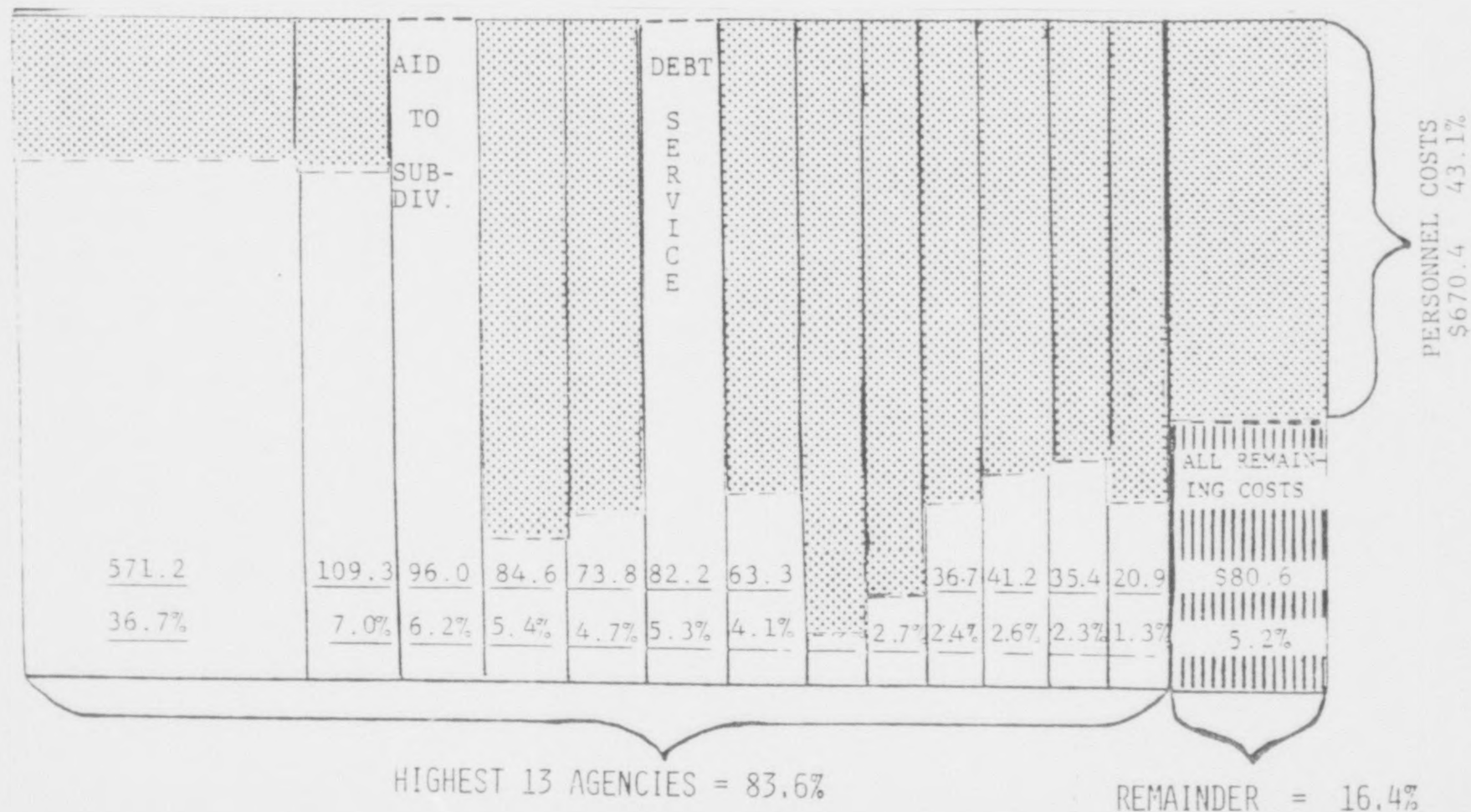
MAJOR GENERAL FUND ALLOCATIONS BY AGENCY
(IN \$ AMOUNTS AND AS % OF GRAND TOTAL)
FY 1980 GRAND TOTAL \$1556.7

DEPT OF EDUCATION	D S S	AID TO SUB- DIV.	U S C	M E N T A L H E A L T H	D E B T S E R V I C E	M E D I C A L U N I V	T E C H & C O M P E D	M E N T A L R E T A R D	C L E M S O N	D H E C	C O R R E C T I O N S	C L E M S O N P S A	ALL OTHER PERSONNEL COSTS \$173.8 11.2%
													ALL REMAIN- ING COSTS
<u>571.2</u>	<u>109.3</u>	<u>96.0</u>	<u>84.6</u>	<u>73.8</u>	<u>82.2</u>	<u>63.3</u>	<u>45.9</u>	<u>41.8</u>	<u>36.7</u>	<u>41.2</u>	<u>35.4</u>	<u>20.9</u>	<u>\$80.6</u>
<u>36.7%</u>	<u>7.0%</u>	<u>6.2%</u>	<u>5.4%</u>	<u>4.7%</u>	<u>5.3%</u>	<u>4.1%</u>	<u>2.9%</u>	<u>2.7%</u>	<u>2.4%</u>	<u>2.6%</u>	<u>2.3%</u>	<u>1.3%</u>	<u>5.2%</u>

HIGHEST 13 AGENCIES = 83.6%

8/1/79

MAJOR GENERAL FUND ALLOCATIONS BY AGENCY
 (IN \$ AMOUNTS AND AS % OF GRAND TOTAL)
 FY 1980 GRAND TOTAL \$1556.7



DETAIL FOR ALL REMAINING COSTS

FY 1980

\$254.4 = 16.4% OF GENERAL FUND

OTHER HIGHER EDUCATION \$58.5	CENTRAL STATE GOVERNMENT \$66.9	ALL OTHER AGENCIES \$129.0
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8/1/79

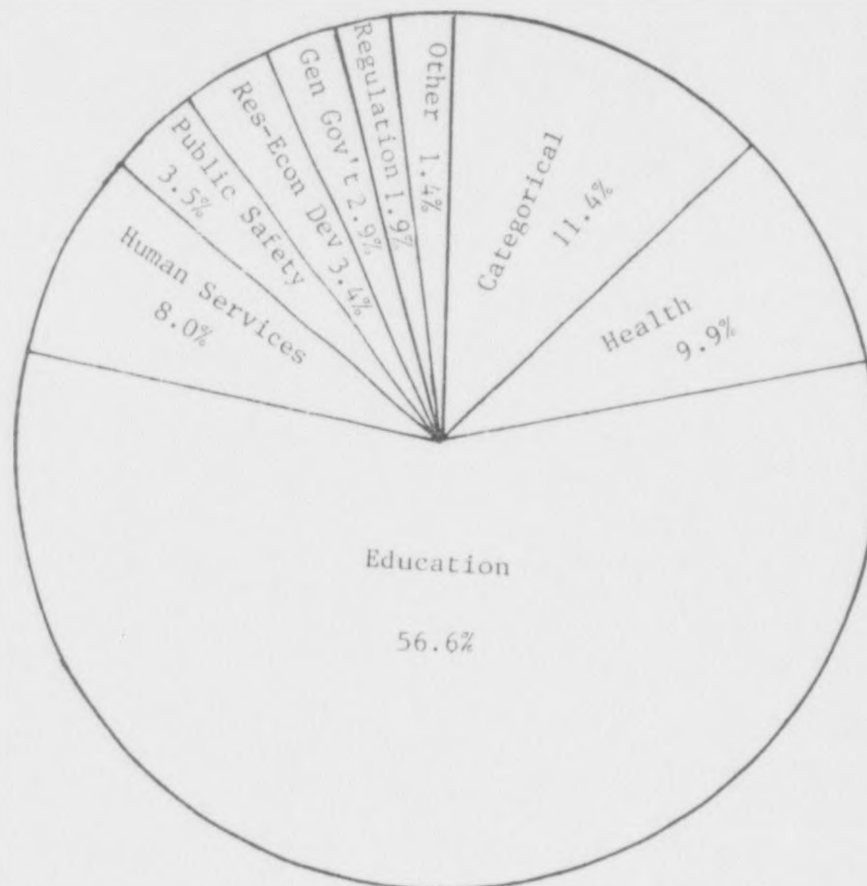
ANALYSIS OF EXPENDITURES BY TYPE
FY 1980 GENERAL FUND

PERSONNEL COSTS = 43.1%		AID TO SUBDIVISIONS = 34.5%		DEBT SER. = 5.3%	ALL OTHER = 17.1%
AGENCIES \$574.2	SCHOOL EMPLOY- EES \$96.2	ED. FINANCE \$401.2	CATE- GOR- ICAL \$96.0	ALL O T H E R \$40.4	
\$670.4		\$537.6		\$82.2	\$266.5
82.9%					

TOTAL GENERAL FUND = \$1,556.7

8/1/79

ANALYSIS OF FY 1980 GENERAL FUND
BY FUNCTIONAL AREAS



DOES NOT INCLUDE \$13.2 MILLION FOR MERIT INCREMENTS
WHICH IS 0.8% OF TOTAL.

8/1/79

PROJECTION OF EXPENDITURES
FOR SIGNIFICANT ISSUES

	<u>1980</u>		<u>1984</u>	
	<u>AMOUNT</u>	<u>% OF ESTIMATED GENERAL FUND REVENUE</u>	<u>AMOUNT</u>	<u>% OF PROJECTED GENERAL FUND REVENUE</u>
DEBT SERVICE	82.2	5.28	122.0	5.27
AID TO SUBDIV.	96.0	6.17	172.4	7.44
EDUC. FINANCE	401.2	25.77	618.6	26.71
DMH-VILLAGE SYST.	0.0	0.00	6.0	0.26
A.F.D.C.	25.9	1.66	46.8	2.02
MEDICAID	55.3	3.55	110.3	4.76
CORRECTIONS	35.4	2.27	88.1	3.80
JUDICIAL	11.9	0.76	29.9	1.29
ALL OTHER PERSONNEL	628.7	40.39	962.0	41.53
ALL OTHER AREAS	<u>220.1</u>	<u>14.14</u>	<u>300.1</u>	<u>12.96</u>
TOTAL	1,556.7	100.00	2,456.2	106.04
BASE BUDGET AS PER 5-YR PLANS			2,335.4	
NEW COMMITMENT EMANATING FROM OR EMINENT AS PER 1979 LEG. SESSION			120.8	

8/1/79

PROJECTION OF EXPENDITURES
FOR SIGNIFICANT ISSUES

	<u>1980</u>		<u>1981</u>	
	<u>AMOUNT</u>	<u>% OF ESTIMATED GENERAL FUND REVENUE</u>	<u>AMOUNT</u>	<u>% OF PROJECTED GENERAL FUND REVENUE</u>
DEBT SERVICE	82.2	5.28	90.2	5.32
AID TO SUBDIV.	96.0	6.17	114.2	6.73
EDUC. FINANCE	401.2	25.77	454.4	26.80
DMH-VILLAGE SYST.	0.0	0.00	0.0	0.00
A.F.D.C.	25.9	1.66	27.7	1.63
MEDICAID	55.3	3.55	67.1	3.96
CORRECTIONS	35.4	2.27	54.1	3.19
JUDICIAL	11.9	0.76	22.0	1.30
ALL OTHER PERSONNEL	628.7	40.39	704.8	41.56
ALL OTHER AREAS	<u>220.1</u>	<u>14.14</u>	<u>245.1</u>	<u>14.45</u>
TOTAL	1,556.7	100.00	1,779.6	104.94
BASE BUDGET AS PER 5-YR PLANS			1,716.0	
NEW COMMITMENT EMANATING FROM OR EMINENT AS PER 1979 LEG. SESSION			63.6	

8/1/79

REVENUE ESTIMATES*

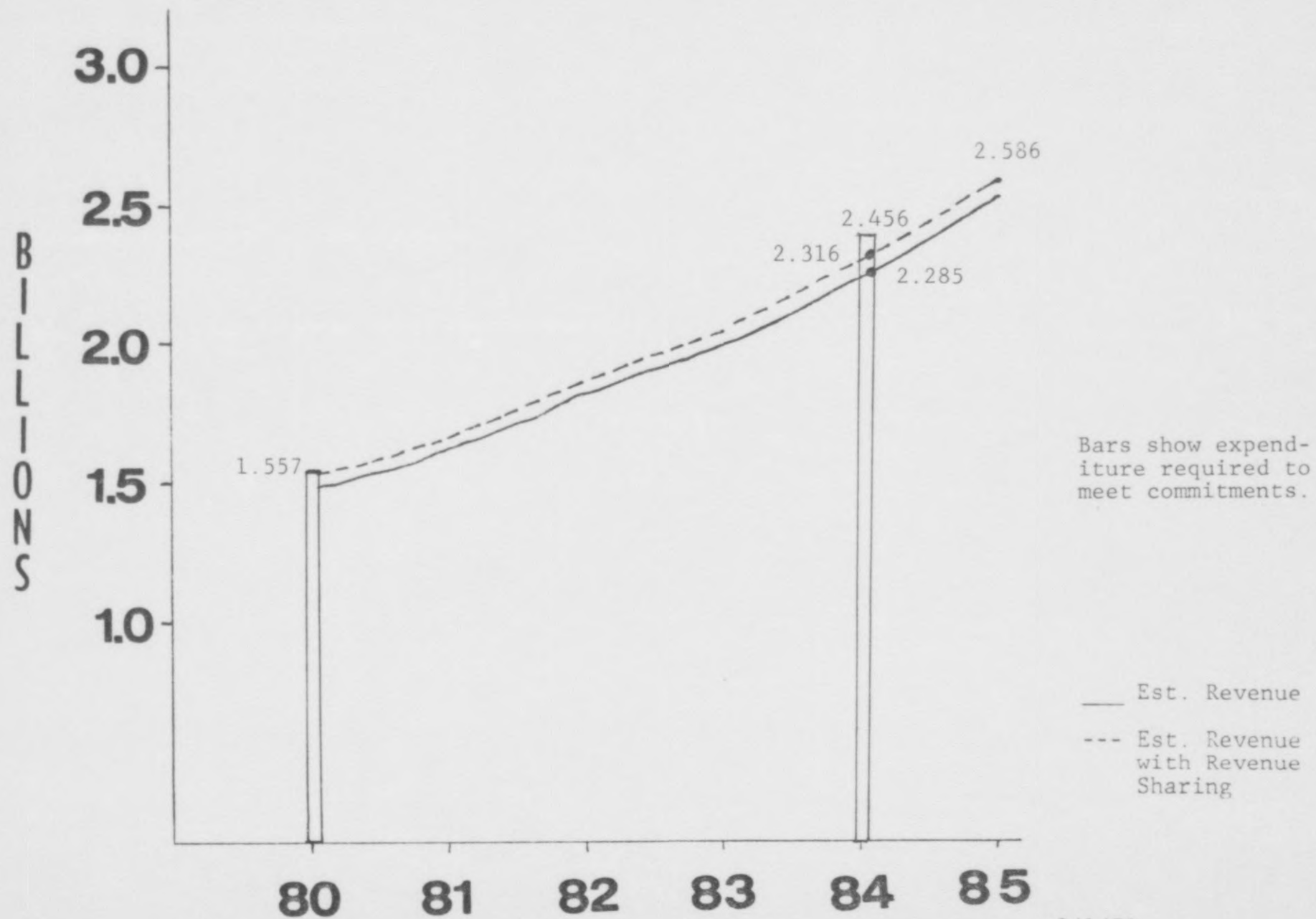
<u>YEAR</u>	<u>GFR</u>	<u>MISCELLANEOUS</u>	<u>RESERVE</u>	<u>SUB-TOTAL</u>	<u>REV. SHARING</u>	<u>TOTAL</u>
1980	1,485.8	39.4	0**	1,523.4	31.5	1,556.7
1981	1,642	30	7.8	1,664.2	31.5	1,695.7
1982	1,857	30	10.8	1,876.2	31.5	1,907.7
1983	2,042	30	9.2	2,062.8	31.5	2,094.3
1984	2,266	30	11.2	2,284.8	31.5	2,316.3
1985	2,538	30	13.6	2,554.4	31.5	2,585.9

*UPDATED JULY 24, 1979

**PAID FROM FY 79 SURPLUS

8/1/79

EXPENDITURES VERSUS REVENUE



8/1/79

NOTES AND ASSUMPTIONS

1. Except where noted, all dollar amounts are expressed in millions. Dollar amounts and percentages have been rounded, resulting in slight discrepancies in some instances.
2. For the table showing major issues, the issue areas include personnel costs for 1980; to maintain consistency, the appropriate personnel costs have been deducted from the personnel cost category (including all appropriate allocations for merit). Similar adjustments have been made for all 1984 figures to maintain comparability. In addition, all new commitments for personnel costs for the listed issues are shown under the respective issues and not in personnel costs.
3. Personnel costs for 1980 and 1984 include public school employee benefits (\$96.2 million and \$151.3 million respectively). For the table showing major issues, the 1980 figure for personnel costs also includes some \$12.0 million for new positions; this amount was appreciated by standard formula to adjust the 1984 personnel costs figure.
4. For the table showing major issues, the All Other category includes \$15.9 million in new commitments; this was projected at standard inflation formula rates, resulting in a \$20.2 million adjustment of the 1984 figure.
5. The current projection formula for personnel costs assumes a 6% annual adjustment for cost of living and a 5% adjustment for merit. Except where noted 1980 figures in all charts have been adjusted to accommodate merit allocations.
6. Except in the areas shown for which a new commitment has been implied or expressed, the projection for the table showing major issues assumes a zero growth rate for number of positions for all areas after 1980.
7. Debt Service for 1980 amounts to 5.79% of the prior year's total revenue. A 5.8% factor has been used for all subsequent years in the projection period. If this item is expanded to the 7% limit, the 1984 amount would be \$147.2 million, or a \$25.2 million increase above the 5.8% level.

8/1/79

August 17, 1979

EXHIBIT

AUG 17 1979 NO. 02

PROPOSAL

STATE BUDGET & CONTROL BOARD

Subject: Five-Year Plan Update - Fall 1979

Purpose: To update agency five-year plans in time to provide information for use during the development of the 1980-81 State Budget by the Budget and Control Board, Governor and General Assembly.

Procedure: The Budget and Control Board directs the State Planning Division to:

1. Project the five-year impact of the Base Budget based on the Agency 1981 Budget Requests to include alternative forecasts concerning salary, fringe benefits and inflation. Agencies are to be surveyed to determine any justifiable exceptions to standardized inflation forecast factors.
2. Coordinate the development by each agency of a five-year service and fiscal impact statement for each "program improvement" requested in the 1981 budget.
3. Project the five-year impact of reducing the 1981 Base Budget by 20% and coordinate the development by each agency of an assessment and report of the operational and service consequences of this reduction by program.
4. Collect and analyze all information in a time frame consistent with the Board's responsibility to develop the recommended Budget.

EXHIBIT

AUG 17 1979

NO. 02

CLEMSON UNIVERSITY
RESEARCH PROJECT

STATE BUDGET & CONTROL BOARD

STATUS: The research project, designed to collect and analyze indicators relative to the quality of life in South Carolina for use in policy decisions, is proceeding very much as originally scheduled. Data has been collected and is being entered in the Clemson computer. A statistical report will be completed in early October based on the data collected. In December, the final report is scheduled for completion which will be a full analysis of various important trends and indicators which should assist the State in policy making considerations.

ISSUE: Assuming Clemson continues to waive its indirect costs, the State Planning Division will require an additional \$26,000 to fund this effort if it is to be carried to its completion in December as originally agreed with Clemson.

OPTIONS:

1. The project can be terminated when currently available resources are depleted. The only product under this option would be the statistical report due in October.
2. The State Planning Division can be authorized to pursue alternate (non-state) sources of funding.
3. The deficit can be funded from other sources of funds available to the Budget and Control Board.

LOCAL GOVERNMENT DIVISION PROCEDURES

Option 1

1. Application Forms

- A. All applicants for funds should be required to complete specific forms setting forth whatever basic information may be deemed necessary (form attached).

2. Review Procedures

- A. An initial Review Committee shall be established composed of the Director of the Division of Local Governments and a designee of each member of the Budget and Control Board.
- B. All applications shall be reviewed by the Review Committee and shall be recommended by that group for approval or disapproval.

3. Approval Procedures

- A. The Director shall furnish the Secretary of the Budget and Control Board with written details of each application and the recommendations of the Review Committee so that such data may be included in the agenda material which is mailed to Board members.
- B. The Director shall appear before the Budget and Control Board at the scheduled meetings to present the recommendations of the Review Committee and answer any questions which Board members might have relative to applications.
- C. The Budget and Control Board shall select the applications to be funded.

4. Monitoring of Approved Projects

- A. Plans should be developed to require progress reports on approved projects which will be made periodically to the Director of the Division of Local Governments by the grant recipient.

Option 2

1. Application Forms

- A. All applicants for funds should be required to complete specific forms setting forth whatever basic information may be deemed necessary (form attached).

2. Review Procedures

- A. Reviews will be conducted by the Director of the Division of Local Governments.

3. Approval Procedures

- A. Approval of applications will be at the discretion of the Director of the Division of Local Governments.

4. Monitoring of Approved Projects

- A. Plans should be developed to require progress reports on approved projects which will be made periodically to the Director of the Division of Local Governments by the grant recipient.

EXHIBIT
AUG 17 1979 NO. 03
STATE BUDGET & CONTROL BOARD

Option 1

5. Reports to the Budget and Control Board

- A. Reports shall be filed by the Director of the Division of Local Governments with the Budget and Control Board on a quarterly basis showing all pending applications and all applications which were either approved or disapproved since the prior report. (A copy of the report form is attached).

6. Close of Project and Audit

- A. The person or agency/local government responsible for receiving the grant shall be required to sign a notarized statement to the effect that the funds were received and were, in fact, expended in accordance with the grant application.
- B. An audit will be made by the Finance Division of each grant at the close of the project.

Option 2

5. Reports to the Budget and Control Board

- A. Reports shall be filed by the Director of the Division of Local Governments with the Budget and Control Board on a monthly basis showing all pending applications and all applications which were either approved or disapproved since the prior report. (A copy of the report form is attached).

6. Close of Project and Audit

- A. The person or agency/local government responsible for receiving the grant shall be required to sign a notarized statement to the effect that the funds were received and were, in fact, expended in accordance with the grant application.
- B. An audit will be made by the Finance Division of each grant at the close of the project.

Anticipated Expenditures (in Detail):

If Approved, When Will You Need Funds:

First Payment	\$		Date	
Second Payment	\$		Date	
Third Payment	\$		Date	
	\$			

General Information:

- A. How Often is Applicant Audited? _____
- B. What Period was Covered by Last Audit? _____
- C. What Audit Procedures Will Applicant Apply to Rural Grant Funds if Request is Approved?

- D. Name of Individual Who Will be Responsible for Administration of Grant:

Organization

Authorized Signature

Phone

Date

BUDGET AND CONTROL BOARD
DIVISION OF LOCAL GOVERNMENTS

APPLICATION FOR RURAL IMPROVEMENT FUNDS

Name of Applicant _____
Street Address _____
City or Town _____ State _____ Zip _____

Description of Project:

Anticipated Results of Project:

Source of Funding (Include All Anticipated Costs of Project and all Funding Sources):

(over)

BUDGET AND CONTROL BOARD
DIVISION OF LOCAL GOVERNMENTS

RURAL IMPROVEMENT FUNDS

REPORT OF _____

APPLICATIONS	NO.	AMOUNT
Balance Available For Grants		
Approved To Date		
Disapproved To Date		
Pending		

(Above Figures Include Items In This Report)

Name & Address of Applicant	Date Of Application	State Funds Requested	Other Funds		Date Approved Or Disapproved	Amount Approved	Brief Description of Project
			Federal	Local			
(PENDING)							
(APPROVED)							
(DISAPPROVED)							

EXHIBIT

AUG 17 1979

NO. 03

State of South Carolina

State Budget and Control Board

STATE BUDGET & CONTROL BOARD

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLEE MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
29211

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. MANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

August 23, 1979

Mr. Woody Brooks, Director
Division of Local Governments
The State House
Columbia, South Carolina

Dear Woody:

Attached you will find the procedures for the processing of rural grants as formally adopted by the Budget and Control Board at its meeting on August 17, 1979. Since the plan calls for a monthly report, we have attached a list of the dates of the meetings of the Budget and Control Board which have already been set for the balance of this calendar year.

At the meeting at Wampee, you indicated that you had already found it necessary to issue some grants and it would seem appropriate that a report be made of these at the meeting of August 28, 1979. It is quite possible that you will not have all of the data which is called for on the report form since the grants which have already been made were not accompanied by the application form as presently envisioned. However, you could include that information which is available.

If you have any pending grants which are \$50,000 or over and wish to bring them to the Board on August 28, 1979, please advise Bill McInnis and he will see that you have time for this presentation.

Yours very truly,

William T. Putnam
Executive Director

WTP:sc

8/23/79

LOCAL GOVERNMENT DIVISION PROCEDURES

1. Application Forms

All applicants for funds should be required to complete specific forms setting forth whatever basic information may be deemed necessary (form attached).

2. Review Procedures

Reviews will be conducted by the Director of the Division of Local Governments.

3. Approval Procedures

A. Approval of applications of less than \$50,000 will be at the discretion of the Director of the Division of Local Governments.

B. Any application for a grant of \$50,000 or more should be presented to the Budget and Control Board with a recommendation from the Director of the Division of Local Governments. The Board will then vote to accept or reject the application.

4. Monitoring of Approved Projects

Plans should be developed to require progress reports on approved projects which will be made periodically to the Director of the Division of Local Governments by the grant recipient.

5. Reports to the Budget and Control Board

Reports shall be filed by the Director of the Division of Local Governments with the Budget and Control Board on a monthly basis showing all pending applications and all applications which were either approved or disapproved since the prior report. (A copy of the report form is attached).

6. Close of Project and Audit

A. The person or agency/local government responsible for receiving the grant shall be required to sign a notarized statement to the effect that the funds were received and were, in fact, expended in accordance with the grant application.

B. An audit will be made by the Finance Division of each grant at the close of the project.

NOTE: The Budget and Control Board agreed to review Item 3B at the end of a six-month period with the idea of making whatever adjustments it might find to be appropriate.

Anticipated Expenditures (in Detail):

If Approved, When Will You Need Funds:

First Payment	\$ _____	Date _____
Second Payment	\$ _____	Date _____
Third Payment	\$ _____	Date _____
_____	_____	_____
_____	_____	_____
_____	_____	_____

General Information:

- A. How Often is Applicant Audited? _____
- B. What Period was Covered by Last Audit? _____
- C. What Audit Procedures Will Applicant Apply to Rural Grant Funds if Request is Approved?

D. Name of Individual Who Will be Responsible for Administration of Grant:

Organization

Authorized Signature

Phone

Date

BUDGET AND CONTROL BOARD
DIVISION OF LOCAL GOVERNMENTS

APPLICATION FOR RURAL IMPROVEMENT FUNDS

Name of Applicant _____
Street Address _____
City or Town _____ State _____ Zip _____

Description of Project:

Anticipated Results of Project:

Source of Funding (Include All Anticipated Costs of Project and all Funding Sources):

(over)

BUDGET AND CONTROL BOARD
DIVISION OF LOCAL GOVERNMENTS

RURAL IMPROVEMENT FUNDS

REPORT OF _____

APPLICATIONS	NO.	AMOUNT
Balance Available For Grants		
Approved To Date		
Disapproved To Date		
Pending		

(Above Figures Include Items In This Report)

Name & Address of Applicant	Date Of Application	State Funds Requested	Other Funds		Date Approved Or Disapproved	Amount Approved	Brief Description of Project
			Federal	Local			
(PENDING)							
(DISAPPROVED)							
(DISAPPROVED)							

State of South Carolina
State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 1244

Columbia

29211

April 11, 1979

REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. MANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Budget and Control Board Members

FROM: William A. McInnis, Secretary *WAM*

SUBJECT: Future Meeting Dates

An interim meeting of the Budget and Control Board
has been scheduled as follows:

Day/Date: Tuesday, April 24, 1979
Time: 10:30 a.m.
Place: Governor's Conference Room

The dates of regular meetings of the Board, previously
scheduled for the second Tuesday of each month at 10:30 a.m.
in the Governor's Conference Room, for the remainder of this
calendar year are as follows:

May 8	September 11
June 12	October 9
July 10	November 13
August 14	December 11

WAM:dw

cc: Finance Division
General Services Division
Local Government Division
Motor Vehicle Management
Personnel Division
Planning Division
Research & Statistical Services
Retirement Systems Division

FUTURE MEETINGS
OF
STATE BUDGET AND CONTROL BOARD

1979

January 1979						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February 1979						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March 1979						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 1979						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May 1979						
S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June 1979						
S	M	T	W	T	F	S
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July 1979						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August 1979						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

September 1979						
S	M	T	W	T	F	S
					1	
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

October 1979						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November 1979						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December 1979						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

○ regular meeting
interim meeting

EXHIBIT

AUG 17 1979

NO. 04

STATE BUDGET & CONTROL BOARD

HISTORY DIVISION OF MOTOR VEHICLE MANAGEMENT (DMVM)

- COUNCIL OF STATE GOVERNMENT STUDY JANUARY 20, 1975
- STATE BUDGET AND CONTROL BOARD ACTION MAY 27, 1975

MISSION ASSIGNED

"PREPARE, PROMULGATE, MONITOR AND ENFORCE SUCH MOTOR VEHICLE MANAGEMENT REGULATIONS AS ARE APPROVED BY THE BUDGET AND CONTROL BOARD, BUT ALSO ACTIVELY PROVIDE MOTOR VEHICLE FLEET MANAGEMENT AND TECHNICAL ASSISTANCE TO THE VARIOUS STATE AGENCIES."

- STATUTORY AUTHORITY -- LEGISLATIVE ACT 644, 1978

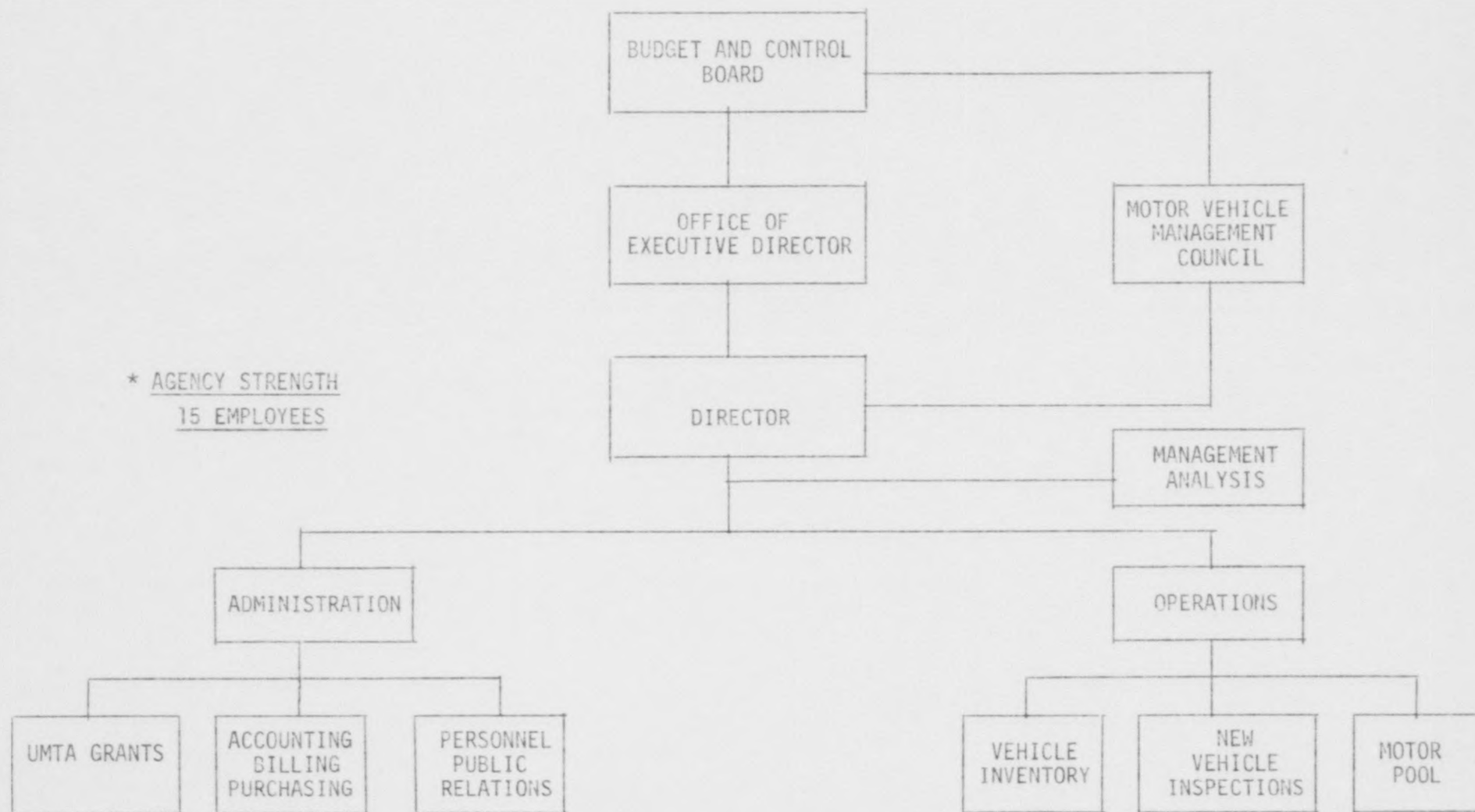
APPOINTED A THREE-MEMBER MOTOR VEHICLE MANAGEMENT COUNCIL

--CONFIRMED BY THE SENATE
APPOINTED A FLEET MANAGER

MISSION ASSIGNED

"DEVELOP AND ADMINISTER A COMPREHENSIVE STATE FLEET MANAGEMENT PROGRAM WHICH COVERS THE ENTIRE SPECTRUM OF MOTOR VEHICLE MANAGEMENT."

BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT



* AGENCY STRENGTH
15 EMPLOYEES

STATE FLEET STATISTICS

• PRESENT TOTAL JULY 30, 1979		<u>17,348</u>
JUNE	1978	16,765
JUNE	1977	16,125
JUNE	1976	13,019

- EXCLUDED: PUBLIC SERVICE AUTHORITY
CETA VEHICLES
FEDERALLY-OWNED VEHICLES
OTHER - IPTAY CLUB, GAMECOCK CLUB

MOTOR POOL FLEET

• PRESENT TOTAL JULY 30, 1979		<u>347</u>
JUNE	1978	299
JUNE	1977	313
JUNE	1976	337

CURRENT PROGRAMS

- MOTOR VEHICLE MANAGEMENT INFORMATION SYSTEM (MVMIS)

- PER VEHICLE COST OF OPERATION

- PURCHASING - LIFE CYCLE COST TECHNIQUES

- DISPOSAL - HIGH COST VEHICLES

- ENERGY MANAGEMENT - PER VEHICLE MPG (ACTUAL)

- STATE GOVERNMENT ENERGY CONSERVATION PLAN

- BASIC CONSERVATION MEASURES

- 15% REDUCTION (EXCEPT LAW ENFORCEMENT)

- REQUIRE DAILY AND MONTHLY TRIP LOGS

- GOVERNOR'S MILEAGE REPORT

- UTILIZE MOTOR POOL

- PROHIBIT PERSONAL USE OF STATE VEHICLES

- MINIMIZE/ELIMINATE PERSONAL ASSIGNMENT

- MARK ALL STATE VEHICLES WITH DECALS (EXCEPTIONS)

- IMPROVE FLEET MAINTENANCE

- FLEET REPLACEMENT

- ESTABLISH CEILING ON STATE FLEET

- ELIMINATE VEHICLES THROUGH ATTRITION

- DECREASE SIZE - INCREASE MPG

CONSULTANT STUDY
CARTER-GOBLE-ROBERTS, INC. (AUGUST 14, 1979)

- DMVM MAINTAIN TITLES
- DMVM MOTOR POOL OPERATIONS (COLUMBIA AREA)

EXTENDED LEASE
SHORT TERM DISPATCH (40-50 UNITS)
REQUIRE OUT-OF-TOWN TRAVEL BY STATE VEHICLE (\$217,000)

- DMVM OPERATE COLUMBIA AREA MAINTENANCE FACILITY

- ~~FUTURE VEHICLE PURCHASES MADE FROM MOTOR POOL OPERATING FUNDS~~
~~-- NO CAPITAL FUNDS USED~~

~~EXCEPTIONS -- SCDHPT, DEPARTMENT OF EDUCATION~~
~~AND OTHERS~~

NEEDS

- APPROXIMATELY 3,500 SQUARE FEET - ADMINISTRATION
3,500 SQUARE FEET - MAINTENANCE

- PARKING SPACE REQUIREMENTS

50 SPACES - POOL VEHICLES
VEHICLES AWAITING MAINTENANCE
USER PARKING
EMPLOYEE PARKING

- LOCATION
NEAR CAPITOL COMPLEX
CONVENIENT FOR USER

- COST (ANNUAL ESTIMATE) SENATE STREET LOCATION

RENTAL	\$29,000.00	(17,182 SQ. FT. @ \$1.82)
UTILITIES	6,000.00	
ADDITIONAL PARKING	<u>3,600.00</u>	(40 SPACES @ \$90.00 EA.)
TOTAL	<u>\$38,600.00</u>	

CONCURRENT RESOLUTION

" . . . a study of the regulations of the DMVM of the Budget and Control Board shall be made to determine whether or not it implements the most economic and efficient plan of state-owned vehicles."

"That the DMVM of the Budget and Control Board is requested to delay until April 1, 1980, the implementations of regulations adopted in accordance with Section 25 of Part II of Act 644 of 1978."

CONTROVERSIAL SUBJECTS

1. Provisions specifically written in the law
 - A. keeping of logs
 - B. titles
2. Regulations adopted to promulgate
 - A. identification of state vehicles
 - B. commuting charges
 - C. Permanent assignment of vehicles
 - D. type car based on mileage driven

COUNCIL RECOMMENDATIONS
TO BUDGET & CONTROL BOARD

- | | |
|--|--|
| 1. Commuting Charges | Hold Up |
| 2. Identification of
State Vehicles | No further decisions until
Study Committee meets. |
| 3. Logging | Continue
1. Gov. energy report
2. Base data for Study Com. |
| 4. Permanent Assignment | No further decisions until
Study Com. Meets |
| 5. Type Car Based on
Mileage | Keep status quo
1. Save energy |
| 6. Titles | No further action until
Study Com. meets |

EXERPTS FROM TRANSPORTATION
CONSULTANTS REPORT LOGGING

"It can be said that evidence of underutilization and less-than-stringent management were certainly found from an examination of the trip logs . . . subsequent analysis of the newly installed DMVM trip logs will further an understanding of the status of vehicle utilization and underutilization"

"DMVM should continue to work toward the implementation of the proposed management information system and give this a high priority in the next several months."

"An adequate data base is essential to the efficient operation of the agency."

S. 572—CONCURRENCE IN SENATE AMENDMENTS

The Senate returned to the House with amendments the following:

S. 572.—Transportation Committee: A Concurrent Resolution to create a committee to study the regulations of the Division of Motor Vehicle Management of the Budget and Control Board and to request a delay in the implementation of such regulations until the committee study is completed.

Whereas, it is the duty of the members of the General Assembly to determine the most economic and efficient means by which state-owned equipment may be operated; and

Whereas, the members of the General Assembly find that a study of the regulations of the Division of Motor Vehicle Management of the Budget and Control Board should be made to determine whether or not it implements the most economic and efficient plan of state-owned vehicles; and

Whereas, the General Assembly believes that a delay in the implementation of such regulations should be effected until the study is completed and desirable changes, if any, are recommended. *Now, therefore,*

Be it resolved by the Senate, the House of Representatives concurring:

That the Division of Motor Vehicle Management of the Budget and Control Board is requested to delay, until April 1, 1980, the implementation of regulations adopted in accordance with Section 25 of Part II of Act 644 of 1978.

Be it further resolved that a committee of six is created to study the regulations and recommendations of the Division of Motor Vehicle Management. Three members shall be appointed by the President of the Senate from the membership of that body and three members shall be appointed by the Speaker of the House of Representatives from the membership of that body.

The committee shall meet as soon as is practicable and shall organize by electing one of its members as chairman and one as secretary and shall appoint such other officers as it may deem desirable. The committee shall meet thereafter upon call of the chairman or a majority of its members.

The committee shall make a thorough study of the regulations and recommendations of the Division of Motor Vehicle Management of the Budget and Control Board and shall make a report with recommendations to the members of the General Assembly no later than January 8, 1980.

The members of the committee shall receive the usual per diem, mileage and subsistence to be paid from the approved accounts of both houses but not to exceed Three Thousand Dollars. The duties of the committee shall be completed no later than April 30, 1980, at which time the committee shall cease to exist.

The Legislative Council shall provide such legal services as it may require in the performance of its duties.

Be it further resolved that a copy of this resolution be forwarded to the Division of Motor Vehicle Management and the Motor Vehicle Management Council.

Mr. MARCHANT explained the Senate amendments.

On motion of Mr. MARCHANT, the House concurred in the Senate Amendments and the Resolution was returned to the Senate with concurrence.



EXHIBIT

AUG 17 1979

NO. 05

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

STATE PLANNING DIVISION

BUDGET AND CONTROL BOARD

JESSE A. COLES, JR., PH.D.
DIRECTOR

P.O. BOX 11333
COLUMBIA
29211

(803) 758-8608
201 WADE HAMPTON OFFICE BUILDING

August 14, 1979

TO: South Carolina Budget and Control Board

SUBJECT: Request for Budget Transfer

The 1979-80 State Appropriations for the State Planning Division provided:

Classified Positions	\$ 94,044.00
Base Pay Increases	9,511.00
Comp. Plan Increments	<u>3,478.00</u>
Total	107,033.00

The actual amount needed for these three items is \$94,044 or a difference of \$12,989. Apparently in the haste to finalize the budget within the mandated \$200,000 total limit these items were counted twice. This results in a serious shortfall in other operating funds.

Request: It is requested that the Board authorize a budget transfer of \$12,989 from Classified Positions to Operating Expenses for the State Planning Division for 1979-80.

Respectfully submitted,

Jesse A. Coles, Jr.
Director

Recommended

State Auditor

EXHIBIT

AUG 17 1979

NO. 06

STATE BUDGET & CONTROL BOARD

STATE BUDGET & CONTROL BOARD DIVISION OF GENERAL SERVICES

August 10, 1979

II. Lease/Purchase Agreement for IBM Memory Typewriter

Our purchasing office has solicited bids for memory typewriters to be used by the Attorney General's office. The Attorney General proposes to enter into a lease/purchase agreement in the amount of \$44,285.51 over a period of 5 years. The projected annual cost avoidance as a result of this agreement will amount to \$11,737.

I recommend the approval of this lease/purchase agreement for the IBM Memory Typewriters.

The State of South Carolina

EXHIBIT



AUG 17 1979

NO. 07

STATE BUDGET & CONTROL BOARD

Office of the Attorney General

KAREN LeCRAFT HENDERSON
Senior Assistant Attorney General

WADE HAMPTON OFFICE BUILDING
POST OFFICE BOX 11549
COLUMBIA S C 29211
TELEPHONE 803-758-8667

DANIEL R. McLEOD
ATTORNEY GENERAL

August 14, 1979

Honorable Edgar A. Vaughn
State Auditor
Wade Hampton State Office Building
Columbia, South Carolina

Re: \$2,700,000 Spartanburg County, South
Carolina, Pollution Control Revenue
Bonds, Series 1979 (Monsanto Company
Project)

Dear Mr. Vaughn:

Regarding the above-referenced bonds, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Sections 48-3-10 et seq., CODE OF LAWS OF SOUTH CAROLINA, 1976, as amended, and the same appear, in our opinion, to be in order.

With kind regards,

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

Karen LeCraft Henderson
Senior Assistant Attorney General

KLH:jvh

EXHIBIT

AUG 17 1979

NO. 07

STATE BUDGET & CONTROL BOARD

Monsanto Financial Statement Review

Reference: Pollution Control Bonds,
Spartanburg

1. There is no reason to disapprove these bonds based on the financial statement review.
2. Monsanto is a publicly held company which reports to the SEC and is regularly evaluated by security analysts and others.
3. Audited financial statements for the past four years have "clean" auditor's opinions.
4. Monsanto's financial position appears sound and adequate to support the \$2.7 million in new debt.

William B. Fulmer

8-15-79

AUG 06 1979

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
160 EAST BAY STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

EXHIBIT

August 3, 1979

AUG 17 1979

NO. 07

STATE BUDGET & CONTROL BOARD

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

Re: \$2,700,000 Spartanburg County, South Carolina, Pollution
Control Revenue Bonds, Series 1979 (Monsanto Company
Project)

Dear Bill:

We now enclose for presentation to the State Board at its special meeting scheduled for August 17 a Resolution approving the issuance of the captioned bonds together with a copy of the County Board Resolution and its original Petition. We are forwarding to Karen Henderson for review by the Attorney General's staff the forms of the basic documents.

We have asked the Company to forward directly to you the last three annual and most recent quarterly reports of Monsanto.

With kind regards,

Bill

M. William Youngblood, Jr.

MWY:jap

Enclosures

cc: Karen L. Henderson
H. S. Parisotto
Christian McCarthy
Ronald E. Bornstein
Joseph J. Skram

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

EXHIBIT

AUG 17 1979

NO. 07

I, WILLIAM A. McINNIS, Secretary to the ^{STATE BUDGET & CONTROL BOARD} 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, Richard W. Riley, 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 Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held at the Public Service Authority facilities at Wampee, near Pinopolis, South Carolina at 9:30 A. M., on August 17, 1979, was given to all members in writing, and at least four (4) days prior to said meeting; that all of the members of said Board were present at said meeting with the exception of:

None

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

FOR MOTION

5

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 said Board in my custody as its Secretary.

William A. McInnis

Secretary

August 20, 1979

AUG 08 1979

SINKLER GIBBS & SIMONS

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

160 EAST BAY STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

August 7, 1979

Mr. H. S. Parisotto
Manager, Finance
Monsanto Company
800 N. Lindbergh Boulevard
St. Louis, Missouri 63166

Re: Spartanburg County, South Carolina, Pollution
Control Revenue Bonds, Series 1979 (Monsanto
Company Project)

Dear Mr. Parisotto:

Enclosed is a machine copy of the certification by the South Carolina Department of Health and Environmental Control for the Monsanto Corporation, Spartanburg County Project. By courtesy copy of this letter, I am furnishing an originally executed counterpart to William A. McInnis, Secretary, South Carolina Budget and Control Board for inclusion in that Board's file and review prior to presentation of the financing to the Budget and Control Board.

Very truly yours,

Bill Youngblood

M. William Youngblood, Jr.

MWY/taf

Enclosure

cc: Christian McCarthy
Ronald E. Bornstein
Joseph J. Skram

MONSANTO COMPANY

SPARTANBURG, SOUTH CAROLINA PLANT

POLLUTION CONTROL REPORT

EXHIBIT "A"

MONSANTO COMPANY, SPARTANBURG, S. C. PLANT

Introduction

Monsanto Company owns and operates a plant near Spartanburg, Spartanburg County, South Carolina. The plant formerly was a textile manufacturing operation. New manufacturing facilities will be provided to produce polished silicon wafers for the electronic industry.

The plant will consist of several buildings for administrative and manufacturing operations, maintenance shops, steam generating plant, storage tanks, electrical distribution, warehousing, water and waste water treatment and other ancillary facilities on about 50 acres of land. The address of the plant is:

Spartanburg Plant
Monsanto Company
P. O. Box 5397
Spartanburg, South Carolina 29304

Treated liquid waste effluent from the plant is discharged to the South Tyger River under a National Pollutant Discharge Elimination System (NPDES) permit. Present waste treatment facilities are inadequate for the new silicon plant and will be expanded.

The facilities to be provided by this project to control atmospheric and water pollution will meet all applicable federal, state, and local regulations and standards.

Summary

A project to manufacture polished silicon wafers for the electronic industry will be constructed by Monsanto Company at the Spartanburg Plant. Included in this project are air and water pollution control facilities. An Appropriation Request for Corporate Engineering Authority (CEA) 3412 for this project has been approved.

Construction or acquisition of this facility is expected to begin on June 21, 1979; estimated completion is June 1980 and start-up July 1980.

In the written material which follows, the following criteria and assumptions apply:

- a. All project costs are estimates unless otherwise stated. Such estimates include no amount which will not be charged to a capital account of Monsanto for federal income tax purposes or would be so chargeable either with a proper election by Monsanto. or but for a proper election by Monsanto to deduct such amount.

May 1, 1979

-2-

- b. All estimates of project costs were made in accordance with sound engineering and accounting principles and are of a grade which would be required to secure final authorization within Monsanto.
- c. We have determined that there are essentially no economic benefits resulting from the project. We have considered: by-product production, increases in end-product, cost savings resulting from recoveries of material which can be used or reused in the various processes, savings attributable to alternate production related facilities which would have been installed had not the facilities described herein been installed and any other identifiable cost savings including but not limited to, energy and operating and maintenance expense savings resulting from the installation of the facilities. The facilities do not result in an increase in useful life of any other equipment or facility.
- d. None of the facilities has any salvage value and the useful lives represent true economic useful life which may not necessarily coincide with useful lives used for federal income tax purposes.
- e. The date shown for the commencement of construction or acquisition is not later than a date after which the Company would incur penalties for cancellation of the relevant purchase order or construction contract.
- f. Within the 90 days preceding the date of issuance of the bonds, the conventional borrowing rate of Monsanto for major capital expenditures is 9.25% per annum.

Description of the Project

CEA 3412 provides facilities for both air and water pollution control.

A vacuum pump is employed to maintain a vacuum on the silicon crystal pullers. An electrostatic precipitator system will be installed on the discharge of the oil seal vacuum pump to eliminate oil mist and fumes from being discharged to the atmosphere. The oil collected will be drummed for disposal. A schematic diagram of the facilities is shown in Attachment A.

Nitrogen oxide fumes collected from the etching operations will be treated by one of two methods before the exhaust gases are discharged to the atmosphere.

In Alternate No. 1, the nitrogen oxide fumes are treated in a two stage recirculating venturi type water scrubber equipped with an interstage reactor duct. The interstage reactor duct is provided to convert residual nitrogen oxide (NO) to nitrogen dioxide (NO₂) before the stream enters the second stage scrubber. The exhaust gases are discharged to the atmosphere and the scrubber water is discharged to the plant sewer system. A schematic diagram for Alternate No. 1 is shown on Attachment B.

Description of the Project - continued

In Alternate No. 2, the nitrogen oxide fumes are treated by a single packed column recirculating water scrubber before the exhaust gases are discharged to the plant sewer system. A schematic diagram for Alternate No. 2 is shown as Attachment C.

Waste etch acids and rinses from the process will be segregated and treated to remove chromium and fluoride before transfer to the waste treatment system.

Waste waters containing chromium are treated in a reactor with sodium sulfite and sodium hydroxide. The hexavalent chromium is reduced to trivalent and precipitated. The waste sludge produced is settled and drummed for disposal in a chemical waste landfill. Waste water from reactor joins other acid waste waters. The combined waste waters are neutralized with lime to precipitate fluoride, clarified and sent to the plant's waste treatment system. A polyelectrolyte is added to the neutralizer to promote flocculation and settling. The sludge from the clarifier is dewatered and landfilled.

The lime for neutralization is stored in a silo. The lime is delivered by blower truck. A bag type dust collector is mounted on the silo to remove particulate matter from the air before it is discharged to the atmosphere.

A schematic diagram of the chromium and fluoride removal system is shown in Attachment D.

Suspended solids in waste waters from grinding operations will be removed in an existing clarifier. The solids will join other solids from the biological treatment plant for dewatering prior to landfilling. The supernatant liquor from the clarifier will join other process waste waters for equalization and neutralization.

The combined industrial waste waters and sanitary waste water after comminution are sent to an existing operation basin for treatment by the activated sludge process. The waste water is then clarified, treated in a polishing pond, chlorinated and discharged to the South Tyger River. The waste biological sludge produced by the treatment of the waste water is aerobiologically digested in an existing unit, thickened in the existing clarifier, and filtered prior to landfill disposal.

A schematic diagram of the waste water treatment system is shown in Attachment E.

May 1, 1979

-4-

This project provides the following air pollution control facilities: an electrostatic precipitator for oil mist removal; hoods; ducts, recirculating venturi water scrubbers and reaction chamber or packed column recirculating water scrubber, pumps, piping, blower and vent stack for the control of nitrogen oxide emissions; bag dust collector for the removal of line dust.

This project provides the following water pollution control facilities: lime silo, agitated reactor, hold tank, agitated neutralizer, clarifier, comminutor, phosphoric acid storage tank, polymer mix system, equalization basin, neutralization basin, aerators, agitators, polishing pond, sludge holding tank, dewatering filter, nutrient and polyelectrolyte addition facilities, control room, and sludge handling facilities, pumps and piping.

The project also provides all of the electrical, instrumentation, control, motors, insulation, piping, painting, structures, foundations, supports and platforms for pollution control equipment.

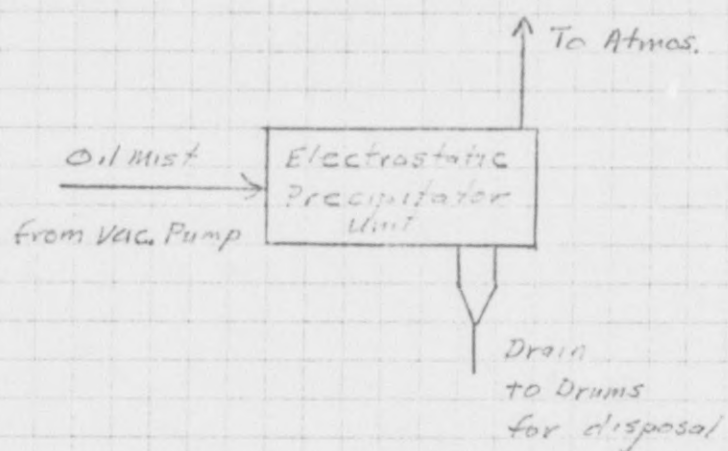
Since this project has no economic benefit, the entire cost of the project is considered to be financeable.

Capital Cost	\$3,000,000
Economic Benefit	None
Subtotal without Financing Cost	\$3,000,000
Financing Costs	\$ 100,000
Total Amount Financeable	\$3,100,000

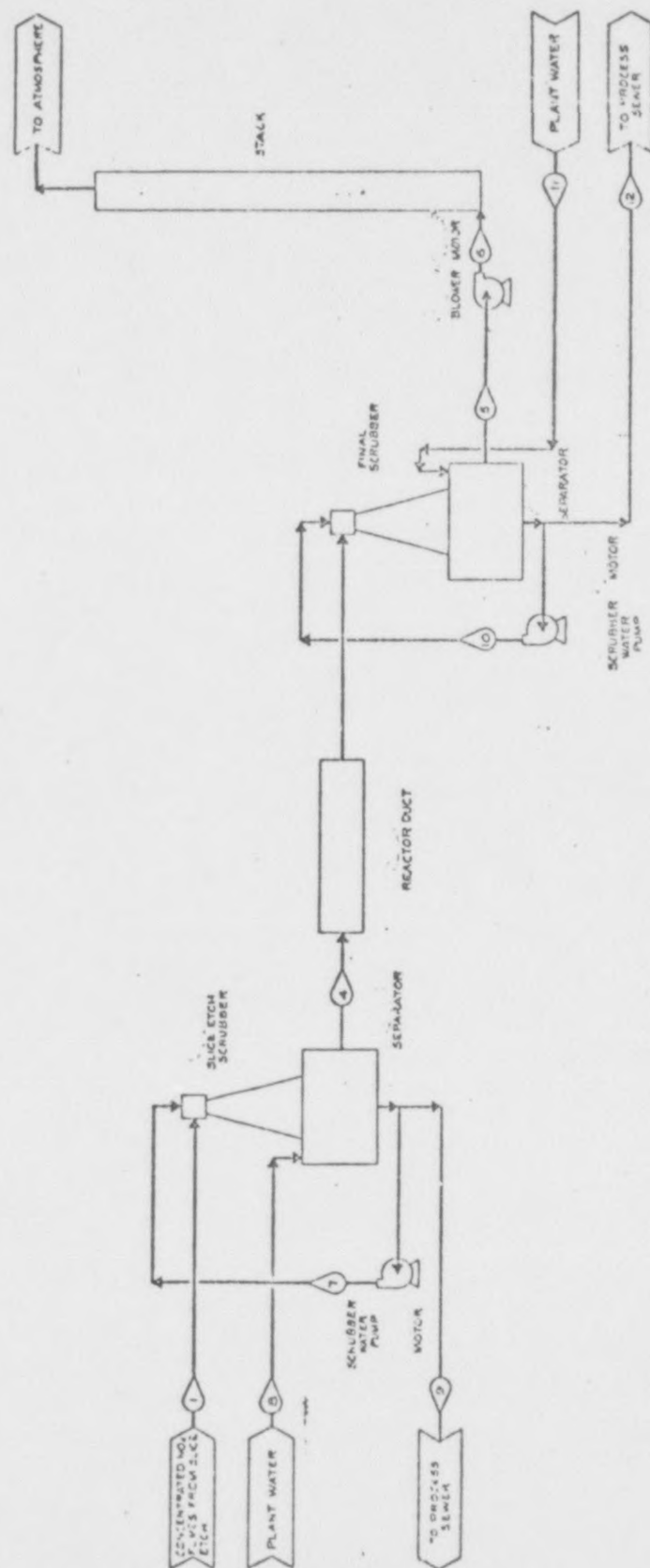
None of the items of pollution control equipment described above (A) is designed to prevent the release of pollutants in a major accident, (B) prevents the release of materials or heat which would endanger personnel at the Spartanburg plant (as determined, for example, by federal, state or local employee occupational health or safety standards), (C) is used to control materials or heat that traditionally have been controlled because their release would constitute a nuisance, (D) controls the release of hazardous materials or heat that would cause an immediate risk of substantial damage or injury to property or persons, and (E) controls materials or heat in essentially the same manner as Monsanto has previously controlled such material or heat at the Plant as a customary practice for reasons other than compliance with pollution control requirements.

Attachment A

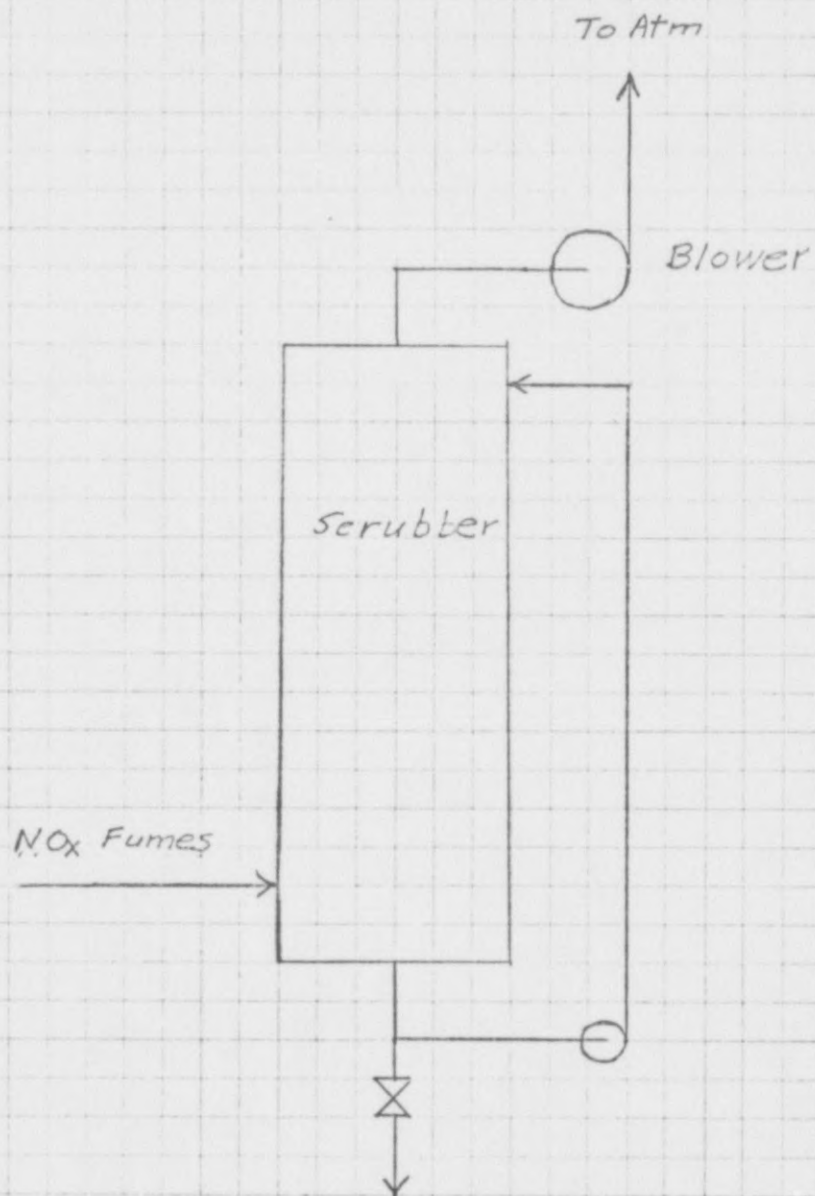
Electrostatic Precipitator



Attachment B
Nitrogen Oxides Scrubbing
Alternate No. 1

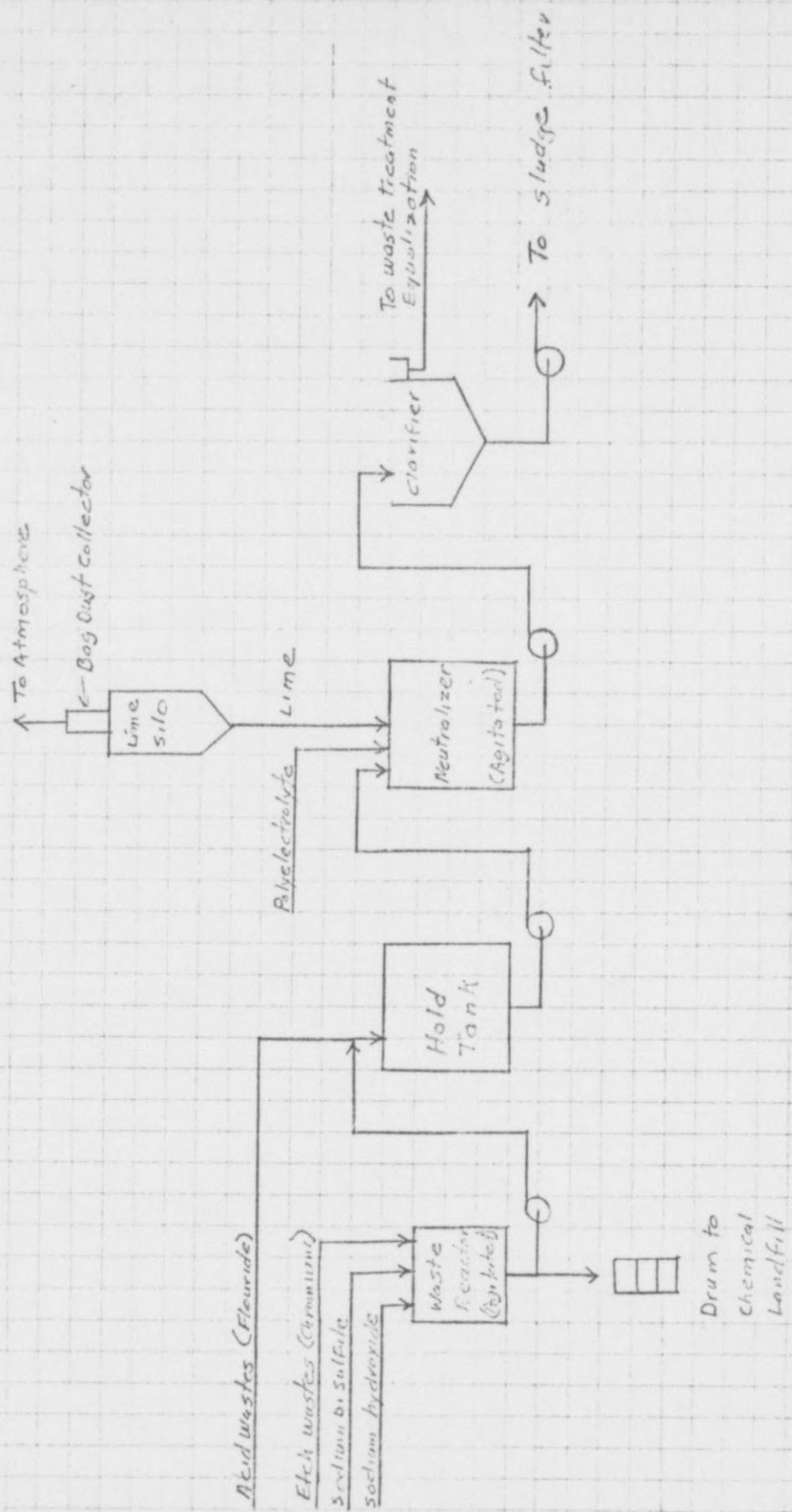


Attachment C
Nitrogen Oxides Scrubber
Alternate No. 2

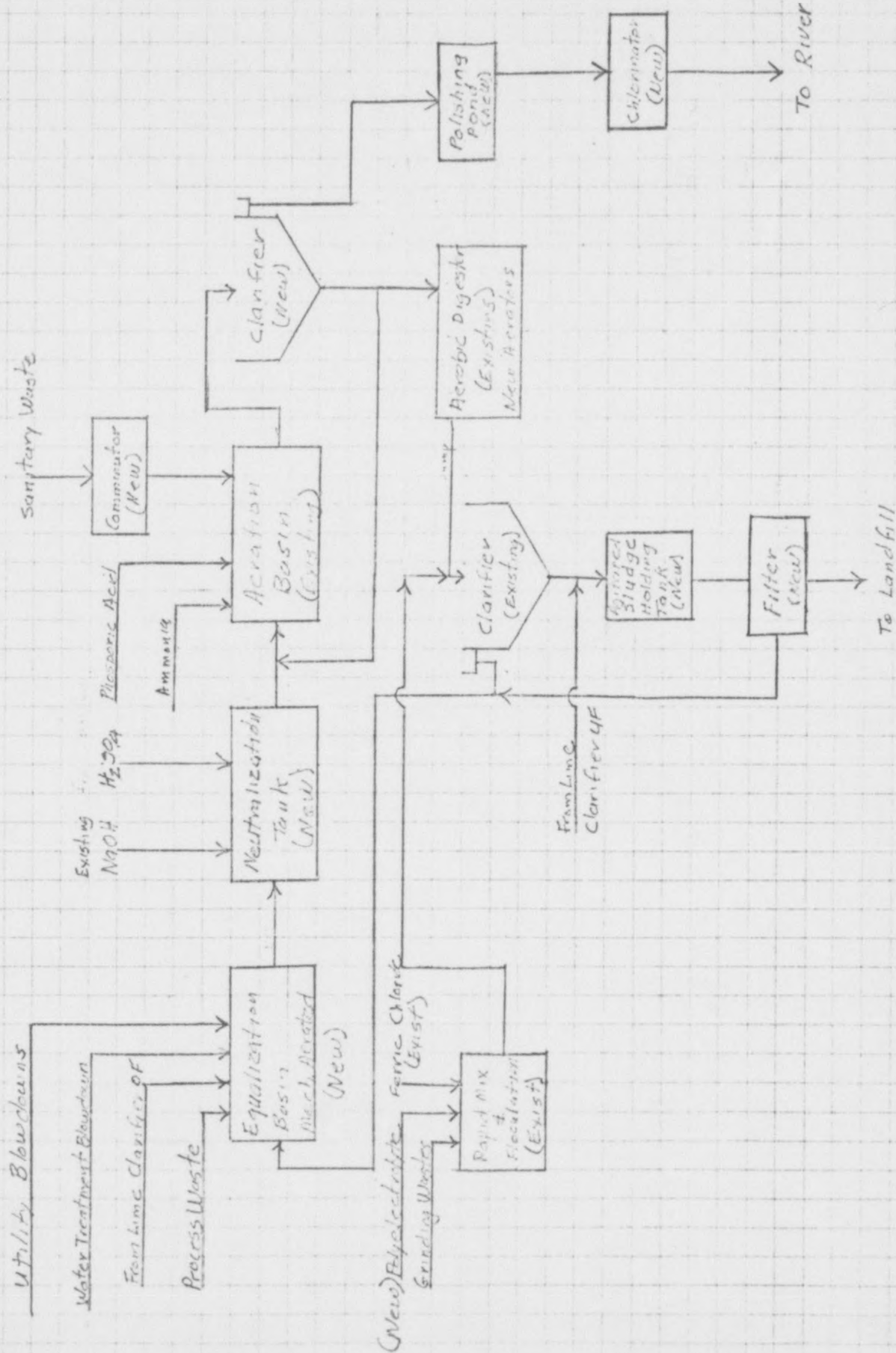


Attachment D

Chromium and Fluoride Removal System



Attachment E Waste Treatment System



Revised 7/20/79

A RESOLUTION

APPROVING THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF AIR AND WATER POLLUTION CONTROL FACILITIES IN SPARTANBURG COUNTY, SOUTH CAROLINA THROUGH THE ISSUANCE OF THREE MILLION DOLLARS (\$3,000,000) OF SPARTANBURG COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE BONDS, SERIES 1979 (MONSANTO COMPANY PROJECT); AND AUTHORIZING THE PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING; ALL PURSUANT TO ACT NO. 156 OF THE 1971 ACTS OF THE SOUTH CAROLINA GENERAL ASSEMBLY.

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

1. The County Council has this date given first reading of an Ordinance pursuant to which it will issue its Three Million Dollars (\$3,000,000) Spartanburg County, South Carolina, Pollution Control Revenue Bonds, Series 1979 (Monsanto Company Project) and adopts this Resolution to authorize a petition to the South Carolina Budget and Control Board as required by Act 156 of the 1971 Acts of the South Carolina General Assembly (now codified as Title 48, Chapter 3, Code of Laws of South Carolina, 1976).

2. Monsanto Company is a corporation organized and existing under the laws of the State of Delaware and is licensed to do business in the State of South Carolina (the Industry). The County Council has determined that the Industry's proposed air and water pollution control facilities (the Facilities) are necessary and that the issuance of the Bonds to finance the Facilities will not give rise to any pecuniary liability of Spartanburg County, South Carolina (the County) or a charge against its general credit or taxing power; and that the Bonds shall be payable solely out of the moneys to be derived by the County pursuant to the Loan Agreement hereinafter described.

3. The amount now required to finance the cost of construction of the Facilities is Three Million Dollars (\$3,000,000).

4. The proceeds derived from the sale of the Bonds will be loaned by the County to the Industry, and the Industry has submitted to the County Council a draft of the proposed Loan Agreement which has been presented at this meeting, under which the Industry will agree to repay such loan by making payments in the amount necessary to provide the annual payments of principal, interest, and premium, if any, on the Bonds as the same become due.

5. In the Loan Agreement, the Industry agrees to effect the completion of the Facilities notwithstanding that the proceeds of the Bonds now to be issued and other Bonds hereafter to be issued pursuant to the Loan Agreement prove insufficient, and the Industry further obligates itself to make payments which shall be sufficient to pay the principal of, interest and premium, if any, on the Bonds as they become due and payable, the cost of maintaining the Facilities in good repair, and the costs of keeping the Facilities properly insured. The Loan Agreement, as permitted by the Act, provides that the Facilities shall be the property of the Industry upon the acquisition thereof, and the County shall have no interest therein.

6. The Bonds will be issued pursuant to a Trust Indenture (the Indenture) between the County and a bank yet to be named, with the approval of the County Council, as Trustee (the Trustee), prescribing the terms and conditions of the Bonds and the security therefor. The Indenture will be in substantially the form presented at this meeting and the Bonds will mature annually over a period of not exceeding 30 years and will bear interest at the rate of not to exceed eight per centum (8%) per annum.

7. County Council has been advised that the South Carolina Department of Health and Environmental Control is now completing its review and will shortly issue its certificate finding that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution.

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

9. The Industry has advised the County Council that the Industry has arranged for the sale of the Bonds to Goldman, Sachs & Co., New York, New York.

10. The Bonds will be issued as tax exempt Bonds pursuant to the provisions of the Internal Revenue Code of 1954, as amended.

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

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

BE IT FURTHER RESOLVED:

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

STATE OF SOUTH CAROLINA
COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

PETITION

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

1. The County Council is the governing body of Spartanburg County, South Carolina (the County) and as such is the "Governing Board" of the County referred to in Act No. 156 of 1971 aforesaid (the Act).

2. The Act authorizes the County Council, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, required by Sections 14 and 7 of the Act, respectively, to enter into agreements with any industry located in the County to finance the construction of pollution control facilities, to enter into loan agreements with such industry prescribing the terms and conditions of the payments to be made by the industry to the County, or its assignee, to meet the payments that shall become due on bonds issued pursuant to the Act; and to issue bonds for the purpose of defraying the cost of acquiring pollution control facilities.

3. The County Council did heretofore agree with Monsanto Company, a corporation organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina (the Industry) which owns and operates a plant in the County, that the County Council would undertake to finance the cost of proposed air and water pollution control facilities at the Industry's plant.

4. The County Council is advised by the Industry that the cost of constructing certain of such pollution control facilities (the Pollution Control Facilities) more fully described in the attached Exhibit A including the cost of issuing the bonds hereinafter described, requires the borrowing of \$3,000,000, and that it will therefore be necessary that the County Council issue \$3,000,000 Spartanburg County, South Carolina, Pollution Control Revenue Bonds, Series 1979 (Monsanto Company Project) (the Bonds), the proceeds of which shall be loaned to the Industry and used to defray the cost of acquiring, constructing and installing the Pollution Control Facilities.

5. The County Council has been advised that The South Carolina Department of Health and Environmental Control will issue its certificate making the findings required by Section 7 of the Act, and a copy of such certificate will be forwarded to the State Budget and Control Board.

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

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

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

C. The Loan Agreement to be entered into between the County and the Industry in substantially the form enclosed herewith contains a covenant obligating the Industry to effect the completion of the Pollution Control Facilities if the proceeds of all Bonds issued by the County prove insufficient, and further obligates the Industry (a) to pay the principal of, interest and premium, if any, on the Bonds; and (b) to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured. In view of the well established credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Bonds.

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

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

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

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

B. The finding by the South Carolina Department of Health and Environmental Control required by Section 7 of the Act will be forwarded to the State Board.

C. The cost of the Pollution Control Facilities is estimated to be \$3,000,000, including the costs of issuing the Bonds.

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

(a) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County will issue \$3,000,000 of Bonds which will be secured by a pledge of the payments to be made by the Industry pursuant to the Loan Agreement, and will be issued pursuant to a Trust Indenture, as authorized by Section 5 of the Act, between the County and a bank yet to be named as Trustee.

(b) Proceeds derived from the sale of the Bonds will be deposited with the Trustee under the said Trust Indenture and will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities (including the repayment to the Industry of advances made for such purposes) and the issuance of the Bonds.

(c) Under the terms of the Loan Agreement, the Industry obligates itself to effect the completion of the

Pollution Control Facilities if the proceeds derived from the sale of the Bonds prove insufficient to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured.

(d) As permitted by the Act, the Loan Agreement provides that the Pollution Control Facilities are to become the property of the Industry and the County shall have no interest therein. :

(e) 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 and prescribes the terms and conditions upon which the Bonds will be issued. A draft form of the Trust Indenture is enclosed with the Petition. The Trust Indenture makes provision for the initial issuance of Bonds pursuant thereto. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund in which the proceeds of the payments made by the Industry pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

9. The Bonds will mature annually over a period of not exceeding thirty (30) years and will bear interest at a rate or rates not to exceed eight per centum (8%) per annum.

Upon the basis of the foregoing, the County Council respectfully prays that the State Budget and Control Board accept the filing of the Petition and the documents enclosed herewith above described, and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Pollution Control Facilities are intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Pollution Control Facilities and the proposed financing thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of the County, and give published notice of its approval in the manner set forth in Section 14 of the Act.

JULY 25, 1979

Respectfully submitted,

SPARTANBURG COUNTY, SOUTH CAROLINA

By: M. Phair
Spartanburg County Administrator

Attest:

Carol P. Paris
Clerk, Spartanburg County Council

CERTIFICATE

WHEREAS, the South Carolina Department of Health and Environmental Control (the Department) has been advised by Monsanto Company (the Company) that Spartanburg County proposes to finance the acquisition, construction and installation of the air and water pollution control facilities described on the attached Exhibit "A" at the Company's plant located in Spartanburg County through the issuance of Pollution Control Facilities Revenue Bonds in the principal amount of not exceeding \$ 3,100,000, pursuant to the authorization of Act No. 156 of 1971, and in that connection must obtain, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed air and water pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution; and

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

NOW, THEREFORE, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said air and water pollution control facilities on the attached Exhibit "A" described (i) are necessary, and (ii) that the design thereof will result in the elimination, mitigation and prevention of air and water pollution. It is to be clearly understood that this certification is for bonding purposes only, and shall not be construed as a certification for the establishment of any property tax exemptions whatsoever.

DONE at Columbia, South Carolina, this 2ND day of AUGUST, 1979.

SOUTH CAROLINA DEPARTMENT OF
HEALTH AND ENVIRONMENTAL CONTROL

By Albert D. Randall
Commissioner

EXHIBIT

AUG 17 1979

NO. 07

ORIGINAL
8/17/79

A RESOLUTION STATE BUDGET & CONTROL BOARD
APPROVING THE UNDERTAKING OF SPARTANBURG COUNTY TO ISSUE \$2,700,000 SPARTANBURG COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE BONDS (MONSANTO COMPANY PROJECT), SERIES 1979, PURSUANT TO ACT NO. 156 OF 1971, AS AMENDED, AND APPROVING THE POLLUTION CONTROL FACILITIES TO BE FINANCED THEREBY.

WHEREAS, the Spartanburg County Council (the County Council), pursuant to Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act), has petitioned the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Council pursuant to the Act, and to the pollution control facilities to be financed thereby; and

WHEREAS, the proposed undertaking consists of the issuance of \$2,700,000 Spartanburg County, South Carolina, Pollution Control Revenue Bonds (Monsanto Company Project), Series 1979, (the Bonds) by the County Council pursuant to the Act, the proceeds of which will be loaned to Monsanto Company, a Delaware corporation (the Industry) and used in order to defray costs of acquiring, constructing and installing certain air and water pollution control facilities (the Facilities), at the Industry's plant located in Spartanburg County and which Facilities have received the approval by the Department of Health and Environmental Control as required by the Act; and

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

WHEREAS, the County proposes to enter into a Trust Indenture with a trustee bank to be named with the approval of the County Council (the Trustee), prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds all loan repayments to be made pursuant to the Loan Agreement; and

WHEREAS, the form of the Loan Agreement between Spartanburg County and the Industry and of the Trust Indenture have been considered by this Board,

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

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

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

(b) That the County Council has filed a proper petition to the State Board in accordance with the provisions of Section 14 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department

of Health and Environmental Control in connection therewith, an estimate of the cost of the Facilities and a general summary of the terms and conditions of the Loan Agreement and Trust Indenture.

(c) The financing of the Facilities by the County Council through the issuance of the Bonds will promote the purposes of the Act, and the Facilities may be reasonably anticipated to eliminate, mitigate or prevent air and water pollution.

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

2. On the basis of the foregoing findings, the proposed undertaking of the County Council (i) to enter into the Trust Indenture and to issue the Bonds; (ii) to loan the proceeds thereof to the Industry to be used in order to defray costs of acquiring, constructing and installing the Facilities at the Industry's plant in Spartanburg County; and (iii) to enter into a Loan Agreement with the Industry, providing for the payment of the Bonds, which shall be payable solely from the revenues to be derived by the County under the Loan Agreement, all pursuant to the Act (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved, and the County Council may proceed therewith.

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

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

EXHIBIT A

NOTICE PURSUANT TO ACT NO. 156 OF THE ACTS OF THE GENERAL
ASSEMBLY OF THE STATE OF SOUTH CAROLINA FOR THE YEAR 1971,
AS AMENDED

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Spartanburg County Council (the 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 the County Council of \$2,700,000 Spartanburg County, South Carolina, Pollution Control Revenue Bonds (Monsanto Company Project), Series 1979 (the Bonds) pursuant to Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971, as amended (the Act), the proceeds of which shall be loaned by Spartanburg County to Monsanto Company, a Delaware corporation (the Industry), and used to defray costs of acquiring, constructing and installing certain air and water pollution control facilities (the Facilities) at the Industry's plant located in Spartanburg County; the execution and delivery of a Loan Agreement between Spartanburg County and the Industry, pursuant to which the Industry will unconditionally agree to make payments sufficient to repay the principal of and interest on the Bonds when due; and the execution and delivery of a Trust Indenture between Spartanburg County and a trustee bank to be named with the approval of the County (the Trustee) prescribing the terms and conditions under 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.

The Facilities to be financed with the proceeds derived from the sale of the Bonds will be owned by the Industry and the County will have no interest therein.

The South Carolina Department of Health and Environmental Control has certified that the Facilities above described are necessary and that the design thereof will result in the elimination, mitigation and prevention of air and water pollution.

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of (i) the action of the South Carolina Department of Health and Environmental Control as to the necessity for, and adequacy of, the Facilities, and (ii) the action of the State Board in approving the Facilities and the said undertaking

of the County Council, by action de novo, instituted in the Court of
Common Pleas for Spartanburg County.

THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

By: William A. McInnis, Secretary

Publication Date:

_____, 1979

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

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, Richard W. Riley, 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 Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held at the Public Service Authority facilities at Wampee, near Pinopolis, South Carolina at 9:30 A. M., on August 17, 1979, was given to all members in writing, and at least four (4) days prior to said meeting; that all of the members of said Board were present at said meeting with the exception of:

None

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

FOR MOTION

5

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 said Board in my custody as its Secretary.

William A. Mc Innis

Secretary

August 20, 1979

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

TO THE STATE BUDGET AND CONTROL

BOARD OF SOUTH CAROLINA

PETITION

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

1. The County Council is the governing body of Spartanburg County, South Carolina (the County) and as such is the "Governing Board" of the County referred to in Act No. 156 of 1971 aforesaid (the Act).

2. The Act authorizes the County Council, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, required by Sections 14 and 7 of the Act, respectively, to enter into agreements with any industry located in the County to finance the construction of pollution control facilities, to enter into loan agreements with such industry prescribing the terms and conditions of the payments to be made by the industry to the County, or its assignee, to meet the payments that shall become due on bonds issued pursuant to the Act; and to issue bonds for the purpose of defraying the cost of acquiring pollution control facilities.

3. The County Council did heretofore agree with Monsanto Company, a corporation organized and existing under the laws of the State of Delaware and duly qualified to do business in the State of South Carolina (the Industry) which owns and operates a plant in the County, that the County Council would undertake to finance the cost of proposed air and water pollution control facilities at the Industry's plant.

4. The County Council is advised by the Industry that the cost of constructing certain of such pollution control facilities (the Pollution Control Facilities) more fully described in the attached Exhibit A including the cost of issuing the bonds hereinafter described, requires the borrowing of \$3,000,000, and that it will therefore be necessary that the County Council issue \$3,000,000 Spartanburg County, South Carolina, Pollution Control Revenue Bonds, Series 1979 (Monsanto Company Project) (the Bonds), the proceeds of which shall be loaned to the Industry and used to defray the cost of acquiring, constructing and installing the Pollution Control Facilities.

5. The County Council has been advised that The South Carolina Department of Health and Environmental Control will issue its certificate making the findings required by Section 7 of the Act, and a copy of such certificate will be forwarded to the State Budget and Control Board.

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

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

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

C. The Loan Agreement to be entered into between the County and the Industry in substantially the form enclosed herewith contains a covenant obligating the Industry to effect the completion of the Pollution Control Facilities if the proceeds of all Bonds issued by the County prove insufficient, and further obligates the Industry (a) to pay the principal of, interest and premium, if any, on the Bonds; and (b) to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured. In view of the well established credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Bonds.

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

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

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

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

B. The finding by the South Carolina Department of Health and Environmental Control required by Section 7 of the Act will be forwarded to the State Board.

C. The cost of the Pollution Control Facilities is estimated to be \$3,000,000, including the costs of issuing the Bonds.

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

(a) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County will issue \$3,000,000 of Bonds which will be secured by a pledge of the payments to be made by the Industry pursuant to the Loan Agreement, and will be issued pursuant to a Trust Indenture, as authorized by Section 5 of the Act, between the County and a bank yet to be named as Trustee.

(b) Proceeds derived from the sale of the Bonds will be deposited with the Trustee under the said Trust Indenture and will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities (including the repayment to the Industry of advances made for such purposes) and the issuance of the Bonds.

(c) Under the terms of the Loan Agreement, the Industry obligates itself to effect the completion of the

Pollution Control Facilities if the proceeds derived from the sale of the Bonds prove insufficient to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Pollution Control Facilities in good repair and the cost of keeping them properly insured.

(d) As permitted by the Act, the Loan Agreement provides that the Pollution Control Facilities are to become the property of the Industry and the County shall have no interest therein.

(e) 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 and prescribes the terms and conditions upon which the Bonds will be issued. A draft form of the Trust Indenture is enclosed with the Petition. The Trust Indenture makes provision for the initial issuance of Bonds pursuant thereto. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund in which the proceeds of the payments made by the Industry pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

9. The Bonds will mature annually over a period of not exceeding thirty (30) years and will bear interest at a rate or rates not to exceed eight per centum (8%) per annum.

Upon the basis of the foregoing, the County Council respectfully prays that the State Budget and Control Board accept the filing of the Petition and the documents enclosed herewith above described, and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Pollution Control Facilities are intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Pollution Control Facilities and the proposed financing thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of the County, and give published notice of its approval in the manner set forth in Section 14 of the Act.

JULY 25, 1979

Respectfully submitted,

SPARTANBURG COUNTY, SOUTH CAROLINA

By: M. M. Harbaway
Spartanburg County Administrator

Attest:

Carolyn P. Paris
Clerk, Spartanburg County Council

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

MONSANTO COMPANY

LOAN AGREEMENT

DATED AS OF SEPTEMBER 1, 1979

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EXHIBIT A DESCRIPTION OF POLLUTION CONTROL FACILITIES

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of September 1, 1979, between SPARTANBURG COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina, party of the first part, and MONSANTO COMPANY, a corporation organized and existing under the laws of the State of Delaware, and duly qualified to do business in the State of South Carolina, party of the second part,

WITNESSETH:

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

ARTICLE I

DEFINITIONS

Section 1.1. Certain terms used in this Loan Agreement are defined in Section 1.2 hereof. When used herein, such terms shall have the meanings given to them by the language employed in Section 1.2 defining such terms, unless the context clearly indicates otherwise. Terms used in the Indenture (as so defined) also contained in this Agreement shall have the meanings provided in the Indenture.

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

"ACT" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended, now codified as Title 48, Chapter 3, Code of Laws, South Carolina, 1976.

"ADDITIONAL BONDS" means Additional Bonds of the County issued under Article II of the Indenture and as authorized by Section 6.7 of this Agreement.

"AGREEMENT" or "LOAN AGREEMENT" means the within Loan Agreement between the County and the Industry, as the same may be amended from time to time in accordance with the provisions hereof.

"ASSISTANCE AGREEMENT" means the contract heretofore entered into between the County and the Industry, pursuant to its Ordinance which became effective as of August __, 1979, by which the County has agreed to finance the acquisition, construction and installation of the Pollution Control Facilities.

"AUTHORIZED INDUSTRY REPRESENTATIVE" means the person at the time designated to act on behalf of the Industry by written certificate furnished to the County and the Trustee containing the specimen signature of such person and signed on behalf of the Industry by its President, any Vice President, Treasurer or any Assistant Treasurer. Such certificate may designate one or more alternate representatives.

"BONDS" means the Bonds of the County issued and outstanding at any time under the Indenture.

"BOND FUND" means the Bond Fund created in Section 502 of the Indenture and referred to herein.

"CHAIRMAN" means the Chief executive officer of the County Board. The term shall also include the Vice Chairman of the County Board whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

"CLERK" means the Clerk of the Spartanburg County Council. The term shall also include the Assistant or Acting Clerk, whenever, by reason of absence, illness or other reason, the person who is the Clerk is unable to act.

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

"COMPLETION DATE" means the date of completion of the construction, acquisition and installation of the Pollution Control Facilities as that date shall be certified as provided in Section 3.6 hereof.

"CONSTRUCTION FUND" means the Construction Fund created in Section 602 of the Indenture and referred to herein.

"CONSTRUCTION PERIOD" means the period beginning with the delivery of this Agreement and ending on the date of the certificate of completion filed pursuant to Section 3.6 hereof.

"COUNTY" means Spartanburg County, South Carolina, and its successors and assigns.

"COUNTY ADMINISTRATOR" means the County Administrator of Spartanburg County, South Carolina.

"COUNTY BOARD" means the Spartanburg County Council and any successor body.

"INDENTURE" means the Trust Indenture between the County and _____, as Trustee, of even date herewith, providing for the terms and provisions under which the Bonds will be issued and pursuant to which the County's interest in this Agreement is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds, including any indenture supplemental thereto and any amendment thereof.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not a full-time employee of the County, the Industry, or the Trustee.

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

"PENALTY RATE" means interest at the rate of ____ per annum (____%), but in no case in excess of the rate permitted by statute.

"PLANT" means the manufacturing facilities in Spartanburg County, South Carolina, owned and operated by the Industry. The term "Plant" shall include the Pollution Control Facilities.

"PLEDGED REVENUES" means all payments, revenues and receipts derived from this Agreement, other than payment of trustee's fees, taxes and governmental charges, indemnification and attorneys' fees and expenses pursuant to Sections 4.3(c), 5.2, 6.5 and 8.4 hereof, respectively and which are, pursuant to the Indenture, pledged to payment of the Bonds.

"POLLUTION CONTROL FACILITIES" means the facilities described in Exhibit "A" attached hereto, heretofore acquired, constructed or installed or hereafter to be acquired, constructed and installed at the Plant, or any modification thereof, to be used in whole or in part to abate or control either or both air and water pollution or contamination by removing, altering, disposing or storing pollutants, contaminants and wastes, including the other necessary equipment and their appurtenances, and which, as set out in Section 2.2 hereof, are to be operated and maintained by the Industry.

"SERIES 1979 BONDS" means the \$2,700,000 in aggregate principal amount of Spartanburg County, South Carolina, Pollution Control Revenue Bonds, (Monsanto Company Project) Series 1979, dated as of September 1, 1979, issued pursuant to the Indenture.

"Trustee" means the trustee or the co-trustee at the time serving as such under the Indenture.

"Underwriting Agreement" means the Underwriting Agreement relating to the Series 1979 Bonds among the County, the Industry and Goldman, Sachs & Co., as Manager, setting out the price, interest rate and terms of purchase of the Series 1979 Bonds.

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

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

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

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement, the Indenture, and the Bonds. By proper action by the County Board, the County has been duly authorized to execute and deliver this Agreement and the Indenture and to issue the Series 1979 Bonds.

(b) Heretofore, the County and the Industry did agree that the County would finance the costs of acquisition, installation and construction of the Pollution Control Facilities by the Industry. The Industry has determined that such cost, together with the costs incurred and to be incurred by the Industry in connection with the issuance of the Series 1979 Bonds, will amount to approximately \$2,700,000 and on that basis the County now proposes to issue the Series 1979 Bonds in the aggregate principal amount of \$2,700,000, dated as of the date hereof, which will mature and bear interest as set forth in Section 202 of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Section 301 of the Indenture, and loan the proceeds (other than interest accrued to the date of the delivery thereof) to the Industry to pay the costs of acquiring, installing and constructing the Pollution Control Facilities and the costs incurred and to be incurred by the Industry in connection with the issuance of the Series 1979 Bonds.

(c) None of the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, or the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts with or results in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the County is now a party or by which it is bound, or constitutes a default under any of the foregoing.

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

(a) The Industry is a corporation incorporated and existing under the laws of the State of Delaware, and is qualified to do business in the State of South Carolina, is in good standing under its charter and the laws of South Carolina, has the power to enter into this Agreement and by proper corporate action has been authorized to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) None of the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, or the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts with or results in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Industry is now a party or by which it is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Industry under the terms of any instrument or agreement to which the Industry is now a party or by which it is bound.

(c) The processes being conducted at the Plant result in the discharge of pollutants, contaminants and wastes. The Pollution Control Facilities are of a character subject to the allowance for depreciation provided in Section 167 of the Code; are to be used to abate or control either or both air and water pollution or contamination by removing, altering, disposing of or storing pollutants, contaminants and wastes; and are designed for no significant purpose other than the control of pollution; and without limiting the generality of the foregoing, will not result in any increase in production or capacity, or in a material extension of the useful life, of a manufacturing or production facility or a part thereof and will meet all other requirements of Section 1.103-8(g)(2) of the Proposed Treasury Regulations.

(d) Substantially all of the proceeds of the Bonds will be used to provide air or water pollution control facilities within the meaning of Section 103(b)(4)(F) of the Code, as it exists on the date of this Agreement, and regulations issued thereunder and the Industry will not commit or suffer, as to any act over which it has control, to be committed, any act which will adversely affect the tax exempt status of the interest on the Bonds.

(e) All parts of the Project, as designed, have been certified by the Department of Health and Environmental Control of the State of South Carolina, to be in furtherance of the purpose of controlling or abating air or water pollution, contaminants or wastes emanating from the Plant.

ARTICLE III

ISSUANCE OF SERIES 1979 BONDS; COMPLETION OF POLLUTION CONTROL FACILITIES; CONSTRUCTION FUND

Section 3.1. Agreement to Complete Pollution Control Facilities. The Industry agrees that it will exercise due diligence to complete the acquisition, construction and installation of the Pollution Control Facilities as promptly as practicable.

Section 3.2. Agreement to Issue Series 1979 Bonds; Application of Bond Proceeds. In order to provide the Industry, by way of a loan, with funds for the payment of the costs of the Pollution Control Facilities and the costs incurred and to be incurred by the Industry in connection with the issuance of the Series 1979 Bonds, the County agrees that it will sell and cause to be delivered to the purchasers thereof the Series 1979 Bonds in the aggregate principal amount of \$2,700,000 and will thereupon:

(i) deposit in the Bond Fund all accrued interest and premium, if any, on the Series 1979 Bonds paid by the initial purchasers of the Series 1979 Bonds; and

(ii) deposit in the Construction Fund the balance of the proceeds received from said sale to be held and disbursed as provided in this Loan Agreement and in Section 602 of the Indenture.

Section 3.3. Disbursements from the Construction Fund. Both parties agree that moneys in the Construction Fund shall be used for the following purposes (and, subject to the provisions of Sections 3.8 and 9.2 hereof and Section 602 of the Indenture, for no other purpose):

(a) Payment of the initial or acceptance fee of the Trustee, the fees for filing financing statements and curative documents that either the Trustee, the County or Independent Counsel may deem desirable to file in order to perfect the pledge of revenues effected by the Indenture as aforesaid.

(b) Payment to the Industry of such amounts as shall be necessary to reimburse the Industry in full for all expenses incurred in connection with the acquisition, installation and construction of the Pollution Control Facilities and the preparation of plans and specifications therefor, including, without limitation, the cost of any preliminary study or planning of the Pollution Control Facilities or any aspect thereof and the cost of any architectural, engineering and supervisory services with respect to any of the foregoing.

(c) Payment or reimbursement of the Industry for payment of the cost of legal, underwriting, financing, accounting and printing fees, expenses and disbursements incurred in connection with the authorization, sale and issuance of the Series 1979 Bonds, the preparation of this Agreement, the Indenture, and all other documents in connection therewith and in connection with the acquisition, construction and installation of the Pollution Control Facilities.

(d) Payment or reimbursement of the Industry for payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Pollution Control Facilities.

(e) Payment or reimbursement of the Industry for payment of any other costs and expenses relating to the Pollution Control Facilities including, without limitation, interest on the Bonds paid or accrued during the Construction Period.

Any payment made pursuant to the preceding subsections (a) to (e), inclusive, of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Industry Representative which shall certify with respect to each such payment:

(i) that none of the items for which such payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund;

(ii) that each item for which such payment is proposed to be made was incurred in connection with the Pollution Control Facilities as specified in the preceding subsections (a) to (e), inclusive, of this Section, and, if applicable, is substantially in conformance with the plans and specifications therefor; and

(iii) that such order does not include any item or amount which will result in less than substantially all of the proceeds of the Bonds being used to provide air or water pollution control facilities within the meaning of Section 103(b)(4)(F) of the Code and the regulations thereunder.

All moneys, if any, remaining in the Construction Fund after the Completion Date and after payment in full of the costs of acquiring, installing and constructing the Pollution Control Facilities, and after payment of all other items (or after making provision for the payment thereof) provided for in the preceding subsections (a) to (e), inclusive, of this Section shall at the direction of the Industry be used in accordance with the provisions of Section 3.6 hereof.

Section 3.4. Trustee May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Trustee may rely on any such orders and certifications delivered to it pursuant to Section 3.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders and certifications.

Section 3.5. Industry Required to Pay Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Pollution Control Facilities shall not be sufficient to pay the costs thereof in full, the Industry agrees to pay all that portion of the costs of the Pollution Control Facilities as may be in excess of the moneys available therefor in the Construction Fund and to complete the Pollution Control Facilities. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the cost of the Pollution Control Facilities, will be sufficient to pay all the costs which have been or will be incurred in that connection. The Industry agrees that if, notwithstanding the exhaustion of the moneys in the Construction Fund, the Industry shall not be fully reimbursed for the costs of the Pollution Control Facilities, it shall not be entitled to any reimbursement therefor from the County or from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any abatement or diminution of the payments required by Section 4.3 hereof.

Section 3.6. Establishment of Completion Date. Completion of the Pollution Control Facilities shall be evidenced to the Trustee by a certificate signed by the Authorized Industry Representative stating that, except for amounts retained by the Trustee at the Industry's direction for payments not then due and payable or the liability for which is being contested in good faith by the Industry:

(a) substantially all of the proceeds of the Bonds were used to provide air or water pollution control facilities, within the meaning of Section 103(b)(4)(F) of the Code, as it exists on the date of the issuance of the Series 1979 Bonds, and regulations issued thereunder;

(b) the Pollution Control Facilities have been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in connection therewith have been paid for; and

(c) all facilities necessary in connection with the Pollution Control Facilities have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid.

Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Industry to cause the certificate contemplated by this Section 3.6 to be furnished as soon as the Pollution Control Facilities shall have been completed.

Any moneys (including investment proceeds), if any, remaining in the Construction Fund on the date of such certificate may be used, at the direction of the Authorized Industry Representative, to the extent indicated, for one or more of the following purposes:

(1) for the payment, in accordance with the provisions of this Agreement, of any of the costs of acquiring, installing and constructing the Pollution Control Facilities not theretofore paid, as specified in the above mentioned certificate; or

(2) for transfer to the Bond Fund; provided, that 90% or more of the amount of the proceeds received by the County from the sale of the Bonds has been used to acquire, construct or install facilities which qualify as pollution control facilities within the meaning of Section 103(b)(4)(F) of the Code; or

(3) if less than 90% of the amount of the proceeds received by the County from the sale of the Bonds was used to acquire, construct or install Exempt Facilities, for transfer to the Bond Fund and used to redeem Bonds as hereinafter provided, but only if, and to the extent that, the Trustee has been furnished with an opinion of the counsel who rendered the opinion on the tax exempt status of the interest on the Bonds outstanding, or, if such opinion is unavailable, other nationally recognized municipal bond counsel mutually acceptable to the Industry, the County and the Trustee, to the effect that such transfer is lawful under the Act and does not adversely affect the exclusion from federal income taxes of interest on any of the Bonds.

Any moneys (including investment proceeds) remaining in the Construction Fund on the date of the aforesaid certificate and not set aside for the payment of the costs of acquiring, installing and constructing the Pollution Control Facilities not theretofore paid as specified in (1) above or transferred to the Bond Fund pursuant to (2) or (3) above shall on such date be deposited by the Trustee in a separate escrow account and used to pay all or part of the redemption price of the Bonds at the earliest possible redemption date or dates; provided that, until so used such moneys may also be used, at the direction of the Authorized Industry Representative, for one or more of the following purposes:

(a) to pay all or part of the price of purchasing Bonds on tender, in the open market or at private sale, on or before such redemption date or dates, for the purpose of cancellation;

(b) to pay all or part of the principal of and interest on the Bonds coming due on or before such redemption date or dates;

(c) for the payment of qualifying costs of any additional Exempt Facilities at the Plant, provided that prior to such use the County adopts such resolutions as may be necessary to amend this Agreement to include such additional Exempt Facilities within the definition of Project as used herein; or

(d) for any other purpose;

provided that, no moneys on deposit in such escrow account may be used for any of the purposes specified in this paragraph (including the redemption of Bonds) unless and until the Trustee has been furnished with an opinion of the counsel who rendered the opinion on the tax exempt status of the interest on the Bonds outstanding, or, if such opinion is unavailable, other nationally recognized municipal bond counsel mutually acceptable to the Industry, the County and the Trustee, to the effect that such use is lawful under the Act and does not adversely affect the exclusion from federal income taxes of interest on any of the Bonds; and provided further that, until used for one or more of the foregoing purposes, moneys on deposit in such escrow account may be invested in investments authorized by the first paragraph of Section 3.8 of this Agreement, but may not be invested to produce a yield on such moneys (computed from the Completion Date and taking into account any investment of such moneys during the period from the Completion Date until such moneys were deposited in such escrow account) greater than the yield on the Bonds from which such proceeds were derived, all as such terms are used in and determined in accordance with Section 103(c) of the Code and regulations promulgated or proposed thereunder.

Section 3.7. Authorized Industry Representative and Successors. The Industry shall designate, in the manner prescribed in Section 1.2, the Authorized Industry Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

Section 3.8. Investment of Construction Fund and Bond Fund Moneys Permitted. Any moneys held as a part of the Construction Fund and the Bond Fund and not required for immediate disbursement and withdrawal may be invested and reinvested by the Trustee at the direction of the Industry as provided in Section 701 of the Indenture, if

and to the extent permitted by law, in: direct obligations of, or obligations guaranteed by, the United States of America, or obligations of the Federal National Mortgage Association, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Government National Mortgage Association, Export-Import Bank of the United States, United States Postal Service, Tennessee Valley Authority or any other agency or corporation which is or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof; or direct obligations of, or obligations guaranteed by, any state of the United States that are rated as investment grade securities by either Moody's Investors Service, Inc. or Standard & Poor's Corporation; or Public Housing Bonds, or Project Notes, fully secured by contracts with the United States; or Commercial or Corporate or finance company paper rated prime-1 by Moody's Investors Service, Inc., or A-1 by Standard & Poor's Corporation; or negotiable or non-negotiable certificates of deposit or bankers acceptances issued by the Trustee or by any bank, trust company or national banking association which is a member of the Federal Reserve System and which has a capital stock and undivided profits aggregating at least \$25,000,000. Such certificates of deposit may be purchased directly or indirectly from such a bank, trust company or national banking association including the Trustee; including in each case any hereafter issued obligations or certificates.

The Industry covenants:

(a) That it will not direct the Trustee pursuant to the foregoing paragraph to make investments which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 103(c)(2) of the Code and the applicable regulations issued or proposed thereunder as in effect on the occasion of the delivery of the Bonds (the Regulations).

(b) That it will furnish to the County accurate information necessary to enable the appropriate County officers and bond counsel to make all necessary certifications required by the said Regulations.

Section 3.9. Protection of Tax Exempt Status of Bonds. The Industry covenants with the County and the holders of the Bonds and interest coupons appertaining thereto that (a) substantially all of the Bond proceeds will be used for the purposes set out in Section 103(b)(4)(F) of the Code, as it exists on the date of issuance of the Series 1979 Bonds, and (b) it will not approve, or permit to be approved on its behalf, any payment out of the moneys in the Construction Fund, if as a result of such payment, less than substantially all of the proceeds of the Bonds expended at such time would be considered as having been used for the acquisition, construction or installation of air or water pollution control facilities within the meaning of Section 103(b)(4)(F) of the Code, as it exists on the date of issuance of the Series 1979 Bonds. Any other provision of this Agreement notwithstanding, the Industry will not commit any act

which will adversely affect the tax exempt status of the interest on the Bonds under Section 103 of the Code, as it exists on the date of issuance of the Series 1979 Bonds. In the event of a violation of the covenants in this Section 3.9 by the Industry and payment by the Industry of all amounts due under Section 4.3(a) hereof pursuant to Section 8.2 hereof, such payment shall fully discharge all obligations of the Industry to the Bondholders.

ARTICLE IV

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

Section 4.1. Effective Date of this Agreement; Duration of Agreement. This Agreement shall become effective upon its delivery, and shall continue in full force and effect until the principal of, premium, if any, and interest on the Bonds have been fully paid (or provision for their payment has been made in accordance with the provisions of the Indenture), together with all sums to which the County or the Trustee are entitled hereunder.

Section 4.2. Possession of Pollution Control Facilities. The Pollution Control Facilities shall be owned by the Industry, and the Industry shall have sole and exclusive possession of the Pollution Control Facilities.

Section 4.3. Repayment of Loan and Payment of Other Amounts Hereunder. The County hereby loans to the Industry the proceeds, other than accrued interest and premium, if any, derived from the sale of the Series 1979 Bonds, and the Industry hereby promises to repay such loan and the interest on the Series 1979 Bonds and pay the fees and expenses of the Trustee, in accordance with the provisions of this Section 4.3:

(a) The Industry agrees to pay an amount equal to the principal of, premium, if any, and interest on the Series 1979 Bonds, at the times, in the amounts and in accordance with the other terms of this Section 4.3. The Industry agrees to pay to the Trustee for the account of the County, at the principal corporate trust office of the Trustee, or at such other place as the Trustee may direct in writing, not later than 11:00 A.M. (local time at the principal corporate trust office of the Trustee) on the business day preceding each date on which any payment with respect to the Series 1979 Bonds is due and payable, an amount which, when added to other moneys available therefor pursuant to the Indenture, will be sufficient to pay the principal of, premium, if any, and interest on the Series 1979 Bonds due and payable on such date, whether on a semiannual interest payment date for the Series 1979 Bonds, or at maturity, or upon mandatory or optional redemption or declaration of maturity, of the Series 1979 Bonds.

At its option, to be exercised on or before the forty-fifth day next preceding the date any Series 1979 Bonds are required to be redeemed pursuant to the sinking fund provided in Section 302 of the Indenture, the Industry may satisfy its obligation or any portion thereof to make payments in respect of payment of principal hereunder by (i) delivering to the Trustee for cancellation, for the account of the

County, Series 1979 Bonds with all unmatured coupons attached in any aggregate principal amount desired or (ii) receiving a credit in respect of its obligation for any Series 1979 Bonds which prior to said date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Trustee and not theretofore applied as a credit against any payment of principal hereunder or (iii) making moneys available to the Trustee with which to purchase Series 1979 Bonds to be credited in like manner as Series 1979 Bonds delivered pursuant to (i) and the Trustee shall proceed to effect such purchase if Series 1979 Bonds are available therefor. Each Series 1979 Bond so delivered or previously purchased or redeemed or so purchased shall be credited by the Trustee at 100% of the principal amount thereof on the obligation of the Industry to make the next succeeding payment on account of principal hereof and any excess over such amount shall be credited (also at 100% of principal amount thereof) on the obligation of the Industry to make future succeeding payments on account of principal hereof, in chronological order.

(b) In any event each payment under this Section shall be sufficient to pay the amount of interest and principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, payable on the next succeeding payment date, and if on any payment date the balance in the Bond Fund is insufficient to make the required payments of principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, and interest on such date, the Industry shall forthwith pay any such deficiency; provided that any amount at any time held by the Trustee in the Bond Fund shall be credited against the next payment to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment; and provided further, that if the amount held by the Trustee in the Bond Fund shall be sufficient to pay at the times required the principal of, premium, if any, and interest on the Bonds then remaining unpaid, the Industry shall not be obligated to make any further payments under the foregoing provisions of this Section.

(c) The Industry agrees to pay to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid:

(i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, and its ordinary expenses, as Trustee, incurred under the Indenture, as and when the same become due;

(ii) reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any other paying agents on the Bonds for acting as paying agents as provided in the Indenture as and when the same become due; and

(iii) the reasonable fees and charges of the Trustee for any necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due;

provided, that the Industry may, without creating any default or incurring any penalty hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses.

(d) In the event the Industry shall fail to make any of the payments required by subsection (a), (b) or (c) of this Section 4.3, the item or installment so in default shall continue as an obligation of the Industry until the amount in default shall have been fully paid, and the Industry agrees to pay the same with interest thereon from the date of default at the Penalty Rate until fully paid.

Section 4.4. Place of Payments. The payments provided for in Section 4.3(a) hereof shall be paid directly to the Trustee for the account of the County and shall be deposited in the Bond Fund. Payments to be made to the Trustee on account of fees, charges and expenses pursuant to Section 4.3(c) hereof shall be paid directly to the Trustee for its own use or for disbursement to the paying agents, as the case may be.

Section 4.5. Obligations of Industry Hereunder Unconditional. The obligations of the Industry to make the payments required in Section 4.3(a) hereof and to perform and observe the other agreements on its part contained in this Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim and the Industry shall pay absolutely net during the term of this Agreement the payments as prescribed in Section 4.3 and all of the payments required hereunder free of any deductions and without abatement, postponement, diminution or set-off other than those herein expressly provided; and until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made in accordance with the Indenture, the Industry:

(i) will not suspend or discontinue any payments required by Section 4.3 hereof;

(ii) will perform and observe all of its other agreements contained in this Agreement; and

(iii) except as provided in Article IX hereof will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Pollution Control Facilities to function at their intended level, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Pollution Control Facilities, commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, or failure of the Pollution Control Facilities to comply with any statute, rule or regulation now or hereafter made applicable thereto.

ARTICLE V

OPERATION AND MAINTENANCE, TAXES AND INSURANCE

Section 5.1. Operation, Maintenance and Insurance of Pollution Control Facilities. The Industry agrees that it will operate and maintain the Pollution Control Facilities at its own expense. The Industry covenants to pay the costs of maintaining the Pollution Control Facilities in good repair and the costs of keeping the Pollution Control Facilities insured.

Section 5.2. Taxes, Other Governmental Charges and Liens. The County and the Industry acknowledge (i) that as of the date hereof, treatment facilities or equipment of manufacturing plants which control air or water pollution are exempt from all property taxation in South Carolina, that under present law the income of the County from the Loan Agreement is not subject to either Federal or South Carolina taxation and (ii) that these factors, among others, have induced the Industry to enter into this Agreement.

However, the Industry will pay, as the same become due, all taxes and governmental charges of any kind whatsoever levied upon or with respect to the income, revenues or receipts of the County from this Agreement, or which will constitute a charge on the income, revenues and receipts from this Agreement.

The Industry may, at its expense and in its own name, in good faith, contest any such taxes, assessments and other charges and, in the event of adverse result in any such contest, and may appeal therefrom.

ARTICLE VI

SPECIAL COVENANTS

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

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

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

Section 6.4. Good Standing. The Industry warrants that it is, and will throughout the term of this Agreement maintain its good standing in any state in which it is incorporated and as a qualified foreign corporation under the laws of South Carolina.

Section 6.5. Indemnification Covenants. (a) The Industry shall and agrees to indemnify and save the County and the Trustee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the term of this Agreement, and, the Industry further shall indemnify and save the County harmless against and from all claims arising during the term of this Agreement from (i) any condition of the Project, (ii) any breach or default on the part of the Industry in the performance of any of its obligations under this Agreement, (iii) any act of negligence of the Industry or of any of its agents, contractors, servants, employees or licensees, or (iv) any

act of negligence of any assignee of the Industry, or of any agents, contractors, servants, employees or licensees of any assignee of the Industry. The Industry shall indemnify and save the County and the Trustee harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid or in connection with any action or proceeding brought thereon, and upon notice from the County or the Trustee the Industry shall defend them or either of them in any such action or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Series 1979 Bonds, by reason of the execution of the Indenture, by reason of the performance of any act requested of it by the Industry, or by reason of the operation of the Pollution Control Facilities by the Industry, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability, then in such event the Industry shall indemnify and hold harmless the County against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Industry shall defend the County in any such action or proceeding.

Section 6.6. Financial Statements of Industry. The Industry agrees to have an annual audit made by its regular independent certified public accountants and to furnish the Trustee (within sixty days after receipt by the Industry) with a balance sheet and statements of income and surplus, showing its financial condition on a consolidated basis for each fiscal year, accompanied by a certificate of opinion of said accountants. The Industry may fulfill the obligation to furnish such financial statements by furnishing the Trustee a copy of its annual report to shareholders after such report has been made available to its shareholders, if such report shall contain the above-described financial statements. The Industry further agrees to furnish to the Trustee a copy of all financial statements which it sends to its shareholders.

Section 6.7. Additional Bonds. Subject to the obligations of the County under the Indenture, the County and the Industry may hereafter negotiate one or more amendments to this Agreement pertaining to obtaining additional funds by the County to loan to the Industry to finance any costs of the Pollution Control Facilities not financed pursuant to this Agreement, or to provide funds for additional pollution control facilities at the Plant, through the issuance of Additional Bonds pursuant to Article II of the Indenture, or to refund any Bonds previously issued pursuant to the Indenture; provided that no obligation is imposed on the County by this Section 6.7 to enter into any such amendment, and no such amendment is permitted hereunder which would result either in the breach of the County's agreements

pursuant to the Indenture or in the reduction of the Industry's obligations pursuant to this Agreement. Any such amendment shall amend Exhibit "A" including such additional pollution control facilities as a part of the Pollution Control Facilities and shall provide for appropriate payment of money to the Trustee to provide for payment of the principal of, premium, if any, and interest on such Additional Bonds of each series subsequent to the Series 1979 Bonds.

ARTICLE VII

LEASING AND SELLING; REDEMPTION; PREPAYMENT AND MODIFICATION OF FACILITIES

Section 7.1. Leasing and Sale. The Plant may be leased, sold or otherwise disposed of, as a whole or in part, by the Industry, without the necessity of obtaining the consent of either the County or the Trustee, provided no leasing, sale or other disposition (other than pursuant to Section 6.3 hereof) shall relieve the Industry from primary liability for any of its payment obligations hereunder.

Section 7.2. Assignment of this Agreement by the County. The County will assign its interest in this Agreement and all moneys receivable by it under this Agreement (except payments pursuant to Sections 6.5 and 8.4) to the Trustee for payment of the principal of, premium, if any, and interest on the Bonds.

Section 7.3. Redemption of Bonds. The County, at the request at any time and from time to time of the Industry, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Industry, on the earliest redemption date on which such redemption may be made under such applicable provisions; and the Industry shall have the right from time to time to pay directly to the Trustee for the account of the County funds which it wishes to have applied to the optional redemption of Bonds pursuant to Article III of the Indenture. Such funds shall be deposited in the Bond Fund. The County will not redeem or purchase or cause to be redeemed or purchased any Bonds, other than pursuant to the sinking fund provisions of Article III of the Indenture, except at the request of the Industry. The County will cooperate with the Industry in effecting any purchase of Bonds to be delivered for credit against the sinking fund redemption obligation pursuant to Section 302 of the Indenture. Any certificate of the County required by Section 302 of the Indenture shall contain such information as is requested by the Industry.

Section 7.4. Prepayments. There is expressly reserved to the Industry the right and the Industry is authorized and permitted at any time it may choose to prepay all or any part of the amounts payable under Section 4.3(a) hereof, and the County agrees that the Trustee may accept such prepayments when the same are tendered by the Industry. All amounts so prepaid shall be credited on the payments specified in Section 4.3(a) hereof in the order of their due dates or, if requested by the Industry, the County will request the Trustee to apply such prepayments to the purchase of Bonds. The Industry has expressly reserved the right and is authorized to present any principal amount of Bonds to the Trustee for cancellation. Bonds so presented, for which a sinking fund has been established under the Indenture, shall be credited against sinking fund payments as provided under the

Indenture. All Bonds so presented and cancelled shall thereafter no longer be considered outstanding for any purposes of the Indenture or this Agreement, including Section 4.3 hereof.

Section 7.5. Modification of Pollution Control Facilities. The Industry may from time to time in its sole discretion and at its own expense modify, improve or enlarge the Pollution Control Facilities in any way permitted by the then applicable statutes, rules and regulations, and subject to any rights incident to previous financings, for the purpose of meeting the Industry's needs, provided that it will not, in so doing, commit, or suffer to be committed, any change which will adversely affect the tax exempt status of the interest payable on the Bonds.

Section 7.6. Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture) and of all fees and charges of the Trustee and the County, all references in this Agreement to the Bonds, the Trustee and the County shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Industry to pay any required loan repayment installments under Section 4.3(a) hereof at the time specified therein and the continuation of said failure to the earlier of (i) the expiration of seven banking hours after notice of such failure shall have been given by the Trustee to the Industry pursuant to Section 1013 of the Indenture that the amounts referred to in such notice have not been received, or (ii) until 11:00 A.M. (local time at the principal corporate trust office of the Trustee) on the next succeeding business day of the Trustee after the date provided for payment in Section 4.3(a) hereof.

(b) Failure by the Industry to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 8.1(a), for a period of sixty days after written notice, specifying such failure, requesting that it be remedied, and stating that it is a notice of default, has been given to the Industry by the County or the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if said failure be such that it cannot be corrected within the applicable period it shall not constitute an event of default if corrective action is instituted by the Industry within the applicable period and diligently pursued until the default is corrected.

(c) If the Industry makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself or of any substantial part of its property; or commences any proceeding relating to the Industry, under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or similar law or statute of any jurisdiction, whether now or hereafter in effect; or if there is commenced against the Industry any such proceeding which remains undismissed for a period of sixty days; or if the Industry indicates its consent to, approval of, or acquiescence in any such proceeding or the appointment of any receiver of or trustee for the Industry or any substantial part of its property; or if the Industry suffers any such receivership or trusteeship to continue undischarged for a period of sixty days.

The foregoing provision (b) of this Section is subject to the following limitations: If by reason of force majeure the Industry is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of the Industry contained in Article IV hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or the State of South Carolina or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage; malfunction or accident to facilities, machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the Industry. The Industry agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Industry from carrying out this Agreement; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Industry, and the Industry shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties.

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

(a) The County or the Trustee as provided in the Indenture may, at its option, declare all payments due or to become due under Section 4.3(a) hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts the Industry hereby agrees to pay.

(b) The County or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenant of the Industry under this Agreement.

(c) Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Except to the extent of such collection, no action taken pursuant to this Section shall relieve the Industry from the Industry's obligations pursuant to Section 4.3(a) and Section 8.2(a) hereof, all of which shall survive any such action.

Section 8.3. No Remedy Exclusive; Trustee Third Party Beneficiary. No remedy herein conferred upon or reserved to the County is intended to be exclusive of any other available remedy or

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

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Industry should default under any of the provisions of this Agreement and the County or the Trustee should employ attorneys or reasonably incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Industry herein contained, the Industry agrees that it will on demand therefor pay to the County or the Trustee the reasonable fee of such attorneys and such other expenses so incurred by the County or the Trustee.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by the Industry and thereafter waived by the County or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE IX

OPTIONS IN FAVOR OF THE INDUSTRY

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

At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Industry may terminate this Agreement by

(a) paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds, but only in accordance with the provisions of the Indenture, including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, and expenses of redemption, plus an amount of money equal to the Trustee's and paying agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds,

(b) in the case of redemption, making arrangements for the giving by the Trustee of the required notice of redemption, and

(c) by paying to the County any and all sums then due to the County under this Agreement.

Section 9.2. Option to Terminate Upon the Happening of Certain Events. The Industry shall have, and is hereby granted, the option to terminate this Agreement prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), if any of the events set forth in the following clauses shall have occurred (but only upon payment of the sum hereinafter prescribed):

(a) The Industry's Plant or the Pollution Control Facilities or any part of either of them shall have been damaged or destroyed to such an extent that in the opinion of the Industry expressed in a certificate of the Authorized Industry Representative filed with the County and the Trustee, the Industry's Plant or the Pollution Control Facilities cannot reasonably be restored within a period of six months to substantially the condition immediately preceding such damage or destruction and the Industry will thereby be prevented from conducting all, or substantially all, of its

operations at the Plant for a period of at least six consecutive months.

(b) Title to, or the permanent or temporary use of, the Industry's Plant or the Pollution Control Facilities or any part of either of them, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority to such an extent that in the opinion of the Industry expressed in a certificate of the Authorized Industry Representative filed with the County and Trustee, the Industry will thereby be prevented from conducting all, or substantially all, of its operations at the Plant for a period of at least six consecutive months.

(c) As a result of any changes in the Constitution of South Carolina or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the reasonable contest thereof by the Industry in good faith, this Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the County or the Industry in respect of the Plant or the Pollution Control Facilities, including without limitation, federal, state or other ad valorem, property, income or other taxes not imposed on the Plant or the Pollution Control Facilities on the date of this Agreement.

(d) Legal curtailment of the Industry's use of all or substantially all of the operations of the Plant for a period of six consecutive months.

(e) Changes in economic availability of raw materials, operating supplies or facilities necessary to operate the Plant or the Pollution Control Facilities or technological or other changes shall curtail all or substantially all of the operations of the Plant or the Pollution Control Facilities for a period of six consecutive months.

To exercise any such option set forth in this Section 9.2, the Industry shall, within sixty days following the event authorizing the exercise of such option, give written notice to the County and to the Trustee if any of the Bonds shall then be unpaid, and shall specify therein the date of termination, which date shall not be less than forty-five nor more than sixty days from the date such notice is mailed, shall direct the Trustee to transfer any amounts remaining in the Construction Fund to the Bond Fund, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture, shall

make arrangements for the giving by the Trustee of the required notice of redemption, provided that this option to terminate is conditioned upon the Industry's payment to the Trustee on or prior to the termination date of the sum of the following:

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund (including the amount transferred from the Construction Fund), will be sufficient to retire and redeem all the then outstanding Bonds on the earliest redemption date or dates provided by the Indenture, including, without limitation, principal, redemption premium, if any, all interest to accrue to said redemption date or dates and redemption expenses; plus

(2) An amount of money equal to the Trustee's and paying agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds; and any and all other sums then due to the County or to the Trustee under this Agreement or the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: If to the County, to the Spartanburg County Council, Spartanburg County Courthouse, Spartanburg, South Carolina 29301; if to the Industry to Monsanto Company, 800 North Lindbergh Boulevard, St. Louis, Missouri 63166 (Attention: Treasurer); if to the Trustee, to _____, _____, _____ (Attention: _____). The County, the Industry and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Filing. The pledge of revenues effected by the Indenture shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions.

The parties further agree that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the South Carolina Uniform Commercial Code - Secured Transactions, in order to continue the pledge of revenues effected by the Indenture, to the end that the rights of the holders of the Bonds and the Trustee shall be fully preserved as against creditors of, or purchasers for value from, the County or the Industry.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Industry and their respective successors and assigns, subject to the limitations contained in Sections 4.1, 6.3 and 7.1 hereof.

Section 10.4. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.5. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture, shall belong to and be paid to the Industry by the Trustee as overpayments.

Section 10.6. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or

terminated without in each instance the prior written consent of the Trustee, provided the County and the Industry may hereafter negotiate one or more amendments to this Agreement pertaining to the issuance of Additional Bonds pursuant to Section 6.7 of this Agreement; provided that no obligation is imposed on the County by this Section 10.6 to enter into any such amendment and no such amendment is permitted hereunder which would result either in the breach of the County's agreements pursuant to the Indenture or in the reduction of Industry's obligations pursuant to this Agreement.

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

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

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has executed this Agreement by causing its name to be hereunto subscribed by the County Administrator of Spartanburg County, its official seal to be impressed hereon, and attested by the Clerk of the Spartanburg County Council; and MONSANTO COMPANY has executed this Agreement by causing its corporate name to be hereunto subscribed by its duly authorized officer, its corporate seal to be impressed hereon, and attested by its Secretary or Assistant Secretary, all being done as of the day and year first above written.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
County Administrator

Attest:

Clerk, Spartanburg County Council

Signed, Sealed and Delivered in
the Presence of:

MONSANTO COMPANY

(SEAL)

By _____
Assistant Treasurer

Attest:

Assistant Secretary

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____, who being duly sworn says that (s)he saw the seal of Spartanburg County, South Carolina, affixed to the foregoing Loan Agreement, and that (s)he also saw _____, as County Administrator, and _____, as Clerk of the Spartanburg County Council, sign and attest the same and that (s)he with _____ witnessed the execution and delivery thereof as the act and deed of the said Spartanburg County, South Carolina.

SWORN to before me this
____ day of _____, 1979.

Notary Public for South Carolina
My Commission Expires:

STATE OF MISSOURI

COUNTY OF ST. LOUIS

PERSONALLY appeared before me _____, who being duly sworn says that (s)he saw the seal of Monsanto Company affixed to the foregoing Loan Agreement and that (s)he also saw _____, as _____, and _____, as _____, sign and attest the same and that (s)he with _____ witnessed the execution and delivery thereof as the act and deed of the said Monsanto Company.

SWORN to before me this _____ day of _____, 1979.

Notary Public for South Carolina
My Commission Expires:

EXHIBIT A

DESCRIPTION OF POLLUTION CONTROL FACILITIES

SPARTANBURG COUNTY, SOUTH CAROLINA

AND

as Trustee

TRUST INDENTURE

DATED AS OF SEPTEMBER 1, 1979

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THIS TRUST INDENTURE made and entered into as of the 1st day of September, 1979, by and between Spartanburg County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and _____, duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States of America, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Title 48, Chapter 3, Code of Laws of South Carolina, 1976, (the "Act"), to assist industries to eliminate, mitigate or prevent air and water pollution by providing a means with which to raise moneys to pay the cost of pollution control facilities through the issuance of revenue bonds payable solely out of the moneys derived by the County under a Loan Agreement by which the industry agrees to operate and maintain the pollution control facilities for the purposes intended and to pay the sums required to meet the payment of the principal of, premium, if any, and interest on any such bonds; and

WHEREAS, the County has made the necessary arrangements with Monsanto Company, a corporation organized and existing under the laws of the State of Delaware (hereinafter sometimes referred to as the "Industry"), so that the County will issue revenue bonds pursuant to the Act and loan the proceeds to the Industry to finance the acquisition, construction and installation of facilities designed to eliminate, mitigate or prevent either or both air and water pollution at the Industry's Plant located in the County (hereinafter sometimes referred to as the "Pollution Control Facilities") which will be the sole property of the Industry and will be of the character and accomplish the purposes intended by the Act, and the County has further entered into a Loan Agreement with the Industry, dated as of September 1, 1979 (hereinafter sometimes referred to as the "Loan Agreement"), specifying the terms and conditions of the acquisition, construction, installation and use of the Pollution Control Facilities by the Industry, and obligating the Industry to make payments in the amounts required to pay the principal of, premium, if any, and interest on the bonds hereinafter described; and

WHEREAS, the parties hereto desire that provision be made, not only for the issuance of bonds whose proceeds will be used to finance the costs of the Pollution Control Facilities to the extent contemplated by the Loan Agreement, but for the issuance of additional bonds to pay any other costs incident to the Pollution Control Facilities not initially financed pursuant to the Loan Agreement, to pay the cost of any other pollution control facilities that might hereafter be required for the Industry's Plant in the County and for the purpose of refunding bonds issued hereunder; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture") have been authorized by an ordinance duly adopted by the Spartanburg County Council (hereinafter sometimes referred to as the "County Board"), which constitutes the governing body of the County; and

WHEREAS, it has been determined that the amount now necessary to finance the cost of the Pollution Control Facilities, including necessary expenses incidental thereto, will require the initial issuance, sale and delivery of Bonds designated as SPARTANBURG COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE BONDS (MONSANTO COMPANY PROJECT) SERIES 1979, in the aggregate principal amount of \$2,700,000 (hereinafter sometimes referred to as the "Series 1979 Bonds") as hereinafter provided; and

WHEREAS, the issuance of the Series 1979 Bonds under the Act has been in all respects duly and validly authorized by an Ordinance duly passed and approved by the County Board; and

WHEREAS, the \$2,700,000 aggregate principal amount of Series 1979 Bonds to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed thereon, are all to be in substantially the forms hereto attached as Exhibits "A" or "B" with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, all things necessary to make the Series 1979 Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the County according to the import thereof, and to constitute this Indenture a valid lien on and pledge of the moneys paid under the Loan Agreement to secure the payment of the principal of, premium, if any, and interest on the Series 1979 Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Series 1979 Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS TRUST INDENTURE, WITNESSETH:

That the County in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the holders and owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, pledge and assign unto _____, as

Trustee, and unto its successors in trust, and to its assigns forever, for the securing of the performance of the obligations of the County hereinafter set forth, the following:

All right, title and interest of the County in and to the Loan Agreement relating to the Bonds, dated as of September 1, 1979, between the County and Monsanto Company, except amounts payable by the Industry to the County pursuant to Sections 5.2, 6.5 and 8.4 thereof, and all Pledged Revenues (as hereinafter defined) received or to be received under said Loan Agreement.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds and interest coupons thereto appertaining issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or interest coupons thereto appertaining over any of the others of the Bonds or interest coupons;

PROVIDED, HOWEVER, that if the County, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds issued hereunder and the premium, if any, and interest due or to become due thereon, at the times and in the manner mentioned in such Bonds and the interest coupons appertaining to such Bonds, respectively, according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as required under Article V hereof or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said moneys, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the Bonds and the bearers of the interest coupons thereto appertaining, or any part thereof, as follows, that is:

ARTICLE I

DEFINITIONS

SECTION 101. The terms defined in this Section 101 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 101.

"ACT" means Title 48, Chapter 3, Code of Laws of South Carolina, 1976.

"ADDITIONAL BONDS" means the Additional Bonds of the County issued under Article II of this Indenture.

"BONDS" means the bonds of the County from time to time issued and outstanding under the Indenture.

"BOND FUND" or "SPARTANBURG COUNTY POLLUTION CONTROL REVENUE BOND FUND - MONSANTO COMPANY PROJECT, SERIES 1979" means the fund created in Section 502 hereof.

"BOND REGISTRAR" means the Trustee acting in the capacity of keeper of the books on which is noted the registration of any Bonds.

"BONDHOLDER" or "HOLDER" or "OWNER OF THE BONDS" means the bearer of any coupon Bond not registered other than to bearer and the registered owner of any Bond registered otherwise than to bearer.

"BONDS OUTSTANDING" at any time means all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or theretofore delivered to the Trustee for cancellation;

(b) Bonds in lieu of which others have been authenticated under Section 207 hereof, unless proof satisfactory to the Trustee is presented to the Trustee that any such Bonds are held by bona fide purchasers as that term is defined in the South Carolina Uniform Commercial Code, as amended, in which case the Bond or Bonds so replaced and the Bond or Bonds authenticated and delivered therefor shall be deemed outstanding; and

(c) Bonds deemed to have been paid as provided in Section 901 hereof.

"CHAIRMAN" means the Chairman of the Spartanburg County Council. The term shall also include the Vice Chairman whenever, by reason of absence, illness or other reason the person who is the Chairman is unable to act.

"CLERK" means the Clerk of the Spartanburg County Council. The term shall also include the Assistant or Acting Clerk, whenever, by reason of absence, illness or other reason, the person who is the Clerk is unable to act.

"COUNTY" means Spartanburg County, South Carolina.

"COUNTY ADMINISTRATOR" means the County Administrator of Spartanburg County, South Carolina.

"COUNTY BOARD" means the Spartanburg County Council.

"CONSTRUCTION FUND" or "SPARTANBURG COUNTY POLLUTION CONTROL REVENUE BOND CONSTRUCTION FUND - MONSANTO COMPANY PROJECT, SERIES 1979" means the fund created by Section 602 hereof.

"DEFAULT" means any of those events of default specified in and defined by Section 1001 hereof.

"EXTRAORDINARY SERVICES" and "EXTRAORDINARY EXPENSES" means all services rendered and all expenses incurred under the Indenture by a Trustee other than Ordinary Services and Ordinary Expenses.

"INDENTURE" means these presents and other indentures supplemental hereto with the Trustee in pursuance hereof.

"INDUSTRY" means Monsanto Company, a Delaware corporation, and its successors and assigns and any surviving, resulting, or transferee corporation as provided in Section 6.3 of the Loan Agreement.

"LOAN AGREEMENT" means the Loan Agreement executed by and between the County and the Industry relating to the Bonds dated as of September 1, 1979, and any amendments or supplements thereto.

"ORDINARY SERVICES" and "ORDINARY EXPENSES" means those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Indenture.

"PENALTY RATE" means interest at the rate of ____% per year, but in no case in excess of the rate permitted by statute.

"PERSON" means natural persons, firms, associations, corporations and public bodies.

"PLANT" or "SPARTANBURG PLANT" means the manufacturing facilities in Spartanburg County, South Carolina, owned and operated by the Industry. The term "Plant" or "Spartanburg Plant" shall include the Pollution Control Facilities.

"PLEDGED REVENUES" means all payments, revenues and receipts pursuant to the Loan Agreement, other than Trustee's fees, payment of taxes and other governmental charges, payment of indemnification and attorneys' fees and expenses pursuant to Sections 4.3(c), 5.2, 6.5 and 8.4 of the Loan Agreement, respectively.

"POLLUTION CONTROL FACILITIES" means the facilities designed to eliminate, mitigate or prevent air and water pollution at the Industry's Plant. The Pollution Control Facilities are more specifically described in Exhibit A to the Loan Agreement.

"SERIES 1979 BONDS" means the \$2,700,000 Spartanburg County, South Carolina, Pollution Control Revenue Bonds (Monsanto Company Project), Series 1979, dated as of September 1, 1979, issued pursuant to the Indenture.

"TRUST ESTATE" means the Pledged Revenues.

"TRUSTEE" means _____, the party of the second part hereto, and any successor trustee pursuant to Sections 1105 or 1108 at the time serving as successor trustee hereunder.

ARTICLE II

THE BONDS

SECTION 201. RESTRICTION ON ISSUANCE OF BONDS. No Bonds may be issued under provisions of this Indenture except in accordance with this Article.

SECTION 202. ISSUANCE OF SERIES 1979 BONDS. Subject to the provisions of Section 206 hereof, the Series 1979 Bonds in the aggregate principal amount of \$2,700,000 dated as hereinafter provided, shall be issued. They shall be designated "Spartanburg County, South Carolina, Pollution Control Revenue Bonds (Monsanto Company Project), Series 1979" and shall be in coupon or fully registered form as herein provided. The Series 1979 Bonds shall bear interest as hereinafter provided at the rate of _____% per annum, payable March 1, 1980 and semiannually thereafter on September 1 and March 1 of each year. They shall mature on September 1, _____.

Interest on the Series 1979 coupon Bonds shall be evidenced by interest coupons. The principal of the coupon Bonds, and premium, if any, and the interest thereon evidenced by interest coupons, shall be payable to bearer when due upon presentation and surrender of the coupon Bonds or interest coupons at the office of the Trustee. Payments of interest made in respect of any fully registered Bonds shall be by check or draft mailed by the Trustee to the registered holder and premium made in respect of any Bond which is fully registered or registered as to principal only shall be made to or upon the order of the registered holder or his legal representative upon presentation or surrender of such Bond at the office of the Trustee for cancellation and, if appropriate, exchange for a Bond in the principal amount equal to the balance of principal amount of such Bond remaining unpaid.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Bonds shall be executed on behalf of the County by the Chairman and the seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Clerk provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds in coupon form shall be executed by the facsimiles of the official signatures of said Chairman and Clerk and such facsimiles shall have the same force and effect as if said Chairman and Clerk manually signed each of the coupons. The Bonds, together with interest thereon, shall be limited obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against such fund and the Pledged Revenues paid to the County pursuant to the Loan Agreement. Pledged Revenues and receipts are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and coupons do not now and shall never constitute an indebtedness of

the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

In case any officer whose signature or facsimile of whose signature shall appear on the Bonds or coupons shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

SECTION 204. AUTHENTICATION. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form herein set forth duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder. Before authenticating or delivering any Bonds, the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto, and such cancelled coupons shall be cremated by the Trustee.

SECTION 205. FORM; DENOMINATION; MEDIUM OF PAYMENT. The Series 1979 Bonds shall be either in coupon form registrable as to principal only or in fully registered form without coupons. The Series 1979 Bonds shall be issued in the denomination of \$5,000 in the case of coupon Bonds registrable as to principal only, and in denominations of \$5,000 or any whole multiple thereof in the case of fully registered Bonds. The Series 1979 Bonds shall be substantially in the forms set forth as Exhibits "A" or "B" hereto with such variations, insertions or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. The Bonds shall be payable with respect to principal, interest, and premium, if any, in lawful money of the United States of America. Any series of Additional Bonds shall be substantially in such form as shall be prescribed by the supplemental indenture making provision for the issuance thereof.

SECTION 206. DELIVERY OF THE SERIES 1979 BONDS. Upon the execution and delivery of the Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate the Series 1979 Bonds in the aggregate principal amount of \$2,700,000 and deliver them to such purchaser or purchasers as may be directed by the County as hereinafter in this Section 206 provided.

Prior to the authentication by the Trustee of any of the Series 1979 Bonds there shall be filed with the Trustee:

1. A copy, duly certified by the Clerk of the County Board, of the Ordinance of the County Board authorizing the execution and delivery of the Loan Agreement.

2. An original executed counterpart of the Loan Agreement.

3. A copy, duly certified by the Clerk of the County Board, of the Ordinance of the County Board authorizing the execution and delivery of this Indenture and the issuance of \$2,700,000 aggregate principal amount of the Series 1979 Bonds, together with an original executed counterpart of the Trust Indenture.

4. A request and authorization to the Trustee on behalf of the County Board and signed by the County Administrator and by the Clerk of the County Board to authenticate and deliver the Series 1979 Bonds in the aggregate principal amount of \$2,700,000 to the purchasers therein identified upon payment to the Trustee, for the account of the County, of a sum specified plus interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided in Article VI hereof.

5. The written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds to the effect that the issuance of the Series 1979 Bonds and the execution thereof have been duly authorized, the conditions precedent to the delivery thereof have been fulfilled, the Series 1979 Bonds constitute valid and binding obligations of the County in accordance with their terms and that interest on the Series 1979 Bonds is not subject to Federal Income Taxes, except under the conditions contemplated by Section 103(b)(8) of the Internal Revenue Code of 1954, as amended.

SECTION 207. MUTILATED, LOST, STOLEN OR DESTROYED BONDS OR COUPONS. In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Trustee may authenticate a new Bond of like series, date, maturity and denomination as that mutilated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those (if any) on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the County, and in the case of any lost, stolen, or destroyed Bond, there shall be first furnished to the County and the Trustee evidence of such

loss, theft or destruction satisfactory to the County and the Trustee, together with indemnity satisfactory to the County, the Trustee and the Industry. In the event any such Bond or coupons shall have matured, instead of issuing a duplicate Bond or coupon the County may pay the same; provided the conditions set forth in the immediately preceding sentence for replacing unmatured mutilated, lost, stolen or destroyed Bonds or coupons shall apply also to payment of matured mutilated, lost, stolen or destroyed Bonds or coupons. The County and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection.

SECTION 208. NEGOTIABILITY, TRANSFER AND REGISTRY; PERSONS TREATED AS OWNERS. Title to any coupon Bond, unless such Bond is registered in the manner hereinafter provided, and to any interest coupon shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The County shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee as Bond Registrar. At the option of the holder, any coupon Bond may be registered on such books as to principal only upon presentation thereof to the Trustee as Bond Registrar, which shall make notation of such registration thereon. The transfer of any coupon Bond so registered as to principal may thereafter be registered only upon an assignment duly executed by the registered holder or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such registration of transfer to be made on such books and endorsed on the coupon Bond by the Bond Registrar. Such registration of transfer may be to bearer and thereafter transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any coupon Bond registered as to principal only, unless registered to bearer, shall be payable only to or upon the order of the registered holder or his legal representative, but the coupons appertaining to any Bond registered as to principal shall remain payable to bearer notwithstanding such registration.

The County, the Trustee and any paying agent may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal (except to bearer), as the absolute owner of such coupon Bond or coupon, as the case may be, whether such coupon Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the County, the Trustee nor any paying agent shall be affected by any notice to the contrary.

The transfer of each registered Bond may be registered only upon the books of the County, which shall be kept for that purpose at the principal office of the Trustee in _____, by the registered holder thereof in person or by his duly authorized attorney upon surrender thereof and an assignment with a written instrument of transfer satisfactory to the Trustee duly executed by the registered holder or his duly authorized attorney. Upon the registration of transfer of any such registered Bond the County shall issue, subject to

the provisions of Section 211, in the name of the transferee a new registered Bond or Bonds or, at the option of the transferee, a coupon Bond or Bonds (which may be registered as therein provided, if requested), with appropriate coupons attached, of the same series and of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

The County, the Trustee and any paying agent may deem and treat the person in whose name any registered Bond shall be registered upon the books of the County as the absolute owner of such Bonds, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Bond and for all other purposes, and all such payments so made to any such registered holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the County, nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

SECTION 209. NUMBERS, DATE AND PAYMENT PROVISIONS.

The Series 1979 Bonds shall be numbered and designated in such manner as the County, with the concurrence of the Trustee, shall determine. Coupon Bonds shall bear interest from September 1, 1979. Each registered Bond shall bear interest from its date and shall be dated as of the interest payment date next preceding the date of its authentication, unless authentication shall be upon an interest payment date, in which case it shall be dated as of the date of its authentication, or unless authentication shall precede the first interest payment date for the Bonds of such series, in which case it shall be dated as of the same date as the coupon Bonds of the same series, provided, however, that if at the time of authentication of any such registered Bonds, any interest on such Bond is in default, such Bond shall be dated as of the date to which interest on such Bond has been paid.

SECTION 210. INTERCHANGEABILITY OF BONDS.

1. Coupon Bonds, upon surrender thereof at the principal office of the Trustee in _____, with all unmatured coupons and all matured coupons in default attached, may, at the option of the holder thereof, and upon payment by such holder of any charges which the Trustee may make as provided in Section 211, be exchanged for an equal aggregate principal amount of registered Bonds of any of the authorized denominations.

2. Fully registered Bonds, upon surrender thereof at the principal office of the Trustee in _____, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered holder or his duly authorized attorney, may, at the option of the registered holder and upon payment by such registered holder of any charges which the Trustee may make as provided in Section 211, be exchanged for an equal aggregate principal amount of

coupon Bonds, with appropriate coupons attached or of registered Bonds of any other authorized denominations.

SECTION 211. REGULATIONS WITH RESPECT TO EXCHANGES AND TRANSFER. In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the County shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. The Trustee shall retain in his custody for safekeeping coupon Bonds surrendered in exchange until such time as there shall be a request that such coupon Bonds be redelivered in exchange. All fully registered Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. There shall be no charge to a holder for such exchange or transfer of Bonds except that the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the County nor the Trustee shall be required (a) to register, transfer or exchange Bonds for a period of ten days next preceding an interest payment date on the Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the first publication or mailing of any notice of redemption, or (b) to register, transfer or exchange any Bonds called for redemption.

SECTION 212. ISSUANCE OF ADDITIONAL BONDS. The County, at the request of the Industry and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing additional moneys to be used for the purpose of paying any remaining costs of the Pollution Control Facilities, and to pay the cost of additional pollution control facilities of the Industry, and for the purpose of refunding Bonds previously issued pursuant to this Indenture; such Bonds to be on a parity with the Series 1979 Bonds and any Additional Bonds theretofore or thereafter issued and payable from the Bond Fund. The proceeds of any Additional Bonds shall be used solely to pay such costs of pollution control facilities, to refund previously issued Bonds, and to pay the costs incident to the issuance of the Additional Bonds.

Such Additional Bonds shall be issued in such series and principal amounts, shall be dated, shall bear interest from such date or dates and at such rate or rates, shall be subject to redemption on such conditions and at such times and prices, shall have such sinking fund and other terms and provisions, and shall mature in such years as the indenture supplemental hereto authorizing the issuance thereof shall fix and determine, and shall be deposited with the Trustee for authentication and delivery.

SECTION 213. DELIVERY OF ADDITIONAL BONDS. Upon the execution and delivery in each instance of an appropriate indenture supplemental hereto, the County shall execute and deliver to the Trustee, and the Trustee shall authenticate, such Additional Bonds and deliver them to the purchaser or purchasers as may be directed by the County, as hereinafter in this Section 213 provided. Prior to the

delivery by the Trustee of any such Bonds there shall be filed with the Trustee:

(1) A valid and effective amendment to the Loan Agreement, providing for an increase in the obligations of the County and the Industry in accordance with Section 6.7 of the Loan Agreement.

(2) A valid and effective supplemental indenture providing for the issuance of such new series of Additional Bonds and assigning the additional payments to be made by the Industry to the payment of the Bonds.

(3) A copy, duly certified by the Clerk of the County Board, of the Ordinance theretofore adopted and approved authorizing the execution and delivery of such supplemental indenture and such amendments to the Loan Agreement and the issuance of such Bonds.

(4) A request and authorization to the Trustee on behalf of the County and signed by the County Administrator and the Clerk of the County Board to deliver such Bonds to the purchaser or purchasers therein identified upon payment to the Trustee, for the account of the County of a specified sum plus any accrued interest. The proceeds of such Bonds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

(5) A written opinion by an attorney or firm of attorneys of recognized standing on the subject of municipal bonds, to the effect that the issuance of such Bonds, and the execution thereof have been duly authorized, the conditions precedent to the delivery thereof have been fulfilled, and that the tax exempt status of the interest on Bonds then outstanding is not affected by the issuance of such Additional Bonds.

(6) In the case of Additional Bonds issued for the purpose of refunding all or any part, of the Bonds issued under the provisions of this Indenture,

(i) A certified copy of an Ordinance describing the Bonds to be refunded and authorizing all necessary action in connection with the refunding thereof pursuant to the provisions of this Indenture and stating the estimate by the County of its expenses in connection with the issuance of such Additional Bonds.

(ii) Evidence satisfactory to the Trustee that notice of redemption of the Bonds to be redeemed

has been published or given as provided in this Indenture, or that provisions satisfactory to the Trustee have been made for the publication or giving of such notice.

(iii) The proceeds (including accrued interest and any premium) of such Additional Bonds, which, exclusive of accrued interest, shall be not less than an amount sufficient (together with any other moneys available to the Trustee for such purpose) to pay the principal of and premium, if any, on the Bonds to be refunded, plus the amount estimated by the County as necessary for payment of its expenses in connection with the redemption of the Bonds to be refunded and the issuance of such Additional Bonds.

The amount estimated by the County for payment of its expenses in connection with the redemption of the Bonds to be refunded and the issuance of such Additional Bonds shall be set aside by the Trustee out of such proceeds and applied by it in payment of such expenses. The balance of such proceeds shall be held and applied by the Trustee in the manner hereinafter in this Section 213 set forth. Any amount of the moneys set aside for the payment of such expenses remaining after all such expenses have been paid or provided for shall be transferred by the Trustee to the Bond Fund.

Simultaneously with the delivery of such Additional Bonds, the Trustee shall withdraw from any sums then available for payment of interest on the Bonds to be refunded an amount sufficient (together with any excess of the proceeds of such Additional Bonds over the amount required for paying the principal of and the premium, if any, on the Bonds to be refunded, after excluding from such proceeds accrued interest and excluding the amount set aside for the payment of the expenses of the County in connection with the redemption of the Bonds to be refunded and the issuance of such Additional Bonds, but including any premium) to pay the interest on the Bonds to be refunded which will become payable on or prior to their maturity or the date fixed for their redemption, as the case may be. The amount so withdrawn and the proceeds of such Additional Bonds (excluding accrued interest and the amount set aside for the payment of the expenses of the County in connection with the redemption of the Bonds to be refunded and the issuance of such Additional Bonds, but including any premium) shall be held by the Trustee in trust for the sole and exclusive purpose of paying the principal of, premium, if any, and interest on the Bonds to be refunded. The amount paid as accrued interest on such Additional Bonds shall be deposited by the Trustee in the Bond Fund.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. REDEMPTION DATES AND PRICES FOR SERIES 1979 BONDS. The Series 1979 Bonds are noncallable for redemption prior to September 1, 1989, except upon the exercise by the Industry of its option to terminate the Loan Agreement as provided in Section 9.2 thereof or except as required by operation of Section 3.3 of the Loan Agreement. If called for redemption in either of such events, the Series 1979 Bonds shall be subject to redemption by the County at any time, in whole (with respect to a redemption resulting from exercise of the Industry's option pursuant to said Section 9.2), or in part (with respect to excess Bond proceeds in the Construction Fund after the Completion Date as defined in the Loan Agreement), in the manner provided in this Article III, at the principal amount thereof, plus accrued interest to the redemption date.

The Series 1979 Bonds are also subject to optional redemption by the County prior to maturity on September 1, 1989, and thereafter, in whole on any date, or in part on any interest payment date (less than all the Bonds to be selected by lot by the Trustee) in the manner hereinafter provided, in Section 306 of this Indenture, at the redemption prices (expressed as percentages of principal amount) set forth in the table below, together with interest accrued to the redemption date:

<u>Redemption Date</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
September 1, 1989 and March 1, 1990	103 %
September 1, 1990 and March 1, 1991	102- $\frac{1}{2}$
September 1, 1991 and March 1, 1992	102
September 1, 1992 and March 1, 1993	101- $\frac{1}{2}$
September 1, 1993 and March 1, 1994	101
September 1, 1994 and March 1, 1995	100- $\frac{1}{2}$
September 1, 1995 and thereafter	100

The Series 1979 Bonds are also subject to mandatory redemption in part on September 1, 19__, and on each September 1 thereafter to and including September 1, ____, all in accordance with the sinking fund provisions of Section 302 of this Indenture, at the principal amount thereof plus accrued interest to the redemption date.

SECTION 302. Sinking Fund for Series 1979 Bonds. As and for a sinking fund for the retirement of the Series 1979 Bonds there shall be deposited in the Bond Fund on or before September 1, 19__, and on or before each September 1 thereafter, to and including September 1, ____, (each such September 1 is hereafter referred to as a "sinking fund payment date") an amount sufficient to redeem or to pay (after credit as provided below) the following principal amounts of such Series 1979 Bonds on the dates specified:

September 1
of the Year

Sinking Fund
Requirements

At its option, to be exercised prior to the forty-fifth day next preceding any sinking fund payment date, the Industry may

(i) cause to be paid to the Trustee for deposit in the Bond Fund, as a prepayment of sums due under the Loan Agreement such amount of funds as the Industry may determine, with written instructions to the Trustee, signed in the name of the Industry by an authorized officer thereof, to apply such funds prior to said forty-fifth day to the purchase of Series 1979 Bonds,

(ii) deliver to the Trustee for cancellation of any principal amount of Series 1979 Bonds, or

(iii) receive a credit in respect of its next ensuing sinking fund payment for any such Series 1979 Bonds, which prior to said sinking fund payment date have been purchased or redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund payment.

Upon receipt of the funds and instructions specified in (i) above, the Trustee shall use all reasonable efforts to expend such funds as nearly as may be practicable in the purchase of such Series 1979 Bonds at a price not exceeding the principal amount thereof plus accrued interest to such sinking fund payment date on or prior to such sinking fund payment date. Any such funds not so expended by the Trustee shall be retained in the Bond Fund and shall be applied as herein otherwise provided for moneys in the Bond Fund. The Series 1979 Bonds so purchased or presented for cancellation as provided above shall be cancelled by the Trustee as provided in Section 304 of the Indenture and shall be credited, at their principal amount, until the full amount thereof has been so credited against the next ensuing and future sinking fund payments in chronological order to the extent otherwise payable out of payments due under the Loan Agreement.

SECTION 303. NOTICE OF REDEMPTION. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any series are to be

redeemed, the numbers of such Bonds so to be redeemed, and, in the case of fully registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall be given by publication at least once not less than thirty days nor more than sixty days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, State of New York, and in the case of redemption of fully registered Bonds or coupon Bonds registered as to principal (other than to bearer), by mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each such registered Bond to be redeemed, at the address shown on the registration books. If all the Bonds to be redeemed are fully registered Bonds or coupon Bonds registered as to principal (other than to bearer), such mailed notice shall be sufficient and published notice of the call for redemption need not be given and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any such registered Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. All Bonds so called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as the Trustee shall approve shall be a sufficient publication of notice.

SECTION 304. CANCELLATION. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee together with the unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the County and the Industry. All Bonds so destroyed shall thereafter no longer be considered outstanding for any purposes of the Indenture or the Loan Agreement.

SECTION 305. UNPAID COUPONS. All unpaid coupons which appertain to Bonds so called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons.

SECTION 306. SELECTION OF BONDS TO BE REDEEMED. In the event of redemption of less than all of the Bonds of any series, the Bonds or portions of Bonds of such series to be redeemed shall be selected by lot by the Trustee; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat

each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000. If there shall be drawn for redemption less than all of a registered Bond, the County shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, at the option of the holder thereof, either coupon Bonds or registered Bonds in any of the authorized denominations. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

SECTION 307. PURCHASE OF BONDS. The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the County upon request of the Industry at such time, in such manner and at such price as may be specified by the Industry. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds in excess of any amount set aside for payment of Bonds called for redemption; provided, that any limitations or restrictions on such redemption or purchase contained in the Loan Agreement or this Indenture shall be complied with. The expense of such purchase shall be deemed an expense of the Trustee under Section 1102.

ARTICLE IV

GENERAL COVENANTS

SECTION 401. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Each and every covenant herein made, including all covenants contained in the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the Pledged Revenues received under the Loan Agreement which are required to be set apart and transferred to the Bond Fund, which moneys, revenues and receipts are hereby specifically pledged to the payment thereof in the manner and to the extent in this Indenture specified and nothing in the Bonds or coupons or in this Indenture shall be considered as pledging any other funds or assets of the County.

The County covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds, and in the coupons appertaining thereto according to the true intent and meaning thereof.

SECTION 402. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The County covenants that it is duly authorized under the Constitution and laws of the State of South Carolina, to issue the Bonds authorized hereby, to enter into the Loan Agreement and to execute this Indenture, and to pledge the moneys, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and effectual obligations of the County according to the import thereof.

SECTION 403. INSTRUMENTS OF FURTHER ASSURANCE. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee the moneys, revenues and receipts pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds.

The County covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of

any part of the moneys, revenues and receipts under the Loan Agreement or of its rights under the Loan Agreement.

SECTION 404. MAINTENANCE, REPAIR AND INSURANCE. In Section 5.1 of the Loan Agreement, and subject to the provisions thereof, the Industry agrees at its own expense to pay the cost of maintaining the Pollution Control Facilities in good repair and the costs of keeping the Pollution Control Facilities properly insured. The Trustee shall be fully empowered as set forth in Section 406 hereof to enforce the obligations of the Industry as prescribed by Section 5.1 of the Loan Agreement.

SECTION 405. INSPECTION OF POLLUTION CONTROL FACILITIES BOOKS. The County covenants and agrees that all books and documents in its possession relating to the Pollution Control Facilities and the moneys, revenues and receipts derived from the Pollution Control Facilities shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

SECTION 406. RIGHTS UNDER LOAN AGREEMENT. The Loan Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the County and the Industry including a provision that subsequent to the initial issuance of the Bonds and prior to their payment in full, or provision for payment thereof in accordance with the provisions hereof, the Loan Agreement may not be effectively amended, changed, modified, altered or terminated (other than as provided therein) without the prior written consent of the Trustee and reference is hereby made to the Loan Agreement for a detailed statement of said covenants and obligations of the Industry under the Loan Agreement, and the County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Industry under and pursuant to the Loan Agreement for and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 407. LIST OF BONDHOLDERS. To the extent that such information shall be made known to the County under the terms of this Section 407, it will keep on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. Any Bondholder may request that his name and address be placed on said list by filing a written request with the County or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Industry or by holders or owners (or a designated representative thereof) of twenty-five per cent or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

SECTION 408. FILING. The security interest of the Trustee created by this Indenture in the moneys, revenues and receipts payable under the Loan Agreement shall be perfected by the filing in the office of the Registrar of Mesne Conveyance for Spartanburg County, South Carolina and in the office of the Secretary of State of South Carolina, in the City of Columbia, South Carolina, of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions. Such financing or continuation statements shall be filed from time to time by the Trustee in said offices of the Registrar of Mesne Conveyance for Spartanburg County and the Secretary of State of South Carolina as in the opinion of counsel, are necessary to preserve the lien of this Indenture.

ARTICLE V

REVENUES AND FUNDS

SECTION 501. SOURCE OF PAYMENT OF BONDS. The Bonds herein authorized and all payments by the County hereunder are not general obligations of the County but are limited obligations payable solely from the Pledged Revenues derived from the Loan Agreement and as authorized and provided in this Indenture.

The payments provided for in Section 4.3(a) and (b) of the Loan Agreement are to be remitted by the Industry directly to the Trustee for the account of the County and deposited in the Bond Fund. Said payments are required to be sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the entire Pledged Revenues from said Loan Agreement are pledged to the payment of the principal of, premium, if any, and interest on the Bonds. The County hereby covenants and agrees that it will not create any lien upon said Pledged Revenues other than the lien hereby created.

SECTION 502. CREATION OF THE BOND FUND. There is hereby created by the County and ordered established with the Trustee a trust fund to bear the designation set forth in the definition of "Bond Fund" in Section 101.

SECTION 503. PAYMENTS INTO THE BOND FUND. There shall be deposited into the Bond Fund all accrued interest and premium, if any, received from the sale of the Bonds. In addition, there shall be deposited in the Bond Fund (a) any amount remaining in the Construction Fund directed to be paid into the Bond Fund pursuant to Section 3.3 or 9.2 of the Loan Agreement and any amounts to be transferred from the Construction Fund pursuant to Section 602 hereof; (b) all payments specified in Section 4.3(a) and (b) of the Loan Agreement; (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement when accompanied by directions by the Industry that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited, in the Bond Fund for its account sufficient sums from the Pledged Revenues derived from the Loan Agreement promptly to meet and pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable.

SECTION 504. USE OF MONEYS IN THE BOND FUND. Except as provided in Section 509 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds at or prior to maturity. Except as hereinafter in this Section 504 provided, no part of said payments made pursuant to the Loan Agreement into the Bond Fund shall be used to redeem, prior to maturity, a part of the Bonds Outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the

Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the County covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further, that any moneys in the Bond Fund other than payments made pursuant to clause (i) of Section 3.2 or Section 4.3 of the Loan Agreement may be used at the request of the County to redeem a part of the Bonds Outstanding on the next succeeding redemption date for which the required notice of redemption may be given so long as the Industry is not in default with respect to any payments made under the Loan Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and uncollected interest in all cases where such Bonds or coupons have not been presented for payment.

SECTION 505. CUSTODY OF THE BOND FUND. The Bond Fund shall be in the custody of the Trustee but in the name of the County and the County hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of, premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and to the paying agent or agents for the purpose of paying said principal of, premium, if any, and interest, which authorization and direction the Trustee hereby accepts.

SECTION 506. NON-PRESENTMENT OF BONDS OR COUPONS. In the event any Bonds shall not be presented for payment in whole or in part when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bond, or the portion thereof then due and payable, or coupon shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the County and Industry to the holder thereof for the payment of such Bond or the portion thereof then due and payable or coupon, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bond, or the bearer of such coupon, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or coupon.

SECTION 507. TRUSTEE'S AND PAYING AGENTS' FEES, CHARGES AND EXPENSES. Pursuant to Section 4.3(c) of the Loan Agreement, the Industry has agreed to pay to the Trustee, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee and Ordinary Expenses incurred by it under this Indenture, as and when the same become due, (ii) the reasonable fees and charges of the Trustee, as Bond

Registrar and paying agent, and any other paying agents on the Bonds for acting as paying agents as and when the same become due, and (iii) the reasonable fees and charges for any necessary Extraordinary Services and Extraordinary Expenses of the Trustee incurred by it under this Indenture, as and when the same become due. It is further understood and agreed that the initial or acceptance fees of the Trustee will be paid to the Trustee from the Construction Fund as and when the same shall become due. The Industry may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

SECTION 508. MONEYS TO BE HELD IN TRUST. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 509. REPAYMENT TO THE INDUSTRY FROM THE BOND FUND. Any amounts remaining in the Bond Fund after payment in full of the principal of, premium, if any, and interest on Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder shall be paid to the Industry upon the expiration or sooner termination of the term of the Loan Agreement as provided in Section 10.5 thereof.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 601. DEPOSITS IN THE BOND FUND. From the proceeds of the issuance and delivery of Bonds there shall be deposited in the Bond Fund all accrued interest and premium, if any, received upon the sale of the Bonds.

SECTION 602. CONSTRUCTION FUND; DISBURSEMENTS. There is hereby created and established with the Trustee a trust fund in the name of the County to bear the designation set forth in the definition of "Construction Fund" in Section 101. The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made, shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Loan Agreement and particularly Section 3.3 thereof.

The Trustee is hereby authorized and directed to issue its checks for each disbursement required by the aforesaid provisions of the Loan Agreement. If an event of default shall occur and the Trustee shall declare the principal of all Bonds then Outstanding to be due and payable, all moneys held in the Construction Fund at the time of such declaration shall be transferred to the Bond Fund by the Trustee, and the Trustee shall sell any investments held in the Construction Fund and transfer the proceeds to the Bond Fund.

The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom and after the Industry shall have certified that the Pollution Control Facilities have been completed and a certificate of payment of all costs shall have been filed as provided in Section 603 hereof, the Trustee shall, if requested by the Industry, file an accounting thereof with the County and with the Industry.

SECTION 603. COMPLETION OF THE POLLUTION CONTROL FACILITIES. The completion of the Project and the payment of all costs and expenses incident to the construction, acquisition and installation of the Pollution Control Facilities shall be evidenced by the filing with the Trustee of the certificate required by the provisions of Section 3.6 of the Loan Agreement. Any moneys remaining in the Construction Fund at the time such certificate is delivered shall be used for one of the purposes set forth in Section 3.6 of the Loan Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. INVESTMENT OF CONSTRUCTION FUND AND BOND FUND MONEYS. Any moneys held as part of the Construction Fund and the Bond Fund shall, at the written request of and as specified by the Authorized Industry Representative (as defined in the Loan Agreement), be invested and reinvested by the Trustee in accordance with the provisions of Section 3.8 of the Loan Agreement; provided, however, that neither all nor a major portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such a manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 103(c)(2) of the Internal Revenue Code of 1954, as amended, or regulations promulgated pursuant thereto. Any such investment shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund in which such moneys were originally held, and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed, in the case of the Construction Fund, to pay a requisition when requested, or in the case of the Bond Fund, to pay the current principal and interest requirements, and sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund or the Bond Fund is insufficient to make the payments required from such fund.

SECTION 702. TRUSTEE'S OWN BOND DEPARTMENT. The Trustee may make any and all investments permitted under Section 701 through its own Bond Department.

ARTICLE VIII

LAWS GOVERNING INDENTURE

SECTION 801. LAWS GOVERNING INDENTURE AND SITUS AND ADMINISTRATION OF TRUST. The effect and meaning of this Indenture and the rights of all parties hereunder shall be governed by, and construed according to, the laws of the State of South Carolina, but it is the intention of the County that the situs of the trust created by this Indenture be in the state in which is located the corporate trust office of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or cotrustee pursuant to Section 1112 of this Indenture. It is the further intention of the County that the Trustee administer said trust in the state in which is located, from time to time, the situs of said trust.

ARTICLE IX

DISCHARGE OF LIEN; WHEN PRINCIPAL, PREMIUM AND INTEREST DEEMED PAID

SECTION 901. DISCHARGE OF LIEN OF THE INDENTURE; WHEN PRINCIPAL, PREMIUM AND INTEREST DEEMED PAID. If the County shall pay or cause to be paid, or there shall otherwise be paid to the holders of all Bonds and coupons, the principal of, premium, if any, and interest on the Bonds, due or to become due thereon, at the times and in the manner provided in the Indenture, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the rights hereby granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the Indenture, and execute and deliver to the County any property at the time subject to the Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Industry under Section 509 hereof and except funds, or securities in which such funds are invested, held by the Trustee for the payment of interest on, principal of, and premium, if any, on the Bonds.

All outstanding Bonds and coupons appertaining to such Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if

(a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in Article III hereof,

(b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of or obligations guaranteed by the United States of America the principal of and the interest on which, without further investment when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal of, premium, if any, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and

(c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable, in the same manner as a notice of redemption is given pursuant to Section 303 hereof, a notice to the holders of such Bonds

and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, on said Bonds.

Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any other purpose than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments not required for the defeasance of Bonds shall be paid over to the Industry as received by the Trustee; free and clear of any trust, lien or pledge.

Insofar as the covenants and obligations of the County and the Industry are concerned, and for purposes of clauses (a) and (b) of Section 1001 hereof, the principal of, premium, if any, and interest on any Bond shall be deemed to have been duly and punctually paid and any obligations of the County and the Industry to cause such payments to be made shall be deemed to have been duly and punctually discharged, if on the respective due dates of such payments (whether at the stated maturity of such Bond or upon its call for redemption or on the due date of any interest payment thereon) the County or the Industry shall have paid or caused to be paid to the Trustee, or caused the Trustee to appropriate irrevocably for such purpose, moneys for the payment thereof, and under such circumstances the sole rights of the holder of such Bond with respect to such payments shall be against the Trustee.

If, through lapse of time or otherwise, the holder of any bond or coupon shall no longer be able to enforce payment of the principal of, premium, if any, and interest on such bond or coupon against the County, then in such event the Trustee shall (upon indemnification satisfactory to the Trustee) pay to the Industry the sum or sums paid to the Trustee by the Industry therefor.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001. DEFAULTS; EVENTS OF DEFAULT. If any of the following events occur, subject to the provisions of Section 1010 and 1011 hereof, it is hereby defined as and declared to be and constitute an "event of default";

(a) Failure to make due and punctual payment of any interest on any Bond; provided, however, if such failure shall arise other than by reason of a default by the Industry under the Loan Agreement, the continuation of such failure for ten days; or

(b) Failure to make due and punctual payment of the principal of any Bonds (or premium thereon, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration; provided, however, if such failure shall arise other than by reason of a default by the Industry under the Loan Agreement, the continuation of such failure for ten days; or

(c) The occurrence of an "event of default" under the Loan Agreement; or

(d) Subject to the provisions of Section 1011 hereof, failure to perform or observe any other of the covenants, agreements or conditions on the part of the County contained in this Indenture or in the Bonds.

SECTION 1002. ACCELERATION. Upon the occurrence and continuation of an event of default the Trustee may, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the County and the Industry declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. REMEDIES. (1) Upon the happening and continuance of an event of default specified in Section 1001, then and in such case the Trustee may proceed, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds Outstanding shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by suit, action or proceeding in accordance with the laws of the State of South Carolina, enforce all rights of the Bondholders, including the right to require the County to enforce the Loan Agreement and to require the County to carry out any other covenant or agreement with Bondholders and to perform its duties under the Loan Agreement:

(b) by suit upon the Bonds;

(c) by action or suit, on its own account, enforce the Loan Agreement; and

(d) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

(2) In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the County for principal, redemption premium, interest or otherwise, under any provision of this Indenture or of the Bonds, and unpaid, with interest on overdue payments at the Penalty Rate, together with any and all costs and expenses of collection and all proceedings hereunder and under such Bonds.

SECTION 1004. RIGHTS OF BONDHOLDERS. If an event of default shall have occurred and be continuing, and if requested so to do by the holders of not less than twenty-five percent in the aggregate principal amount of Bonds then outstanding and if indemnified as provided in Section 1101(k) hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Article X as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right of power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 1005. RIGHTS OF BONDHOLDERS TO DIRECT PROCEEDINGS. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law.

SECTION 1006. APPLICATION OF MONEYS. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become, or shall have been declared, due and payable, all such moneys shall be applied:

First -- To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second -- To the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full principal of and premium, if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

Third -- To the payment to the persons entitled thereto of interest at the Penalty Rate on all past due installments of principal and interest from their respective due dates and, if the amount

available shall not be sufficient to pay in full the whole amount of interest so due, then to the payment ratably, according to the amount of interest then due, to the persons entitled thereto without any discrimination or privilege and without any distinction between interest on past due interest and interest on past due principal.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal of, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of the interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal of, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1006 and all expenses and charges of the Trustee shall have been paid, any balance remaining in the Bond Fund shall be paid to the Industry as provided in Section 509 hereof.

SECTION 1007. REMEDIES VESTED IN TRUSTEE. All rights of action (including the right to file proof of claim) under this Indenture

or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

SECTION 1008. RIGHTS AND REMEDIES OF BONDHOLDERS. No holder or bearer of any Bond or coupon, as the case may be, shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof, unless also a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, or unless also such default shall have become an event of default and the holders of at least twenty-five percent in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, or unless also they have offered to the Trustee indemnity as provided in Section 1101(k) nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds and the bearers of all coupons then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof and to the bearers of the coupons at the time, place, from the source and in the manner in said Bonds and the coupons expressed.

SECTION 1009. TERMINATION OF PROCEEDINGS. In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the County and the Trustee shall continue to perform all duties and be entitled to exercise all rights prescribed by this Indenture, which shall remain in full force and effect.

SECTION 1010. WAIVERS OF EVENTS OF DEFAULT. The Trustee may, in its sole discretion, and shall, upon the written request of the holders of a majority in aggregate principal amount of Bonds Outstanding, waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds; provided, however, that there shall not be waived any default in the payment of:

(a) the principal of any outstanding Bond (and premium, if any) whether at the stated maturity thereof, or upon proceedings for redemption thereof; or

(b) any interest when due on any Bond, unless prior to such waiver or rescission, all arrears of payments of principal then due (whether at the stated maturity thereof or upon proceedings for redemption) and premium, if any, and interest on all such arrears at the Penalty Rate on such arrears (except arrears of interest or principal, or both, due solely because of an acceleration of maturity and except interest accrued on such Bonds since the last interest payment date), and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, Trustee and Bondholders and bearers of coupons shall continue to perform all duties and be entitled to exercise all rights prescribed by this Indenture, which shall remain in full force and effect. No such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 1011. NOTICE OF DEFAULTS; OPPORTUNITY OF THE COUNTY AND INDUSTRY TO CURE DEFAULTS. No default under Section 1001(d) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five percent of the aggregate principal amount of Bonds Outstanding to the Industry and the County, and the County shall have had sixty days after receipt of such notice to correct said default or cause said default to be corrected, and such default shall not have been corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an event of default if corrective action is instituted by the Industry or the County as the case may be, within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Industry under the provisions of this Section 1011, the County has granted the Industry full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a

default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do or perform any such things and acts and with power of substitution.

SECTION 1012. POWERS OF TRUSTEE UPON EVENT OF DEFAULT UNDER LOAN AGREEMENT OR IN PAYMENT OF BONDS. If sums required to be paid under Section 4.3(c) of the Loan Agreement are not paid on or prior to the semi-annual interest payment date before which such sums are due, or in case of an event of default, as defined in Section 1001 hereof, in the payment of principal of, premium, if any, or interest on any Bonds shall occur and be continuing, the Trustee in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under the Loan Agreement or the Bonds, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any obligor under the Loan Agreement, under the Federal Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of any such obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made by the Trustee, except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to the Industry or any other obligor under the Loan Agreement or to the creditors or property of the Industry or any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Bondholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Bondholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made by the Trustee, except as a result of its negligence or bad faith.

In case of a default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture and the Loan Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or enforceable by the Trustee by reason of this Indenture or in aid of the exercise of any power granted in this Indenture or the Loan Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Loan Agreement or by law.

SECTION 1013. NOTICE TO INDUSTRY. Loan repayments are to be paid by the Industry directly to the Trustee. Such payments are due and payable on or before 11:00 A.M., local time, at the principal corporate trust office of the Trustee on the business day preceding each date on which any payment with respect to the Series 1979 Bonds is due and payable. In the event that any such payments are not timely made, the Trustee shall immediately notify the Industry's Treasurer, Controller, any Assistant Treasurer or Authorized Industry Representative (or if such officers are unavailable, any other officer of the Industry), by telephonic notice, that payment has not been made and confirm such notice by a telegram addressed to the Treasurer of the Industry. Such notice shall be deemed given at the time telephonic notice is given, and any failure by the Trustee thereafter to confirm such notice shall not in any way render such notice invalid or incomplete.

ARTICLE XI

THE TRUSTEE

SECTION 1101. ACCEPTANCE OF THE TRUSTS. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the County or the Industry). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for collecting any insurance moneys, or for the validity of the execution by the County of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the County or on the part of the Industry under the Loan Agreement, except as herein expressly set forth; but the Trustee may require of the County or the Industry full information and advice as to the performance of the covenants, conditions and agreements aforesaid.

(c) The Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed in accordance with the provisions of Sections 3.2 and 3.3 of the Loan Agreement. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper

person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding as to the County, the Trustee shall be entitled to rely upon a certificate signed on behalf of the County Board by its Clerk as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Clerk of the County Board under its seal to the effect that a resolution or ordinance in the form therein set forth has been adopted by the County Board as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice of any default hereunder except (i) failure by the County to cause to be made any of the payments to the Trustee required to be made by Article V hereof and (ii) failure by the Industry to make any of the payments to the Trustee required to be made by Section 4.3 of the Loan Agreement, unless the Trustee shall be specifically notified in writing of such default by the County or by the holders of at least twenty-five percent in aggregate principal amount of Bonds Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(h) Upon written request to the Industry, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the

right fully to inspect any and all of the Pollution Control Facilities and may inspect all books, papers and records of the County pertaining to the Pollution Control Facilities and Bonds, and to take such memoranda from and in regard thereto as may be desired.

(i) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(j) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by action by the Trustee, deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(k) Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(l) All moneys received by the Trustee or paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or by this Indenture. Neither the Trustee nor paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

SECTION 1102. FEES, CHARGES AND EXPENSES OF TRUSTEE.
The Trustee shall be entitled to payment or reimbursement for:

(i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee and Ordinary Expenses

incurred by it under this Indenture, as and when the same becomes due,

(ii) the reasonable fees and charges of the Trustee as Bond Registrar and paying agent, and any other paying agents on the Bonds for acting as paying agents as and when the same become due, and

(iii) the reasonable fees and charges for any necessary Extraordinary Services and Extraordinary Expenses of the Trustee incurred by it under this Indenture, as and when the same become due; provided, that the Industry may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

The Trustee shall have a lien with right of payment prior to payment on account of interest or principal of any Bond for the foregoing advances, fees, costs and expenses incurred.

SECTION 1103. NOTICE TO BONDHOLDERS IF DEFAULT OCCURS.

If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give such notice to the Industry and the County as is specified in Section 1011 hereof, and such notice to the Industry as is specified in Section 8.1 of the Loan Agreement, in order to have such default mature as an event of default upon the passage of the period of time therein specified and shall give written notice thereof by mail to the last known holder or owners of all Bonds then outstanding shown by the list of Bondholders required by the terms of Section 407 hereof to be kept at the office of the Trustee and by the registration books maintained by the Trustee pursuant to Section 208 hereof.

SECTION 1104. INTERVENTION BY TRUSTEE.

In any judicial proceeding to which the County is a party, and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of holders of the Bonds, the Trustee may intervene on behalf of the Bondholders and shall do so if requested in writing by the holders of at least twenty-five percent in aggregate principal amount of Bonds Outstanding. The rights and obligations of the Trustee under this Section are subject to approval by a court of competent jurisdiction.

SECTION 1105. SUCCESSOR TRUSTEE.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts,

powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties thereto; anything herein to the contrary notwithstanding.

SECTION 1106. RESIGNATION BY THE TRUSTEE. The Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the County, the Industry and each registered holder of Bonds Outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 407 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County.

SECTION 1107. REMOVAL OF THE TRUSTEE. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the County, and signed by the holders of a majority in aggregate principal amount of Bonds Outstanding.

SECTION 1108. APPOINTMENT OF SUCCESSOR TRUSTEE BY THE BONDHOLDERS; TEMPORARY TRUSTEE. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the holders of a majority in aggregate principal amount of Bonds Outstanding, by an instrument or concurrent instruments in writing signed by such holders, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of vacancy, the County with the consent of the Industry and by an instrument executed and signed by the County Administrator and attested by the Clerk of the County Board under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the County shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State of South Carolina, having a reported capital and surplus of not less than \$25,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109. CONCERNING ANY SUCCESSOR TRUSTEE. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall,

nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts then due such predecessor pursuant to Section 1102 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing, shall, on request, be executed, acknowledged and delivered by the County. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed or recorded by the successor Trustee in each recording office where the Indenture shall have been filed or recorded.

SECTION 1110. TRUSTEE PROTECTED IN RELYING UPON RESOLUTIONS, ETC. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1111. SUCCESSOR TRUSTEE AS TRUSTEE OF BOND FUND AND CONSTRUCTION FUND, PAYING AGENT AND BOND REGISTRAR. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or has been revoked shall cease to be trustee of the Bond Fund and the Construction Fund, and paying agent for principal of, premium, if any, and interest on the Bonds and Bond Registrar and the successor Trustee shall become such Trustee, paying agent and Bond Registrar.

SECTION 1112. TRUST ESTATE MAY BE VESTED IN SEPARATE OR CO-TRUSTEE. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of South Carolina) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Loan Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers granted, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee (and the Trustee is hereby expressly granted such power), each and every remedy, power, right,

claim, demand, cause of action, immunity, estate, title interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the County be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged and delivered by the County. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 1201. SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS. The County and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into any indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or to correct any defect, omission or inconsistency in this Indenture or any supplemental indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law; and

(e) to provide for the issuance of Additional Bonds in accordance with the terms and provisions of Section 212 hereof, and to set forth the form and substance of such Additional Bonds and the terms and conditions thereof and in connection therewith to change any of the provisions of this Indenture which in any way, in the judgment of the Trustee is not to the prejudice of the Trustee or materially adverse to the rights hereunder of the holders of Bonds outstanding (the issuance of Additional Bonds ranking pari passu with Bonds outstanding not being deemed to be to the prejudice of the Trustee or materially adverse to such rights).

SECTION 1202. SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds Outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying,

altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting

(a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate, or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, or

(b) the creation of any lien prior to or on a parity with the lien of this Indenture, or

(c) a reduction in the principal amount of any Bonds required to be paid or redeemed by the provisions of this Indenture, or

(d) a reduction in the amount, or extension of the time, of any payment required for the Bond Fund, or

(e) a reduction in the aforesaid aggregate principle amount of Bonds the holders of which are required to consent to any such supplemental indenture, or

(f) any amendment of this Section 1202 or Section 1302,

without the consent of the holders of all the Bonds Outstanding, which would be adversely affected by the action to be taken, or

(g) any modification of any rights, duties or immunities of the Trustee, which have not received the Trustee's consent, (its consent being a condition precedent to any such modification).

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York and shall also cause a similar notice to be mailed, postage prepaid, to each registered Bondholder; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds Outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of Bonds Outstanding at the time of the execution of any such supplemental indenture shall have

consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Industry shall not become effective unless and until the Industry shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture and a copy of such proposed supplemental indenture to be mailed by certified or registered mail to the Industry at least thirty days prior to the proposed date of execution and delivery of any supplemental indenture. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENT TO LOAN AGREEMENT

SECTION 1301. AMENDMENTS, ETC. TO LOAN AGREEMENT NOT REQUIRING CONSENT OF BONDHOLDERS. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Loan Agreement as may be required

(i) under the provisions of the Loan Agreement or this Indenture,

(ii) for the purpose of curing any ambiguity or to correct any defect, omission or inconsistency,

(iii) in connection with the issuance of Additional Bonds as provided in Section 212 hereof, or

(iv) in connection with any other change therein which, in the judgment of the Trustee is not to the prejudice of the Trustee, or materially adverse to the holders of the outstanding Bonds.

SECTION 1302. AMENDMENTS, ETC. TO LOAN AGREEMENT REQUIRING CONSENT OF BONDHOLDERS. Except for the amendments, changes or modifications as provided in Section 1301 hereof, neither the County nor the Trustee shall consent to any other amendment, change or modification of the Loan Agreement without notice to and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds Outstanding given and procured as in Section 1202 provided. If at any time the County and the Industry shall request the consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given and shall state that copies of the instrument embodying the same are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the County from consenting to the execution thereof or from taking any action pursuant to the provisions

thereof. Upon the execution by the Industry and the County of any such amendment as in this Section permitted and provided, the Loan Agreement shall be and be deemed to be modified and amended in accordance therewith.

PROVIDED, that nothing in this Section contained shall permit, or be construed as permitting, any amendment, change or modification of the Industry's unconditional obligation to make payments sufficient to pay the principal of, premium if any, and interest due at any time on the Bonds, or as required by Article IV of the Loan Agreement without the consent of the holders of all the Bonds Outstanding.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. CONSENTS, ETC., OF BONDHOLDERS. Any consent, request, direction, approval, waiver, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such request, consent or other instrument in writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgements of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The amount of Bonds, transferable by delivery, held by any person executing any such request, consent, direction, approval, waiver, objection or other instrument or writing as Bondholder, and the distinguishing numbers of the Bonds held by such person, and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker, or other depositary (wherever situated), showing that at the date therein mentioned such person had on deposit with such depositary, or exhibited to it, the Bonds therein described, or such facts as may be proved by the certificate or affidavit of the person executing such request, consent or other instrument in writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the County may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent, or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) The ownership of registered Bonds shall be proved by the register of such Bonds.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the County in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds Outstanding have concurred in any consent, request, direction, approval, waiver, direction or other instrument, under this Indenture or the Loan Agreement, Bonds which are owned by the County, by the Industry or by any other obligor under the Loan Agreement or on the Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, the Industry or any other obligor under the Loan Agreement or on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such consent, request, direction, approval, waiver, objection or other instrument only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 1401 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the County, the Industry or any other obligor under the Loan Agreement or on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1402. LIMITATION OF RIGHTS. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided.

SECTION 1403. SEVERABILITY. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be

inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

SECTION 1404. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, addressed as follows: If to the County, to the Spartanburg County Council, Spartanburg County Courthouse, Spartanburg, South Carolina 29301; if to the Industry to Monsanto Company, 800 North Lindbergh Boulevard, St. Louis, Missouri 63166 (Attention: Treasurer); if to the Trustee, to _____, _____ (Attention: Corporate Trust Department). The County, the Industry and the Trustee may, by notice given to all parties hereto, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1405. TRUSTEE AS PAYING AGENT AND REGISTRAR. The Trustee is hereby designated and agrees to act as a paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1406. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday, a Sunday or shall be in New York or the city in which the principal office of the Trustee is located, a legal holiday or a day on which banking institutions are authorized by law to close, then payment of principal, premium, if any, or interest need not be made on such date in such city but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 1407. COUNTERPARTS. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 1408. LAWS GOVERNING INDENTURE. The effect and meaning of this Indenture and the rights of all parties hereunder shall

be governed by, and construed according to, the laws of the State of South Carolina.

IN WITNESS WHEREOF, SPARTANBURG COUNTY, SOUTH CAROLINA, has caused these presents to be signed in its name and behalf by its County Administrator, and its corporate seal to be hereunto affixed, and attested by the Clerk of the Spartanburg County Council, and to evidence its acceptance of the trusts hereby created, _____ has caused these presents to be signed in its name and behalf by one of its Trust Officers, its Official Seal to be hereunto affixed, and the same to be attested by one of its Assistant Trust Officers, all as of the date and year first hereinabove written.

SPARTANBURG COUNTY, SOUTH CAROLINA

(SEAL)

By _____
County Administrator

Attest:

Clerk, Spartanburg County Council

Signed, Sealed and Delivered
in the Presence of:

as Trustee

(SEAL)

By _____

Trust Officer

Attest:

Assistant Trust Officer

Signed, Sealed and Delivered
in the Presence of

STATE OF SOUTH CAROLINA

COUNTY OF SPARTANBURG

PERSONALLY appeared before me _____ who
being duly sworn says that (s)he saw the corporate seal
SPARTANBURG COUNTY, SOUTH CAROLINA, affixed to the foregoing
Trust Indenture, and that (s)he also saw _____, as County
Administrator, and _____, as Clerk of the
Spartanburg County Council, sign and attest the same, and that (s)he
with _____ witnessed the execution and delivery
thereof as the act and deed of the said Spartanburg County, South
Carolina.

SWORN to before me this
____ day of _____, 1979.

(L.S.)
NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission expires: _____

STATE OF SOUTH CAROLINA

COUNTY OF _____

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

SWORN to before me this
___ day of _____, 1979.

_____(L.S.)
NOTARY PUBLIC FOR _____

My Commission expires: _____



EXHIBIT

AUG 17 1979 NO. 08

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION
1205 PENDLETON STREET
COLUMBIA, SOUTH CAROLINA 29201

JACK S. MULLINS, PH.D
DIRECTOR

803-758-3334

MEMORANDUM
=====

TO: Members of the Budget and Control Board
FROM: Jack S. Mullins *Jack S. Mullins*
DATE: August 15, 1979
SUBJECT: Legislative Audit Council Recommendations

Mr. Putnam has asked me to provide you with a list of the major recommendations by the Legislative Audit Council in their 1978 audit of the Personnel Division, along with a brief statement of actions that have been taken or are contemplated in regards to each of the major recommendations.

(1) The major recommendations of the entire report was that "Legislation should be passed to clarify the personnel resource management function to systematically improve the use of state government personnel resources to increase efficiency and productivity." Status: This recommendation requires legislation. To date, no action has been taken.

(2) "Delegate limited classification authority to selected agencies subject to review and approval by State Personnel Division." Status: The Personnel Division has reviewed this recommendation individually with some members of the Budget and Control Board and has submitted a draft discussion paper to members of the Personnel Subcommittee for their review and comments.

(3) "Improve documentation and criteria for approved exceptions to personnel regulations." Status: Efforts have been made to improve documentation and criteria as recommended.

(4) "Expand present regulations to specify how often agencies should update position questionnaires information and require the use of a format which combines the job description with the performance appraisal." Status: We have modified regulations to specify that agencies shall review position questionnaire information each time a performance appraisal is conducted--not less than annually.

(5) "Reduce the number of classes and establish an annual systematic review of all classes and their specifications. Status: We continually strive to reduce the number of classes; however, federal EEO regulations and the necessity of developing valid selection instruments require the establishment of many separate classes that otherwise could be grouped together. We do not have adequate staff for us to review all classifications and their specifications on an annual basis.

(6) Analyze and publicize the cost of employee benefits in comparison to other public and private employees." Status: We have developed and printed a brochure illustrating the cost of state employee benefits. We have conducted extensive fringe benefits surveys in conjunction with our annual salary survey and include this information in the survey reports.

(7) "Conduct comprehensive compensation studies including the total value of benefits and use the results, plus information on inflation, to re-adjust the pay grade structure each year." Status: We do conduct comprehensive compensation studies including the total value of benefits. All of this information, plus much other relevant data, are used in making salary recommendations to the Budget and Control Board.

(8) "Monitor merit pay awards by agencies, requiring agencies not to give merit increases in an across-the-board manner." Status: We have monitored merit pay awards by agencies, requiring several agencies to change their practices. In addition, Board policy for the administration of merit increments for Fiscal year 1980 preclude the granting of merit increments in an across-the-board manner.

(9) "Develop a formal classification and compensation appeal procedure." Status: Much discussion and review of a classification and compensation appeal procedure has been conducted with selected agency personnel officers; however, no formal appeal procedure has been submitted formally to the Budget and Control Board.

(10) "Maintain a uniform codified manual of all state-wide personnel laws, policies, regulations and interpretation." Status: A uniform codified manual of all state-wide personnel laws, etc. was implemented July 1, 1978.

(11) "Develop an employee handbook explaining all state-wide personnel regulations." Status: There has been much discussion of this with individual agency personnel officers, but there are significant differences in policies as applied within individual agencies. We have lacked the resource to date to print and to distribute such an ambitious handbook.

(12) "Eliminate the category 'special pay increase' from the personnel data system, developing more specific categories to code pay change information. Closely monitor agencies' use of these codes to assure accuracy." Status: We disagree that the special pay increase category should be eliminated. We have closely monitored the use of these codes to assure that the forms are being coded properly.

(13) "Eliminate the need for the 3.1 million dollars accumulated in the insurance clearing account by requiring agencies to pay their employer's share of insurance by the first of each month and/or by adjusting the insurance contract payment date." Status: Detailed review of all these matters and others

have been conducted with the insurance subcommittee and 4.5 million dollars has been returned to the general funds. In addition better financial arrangements with the carriers and stricter policies have greatly improved the cash flow.

(14) "Require that the employers's share of insurance for federally funded public school employees be paid with federal funds unless legislation specifically waives this requirement." Status: The language of the appropriations bill indicates that it was the legislative intent that such premiums be paid with state funds. There has been no change of legislative language.

(15) "Eliminate duplicate payment of salaries for persons on military leave." Status: No action has been taken on this.

(16) "Establish an on-going evaluation of the extent of dual employment, using the results to revise dual employment regulations as necessary." Status: We do continue to evaluate dual employment and have made significant changes in the rule. We have not had staff resources, however, for us to automate the dual employment records.

(17) "Close overcrowded merit system applicant list on a systematic basis and reduce the length of time the new job applicant may remain on the list unless the applicant requests an extension." Status: This has been discussed in great detail with the Personnel officers of the Merit System agencies. There is much disagreement on their part with this recommendation. We have closed some selected registers, with the agreement of the Department of Social Services.

(18) "Give a higher priority to the validation of written merit test." Status: Validation of written merit tests has long had a very high priority. The problem is that we lack adequate resources to do as much as we would like to do or is necessary.

(19) "Develop systematic programs for recording placements, vacancies, agency personnel needs and State employees seeking promotion or transfers." Status: We have devoted much attention to this matter, but have lacked the programming staff to develop such an ambitious program at this time. We are considering alternative approaches.

(20) "Coordinate all employee training courses offered by agencies and develop a specific management curriculum graduated for different level managers." Status: We continue to improve our communications and working effectiveness with the individual agencies, but the Personnel Division does not coordinate all training programs. We plan to develop a specific management curriculum graduated for different level managers.

JSM/omc

DISTRIBUTIONS

Honorable Richard W. Riley
Honorable Earle E. Morris, Jr.
Honorable Grady L. Patterson, Jr.
Honorable Rembert C. Dennis
Honorable Tom G. Mangum
Mr. William T. Putnam

EXHIBIT

AUG 17 1979 NO. 08

STATE BUDGET & CONTROL BOARD

S. C. STATE GOVERNMENT

DEMOGRAPHIC INFORMATION



Prepared for the
BUDGET AND CONTROL BOARD
by
STATE PERSONNEL DIVISION

DEMOGRAPHIC DATA
PROVIDED BY
S. C. STATE PERSONNEL DIVISION

PART I
(To Be Updated Semi-Annually)

1. CLASSIFIED AND UNCLASSIFIED STATE EMPLOYEE PROFILE
2. GENERAL INCREASE AND AVERAGE MERIT INCREASES
3. TOTAL BENEFITS VALUE
4. STATE AND EMPLOYEE-COSTS OF FRINGE BENEFITS
5. AGENCY RANKING BY ASCENDING NUMBER OF POSITIONS
6. COMPARATIVE NUMBER OF POSITIONS BY GROUPS
7. NUMBER OF EMPLOYEES BY COUNTY
8. AVERAGE SALARY AND NUMBER OF EMPLOYEES BY GRADE

DATE: 7/2/79
SOURCE: PD320

STATE EMPLOYEE PROFILE

Classified

Age	36
State Service	79 Months
On Job	33 Months
Average Salary	11,723
Total Employees	48,541

Unclassified

Age	40
Average Salary	22,530
Total Employees	7,965

DATE: 6/30/79
SOURCE: SPD-PDPDS971

GENERAL INCREASE AND AVERAGE MERIT INCREASES
FROM 1970-71

<u>Fiscal Year</u>	<u>Legislative</u>	<u>Average Merit</u>	<u>Total</u>
1970-71	None	Not Reported	--
1971-72	None	Not Reported	--
1972-73	5.50%	Not Reported	5.50%
1973-74	4.50%	5.51%	11.01%
1974-75	7.98%	5.64%	13.62%
1975-76	4.29%	4.98%	9.27%
1976-77	4.00%	0.00%	4.00%
1977-78	5.00%	3.66%	8.66%
1978-79	8.00% ¹	4.12% ²	12.12%
1979-80	3.62% + \$450		

¹4.00% effective 6-22-78
4.00% effective 12-20-78

²State weighted at 6-30-79, PDPDS971

DATE: 7/1/79
SOURCE: SPD Insurance

TOTAL BENEFITS VALUE

ANNUAL SALARY	10,000.00	20,000.00	30,000.00	40,000.00
<u>State Cash Contribution</u>				
Health & Life Insurance	318.00	318.00	318.00	318.00
Retirement Match	710.00	1,420.00	2,130.00	2,840.00
Social Security Match	613.00	1,226.00	1,403.77	1,403.77
Workmen's Compensation	20.00	40.00	60.00	80.00
Unemployment Compensation	<u>40.00</u>	<u>80.00</u>	<u>120.00</u>	<u>160.00</u>
SUB-TOTAL	1,701.00	4,084.00	4,031.77	4,801.77
<u>State Non Cash Contribution</u>				
15 Days Annual Leave	576.92	1,153.84	1,730.77	2,307.69
15 Days Sick Leave	576.92	1,153.84	1,730.77	2,307.69
Holidays (12)	<u>461.54</u>	<u>923.08</u>	<u>1,384.62</u>	<u>1,846.15</u>
SUB-TOTAL	1,615.38	3,230.76	4,846.16	6,461.53
TOTAL COMPENSATION	13,316.38	27,314.76	38,877.93	51,263.30
Fringe Benefits as % of Cash Compensation	33.2	36.5	29.5	28.1

DATE: 7/1/79
SOURCE: SPD Insurance

COST OF FRINGES

PAID BY EMPLOYEE

	<u>Annual Income</u>	
	<u>\$10,000.00</u>	<u>\$20,000.00</u>
Social Security (6.13 to \$22,900)	\$ 613.00	\$ 1,226.00
Retirement (4% to \$4,800, then 6% of excess)	504.00	1,104.00
Health & Life Insurance (40.50 x 12 months) (Full family coverage w/dep life)	486.00	486.00
Total Cost of Fringes	\$ 1,603.00	\$ 2,806.00
Percentage of Annual Income	16.0%	14.0%

PAID BY STATE

	<u>Annual Income</u>	
	<u>\$10,000.00</u>	<u>\$20,000.00</u>
Social Security (6.13% to \$22,900)	\$ 613.00	\$ 1,226.00
Retirement 6.8%	680.00	1,360.00
.3%	30.00	60.00
Health & Life Insurance (26.50 x 12 months)	318.00	318.00
Workman's Comp .2%	20.00	40.00
Unemployment Comp. Insurance .4%	40.00	80.00
Total Cost of Fringes	\$ 1,701.00	\$ 3,084.00
Percent of Annual Income	17.0%	15.4%

AGENCY RANKING BY NUMBER OF POSITIONS

NUMBER OF EMPLOYEES

AGENCY

1 - 25 Employees

1	State Bd Exam & Regis Phys Thrpst
1	Speech Path & Aud Exam Bd
1	SC Bd Optometry
1	Veterinary Exam Board
1	St Bd Exmrs Nurs Home Admstrs
1	Old Exchange Building Comm
2	Architectural Exam Bd
2	Division of Local Government
2	SC Auctioneers Commission
2	State Bd of Funeral Services
2	State Bd of Accountancy
2	Pharmaceutical Exam Bd
3	SC Bd of Cert of Env Sys Oper
3	SC Advisory Council on Vocational Ed
3	Mansion and Grounds
3	Clark Hill-Russell Authority
4	SC Ethics Commission
4	Confederate Relic Room
5	Lt. Governor's Office
5	Barber Exam Bd
6	Engineering Exam Bd
6	State Board of Dentistry
7	Higher Ed Tuition Grants
7	Contractors Licensing Bd
7	Second Injury Fund
8	SC Residential Home Bldrs Comm
8	Cosmetic Art Examiners Bd
8	St Bd of Fin Inst - Consumer Finance
8	Dairy Comm
8	Commission of Appellate Defense
10	Office of Exec Dir B & C Bd
11	State Bd of Medical Examiners
11	Reorganization Commission
12	State Election Comm
12	Children's Foster Care Review Bd
13	SC Museum Comm
15	Motor Vehicle Division
16	Board of Nursing
18	SC Real Estate Bd
20	Secretary of State
20	Higher Ed Comm
21	Veteran's Affairs
22	Governor's Office
24	SC Coastal Council

NUMBER OF EMPLOYEES

AGENCY

26 - 50 Employees

27	St Bd of Fin Inst - Exam Div
29	St Housing Authority
29	Comm on Aging
30	State Workman's Comp Fund
31	Dept of Consumer Affairs
31	Children's Bureau
32	Aeronautics Comm
34	State Treasurer
37	Water Resources Comm
43	SC Comm On Human Affairs
44	Research & Statistical Services
44	Patriots Point Dev Authority
47	Criminal Justice Academy
49	State Library

51 - 100 Employees

63	Comptroller General
65	Alcohol Beverage Comm
69	Industrial Comm
74	John De La Howe School
79	Land Resources Conservation Comm
80	Adjutant General
81	Wil Lou Gray Opport School
81	State Development Board
81	Retirement System
89	Commission on Alcoholism
92	County Auditors & Treasurers

101 - 250 Employees

105	Arts Commission
118	Insurance Department
127	Dept of Archives & History
138	Finance Division
140	State Personnel Division
143	Public Service Comm
144	Commission for the Blind
154	Dept of Labor
200	Attorney General
235	Dept of Agriculture
243	Lander College

251 - 500 Employees

265	State Park Health Center
266	Francis Marion College
282	Probation, Parole & Pardon Bd
321	Judicial
347	Exec Ofs of Policy & Programs (Gov's Ofs)
351	State Law Enforcement Div
407	SC ETV Commission
435	Parks, Recreation & Tourism
459	School for Deaf & Blind

NUMBER OF EMPLOYEES

AGENCY

501 - 1000 Employees

570	The Citadel
620	College of Charleston
631	Winthrop College
638	Tax Commission
651	General Services Division
668	Forestry Commission
725	Dept of Youth Services
727	SC Wildlife & Resources Dept
728	S. C. State College

Above 1000 Employees

1066	Dept of Education
1165	Vocational Rehabilitation
1379	Employment Security Comm
1984	Dept of Corrections
3134	State Bd of Tech & Comp Ed
3787	Dept of Health & Env Control
3860	Clemson University
4653	University of S.C.
4694	Dept of Mental Retardation
4739	Dept of Social Services
5120	Medical University
5681	Mental Health
7111	Dept of Highways & Public Transp.

COMPARATIVE NUMBER OF POSITIONS BY GROUPS
CLASSIFIED & UNCLASSIFIED

<u>Social Service</u>	<u>July 1978</u>	<u>June 1979</u>	<u>Increase or (Decrease)</u>
Dept. of Social Services	4,542	4,739	197
Vocational Rehabilitation	1,180	1,165	(15)
Children's Bureau	32	31	(1)
Commission for the Blind	144	144	-
Commission on Aging	29	29	-
	<u>5,927</u>	<u>6,108</u>	<u>181</u>
 <u>Law Enforcement and Correctional</u>			
Department of Corrections	1,858	1,984	126
Probation, Pardon & Parole	266	282	16
Youth Services	732	725	(7)
State Law Enforcement Div	305	351	46
	<u>3,161</u>	<u>3,342</u>	<u>181</u>
 <u>Health Care</u>			
Mental Health	5,619	5,681	62
Dept of Health & Env Control	3,702	3,787	85
Mental Retardation	4,461	4,694	233
	<u>13,782</u>	<u>14,162</u>	<u>380</u>
 <u>Higher Education Inst.</u>			
Francis Marion	265	266	1
University of S.C.	4,425	4,653	228
Citadel	568	570	2
College of Charleston	624	620	(4)
Clemson University	3,860	3,860	-
Winthrop College	609	631	22
Medical University	4,986	5,120	134
S. C. State College	667	728	61
Lander College	242	243	1
Commission on Higher Educ.	19	20	1
	<u>16,265</u>	<u>16,711</u>	<u>446</u>

DATE: 6/30/79
SOURCE: PD910

NUMBER OF EMPLOYEES BY COUNTY

COUNTY	FULL TIME EMPLOYEES	PART TIME EMPLOYEES	TOTALS PERCENTAGE	EMPLOYEES
Abbeville	125	5	.23	130
Aiken	780	11	1.41	791
Allendale	123	2	.22	125
Anderson	746	10	1.35	756
Bamberg	221	6	.40	227
Barnwell	149	2	.27	151
Beaufort	459	26	.86	485
Berkeley	360	5	.65	365
Calhoun	116	4	.21	120
Charleston	7,387	403	13.88	7,790
Cherokee	174	2	.31	176
Chester	238	1	.43	239
Chesterfield	297	1	.53	298
Clarendon	182	7	.34	189
Colleton	365	16	.68	381
Darlington	366	4	.66	370
Dillon	171	2	.31	173
Dorchester	960	18	1.74	978
Edgefield	116	2	.21	118
Fairfield	155	7	.29	162
Florence	1,709	40	3.12	1,749
Georgetown	255	8	.47	263
Greenville	1,520	33	2.77	1,553
Greenwood	673	19	1.23	692
Hampton	166	4	.30	170
Horry	694	8	1.25	702
Jasper	147	3	.27	150
Kershaw	273	9	.50	282
Lancaster	288	13	.54	301
Laurens	2,132	19	3.83	2,151
Lee	152	2	.27	154
Lexington	649	27	1.20	676
McCormick	173	12	.33	185
Marion	194	3	.35	197
Marlboro	213		.38	213
Newberry	179	3	.32	182
Oconee	203	4	.37	207
Orangeburg	1,354	36	2.48	1,390
Pickens	2,962	103	5.46	3,065
Richland	22,947	652	42.04	23,599
Saluda	113		.20	113
Spartanburg	1,603	37	2.92	1,640
Sumter	731	29	1.35	760
Union	168	5	.31	173
Williamsburg	329	10	.60	339
York	1,162	33	2.13	1,195
Totals	54,486	1,646	100.00	56,132

DATE: 7/10/79
SOURCE: PD260

AVERAGE SALARY AND NUMBER OF EMPLOYEES BY GRADE

<u>GRADE</u>	<u>TOTAL EMPLOYEES</u>	<u>AVERAGE SALARY</u>
10	2,431	\$ 7,178
11	5,108	7,464
12	3,450	7,690
13	3,483	8,302
14	1,903	8,538
15	2,944	9,155
16	1,633	9,535
17	2,465	9,724
18	852	10,136
19	1,658	10,848
20	1,728	10,633
21	2,822	10,976
22	2,518	12,061
23	1,945	12,616
24	681	13,246
25	2,486	13,215
26	1,733	14,495
27	102	13,386
28	1,572	15,185
29	1,369	16,298
30	1,070	16,372
31	109	16,253
32	1,320	18,522
33	963	20,192
34	134	19,773
35	385	21,562
36	514	22,981
37	41	21,299
38	318	24,606
39	15	24,907
40	320	26,310
41	26	26,487
42	134	29,645
43	19	29,981
44	84	31,921
45	77	31,346
46	10	33,908
47	19	38,565
48	2	38,108
49	- -	- -
50	44	35,021
51	- -	- -
52	6	43,947
53	95	40,069
54	39	44,788
55	11	39,947
56	- -	- -
57	36	49,349
58	8	51,410
59	- -	- -

DEMOGRAPHIC DATA
PROVIDED BY
S. C. STATE PERSONNEL DIVISION

PART II
(To Be Updated Monthly)

1. ANNUAL PAY RATE BY FISCAL MONTHS
2. SOURCE OF FUNDS FOR CLASSIFIED AND UNCLASSIFIED
EMPLOYEES
3. CUMULATIVE MERIT INCREASES FOR CLASSIFIED EMPLOYEES
4. FILLED AND VACANT POSITIONS
5. EMPLOYMENT BY SEX AND RACE

ALL EMPLOYEES

ALL EMPLOYEES BY GRADE

DATE: 7/23/79
SOURCE: PD260

ANNUAL PAY RATE BY FISCAL MONTHS

<u>1979 - 80</u>	<u>Unclassified</u>	<u>Classified</u>	<u>Total</u>
July	156,797,339	564,769,582	721,566,921
Aug			
Sept			
Oct			
Nov			
Dec			
Jan			
Feb			
Mar			
Apr			
May			
June			

DATE: 7/23/79
SOURCE: PD260

SOURCE OF FUNDS FOR CLASSIFIED & UNCLASSIFIED EMPLOYEES

<u>Classified</u>	<u>State</u>	<u>Federal</u>	<u>Other</u>	<u>Total Pay Rate</u>
July	335,325,958	102,378,441	127,103,118	564,769,582
August				
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				

<u>Unclassified</u>	<u>State</u>	<u>Federal</u>	<u>Other</u>	<u>Total Pay Rate</u>
July	134,799,307	15,136,868	6,870,568	156,797,339
August				
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				

<u>All Employees</u>	<u>State</u>	<u>Federal</u>	<u>Other</u>	<u>Total Pay Rate</u>
July	470,125,265	117,515,309	133,973,686	721,566,921
August				
September				
October				
November				
December				
January				
February				
March				
April				
May				
June				

DATE: 7/23/79
SOURCE: PDPDS971

CUMULATIVE MERIT INCREASES FOR CLASSIFIED EMPLOYEES

TOTAL STATE INCREASES SINCE JULY 1, 1979 = 2,318

PERFORMANCE TABLE

TYPE	NUMBER	PERCENT	
		WEIGHTED	TOTAL
Unsatisfactory	0	.00	.00
Marginal	17	.00	.00
Satisfactory	751	3.57	32.40
Superior	1,255	4.78	54.14
Outstanding	252	5.42	10.87
Coding Corrections in Process	43		<u>2.59</u>
			100.00

State Weighted Percent 4.51

TOTAL STATE INCREASES FISCAL 78/79 = 38,098

PERFORMANCE TABLE

TYPE	NUMBER	PERCENT	
		WEIGHTED	TOTAL
Unsatisfactory	7	2.07	.02
Marginal	229	.22	.60
Satisfactory	14,986	3.29	39.34
Superior	18,344	4.29	48.15
Outstanding	4,362	5.43	11.45
Coding Corrections in Process	170		<u>.44</u>
			100.00

State Weighted Percent 4.12

DATE: 7/24/79
SOURCE: PDGEN200

FILLED & VACANT POSITIONS (1)

TOTAL STATE	1978-1979	FILLED 1979-1980	% INC. SINCE START OF NEW FISCAL YEAR	VACANT 1979-1980
July	54,585	56,226	0%	5,161
August	54,845			
September	55,378			
October	55,561			
November	56,105			
December	56,302			
January	56,372			
February	56,654			
March	56,925			
April	57,055			
May	56,945			
June	56,629			

CLASSIFIED

July	46,913	48,329	0%	4,302
August	46,966			
September	47,424			
October	47,604			
November	48,079			
December	48,255			
January	48,341			
February	48,528			
March	48,793			
April	48,932			
May	48,891			
June	48,682			

UNCLASSIFIED

July	7,672	7,897	0%	859
August	7,879			
September	7,954			
October	7,957			
November	8,026			
December	8,047			
January	8,031			
February	8,126			
March	8,132			
April	8,123			
May	8,054			
June	7,947			

(1) Employees on Lv included.

DATE: 7/27/79
SOURCE: PDO40

EMPLOYMENT BY SEX & RACE

CLASSIFIED & UNCLASSIFIED, FULL & PART TIME EMPLOYEES

[illegible]

DATE: 7/27/79
SOURCE: PD040

EMPLOYMENT BY SEX AND RACE
CLASSIFIED & UNCLASSIFIED, FULL & PART TIME EMPLOYEES

Grade	Female							
	White		Black		Oriental		All Others	
	#	%	#	%	#	%	#	%
Uncls.	1,898	24.21	351	4.48	19	.24	19	.24
10	191	8.08	807	34.14			1	.04
11	613	12.32	2,414	48.50	9	.18	14	.28
12	1,478	42.97	1,175	34.16	5	.15	11	.32
13	1,176	33.82	1,137	32.70	5	.14	5	.14
14	1,113	61.19	351	19.30	3	.16	6	.33
15	1,651	55.76	1,047	35.36	8	.27	6	.20
16	341	21.14	156	9.67	5	.31	3	.19
17	1,617	64.89	442	17.74	6	.24	7	.28
18	373	46.74	113	14.16	2	.25	2	.25
19	1,243	75.33	262	15.88	1	.06	4	.24
20	307	17.83	164	9.52			3	.17
21	1,359	48.23	430	15.26	10	.35	5	.18
22	694	27.62	99	3.94			1	.04
23	800	41.07	223	11.45	2	.10	3	.15
24	40	5.84	7	1.02				
25	1,428	57.91	156	6.33	15	.61	8	.32
26	418	24.00	103	5.91	1	.06	1	.06
27	47	44.76	10	9.52	1	.95		
28	672	42.72	84	5.34	5	.32	1	.06
29	473	35.38	85	6.36	5	.37	3	.22
30	412	38.25	58	5.39	5	.46	2	.19
31	41	37.27	3	2.73				
32	341	26.11	43	3.29	1	.08		
33	158	16.44	18	1.87	1	.10	1	.10
34	40	29.20	1	.73				
35	89	23.12	5	1.30				
36	67	12.81	2	.38	1	.19		
37	10	23.81						
38	38	11.99	2	.63				
39	1	7.14						
40	40	12.50	3	.94				
41	2	7.69	1	3.85				
42	9	7.09						
43	1	4.00						
44	2	2.33						
45	7	8.97						
46								
47								
48								
49								
50	2	4.55			2	4.55		
51								
52								
53	9	9.47			8	8.42	4	4.21
54	2	5.13			1	2.56		
55	1	9.09			1	9.09		
56								
57	3	8.82			1	2.94		
58	1	12.50						
59								
Total	19,208	34.21	9,752	17.37	123	.22	110	.20

DATE: 7/27/79
SOURCE: PD040

EMPLOYMENT BY SEX & RACE
CLASSIFIED & UNCLASSIFIED, FULL & PART TIME EMPLOYEES

Male

Grade	White		Black		Oriental		All Others	
	#	%	#	%	#	%	#	%
Uncls.	5,052	64.45	354	4.52	74	.94	72	.92
10	375	15.86	987	41.75			3	.13
11	477	9.58	1,444	29.01	3	.06	3	.06
12	302	8.78	467	13.58	2	.06		
13	626	18.00	522	15.01	2	.06	4	.12
14	186	10.23	159	8.74			1	.05
15	133	4.49	115	3.88	1	.03		
16	638	39.55	467	28.95	1	.06	2	.12
17	323	12.96	95	3.81			2	.08
18	229	28.70	79	9.90				
19	111	6.73	29	1.76				
20	794	46.11	443	25.73	3	.17	8	.46
21	761	27.00	247	8.77	2	.07	4	.14
22	1,410	56.11	299	11.90	5	.20	5	.20
23	766	39.32	152	7.80	1	.05	1	.05
24	567	82.77	69	10.07			2	.29
25	735	29.81	117	4.74	3	.12	4	.16
26	1,091	62.63	127	7.29	1	.06		
27	41	39.05	5	4.76	1	.95		
28	710	45.14	94	5.98	2	.13	5	.32
29	687	51.38	80	5.98	3	.22	1	.07
30	564	52.37	34	3.16	2	.19		
31	56	50.91	9	8.18	1	.91		
32	867	66.39	47	3.60	4	.31	3	.23
33	756	78.67	25	2.60			2	.21
34	93	67.88	3	2.19				
35	274	71.17	14	3.64	2	.52	1	.26
36	430	82.22	20	3.82	3	.57		
37	30	71.43	1	2.38			1	2.38
38	266	83.91	9	2.84	1	.32	1	.32
39	13	92.86						
40	269	84.06	6	1.88	2	.63		
41	23	88.46						
42	118	92.91						
43	24	96.00						
44	82	95.35	2	2.33				
45	69	88.46	2	2.56				
46	9	90.00	1	10.00				
47	18	94.74	1	5.26				
48	2	100.00						
49								
50	36	81.82	1	2.27	2	4.55	1	2.27
51								
52	6	100.00						
53	54	56.84	2	2.11	6	6.32	12	12.63
54	25	64.10			2	5.13	9	23.08
55	9	81.82						
56								
57	29	85.29	1	2.94				
58	7	87.50						
59								
Total	20,143	35.88	6,529	11.63	129	.23	147	.26

EXHIBIT

AUG 17 1979

NO. 08

STATE BUDGET & CONTROL BOARD

State of South Carolina
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION

1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

July 23, 1979

Mr. William T. Putnam
Executive Director
Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

Dear Bill:

You asked me to provide you with a suggested Personnel Division agenda for the special Board meeting on August 17, 1979. You specifically asked me to prepare something about the Audit Council report and the current Reorganization Commission review, and to show what actions have been or will be taken in response to the Audit Council recommendations.

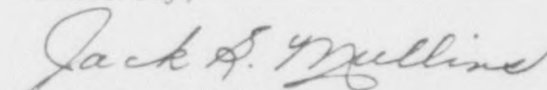
I suggest that we deal first with the subject of the present and future roles of the Personnel Division. Some resolution of this topic is necessary prior to consideration of some of the issues raised by the Audit Council. Currently, the Personnel Division serves in both line and staff capacities. Although we provide many staff services, we still approve creation of positions, grades, salaries, reclassifications, et cetera. Should some of these functions be delegated under controlled criteria to certain agencies? Should the Division's primary role evolve to that of (a) developing personnel policies within which agencies manage, (b) heavy involvement in the development and management of human resources, (c) serving in a resource capacity to advise, assist and audit agencies, and (d) providing data and other input for central use in planning and budgeting?

I would suggest that the second item deal with the Audit Council and Reorganization Commission reviews.

If time would allow, a third item could be a revision of the Merit System Rule in order (a) to provide more flexibility to the Merit System agencies in general personnel operations and in affirmative action, and (b) to reduce the differences between the two system of personnel administration now in existence.

I look forward to your response, so that we can prepare adequately for the August 17 meeting.

Sincerely,



Jack S. Mullins
Director

JSM/omc

THE END