

MINUTES OF BUDGET AND CONTROL BOARD MEETING

MARCH 11 1975

The State Budget and Control Board met in the Conference Room of the Governor's Office at 10:30 a. m. on March 11, 1975, with the following members in attendance.

Governor James B. Edwards  
Mr. Henry Mills  
Senator Rembert C. Dennis  
Mr. F. Julian LeaMond

Mr. Grady L. Patterson, Jr., was absent as he was in Washington, D. C.

Also in attendance were Messrs. P. C. Smith and W. T. Putnam.

The following business was conducted.

BUDGET AND CONTROL BOARD MINUTES - All Board members had previously been furnished with copies of minutes of the meeting of February 25, 1975. A motion of Mr. LeaMond, seconded by Mr. Mills, was unanimously passed approving the minutes as written.

OCONEE COUNTY - POLLUTION CONTROL FACILITIES BONDS - On March 6, 1974, the Budget and Control Board approved a Petition of Oconee County for the issuing of \$26,000,000 of Pollution Control Facilities Bonds on behalf of Duke Power Company. At that time, because of the uncertainty of the exact amount of funds needed, the County elected to issue Bond Anticipation Notes in the amount of \$24,000,000. These notes are now due and Oconee County wishes to renew the Bond Anticipation Notes for another year.

This matter was discussed with Mr. Daniel McLeod, Attorney General, and it is his opinion that the renewal of the notes would require further Budget and Control Board approval.

Upon a motion by Mr. Mills, seconded by Mr. LeaMond, the Board members unanimously approved the Petition of Oconee County for the re-issuing of Bond Anticipation Notes in the amount of \$24,000,000 to finance Pollution Control Facilities for Duke Power Company.

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

UNIVERSITY OF SOUTH CAROLINA - EMPLOYEE BOND - In a letter dated March 6, 1975, officials of the University of South Carolina requested permission to place all of its police officers under a single public employees blanket bond thereby effecting substantial savings over the present system which provides for an individual bond for each employee.

The Board unanimously approved a motion by Mr. LeaMond, seconded by Senator Dennis, authorizing the proposed bond.

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

GENERAL SERVICES DIVISION - Mr. Furman McEachern, Director of the General Services Division, appeared before the Budget and Control Board to discuss the following matters.

PURCHASE OF VEHICLES - Mr. McEachern advised Board members that the manufacture of 1975 model vehicles will end in approximately sixty days and requested permission to selectively replace automobiles which have been driven more than 85,000 miles. Mr. McEachern also advised the Board that, although he was authorized to buy special purpose vehicles such as vans, it was often cheaper to buy a conventional station wagon which might serve the particular need more effectively.

In reply to questions from Mr. LeaMond, Mr. McEachern advised that, if authorized, all of these vehicles

would be purchased under the State contract and bidding system. He also further indicated that, to his knowledge, all such automobile purchases for agencies of the State were being made under this procedure at the present time.

Mr. LeaMond reminded the Board members that a study had been made of the motor vehicle situation by a Committee of the Council of State Governments and offered a motion that any purchasing action be delayed until a report of this study had been received and evaluated. The motion was seconded by Mr. Mills and given unanimous approval by the Board.

UTILITY RATE INCREASES - Mr. McEachern reported that he had received suggestions that the General Services Division prepare information pertaining to utility rate increases for use in hearings before the Public Service Commission. He stated that it had also been suggested that Assistant Attorney General Pat Brehmer amend her motion to intervene in Docket No. 17,944, now pending before the Public Service Commission, to include the representation of State interests as well as those of the general consumer.

In the subsequent discussion, Board members indicated that they felt that the State of South Carolina was a consumer of electricity and, therefore, should be represented as any other consumer. However, Board members agreed that the State should not be identified as a separate entity in the hearings.

The Board unanimously approved a motion by Mr. LeaMond, seconded by Mr. Mills, authorizing Mr. McEachern to prepare and furnish any information which might be desired in the presentation of the case in question.

Data pertaining to the business of the General Services Division has been retained in these files and is identified as Exhibit III.

PERSONNEL DIVISION - Dr. Jack Mullins, Director of the State Personnel Division appeared before the Budget and Control Board to discuss the following items.

STATE INSURANCE PLAN - EXTENDED MENTAL HEALTH COVERAGE -

Dr. Mullins reported that under the present State insurance plan, in-patient treatment of psychiatric and neurological disorders are covered provided such treatment is given at the William S. Hall Psychiatric Institute or the alcoholic and drug addiction centers; but if such treatment is given at any of the other facilities under the direction of the Mental Health Commission, the patient must bear the cost himself. Blue Cross/Blue Shield has now agreed to provide in-patient benefits for all of the hospitals operated by the Mental Health Commission. This increased coverage will involve no additional cost to the State or its employees for the fiscal year 1974-75 and will not increase the proposed bid for insurance coverage for the fiscal year 1975-76.

The Budget and Control Board unanimously approved a motion by Senator Dennis, seconded by Mr. Mills, authorizing the extension of this coverage.

Data pertaining to this insurance change has been retained in these files and is identified as Exhibit IV.

STATE EMPLOYEES FRINGE BENEFITS - Dr. Mullins presented data to Budget and Control Board members comparing fringe benefits of State employees of South Carolina with employees of other states. Dr. Mullins discussed paid holidays, moving expenses, annual leave benefits, sick leave

and health and life insurance coverage and briefly outlined the status of South Carolina employees as compared with others.

Board members took note of the fact that most of the items in question were now a matter for Legislative action and, therefore, unanimously approved a motion by Mr. LeaMond to accept the data as information.

The schedules presented by Dr. Mullins have been retained in these files and are identified as Exhibit V.

MIDDLE EAST STUDENT EXCHANGE AND TRADE NEGOTIATIONS - Senator Edward Saleeby, of Darlington County, appeared before the Budget and Control Board to request approval for the State Board For Technical and Comprehensive Education to hire Dr. E. L. Shamsedin, an Assistant Professor of Economics at the University of South Carolina, for work in developing a program to attract students of countries of the middle east.

Senator Saleeby stated that South Carolina had excellent facilities for training technicians for the middle eastern countries and that Dr. Shamsedin would be asked to call upon consulates and embassies of the middle eastern countries and to work directly in the development of subsequent programs. It is proposed that the State Board For Technical and Comprehensive Education provide approximately \$5,000 to pay for the services of Dr. Shamsedin, his travel and other expenses.

Senator Saleeby advised the Board that the initial phases of the program would not require State Department approval but that such authorization would be needed before any contracts were signed with foreign countries.

The Board unanimously approved a motion by Mr. LeaMond, seconded by Mr. Mills, authorizing the requested expenditures by the Board For Technical and Comprehensive Education.

Governor Edwards requested that the program be coordinated with Mr. Roger Kirk of his staff and that Mr. Kirk be made aware of all stages

of its development.

DEPARTMENT OF SOCIAL SERVICES - USE OF FUNDS FOR RENOVATION OF FACILITIES AT THE UNIVERSITY OF SOUTH CAROLINA - The University of South Carolina and the Department of Social Services are jointly proposing to remodel the old Booker T. Washington High School (which was recently acquired by the University) for use in the training of personnel for day care centers. The total cost of the remodeling is estimated at \$267,000 of which \$167,000 will be provided by the University. The Department of Social Services requested permission to provide the balance of \$100,000 from its 1974-75 appropriation for the operation of day care centers. The total appropriation for the operation of these centers for the fiscal year 1974-75 was \$767,500.

The Board gave unanimous approval to a motion by Senator Dennis, seconded by Mr. Mills, authorizing this expenditure.

BUDGET AND CONTROL BOARD MEETING DATES - Governor Edwards had previously indicated that he had a conflict with the scheduled Budget and Control Board meeting of March 25, 1975, and requested that this meeting date be changed.

Board members unanimously agreed to postpone the meeting of March 25, 1975, and to establish the following schedule.

Tuesday, April 1, 1975	10:30 A. M.
Wednesday, April 16, 1975	3:00 P. M.
Tuesday, April 29, 1975	10:30 A. M.
Tuesday, May 13, 1975	10:30 A. M.
Tuesday, May 27, 1975	10:30 A. M.

CAPITAL IMPROVEMENT AND STATE HIGHWAY BOND RESOLUTIONS - The Budget and Control Board unanimously approved a motion by Mr. Henry Mills, seconded by Senator Dennis, adopting Resolutions for the issuing on April 1, 1975, of Capital Improvement Bonds in the amount of \$45,000,000 and State Highway Bonds in the amount of \$20,000,000.

Copies of these Resolutions have been retained in these files and are identified as Exhibits VI and VII, respectively.

PUBLIC RAILWAYS COMMISSION - PROPOSED RAILWAY ADDITION - Senator

Dennis informed the Board that AMOCO Oil Company currently has under consideration the construction of an industrial plant east of the Cooper River for the production of synthetic fibers. Estimated capital investment is in excess of \$100,000,000.

The particular location under consideration is not presently served by railroad connections. In accord with the provisions of Legislation passed at the 1974 session (Act No. 1197), it has been suggested that the South Carolina Public Railways Commission be authorized to establish a connecting line, approximately 15 miles in length, between the main line of the Seaboard Coast Line Railway and the AMOCO plant site.

It has been estimated that construction of this trackage will cost \$5,000,000.

Senator Dennis asked the Board's endorsement of Legislation which would authorize the issuance of \$5,000,000 of Capital Improvement Bonds, the proceeds of which would be allotted to the Railway Commission for construction of this trackage.

Capital Improvement Bonds are general obligation bonds of the State Government. As further security for this particular \$5,000,000 issue, it would be proposed that all net revenues from the Railway Commission, over and above operating expenses, would be remitted to the State Treasury to apply against retirement of the bonds. Although financial estimates for this railway addition have not been made, it is generally believed that the line would operate at a profit and that, depending upon this and further industrial development in that geographic area, would eventually produce sufficient revenue to cover retirement of these bonds.

After discussion of this proposal, the Board agreed, on motion of Senator Dennis, to give its endorsement to Legislation authorizing \$5,000,000 of Capital Improvement Bonds for this purpose.

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PATRIOTS POINT - USE OF BOND FUNDS - Mr. LeaMond reported that officials of Patriots Point had advised that they were in serious need of operating funds and requested permission to use approximately \$50,000 of bond monies for this purpose.

Mr. Mills advised that he was familiar with the request but that the bond Act did not permit the use of these particular bond funds for the purposes requested and that in his opinion such approval would be illegal.

Senator Dennis agreed that bond funds should not be used in this manner but offered a motion that bills be introduced in the House and Senate authorizing a supplemental appropriation for Patriots Point with the understanding that the original bond authorization of \$3,000,000 be reduced by the amount of the appropriation. This motion was seconded by Mr. LeaMond and given unanimous approval.

GENERAL FUND REVENUE - Governor Edwards requested that Mr. P. C. Smith make a brief statement as to the current status of State General Fund revenues.

Mr. Smith advised that as of the end of February, the revenue estimates for the fiscal year 1974-75 seem to be approximately on schedule and that the Board of Economic Advisors was not yet ready to revise the estimates. As of the current date the Advisors seemed fairly well satisfied with the current fiscal year's estimates but were expressing concern about future prospects. This concern centers about the fact that economic recovery may be delayed beyond the original estimates.

It was agreed that the month of March, 1975 would be a critical period with respect to the economic health of South Carolina and Senator Dennis requested that members of the Board of Economic Advisors be asked to attend the Budget and Control Board meeting of April 1, 1975.

EXECUTIVE SESSION - Dr. Jack Mullins advised that he had two further items for Budget and Control Board consideration but that both concerned

personnel matters. The Board unanimously approved a motion by Mr. Mills, seconded by Senator Dennis, that the Board declare itself in Executive Session.

OPEN SESSION - In accord with policies recently adopted by the Budget and Control Board the meeting was again declared in open session in order to take formal action upon the items discussed in Executive Session.

MEDICAL UNIVERSITY - EDUCATIONAL LEAVE - The Budget and Control Board unanimously approved a motion by Senator Dennis, seconded by Mr. LeMond, authorizing the Medical University to grant twelve months of educational leave to Mr. Floyd L. Hagan, Controller and Assistant Treasurer of that Institution.

DEPARTMENT OF INSURANCE - JOB RECLASSIFICATION - The Board unanimously approved a motion by Mr. Mills, seconded by Senator Dennis, approving the reclassification of the position held by Mr. John G. Richards IV from Administrative Assistant I to a new classification of Special Assistant to the Insurance Commissioner. The motion also stipulated an increase in grade level and pay scale as recommended by the Insurance Department.

There being no further business, the meeting was adjourned at 12:15 p. m.

EXHIBIT I,  
MARCH 11, 1975

[Letterhead of Steve C. Griffith, Jr., Esq.]

March 11, 1975

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK  
23 Wall Street  
New York, N. Y. 10015

CHEMICAL BANK  
277 Park Avenue  
New York, N. Y. 10017

Dear Sirs:

In connection with the loan by Oconee County, South Carolina (the County), of \$24,000,000 in aggregate principal amount to Duke Power Company (the Company), pursuant to a Loan Agreement dated as of March 11, 1975 between the County and the Company, to finance the construction, acquisition and installation of certain pollution control facilities described in Exhibit A to such Loan Agreement (the Facilities), and the Contingent Purchase and Indemnification Agreement dated as of March 11, 1975 between the Company and each of you (the Contingent Purchase Agreement), I, as General Counsel to the Company have examined and am familiar with the originals, or copies certified or otherwise identified to my satisfaction of the Articles of Incorporation and By-Laws of the Company and all amendments thereto, and corporate proceedings relating to the authorization and approval by the Company of the Loan Agreement and the Contingent Purchase Agreement, and such other records, certificates and documents as I have considered necessary for the purposes of this opinion.

On the basis of the foregoing, I am of the opinion that:

(i) The Company is duly incorporated, validly existing and in good standing under the laws of the State of North Carolina and is qualified to do business as a foreign corporation and is in good standing under the laws of the State of South Carolina. The execution and delivery of, and the consummation of the transactions contemplated by, the Contingent Purchase Agreement and the Loan Agreement are each within the corporate authority of the Company, have been duly authorized by all necessary corporate proceedings, will not contravene the Articles of Incorporation or By-Laws of the Company, or contravene or constitute a default under, any provision of law or regulation or any contract, agreement, judgment, order, decree or other instrument binding upon it or involving its properties, and the Contingent Purchase Agreement and the Loan Agreement have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights.

(ii) Except as provided in Section 1.3 of the Contingent Purchase Agreement, there is no action, suit or proceeding pending against the Company or involving any of its properties, or to the best of my knowledge threatened, against the Company or in respect of any of its properties, before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might adversely affect the power of the Company to enter into, or the ability of the Company to perform its obligations under, the Contingent Purchase Agreement or the Loan Agreement. All authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Company in connection with the execution and delivery by the Company of the Contingent Purchase Agreement and the Loan

# The State of South Carolina



Attorney General  
DANIEL R. MCLEOD

Attorney General  
Columbia

March 3, 1975

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

Dear Mr. Smith:

You have requested my opinion as to whether or not the renewal of bond anticipation notes issued by Oconee County, South Carolina, pursuant to Act No. 156 of 1971 (57 STAT. 134) requires the prior approval of the State Budget and Control Board.

Section 4 of that Act provides, inter alia:

Pending the issuance of bonds, bond anticipation notes may be issued, and to the end that a vehicle be provided therefor, the provisions of Act 116 of 1965 as now or hereinafter amended, shall be applicable to such bond anticipatory borrowing.

Act No. 116 of 1965 (54 STAT. 150) authorizes the State of South Carolina, its agencies and political subdivisions to borrow in anticipation of the issuance of bonds by means of bond anticipation notes. Section 6 of that Act states:

# The State of South Carolina



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Honorable P. C. Smith  
Page Two  
March 3, 1975

Prior to the issuance of notes pursuant to this chapter, the governing body of the borrower shall adopt a resolution obligating the borrower to issue and sell, in the manner prescribed by law, bonds of the borrower in a specified amount and notes of the borrower may be issued pursuant to this chapter to the extent of not exceeding the amount of bonds so specified.

Provided, however, if any consent or approval shall be necessary prior to the issuance of bonds by the borrower, the borrower must obtain the same consent or approval prior to the issuance of temporary financing as provided herein.

All notes issued pursuant to this chapter may from time to time be renewed or refunded.  
[Emphasis added.]

The intent of the underlined language is clear that, if Act No. 156 of 1971, the bond act in question, requires any consent or approval prior to the issuance of bonds by the borrower, the same consent or approval must be obtained before the borrower can issue bond anticipation notes. Section 14 of the Act does require the approval of the State Budget and Control Board as follows:

No bonds shall be issued pursuant to the provisions of this act until the proposal of the governing board to issue the bonds shall receive the approval of the State Board.

Honorable P. C. Smith  
Page Three  
March 3, 1975

My understanding is that the governing board of Oconee County did submit its proposal regarding the original issuance of bond anticipation notes, which notes are scheduled to mature on March 11, 1975, to the State Budget and Control Board and did receive that Board's approval.

Whether or not the renewal of those notes is, in all cases, subject to the approval of the State Board is a closer question. Here, however, the governing board of Oconee County contemplates the renewal of the original bond anticipation notes by the issuance of additional notes, the "1975 series," in the same amount as the original ones. In my opinion, therefore, the issuance by Oconee County of bond anticipation notes in order to renew its originally issued notes requires the prior approval of the State Budget and Control Board as provided by Section 14 of Act No. 156 of 1971.

With kindest regards,

*Daniel R. McLeod*

Daniel R. McLeod  
Attorney General

DRM:bbb

CC: Lewis F. Camp, Esquire  
Assistant General Counsel  
Duke Power Company  
P. O. Box 2178  
Charlotte, North Carolina 28242

STATE OF SOUTH CAROLINA

COUNTY OF OCONEE

\_\_\_\_\_) )  
TO THE STATE BUDGET AND CONTROL ) )  
BOARD OF SOUTH CAROLINA ) )  
\_\_\_\_\_)

P E T I T I O N

This Petition of the County Council of Oconee County (the "County Council"), pursuant to Act No. 156 of 1971 of the State of South Carolina (the "Act"), and specifically to Section 14 thereof, respectfully shows:

1. The County Council is the governing body of Oconee County, having been so designated by General Assembly of South Carolina, and as such is the "Governing Board" of such County referred to in the Act.

2. The Act, amongst other things, authorizes the County Council, subject to obtaining the approval and appropriate findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, pursuant to Sections 14 and 7 of the Act, respectively, (i) to issue its bonds or notes pursuant to the Act, (ii) to loan the proceeds of such bonds or notes to qualified industrial concerns in order to aid such concerns to finance the cost of the construction, acquisition and installation of pollution control facilities and (iii) to enter into

loan agreements with such industrial concerns prescribing the terms and conditions of the payments to be made to the County to meet the payments that shall become due on such notes or bonds issued pursuant to the Act.

3. The County Council has agreed to aid Duke Power Company, a North Carolina corporation, qualified to do business as a foreign corporation in South Carolina (the "Industry"), to finance the cost of certain air and water pollution control facilities more fully described in Exhibit A which is a part of Exhibit 1 attached hereto, at its Oconee Nuclear Station, an electric generating plant, located in Oconee County, South Carolina (the "Pollution Control Facilities").

4. After being advised by the Industry that the cost (as defined in the Act) of acquiring, constructing, and installing the Pollution Control Facilities, would be at least \$24,000,000, the County has sold \$24,000,000 aggregate principal amount of its Pollution Control Bond Anticipation Notes (Duke Power Company Project) dated March 12, 1974 and maturing on March 11, 1975 (the "1974 Notes"), the proceeds of which were loaned to the Industry to finance such cost of the Pollution Control Facilities.

5. The County Council has been advised that it will be necessary at this time to renew the 1974 Notes and that it will be necessary to issue and sell \$24,000,000 Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) to renew the 1974 Notes.

6. Pursuant to Section 7 of the Act, the South Carolina Department of Health and Environmental Control has made the requisite

finding that the Pollution Control Facilities are necessary, and that the design thereof will result in the elimination, mitigation or prevention of air and water pollution, and in that connection there is attached hereto as Exhibit 1 to this Petition, a certificate setting forth the finding of the Department of Health and Environmental Control relating to the Pollution Control Facilities.

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

A. The Pollution Control Facilities (more fully described in Exhibit A which is a part of Exhibit 1 attached hereto) to be financed out of the proceeds of the Notes are necessary and are designed for the elimination, mitigation and prevention of air or water pollution at the Industry's Oconee Nuclear Station.

B. The cost (as defined in the Act) of the Pollution Control Facilities is at least \$24,000,000.

C. The proposed Loan Agreement between the Industry and the County, a draft copy of which is attached hereto as Exhibit 2, provides in general:

(a) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County Council will adopt a resolution (the "Resolution") authorizing the issuance of at least \$24,000,000 in revenue bonds and in anticipation of the issuance of such bonds authorize the issuance of the Notes.

(b) The Notes will be secured by a pledge of all payments, receipts and revenues which the County has a right to receive under the Loan Agreement (except for certain indemnification payments and administration expenses), the funds created under the Resolution and the income earned on investment of such funds.

(c) Proceeds derived from the sale of the Notes will be deposited with Morgan Guaranty Trust Company of New York, the Depository appointed by the Resolution, and will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities.

(d) 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 Notes prove insufficient without diminution of any payments to the County required by the Loan Agreement, to pay the amount necessary to meet the payments of principal and interest on the Notes as the same become due, and to pay the cost of maintaining and insuring the Pollution Control Facilities.

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

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

(g) The Loan Agreement obligates the County to issue at least \$24,000,000 in bonds when and if the requirements therein set forth for the issuance of said bonds are met.

D. The State Department of Health and Environmental Control, as evidenced by the certificate attached hereto as Exhibit 1, has found that the Pollution Control Facilities are necessary and the design thereof will result in the elimination, mitigation and prevention of air or water pollution.

E. The proposed Resolution, a draft copy of which is attached hereto as Exhibit 3, provides in general:

(a) The irrevocable pledge and assignment to the holders of the Notes of the County's rights and interest in and to the Loan Agreement and all payments, receipts and revenues which the County has a right to receive under the Loan Agreement

(except certain indemnification payments and administration expenses), all the funds created under the Resolution and the investment income of such funds.

(b) The terms of the Notes, the rate of interest of the Notes which is       %, the provisions for exchange and transfer of the Notes, the redemption provisions, the means of disbursement and investment of the Note proceeds, the authorization and execution of the Loan Agreement and the Note Purchase Agreement (hereinafter mentioned), default provisions and remedies therefor and various other matters relating to the Notes.

(c) Certain terms and conditions of the issuance of the Bonds, in anticipation of which the Notes are issued, are also set forth.

(d) The adoption of the Resolution will not impose any pecuniary liability on the County or create a charge upon the general credit or taxing power of the County.

F. The proposed Note Purchase Agreement, a draft of which is attached hereto as Exhibit 4, provides for the sale of the Notes to the purchasers indicated therein.

7. It is the intent of the County Council that the Loan Agreement and the Note Purchase Agreement shall be executed and de-

livered and the Resolution will be adopted in substantially the forms attached hereto and that the execution of the Loan Agreement and Note Purchase Agreement shall be authorized with such changes and insertions therein as may be approved by the persons executing same, such approval to be conclusively evidenced by their execution thereof and adoption of the Resolution will be conclusive evidence of final adoption of such Resolution.

Upon the basis of the foregoing, the County Counsel respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents attached hereto, and that the State Board do as soon as practicable 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 Notes 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.

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Respectfully submitted,

OCONEE COUNTY, SOUTH CAROLINA

By \_\_\_\_\_  
Chairman of the County Council  
of Oconee County

(SEAL)

DUKE POWER COMPANY  
LEGAL DEPARTMENT  
P. O. Box 2178  
CHARLOTTE, N. C. 28242

MR. <sup>W.</sup>JERRY FEDDER  
Fedder v. Derrick  
PO Box 791  
Seneca, S.C.

LEWIS F. CAMP  
ASSISTANT GENERAL COUNSEL

(704) 373-4317

February 27, 1975

The Honorable P. C. Smith, Secretary  
State Budget and Control Board  
State of South Carolina  
Room 205, Wade Hampton Building  
Columbia, South Carolina

Re: Duke Power Company - Pollution  
Control Bond Anticipation Notes  
Oconee County, South Carolina

Dear Mr. Smith:

Confirming our telephone conversation, I would like to advise that Duke Power Company issued certain Bond Anticipation Notes for the purpose of financing certain Pollution Control Facilities pursuant to the authorization of the State Budget and Control Board issued under the date of March 5, 1974.

The Bond Anticipation Notes carried a one-year maturity and were to be refinanced from Pollution Control Bonds which were to be issued as soon as an appropriate ruling could be obtained from the Internal Revenue Service. However, no ruling has been obtained from the Internal Revenue Service, and it is now necessary to extend or renew Bond Anticipation Notes as they presently will mature on March 11, 1975.

The appropriate Petition to the State Budget and Control Board is scheduled to be adopted by the County Council of Oconee County on March 6, 1975. Draft documents have been delivered to the County Attorney who anticipates no difficulty in obtaining the appropriate County action.

Inasmuch as the State Budget and Control Board has previously approved this matter, I understand that you can expedite approval of the extension or renewal of the Notes for us in view of the limited time available.

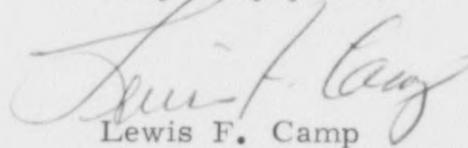
The Honorable P. C. Smith  
Page Two  
February 27, 1975

I am attaching, for your review, draft copies of the following documents:

1. Resolution of Oconee County authorizing the Petition to the State Budget and Control Board.
2. Petition to the State Budget and Control Board by Oconee County.
3. Resolution of the State Budget and Control Board approving the proposal of Oconee County.
4. Note Resolution by Oconee County.
5. Loan Agreement between Oconee County and Duke Power Company.
6. Note Purchase Agreement.

For your information, I am also attaching a copy of the Duke Power Company prospectus dated February 11, 1975, in connection with the current bond issue.

Very truly yours,

  
Lewis F. Camp

LFC:ph

Enclosures

# The State of South Carolina



Attorney General  
DANIEL R. MCLEOD

Attorney General  
Columbia

March 3, 1975

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

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You have requested my opinion as to whether or not the renewal of bond anticipation notes issued by Oconee County, South Carolina, pursuant to Act No. 156 of 1971 (57 STAT. 134) requires the prior approval of the State Budget and Control Board.

Section 4 of that Act provides, inter alia:

Pending the issuance of bonds, bond anticipation notes may be issued, and to the end that a vehicle be provided therefor, the provisions of Act 116 of 1965 as now or hereinafter amended, shall be applicable to such bond anticipatory borrowing.

Act No. 116 of 1965 (54 STAT. 150) authorizes the State of South Carolina, its agencies and political subdivisions to borrow in anticipation of the issuance of bonds by means of bond anticipation notes. Section 6 of that Act states:

Honorable P. C. Smith  
Page Two  
March 3, 1975

Prior to the issuance of notes pursuant to this chapter, the governing body of the borrower shall adopt a resolution obligating the borrower to issue and sell, in the manner prescribed by law, bonds of the borrower in a specified amount and notes of the borrower may be issued pursuant to this chapter to the extent of not exceeding the amount of bonds so specified.

Provided, however, if any consent or approval shall be necessary prior to the issuance of bonds by the borrower, the borrower must obtain the same consent or approval prior to the issuance of temporary financing as provided herein.

All notes issued pursuant to this chapter may from time to time be renewed or refunded.  
[Emphasis added.]

The intent of the underlined language is clear that, if Act No. 156 of 1971, the bond act in question, requires any consent or approval prior to the issuance of bonds by the borrower, the same consent or approval must be obtained before the borrower can issue bond anticipation notes. Section 14 of the Act does require the approval of the State Budget and Control Board as follows:

No bonds shall be issued pursuant to the provisions of this act until the proposal of the governing board to issue the bonds shall receive the approval of the State Board.

Honorable P. C. Smith  
Page Three  
March 3, 1975

My understanding is that the governing board of Oconee County did submit its proposal regarding the original issuance of bond anticipation notes, which notes are scheduled to mature on March 11, 1975, to the State Budget and Control Board and did receive that Board's approval.

Whether or not the renewal of those notes is, in all cases, subject to the approval of the State Board is a closer question. Here, however, the governing board of Oconee County contemplates the renewal of the original bond anticipation notes by the issuance of additional notes, the "1975 series," in the same amount as the original ones. In my opinion, therefore, the issuance by Oconee County of bond anticipation notes in order to renew its originally issued notes requires the prior approval of the State Budget and Control Board as provided by Section 14 of Act No. 156 of 1971.

With kindest regards,

*Daniel R. McLeod*

Daniel R. McLeod  
Attorney General

DRM:bbb

CC: Lewis F. Camp, Esquire  
Assistant General Counsel  
Duke Power Company  
P. O. Box 2178  
Charlotte, North Carolina 28242

STATE OF SOUTH CAROLINA

COUNTY OF OCONEE

\_\_\_\_\_  
TO THE STATE BUDGET AND CONTROL )

BOARD OF SOUTH CAROLINA )  
\_\_\_\_\_

P E T I T I O N

This Petition of the County Council of Oconee County (the "County Council"), pursuant to Act No. 156 of 1971 of the State of South Carolina (the "Act"), and specifically to Section 14 thereof, respectfully shows:

1. The County Council is the governing body of Oconee County, having been so designated by General Assembly of South Carolina, and as such is the "Governing Board" of such County referred to in the Act.

2. The Act, amongst other things, authorizes the County Council, subject to obtaining the approval and appropriate findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, pursuant to Sections 14 and 7 of the Act, respectively, (i) to issue its bonds or notes pursuant to the Act, (ii) to loan the proceeds of such bonds or notes to qualified industrial concerns in order to aid such concerns to finance the cost of the construction, acquisition and installation of pollution control facilities and (iii) to enter into

loan agreements with such industrial concerns prescribing the terms and conditions of the payments to be made to the County to meet the payments that shall become due on such notes or bonds issued pursuant to the Act.

3. The County Council has agreed to aid Duke Power Company, a North Carolina corporation, qualified to do business as a foreign corporation in South Carolina (the "Industry"), to finance the cost of certain air and water pollution control facilities more fully described in Exhibit A which is a part of Exhibit 1 attached hereto, at its Oconee Nuclear Station, an electric generating plant, located in Oconee County, South Carolina (the "Pollution Control Facilities").

4. After being advised by the Industry that the cost (as defined in the Act) of acquiring, constructing, and installing the Pollution Control Facilities, would be at least \$24,000,000, the County has sold \$24,000,000 aggregate principal amount of its Pollution Control Bond Anticipation Notes (Duke Power Company Project) dated March 12, 1974 and maturing on March 11, 1975 (the "1974 Notes"), the proceeds of which were loaned to the Industry to finance such cost of the Pollution Control Facilities.

5. The County Council has been advised that it will be necessary at this time to renew the 1974 Notes and that it will be necessary to issue and sell \$24,000,000 Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) to renew the 1974 Notes.

6. Pursuant to Section 7 of the Act, the South Carolina Department of Health and Environmental Control has made the requisite

finding that the Pollution Control Facilities are necessary, and that the design thereof will result in the elimination, mitigation or prevention of air and water pollution, and in that connection there is attached hereto as Exhibit 1 to this Petition, a certificate setting forth the finding of the Department of Health and Environmental Control relating to the Pollution Control Facilities.

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

A. The Pollution Control Facilities (more fully described in Exhibit A which is a part of Exhibit 1 attached hereto) to be financed out of the proceeds of the Notes are necessary and are designed for the elimination, mitigation and prevention of air or water pollution at the Industry's Oconee Nuclear Station.

B. The cost (as defined in the Act) of the Pollution Control Facilities is at least \$24,000,000.

C. The proposed Loan Agreement between the Industry and the County, a draft copy of which is attached hereto as Exhibit 2, provides in general:

(a) To finance the cost of the acquisition, construction and installation of the Pollution Control Facilities, the County Council will adopt a resolution (the "Resolution") authorizing the issuance of at least \$24,000,000 in revenue bonds and in anticipation of the issuance of such bonds authorize the issuance of the Notes.

(b) The Notes will be secured by a pledge of all payments, receipts and revenues which the County has a right to receive under the Loan Agreement (except for certain indemnification payments and administration expenses), the funds created under the Resolution and the income earned on investment of such funds.

(c) Proceeds derived from the sale of the Notes will be deposited with Morgan Guaranty Trust Company of New York, the Depository appointed by the Resolution, and will be applied solely for the payment of the costs incident to the acquisition, construction and installation of the Pollution Control Facilities.

(d) 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 Notes prove insufficient without diminution of any payments to the County required by the Loan Agreement, to pay the amount necessary to meet the payments of principal and interest on the Notes as the same become due, and to pay the cost of maintaining and insuring the Pollution Control Facilities.

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

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

(g) The Loan Agreement obligates the County to issue at least \$24,000,000 in bonds when and if the requirements therein set forth for the issuance of said bonds are met.

D. The State Department of Health and Environmental Control, as evidenced by the certificate attached hereto as Exhibit 1, has found that the Pollution Control Facilities are necessary and the design thereof will result in the elimination, mitigation and prevention of air or water pollution.

E. The proposed Resolution, a draft copy of which is attached hereto as Exhibit 3, provides in general:

(a) The irrevocable pledge and assignment to the holders of the Notes of the County's rights and interest in and to the Loan Agreement and all payments, receipts and revenues which the County has a right to receive under the Loan Agreement

(except certain indemnification payments and administration expenses), all the funds created under the Resolution and the investment income of such funds.

(b) The terms of the Notes, the rate of interest of the Notes which is       %, the provisions for exchange and transfer of the Notes, the redemption provisions, the means of disbursement and investment of the Note proceeds, the authorization and execution of the Loan Agreement and the Note Purchase Agreement (hereinafter mentioned), default provisions and remedies therefor and various other matters relating to the Notes.

(c) Certain terms and conditions of the issuance of the Bonds, in anticipation of which the Notes are issued, are also set forth.

(d) The adoption of the Resolution will not impose any pecuniary liability on the County or create a charge upon the general credit or taxing power of the County.

F. The proposed Note Purchase Agreement, a draft of which is attached hereto as Exhibit 4, provides for the sale of the Notes to the purchasers indicated therein.

7. It is the intent of the County Council that the Loan Agreement and the Note Purchase Agreement shall be executed and de-

livered and the Resolution will be adopted in substantially the forms attached hereto and that the execution of the Loan Agreement and Note Purchase Agreement shall be authorized with such changes and insertions therein as may be approved by the persons executing same, such approval to be conclusively evidenced by their execution thereof and adoption of the Resolution will be conclusive evidence of final adoption of such Resolution.

Upon the basis of the foregoing, the County Counsel respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents attached hereto, and that the State Board do as soon as practicable 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 Notes 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.

, 19 .

Respectfully submitted,  
OCONEE COUNTY, SOUTH CAROLINA

By \_\_\_\_\_  
Chairman of the County Council  
of Oconee County

(SEAL)

Attest:

---

Secretary of the County  
Council of Oconee County

STATE OF SOUTH CAROLINA,  
COUNTY OF RICHLAND.

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

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

That due notice of meeting of said Board, called to be  
held at the office of the State Auditor, in the Hampton Office  
Building, at Columbia, South Carolina, at .M., March  
11, 1975, was given to all members in writing, and at least four  
(4) days prior to said meeting: that all members of said Board  
were present at said meeting, with the exception of:

NONE

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

FOR MOTION

AGAINST MOTION

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

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Secretary

March 11, 1975

RESOLUTION APPROVING THE PROPOSAL OF  
OCONEE COUNTY, SOUTH CAROLINA TO ISSUE  
\$24,000,000 POLLUTION CONTROL REVENUE  
BOND ANTICIPATION NOTES, 1975 SERIES  
(DUKE POWER COMPANY PROJECT)

WHEREAS, the County Council of Oconee County, South Carolina (the "County Council"), pursuant to Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (the "Act"), has petitioned the State Budget and Control Board of South Carolina (the "State Board") pursuant to the Petition attached hereto as Exhibit A (the "Petition") seeking approval of the State Board of a proposal by the County Council pursuant to the Act; and

WHEREAS, the proposal consists of the issuance, sale and delivery of \$24,000,000 Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) (the "Notes") by the County Council pursuant to the Act, proceeds of which will be loaned to Duke Power Company (the "Industry") and used to finance the cost of constructing, acquiring and installing the pollution control facilities described in Exhibit A which is a part of Exhibit 1 to the Petition (the "Facilities"); and

WHEREAS, the State Board has, as required by the Act, made such investigation of the proposal of the County Council as it deems necessary;

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 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, a reasonable estimate of the cost of the Facilities, and a general summary of the terms and conditions of the Loan Agreement and Resolution (both as defined in the Petition), together with draft copies of the Loan Agreement, the Note Resolution and the Note Purchase Agreement pursuant to which the Notes will be sold.

B. The financing of the Facilities by the County Council through the issuance of the Notes will promote the purposes of the Act, and the Facilities may be reasonably anticipated to effect such result.

2. On the basis of the foregoing findings, the proposal of the County Council to issue, sell and deliver the Notes as set forth in the Petition (including changes in any details of the proposal as set forth in the Petition as finally consummated which do not increase the aggregate principal amount of Notes to be issued or otherwise materially change the terms and conditions of the Loan Agreement and the Note Resolution which are set forth in Paragraphs (A) through (E) of Section 6 of the Petition) be, and the same is hereby approved, and the County Council may proceed therewith.

3. Notice of the action taken by the State Council in giving approval to the above described undertaking of Oconee County shall be published in "The Seneca Journal" which is a newspaper having general circulation in Oconee County.

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

A. 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, a reasonable estimate of the cost of the Facilities, and a general summary of the terms and conditions of the Loan Agreement and Resolution (both as defined in the Petition), together with draft copies of the Loan Agreement, the Note Resolution and the Note Purchase Agreement pursuant to which the Notes will be sold.

B. The financing of the Facilities by the County Council through the issuance of the Notes will promote the purposes of the Act, and the Facilities may be reasonably anticipated to effect such result.

2. On the basis of the foregoing findings, the proposal of the County Council to issue, sell and deliver the Notes as set forth in the Petition (including changes in any details of the proposal as set forth in the Petition as finally consummated which do not increase the aggregate principal amount of Notes to be issued or otherwise materially change the terms and conditions of the Loan Agreement and the Note Resolution which are set forth in Paragraphs (A) through (E) of Section 6 of the Petition) be, and the same is hereby approved, and the County Council may proceed therewith.

3. Notice of the action taken by the State Council in giving approval to the above described undertaking of Oconee County shall be published in "The Seneca Journal" which is a newspaper having general circulation in Oconee County.

4. That the Notice, mentioned in Section 3 above, to be published shall be in form substantially as set forth in Exhibit "B" of this Resolution.

5. This Resolution shall take effect immediately.

EXHIBIT "B"

NOTICE PURSUANT TO ACT NO. 156 OF  
THE ACTS AND JOINT RESOLUTIONS EN-  
ACTED AT THE 1971 SESSION OF THE  
GENERAL ASSEMBLY OF THE STATE OF  
SOUTH CAROLINA

NOTICE IS HEREBY GIVEN that following the filing of of a Petition by the County Council of Oconee County (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 proposal of the County Council (including changes in any details of the said proposal as finally consummated which do not increase the aggregate principal amount of Notes to be issued or otherwise materially change the terms and conditions of the Loan Agreement and Note Resolution which are set forth in Paragraphs (A) through (E) of Section 6 of the Petition) viz:

The adoption of a resolution (the "Note Resolution") authorizing issuance, sale and delivery by the County Council of \$24,000,000 Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) (the "Notes") pursuant to a Note Purchase Agreement among Oconee County, Morgan Guaranty Trust Company of New York and Chemical Bank in accordance with Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (the "Act").

The proceeds of the Notes shall be loaned by Oconee County, South Carolina to Duke Power Company (the "Industry") and used to finance the acquisition, construction and installation by the Industry of certain pollution control facilities located at the Industry's Oconee Nuclear Station (the "Facilities") pursuant to a Loan Agreement between Oconee County, South Carolina and the Industry, pursuant to which the Industry will among other things unconditionally agree to make payments sufficient to repay the principal of and interest on the Notes when due.

A draft of the Loan Agreement, the Note Resolution and the Note Purchase Agreement are on file at the office of the County Council, located in the Oconee County Courthouse, Walhalla, South Carolina.

The South Carolina Department of Health and Environmental Control has found that the Facilities are necessary and are designed for the elimination, mitigation and prevention of air pollution.

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

THE STATE BUDGET AND CONTROL  
BOARD OF SOUTH CAROLINA

BY: P. C. SMITH, Secretary

DATED:

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**OCONEE COUNTY, SOUTH CAROLINA**

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**NOTE RESOLUTION**

**AUTHORIZING THE ISSUANCE OF AND SECURING OF  
\$24,000,000 POLLUTION CONTROL  
REVENUE BOND ANTICIPATION NOTES 1975 SERIES  
(DUKE POWER COMPANY PROJECT)**

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**Adopted March 6, 1975**

A RESOLUTION AUTHORIZING THE ISSUANCE OF AT LEAST \$24,000,000 AGGREGATE PRINCIPAL AMOUNT OF POLLUTION CONTROL REVENUE BONDS (DUKE POWER COMPANY PROJECT) OF OCONEE COUNTY, SOUTH CAROLINA AND IN ANTICIPATION OF THE ISSUANCE OF SAID BONDS AUTHORIZING THE ISSUANCE OF \$24,000,000 AGGREGATE PRINCIPAL AMOUNT OF POLLUTION CONTROL REVENUE BOND ANTICIPATION NOTES 1975 SERIES (DUKE POWER COMPANY PROJECT OF SAID COUNTY, FOR THE PURPOSE OF LOANING THE PROCEEDS OF SAID NOTES TO DUKE POWER COMPANY TO FINANCE THE COST OF CONSTRUCTION, ACQUISITION AND INSTALLATION OF POLLUTION CONTROL FACILITIES; AUTHORIZING THE EXECUTION OF A LOAN AGREEMENT WITH SAID DUKE POWER COMPANY IN CONNECTION THEREWITH; AUTHORIZING THE EXECUTION OF A NOTE PURCHASE AGREEMENT IN CONNECTION WITH THE SALE OF SAID NOTES; AND PROVIDING FOR THE SECURING OF SAID NOTES

WHEREAS, Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (the "Act") empowers the several counties and incorporated municipalities of the State of South Carolina to issue their bonds and to issue their notes in anticipation thereof pursuant to the provisions of Act No. 116 of the Acts and Joint Resolutions enacted at the 1965 Session of the General Assembly of the State of South Carolina, as amended (the "Note Act") and to loan the proceeds of the sale of such bonds or notes to industrial concerns to finance the construction, acquisition and installation by such industrial concerns of pollution control facilities as defined in the Act; and

WHEREAS, Oconee County, South Carolina (the "County") has issued \$24,000,000 aggregate principal amount of its Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project) dated March 12, 1974 and maturing on March 11, 1975 (the "1974 Notes") to finance the construction, acquisition and installation of pollution control facilities (the "Facilities"), pursuant to a Loan Agreement dated as of March 12, 1974 between the County and Duke Power Company (the "Corporation"); and

WHEREAS, it is now necessary to renew the 1974 Notes pursuant to the Note Act by the authorization of \$24,000,000 aggregate principal amount of Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) dated March 11, 1975 (the "1975 Notes") and to authorize the execution of a Loan Agreement (the "Loan Agreement") dated as of March 11, 1975 between the County and the Corporation to provide for the payment of the principal and interest on the 1975 Notes;

WHEREAS, the County is prepared to (i) authorize the issuance of at least \$24,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (Duke Power Company Project), (ii) authorize the issuance of the 1975 Notes in anticipation of the issuance of said Bonds, (iii) authorize the loaning of the proceeds of the 1975 Notes to the Corporation to finance the acquisition, construction and installation of the Facilities pursuant to the Loan Agreement, and (iv) authorize the sale of the 1975 Notes pursuant to a note purchase agreement;

NOW, THEREFORE, Oconee County, South Carolina resolves as follows:

#### ARTICLE I

SECTION 1.01. The terms defined in this Article I shall for all purposes of this Resolution have the meanings herein specified, unless the context clearly otherwise requires:

*Act:*

"Act" shall mean Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina and all future acts supplemental thereto or amendatory thereof.

*Administration Expenses:*

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the County in connection with the Loan Agreement, this Resolution, the Note Purchase Agreement and the financing of the Facilities, including the compensation and expenses paid to the Depository under this Resolution.

*Authorized Corporation Representative:*

"Authorized Corporation Representative" shall mean the person or persons at the time designated to act on behalf of the Corporation by written certificate furnished to the County and the Depository containing the specimen signature of such person and signed on behalf of the Corporation by its President or a Vice President and its Secretary or an Assistant Secretary, which certificate shall continue in full force and effect until the County and the Depository have received a notice of revocation thereof by the Corporation.

*Bank:*

"Bank" shall mean Morgan Guaranty Trust Company of New York or Chemical Bank.

*Banks:*

"Banks" shall mean Morgan Guaranty Trust Company of New York and Chemical Bank.

*Bonds:*

"Bonds" shall mean the Pollution Control Revenue Bonds (Duke Power Company Project) of the County authorized to be issued pursuant to this Resolution in the aggregate principal amount of at least \$24,000,000.

*Corporation:*

"Corporation" shall mean Duke Power Company, a North Carolina corporation, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under Section 5.02 of the Loan Agreement.

*Cost:*

"Cost" shall mean the cost of acquiring by construction or purchase the Facilities within the meaning of the Act, including without limitation (a) obligations of the Corporation incurred for labor, materials and other expenses in connection with the construction, acquisition and installation of the Facilities; (b) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Facilities; (c) the expenses of the Corporation for test borings, surveys, estimates, plans and specifications and preliminary investigations thereof, and for supervising construction, as well as for the performance of all other duties required by or reasonably necessary for the construction, acquisition, and installation of the Facilities; (d) legal, accounting, financial and printing expenses, fees, compensation and all other expenses incurred in connection with the authorization, sale and issuance of the Notes; (e) interest on the Notes until the maturity date of the Notes; (f) all other costs which the Corporation shall be required to pay, under the terms of any contract or contracts, for the construction, acquisition and installation of the Facilities; (g) any sums required to reimburse the Corporation for advances made by it for any of the above items; and (h) to the extent not included in any of the above mentioned items: all amounts recognized by The Public Service Commission of South Carolina as items of cost to the Corporation with respect to the construction, acquisition and installation of the Facilities which amounts are includible as such in the Corporation's rate base and are allowed by said Commission to be capitalized on the books of the Corporation.

The Cost of the Facilities shall not include any item or amount which will result in less than substantially all of the proceeds of the Notes being used to provide air and water pollution control facilities or other exempt facilities within the meaning of Section 103(c)(4) of the Internal Revenue Code of 1954, as amended and the regulations thereunder.

*County:*

"County" shall mean Oconee County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina.

*Debt Service Fund:*

"Debt Service Fund" shall mean the fund created under Section 6.01 of this Resolution which is held by the Depository.

*Depository:*

"Depository" shall mean Morgan Guaranty Trust Company of New York, appointed under this Resolution as Depository and its corporate successors and any successor Depository under this Resolution.

*Facilities:*

"Facilities" shall mean the pollution control facilities described in Exhibit A to the Loan Agreement, and related improvements and any substitutions therefor in accordance with Section 3.04 of the Loan Agreement, to be constructed, acquired and installed by the Corporation and to be financed from the proceeds of the Notes for operation by the Corporation as pollution control facilities, as defined in the Act.

*Loan Agreement:*

"Loan Agreement" shall mean the Loan Agreement dated as of March 11, 1975 between the County and the Corporation and any and all modifications, alterations, amendments and supplements made in accordance with the provisions thereof.

*Loan Fund:*

"Loan Fund" shall mean the fund created under Section 5.01 of this Resolution which is held by the Depository.

*Note Purchase Agreement:*

"Note Purchase Agreement" shall mean that agreement dated as of March 11, 1975 between the County and the Banks with regard to the sale of the Notes.

*Notes:*

"Notes" shall mean the \$24,000,000 (except as otherwise provided herein) aggregate principal amount of Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project) of the County executed and delivered pursuant to this Resolution.

*Noteholder:*

"Noteholder" or "holder of the Notes" or "holder" shall mean the registered owner of any of the Notes.

*Outstanding:*

"Outstanding" or "outstanding" shall mean all Notes executed and delivered by the County under this Resolution, except Notes which have been paid in accordance with the provisions of this Resolution or cancelled pursuant to the provisions of Section 2.04 or 2.05 of this Resolution.

*Resolution:*

"Resolution" shall mean this resolution of the County adopted on March 6, 1975 authorizing, among other things, the issuance of the Notes, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

*Revenues:*

"Revenues" shall mean all payments, receipts and revenues which the County has a right to receive under or pursuant to the Loan Agreement (except payments of Administration Expenses and any indemnification payments pursuant to Sections 4.02 and 4.08 of the Loan Agreement, respectively), and all income earned by the investment of funds pursuant to Section 7.02 of this Resolution.

SECTION 1.02. There is hereby authorized the issuance of the Bonds in one or more series as the Company shall determine to finance the cost of the construction, acquisition and installation of the Facilities within the meaning of the Act and in connection therewith the proceeds of the Bonds may be applied to payment of the principal of and interest on the Notes. The details and the means of securing the Bonds shall be determined by subsequent resolutions of the County adopted prior to the sale of the Bonds. The Notes authorized to be issued pursuant to the provisions of this Resolution are issued in anticipation of the issuance of the Bonds. The County hereby obligates itself to issue the Bonds in one or more series for the purposes stated above in accordance with the provisions of the Act prior to the maturity or payment of the Notes upon receipt of the following: (i) a written request from the Corporation to issue the Bonds in one or more series, (ii) execution of a valid and binding loan agreement between the County and the Corporation pursuant to which payments will be made by the Corporation to the County in amounts equal to the principal, interest and premium, if any, on the Bonds and any administration expenses, and (iii) an opinion of counsel, satisfactory in form and substance to the County, as to the validity of the issuance of the Bonds and such other matters as the County may reasonably request. The County may utilize the proceeds of the Bonds, the Revenues or any other funds available for the payment of the principal and interest on the Notes.

SECTION 1.03. As security for the punctual payment of all amounts payable by the Company pursuant to the Notes or the Resolution, for the performance and observance by the County of all of its covenants and agreements contained in the Notes or the Resolution and to assure the correctness of all representations and warranties made in the Note Purchase Agreement, the Notes or the Resolution or in any document or certificate delivered pursuant to any thereof, the County irrevocably assigns and pledges to the holders of the Notes all rights of the County under and all interests of the County in the Loan Agreement (other than the rights to receive payment of the Administration Expenses and rights to indemnification pursuant to Sections 4.02 and 4.08 thereof, respectively), the Revenues, all moneys and securities in the Debt Service Fund and, until applied in payment of any item of the Cost of the Facilities in accordance with Section 5.03 hereof, all moneys and securities in the Loan Fund. The Notes, together with the interest thereon, are limited obligations of the County payable solely from the Revenues and the other funds pledged under this Resolution and shall not constitute an indebtedness of the County within the meaning of any South Carolina constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit or taxing power of the County.

SECTION 1.04. In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution, which shall not be amended, rescinded or modified except in accordance with Section 12.06 of this Resolution, shall for all purposes be deemed to be and shall constitute a contract between the County and the holders from time to time of the Notes.

## ARTICLE II

### THE NOTES

SECTION 2.01. There shall be issued under and secured by this Resolution an issue of Notes to be designated "Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project)" in the aggregate principal amount of \$24,000,000 (except as otherwise provided in this Resolution). The Notes shall be dated the date of their delivery thereof, and shall bear interest in accordance with this Resolution on the unpaid principal amount thereof from time to time outstanding from their date, payable on \_\_\_\_\_ and at stated maturity, at the rate of per centum ( ) per annum and shall mature on \_\_\_\_\_.

The Notes shall be numbered from one upward and shall be in the denomination of \$5,000 each, or any multiple thereof, not exceeding the aggregate principal amount of the Notes. All payments of the principal of and interest on the Notes shall be payable in lawful money of the United States of America and in Federal or other immediately available funds at the principal office of the Depository.

Notes issued on or subsequent to the first interest payment date thereof shall be dated as of the interest payment date next preceding the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown on the books of the County kept by the Depository, interest on the Notes shall be in default, Notes issued in exchange for Notes surrendered for transfer shall be dated as of the date on which interest has been paid in full on the Notes surrendered. The Notes shall bear interest from their date.

SECTION 2.02. The Notes shall be executed on behalf of the County by the manual signatures of the Chairman or acting Chairman of the County Council and the Secretary of the County Council, and the corporate seal of the County shall be impressed thereon. In case any officer whose signature shall appear on the Notes shall cease to be any officer before the delivery of such Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he had held such office at the time of the delivery of the Notes.

SECTION 2.03. The Notes shall be substantially in the form set forth in Section 12.08 hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, including Section 12.06 of this Resolution.

SECTION 2.04. In the event any Note is lost, stolen or destroyed, the County shall issue a new Note of like date, maturity and denomination as the Note lost, stolen or destroyed; provided that there shall be first furnished to the County and the Depository evidence of ownership of such Note and of such loss, theft or destruction satisfactory to the County and the Depository, together with indemnity satisfactory to them. In the event any Note is mutilated, the County may issue a new Note of like date, maturity and denomination as the Note mutilated, provided such mutilated Note is surrendered to the Depository. Upon the issuance of a new Note in exchange for a mutilated Note, the Depository shall cancel such mutilated Note. In the event any such Note shall have matured, instead of issuing a substitute Note, the Depository may pay the same without surrender thereof. The County and the Depository may charge the holder of such Notes with their reasonable fees and expenses in this connection.

SECTION 2.05. 1. Each Note shall be transferable or exchangeable only upon the books of the County, which shall be kept for such purpose by the Depository at its principal office, by the holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Depository duly executed by the holder or his duly authorized attorney. Upon surrender of such Note and delivery of such a written instrument of transfer, the County shall issue in the name of the transferee a new Note or Notes of the same aggregate principal amount, maturity and interest rate as the surrendered Note and record on its books such transfer of ownership of such Note.

ARTICLE II  
THE NOTES

SECTION 2.01. There shall be issued under and secured by this Resolution an issue of Notes to be designated "Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project)" in the aggregate principal amount of \$24,000,000 (except as otherwise provided in this Resolution). The Notes shall be dated the date of their delivery thereof, and shall bear interest in accordance with this Resolution on the unpaid principal amount thereof from time to time outstanding from their date, payable on \_\_\_\_\_ and at stated maturity, at the rate of per centum ( ) per annum and shall mature on \_\_\_\_\_.

The Notes shall be numbered from one upward and shall be in the denomination of \$5,000 each, or any multiple thereof, not exceeding the aggregate principal amount of the Notes. All payments of the principal of and interest on the Notes shall be payable in lawful money of the United States of America and in Federal or other immediately available funds at the principal office of the Depository.

Notes issued on or subsequent to the first interest payment date thereof shall be dated as of the interest payment date next preceding the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown on the books of the County kept by the Depository, interest on the Notes shall be in default, Notes issued in exchange for Notes surrendered for transfer shall be dated as of the date on which interest has been paid in full on the Notes surrendered. The Notes shall bear interest from their date.

SECTION 2.02. The Notes shall be executed on behalf of the County by the manual signatures of the Chairman or acting Chairman of the County Council and the Secretary of the County Council, and the corporate seal of the County shall be impressed thereon. In case any officer whose signature shall appear on the Notes shall cease to be any officer before the delivery of such Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he had held such office at the time of the delivery of the Notes.

SECTION 2.03. The Notes shall be substantially in the form set forth in Section 12.08 hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, including Section 12.06 of this Resolution.

SECTION 2.04. In the event any Note is lost, stolen or destroyed, the County shall issue a new Note of like date, maturity and denomination as the Note lost, stolen or destroyed; provided that there shall be first furnished to the County and the Depository evidence of ownership of such Note and of such loss, theft or destruction satisfactory to the County and the Depository, together with indemnity satisfactory to them. In the event any Note is mutilated, the County may issue a new Note of like date, maturity and denomination as the Note mutilated, provided such mutilated Note is surrendered to the Depository. Upon the issuance of a new Note in exchange for a mutilated Note, the Depository shall cancel such mutilated Note. In the event any such Note shall have matured, instead of issuing a substitute Note, the Depository may pay the same without surrender thereof. The County and the Depository may charge the holder of such Notes with their reasonable fees and expenses in this connection.

SECTION 2.05. 1. Each Note shall be transferable or exchangeable only upon the books of the County, which shall be kept for such purpose by the Depository at its principal office, by the holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Depository duly executed by the holder or his duly authorized attorney. Upon surrender of such Note and delivery of such a written instrument of transfer, the County shall issue in the name of the transferee a new Note or Notes of the same aggregate principal amount, maturity and interest rate as the surrendered Note and record on its books such transfer of ownership of such Note.

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

3. In all cases in which the privilege of transferring or exchanging Notes is exercised, the County shall execute and deliver Notes in accordance with the provisions of this Resolution. All Notes surrendered in any such transfer or exchange shall forthwith be cancelled by the Depository. There shall be no charge for such transfer of Notes except that the Depository may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect thereto. Neither the County nor the Depository shall be required (a) to transfer Notes for a period of ten days next preceding an interest payment date on the Notes or (b) to transfer any Notes called for redemption.

SECTION 2.06. The Notes are, to the extent provided in this Resolution, equally and ratably secured by this Resolution without preference, priority or distinction on account of the actual time or times of execution or delivery of the Notes, so that the Notes at any time outstanding hereunder shall have the same right, lien and preference under and by virtue of this Resolution and shall all be equally and ratably secured hereby with like effect as if they had all been executed and delivered simultaneously on the date hereof, whether they, or any of them, shall actually be disposed of at such date or at some future date, or whether they or any of them, shall have been authorized to be executed and delivered under Section 2.07 hereof or may be authorized to be executed and delivered pursuant to Sections 2.04 and 2.05 hereof.

SECTION 2.07. The Notes to be issued pursuant to Section 2.01 of this Resolution shall be executed and delivered by the County, but only (i) upon the execution and delivery of the Loan Agreement as provided in Section 4.01 hereof and (ii) against the receipt by the Depository of the proceeds of sale of the Notes pursuant to the Note Purchase Agreement, for deposit in the Loan Fund.

### ARTICLE III

#### REDEMPTION OF NOTES BEFORE MATURITY

SECTION 3.01. The Notes are callable for redemption at any time in whole, at 100% of the principal amount thereof plus accrued interest to the date fixed for redemption. Notes shall be called for redemption by the Depository as provided in Section 3.02 of the Resolution upon receipt by the Depository at least five business days prior to the date fixed for redemption of written notice by the County to that effect.

SECTION 3.02. Notice of the call for such redemption shall be given by the Depository in the name of the County by depositing in the United States mails a copy of the redemption notice, first class postage prepaid, at least three business days prior to the date fixed for redemption, addressed to the holder of each Note at the address of such holder shown on the registration books. The requirements for mailing any notice of redemption may be waived by written consent of the holders of the Notes affected by the redemption filed with the Depository.

Prior to the date fixed for redemption, funds or securities in which such funds are invested pursuant to Section 11.01 hereof sufficient to pay the principal and interest on the Notes shall be deposited in the Debt Service Fund to pay the principal of the Notes plus accrued interest thereon to the redemption date. Upon the happening of the above conditions and compliance with the provisions of this Resolution, the Notes shall cease to bear interest from and after the redemption date and shall not be deemed to be outstanding under the provisions of this Resolution.

## ARTICLE IV

### LOAN AGREEMENT AND NOTE PURCHASE AGREEMENT

SECTION 4.01. The Chairman or Acting Chairman of the County Council and the Secretary of the County Council are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Loan Agreement and the Note Purchase Agreement each in the form presented to the County Council of the County as evidenced by a copy of each such agreement certified by the Secretary of the County Council and thereupon filed among the permanent records of the County Council. The Chairman or Acting Chairman of the County Council, however, is hereby authorized, prior to execution and delivery of the Loan Agreement and the Note Purchase Agreement, to make such changes or modifications in the form of either of such Agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by this Resolution. The execution and delivery of the Loan Agreement or the Note Purchase Agreement by the Chairman or the Acting Chairman of the County Council shall be conclusive evidence of the due execution in accordance with this Resolution, on behalf of the County, of such instrument which shall thereupon become binding upon and enforceable against the County in accordance with its terms.

SECTION 4.02. The Facilities shall be constructed, acquired and installed by the Corporation as provided in the Loan Agreement. The County covenants that no change shall be made in the Facilities which would render inaccurate the representations contained in subsection (c) of Section 2.02 of the Loan Agreement or render inaccurate Exhibit A to the Loan Agreement unless and until the Depository shall have been furnished, with respect to such change, the opinion, certificates and certification of an Authorized Corporation Representative required by Section 3.04 of the Loan Agreement.

## ARTICLE V

### LOAN FUND

SECTION 5.01. There is hereby created a Loan Fund, which shall be held in trust by the Depository in accordance with this Resolution. The proceeds from the sale of the Notes shall be deposited in the Loan Fund. In addition, any moneys designated by the Corporation from any other source may be deposited in the Loan Fund.

SECTION 5.02. The moneys in the Loan Fund, until applied in payment of any item of the Cost of the Facilities, shall be held by the Depository and, pending such application, shall be subject to a claim and charge in favor of the holders of the Notes as set forth in Section 1.03 of this Resolution until paid out as herein provided.

SECTION 5.03. The Depository shall make payments from the Loan Fund to pay the Cost of the Facilities upon receipt of a requisition signed by a principal financial or accounting officer of the Corporation, (upon which both the Depository and the County may conclusively rely) stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is to be paid or has been paid, (3) the amount to be paid, and (4) that each obligation, item of cost, or expense mentioned therein has been properly incurred or recognized by the Corporation, is a proper charge against the Loan Fund as a Cost of the Facilities and has not been the basis of any previous withdrawal.

SECTION 5.04. For three years from the date thereof the Depository shall retain in its possession all requisitions received by it as herein required, subject to the inspection of the County, its agents and representatives, the Corporation and the Noteholders and their representative at all reasonable times.

SECTION 5.05. Upon completion of the Facilities, the Depository shall be furnished with a certificate of an Authorized Corporation Representative to the effect set forth in Section 3.05 of the Loan Agreement. Thereupon, any moneys and securities in the Loan Fund shall be deposited in the Debt Service Fund and disbursed therefrom solely to pay the principal coming due on the Notes.

SECTION 5.06. If prior to the maturity date of the Notes, all of the requirements of Section 1.02 of this Resolution and Section 5.05 of the Loan Agreement have been satisfied, the County shall advise the Depository in writing of the proposed issuance of the Bonds and that the Notes are to be redeemed, at least ten business days before the delivery of the Bonds, and direct the Depository to transfer any moneys and securities remaining in the Loan Fund to the Debt Service Fund on the date of delivery of the Bonds which moneys and securities will be used for redemption of the Notes pursuant to Article III of this Resolution.

In addition, if at the stated date of maturity of the Notes or at the date fixed for redemption of the Notes, as the case may be, any moneys and securities shall be remaining in the Loan Fund, such moneys and securities shall be transferred to the Debt Service Fund for the payment of the principal and interest on the Notes on such date.

## ARTICLE VI

### APPLICATION OF REVENUES

SECTION 6.01. There is hereby created a Debt Service Fund, which shall be held in trust by the Depository in accordance with this Resolution. The County hereby directs payment to be made to the Depository of any and all of the revenues. Upon receipt of the Revenues and of such other moneys as may be paid to the Depository by the County for deposit in the Debt Service Fund, the Depository shall deposit the same in the Debt Service Fund. The County hereby authorizes and directs the Depository to withdraw sufficient funds from the Debt Service Fund to pay the principal and interest on the Notes as the same become due and payable in accordance with this Resolution.

SECTION 6.02. Except as otherwise provided in Sections 5.05 and 7.03 of this Resolution, all moneys in the Debt Service Fund shall be used for the payment of the interest on the Notes or for the payment or redemption of the Notes. Whenever the amount in the Debt Service Fund from any source whatsoever is sufficient to redeem all of the outstanding Notes and to pay interest to accrue thereon to the date of such redemption, the County covenants and agrees, upon request of the Corporation, to take and cause to be taken the necessary steps to redeem all such Notes subject to the provisions of Article III of the Resolution.

SECTION 6.03. In the event any Notes shall not be presented for payment when the principal thereof becomes due, either at stated maturity or on the date fixed for redemption thereof, if moneys sufficient to pay such Notes shall be held by the Depository for the benefit of the holder or holders thereof, all liability of the County to the holders thereof for the payment of such Notes shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Depository to hold such funds without liability for any interest thereon from and after the stated maturity or the date fixed for redemption, as the case may be, for the benefit of the holders of such Notes, which holders shall thereafter be restricted exclusively to such funds for any claim of whatever nature on its part under this Resolution or on, or with respect to, said Notes.

SECTION 6.04. Pursuant to the provisions of Section 4.02 of the Loan Agreement, the Corporation has agreed to pay on each interest payment date as provided in Section 2.01 of this Resolution, directly to the Depository and the County, as the case may be, such amounts as may be necessary to pay or provide for Administration Expenses of the Depository and the County.

## ARTICLE VII

### SECURITY FOR AND INVESTMENT OF MONEYS

SECTION 7.01. As indicated in Section 5.01 and Section 6.01 of this Resolution, the Loan Fund and the Debt Service Fund, respectively, shall each be trust funds completely segregated and set apart from other funds of the County.

SECTION 7.02. Moneys on deposit in the Loan Fund or the Debt Service Fund shall, upon receipt from time to time of a certificate of an Authorized Corporation Representative so directing, be invested and reinvested by the Depository in (i) interest-bearing time deposit accounts (which may be represented by certificates of deposit) in one or more national or state banks (which may include the Depository) having a combined capital and surplus of not less than \$10,000,00 or (ii) obligations of, or obligations the principal of and interest on which are guaranteed or insured by, the United States of America or any agency of the United States of America controlled by or supervised by and acting as an instrumentality of the United States of America as authorized by the Congress of the United States.

The securities purchased with the moneys in each such Fund shall be deemed a part of each such Fund and, for the purpose of determining the amount of money in each such Fund, the securities therein shall be valued at their cost or current market value, whichever is lower. Any interest accruing on the moneys held in the Loan Fund or the Debt Service Fund, any profit realized from such investments and any loss resulting from such investments shall be charged, as the case may be, to each such Fund. The Depository shall not be liable or responsible for any loss resulting from any such investment or resulting from the redemption or sale of any such investment authorized above. If at any time it shall become necessary that some of or all the securities purchased with the moneys in the Loan Fund or the Debt Service Fund be redeemed or sold in order to raise moneys necessary to comply with the provisions of this Resolution, the Depository shall effect such redemption or sale, employing, in the case of a sale, any method of effecting the same which it deems commercially reasonable.

The County covenants that it will not make, or permit the Depository or the Corporation to make, any use of the proceeds of the Notes or of any moneys or securities on deposit in the Loan Fund or Debt Service Fund which may be deemed to be proceeds of the Notes pursuant to Section 103(d) of the Internal Revenue Code of 1954, as amended, and the applicable regulations there, or any such amounts withdrawn from the Loan Fund under the provisions of Section 5.03 of this Resolution, which use would, had such use been reasonably expected at the time of issuance of the Notes, have caused the Notes to be "arbitrage bonds" within the meaning of the Section 103(d) of the Internal Revenue Code of 1954, as amended, and applicable regulations thereunder as the same may be in force and applicable at the time of any such use to obligations issued on the date of issuance of the Notes.

SECTION 7.03. Any balance in the Loan Fund or the Debt Service Fund or otherwise held by the Depository in connection with the issuance of the Notes or in connection with the Loan Agreement or this Resolution after all the Notes issued hereunder, together with the interest thereon, have been paid in full and all amounts due to the Depository and the County (including amounts due as Administration Expenses) have been paid shall belong to and, upon request of the Corporation shall be paid over to, the Corporation.

## ARTICLE VIII

### PARTICULAR COVENANTS OF THE COUNTY

SECTION 8.01. The County will promptly pay the principal of, and the interest on, every Note issued hereunder and outstanding and provide for the redemption at the places, on the dates and in the manner specified herein and in said Notes.

SECTION 8.02. The County will at all times maintain its corporate existence or assure the assumption of its obligations under this Resolution by any public body succeeding to its powers, and it will

use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act; and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the matters contemplated by the Note Purchase Agreement, the Loan Agreement, the Notes or this Resolution.

SECTION 8.03. So long as any of the Notes are outstanding, the County will enforce the obligation of the Corporation to pay, or cause to be paid, all the payments and other costs and charges payable by the Corporation under the Loan Agreement.

SECTION 8.04. The County covenants and agrees to effect all filings and recordings, including without limitation the filing of all financing statements and continuation statements in respect thereof under the Uniform Commercial Code of South Carolina, which, in the judgment of any of the Banks (or in the event of any of the Banks shall have transferred ownership of any of the Notes purchased by such Bank, any of the Banks or Noteholders holding an aggregate of at least twenty-five per centum (25%) of the aggregate principal amount of outstanding Notes), is necessary or desirable from time to time to establish, protect and preserve such security interests as valid, perfected and enforceable first security interests in the collateral provided for in Section 1.03 of this Resolution.

SECTION 8.05. The County will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Resolution; provided, however, that no such instruments or actions shall constitute an indebtedness of the County within the meaning of any South Carolina constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit or taxing powers of the County.

SECTION 8.06. Except to the extent contemplated by Section 1.03 of this Resolution, the County will not sell, assign, pledge, convey or otherwise transfer or encumber its rights or interest in the Loan Agreement or any of the Revenues, the moneys and securities in the Debt Service Fund and, until applied in payment of any item of the Cost of the Facilities in accordance with Section 5.03 of this Resolution, the moneys and securities in the Loan Fund, and will promptly pay or cause to be discharged or make adequate provision to satisfy and discharge any lien or charge on any part of such collateral.

SECTION 8.07. Notwithstanding anything contained in the Loan Agreement or in this Resolution to the contrary, the County agrees that it will not consent to or acquiesce in the submission of any requisition by the Corporation in respect of any item or expense which would not constitute a "cost of acquiring pollution control facilities" within the meaning of the Act or which, if paid, would result in less than substantially all of the proceeds from the issuance of the Notes being used to provide air and water pollution control facilities or other exempt facilities within the meaning of Section 103(c)(4) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder.

## ARTICLE IX

### DEFAULTS AND REMEDIES

SECTION 9.01. In case one or more of the following events, in this Resolution referred to as the "Events of Default", shall happen, that is to say, if

- (a) payment of the principal of and interest on any Note shall not be made when the same shall become due (whether at stated maturity or upon the date fixed for redemption); or
- (b) there shall be an event of default as defined in Section 7.01 of the Loan Agreement; or
- (c) an order or decree appointing a receiver of the Revenues or any part thereof shall be entered with the consent or acquiescence of the County or such order or decree shall be entered

without the acquiescence or consent of the County and shall not be vacated, discharged or stayed within sixty (60) days after entry; or

(d) the County shall default in the due and punctual performance of any covenant, condition, agreement or provision contained in the Notes or in this Resolution (other than the covenant to make the payments referred to in (a) above) on the part of the County to be performed and such default shall subsist after written notice indicating such default and requesting the same to be remedied shall have been given to the County and the Corporation by any of the Banks or (in the event that any of the Banks shall have transferred ownership of any Notes purchased by such Bank) any of the Banks which are Noteholders or holders of twenty-five per centum in aggregate principal amount of the Notes then Outstanding ("Qualifying Amount of Noteholders").

then, in any such case any of the Banks or (in the event that any of the Banks shall have transferred ownership of any Notes purchased by such Bank) any of the Banks which are Noteholders or a Qualifying Amount of Noteholders, may, provided the default is subsisting, declare the unpaid principal of all Notes then outstanding to be due and payable immediately by notice in writing delivered to the County, the Corporation and the Depository, and upon such declaration the said principal, together with all interest accrued thereon and unpaid, shall become due and payable immediately at the then principal office of the Depository, anything in this Resolution or in said Notes to the contrary notwithstanding. Notice of any default received by the Depository pursuant to this Section 9.01 shall be deposited in the United States mails, first class, postage prepaid, to each of the Noteholders at the addresses of such Noteholders as shown in the books of the County maintained by the Depository pursuant to Section 2.05 of this Resolution.

The above provisions, however, are subject to the condition that if, after the principal of said Notes shall have been so declared to be due and payable, all arrears of interest upon the Notes, and interest overdue installments of interest (to the extent lawful) at the rate of per centum ( ) per annum, and all other sums payable under this Resolution, except the principal of and interest on the Notes which by such declaration shall have become due and payable and would otherwise not be due and payable, shall have been paid by or on behalf of the County, and the County also shall have performed all other things in respect of which it may have been in default hereunder, and shall have paid the reasonable expenses of all of the Banks and Noteholders affected by such default or Event of Default, including reasonable attorneys' fees paid or incurred, then and in every such case, such default may be waived as an Event of Default and such declaration and its consequences rescinded and annulled by (i) all of the Banks or (ii) (if any of the Banks shall have transferred ownership of any of the Notes) all of the Banks holding Notes and such other holders of outstanding Notes, if any, as are necessary to aggregate at least eighty-five per centum (85%) in principal amount of the outstanding Notes, by written notice to the County; provided that no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

SECTION 9.02. Any of the Banks and (in the event any of the Banks shall have transferred ownership of any of its Notes) any of the Banks or a Qualifying Amount of the Noteholders, as the assignees of all the rights, and interest of the County in and to the Loan Agreement, shall be entitled to enforce each and every right of the County under the Loan Agreement.

SECTION 9.03. Upon the happening of any Event of Default, then and in every such case any of the Noteholders may:

(a) by mandamus, or by appointment of a receiver in equity with such powers as may be necessary to enforce all rights of the Noteholders, require the County or the Corporation to carry out any agreements with or for the benefit of the Noteholders and to perform its or their duties under the Act, the Loan Agreement and this Resolution;

(b) bring suit upon the Notes;

without the acquiescence or consent of the County and shall not be vacated, discharged or stayed within sixty (60) days after entry; or

(d) the County shall default in the due and punctual performance of any covenant, condition, agreement or provision contained in the Notes or in this Resolution (other than the covenant to make the payments referred to in (a) above) on the part of the County to be performed and such default shall subsist after written notice indicating such default and requesting the same to be remedied shall have been given to the County and the Corporation by any of the Banks or (in the event that any of the Banks shall have transferred ownership of any Notes purchased by such Bank) any of the Banks which are Noteholders or holders of twenty-five per centum in aggregate principal amount of the Notes then Outstanding ("Qualifying Amount of Noteholders").

then, in any such case any of the Banks or (in the event that any of the Banks shall have transferred ownership of any Notes purchased by such Bank) any of the Banks which are Noteholders or a Qualifying Amount of Noteholders, may, provided the default is subsisting, declare the unpaid principal of all Notes then outstanding to be due and payable immediately by notice in writing delivered to the County, the Corporation and the Depository, and upon such declaration the said principal, together with all interest accrued thereon and unpaid, shall become due and payable immediately at the then principal office of the Depository, anything in this Resolution or in said Notes to the contrary notwithstanding. Notice of any default received by the Depository pursuant to this Section 9.01 shall be deposited in the United States mails, first class, postage prepaid, to each of the Noteholders at the addresses of such Noteholders as shown in the books of the County maintained by the Depository pursuant to Section 2.05 of this Resolution.

The above provisions, however, are subject to the condition that if, after the principal of said Notes shall have been so declared to be due and payable, all arrears of interest upon the Notes, and interest overdue installments of interest (to the extent lawful) at the rate of per centum ( ) per annum, and all other sums payable under this Resolution, except the principal of and interest on the Notes which by such declaration shall have become due and payable and would otherwise not be due and payable, shall have been paid by or on behalf of the County, and the County also shall have performed all other things in respect of which it may have been in default hereunder, and shall have paid the reasonable expenses of all of the Banks and Noteholders affected by such default or Event of Default, including reasonable attorneys' fees paid or incurred, then and in every such case, such default may be waived as an Event of Default and such declaration and its consequences rescinded and annulled by (i) all of the Banks or (ii) (if any of the Banks shall have transferred ownership of any of the Notes) all of the Banks holding Notes and such other holders of outstanding Notes, if any, as are necessary to aggregate at least eighty-five per centum (85%) in principal amount of the outstanding Notes, by written notice to the County; provided that no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

SECTION 9.02. Any of the Banks and (in the event any of the Banks shall have transferred ownership of any of its Notes) any of the Banks or a Qualifying Amount of the Noteholders, as the assignees of all the rights, and interest of the County in and to the Loan Agreement, shall be entitled to enforce each and every right of the County under the Loan Agreement.

SECTION 9.03. Upon the happening of any Event of Default, then and in every such case any of the Noteholders may:

(a) by mandamus, or by appointment of a receiver in equity with such powers as may be necessary to enforce all rights of the Noteholders, require the County or the Corporation to carry out any agreements with or for the benefit of the Noteholders and to perform its or their duties under the Act, the Loan Agreement and this Resolution;

(b) bring suit upon the Notes;

(c) by action or suit in equity require the County to account as if it were the trustee of an express trust for the Noteholders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of any right of the Noteholders.

SECTION 9.04. In case any proceeding taken by the holders of the Notes on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the holders of the Notes, then and in every case the County and all the holders of the Notes shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the holders of the Notes shall continue as though no such proceeding had been taken.

SECTION 9.05. Anything in this Resolution to the contrary notwithstanding, the first of the Noteholders (unless holders of a majority in aggregate principal amount of the Notes then outstanding shall have requested or directed the County to act otherwise) to execute and deliver to the County a written instrument directing the method and place of conducting remedial proceedings to be taken by the County on behalf of the Noteholders, shall have the right to direct such proceedings and the County shall be entitled to rely upon such instrument in taking such action.

SECTION 9.06. Each holder of any of the Notes shall have the right to institute any suit, action or proceeding in equity or at law or any other remedy hereunder or on said Notes without any notice of an Event of Default as hereinabove provided being given to any of the other holders of the Notes but it is understood and intended that no one or more holders of the Notes hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under the Notes, except in accordance with this Resolution including Section 9.07 hereof, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of all holders of outstanding Notes.

SECTION 9.07. No remedy herein conferred upon or reserved to the holders of the Notes is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 9.08. No delay or omission of the holders of the Notes 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 of any such default, or an acquiescence therein; and every power and remedy given by this Article to the holders of the Notes may be exercised from time to time and as often as may be deemed expedient.

SECTION 9.09. Any moneys or other property received by the County or any of the Noteholders or by any receiver pursuant to this Article IX shall first be paid over to the Depository and applied as follows:

(a) Unless the principal of all the Notes shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment to the holders of all installments of interest then due on the Notes, with interest on overdue installments, to the extent lawful, at the rate of five and seventy-five hundredths per centum (5.75%) per annum, 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 with such interest, then to the payment ratably, according to the amounts due on such installment, to the holders, without any discrimination or privilege.

(b) If the principal of any of the Notes shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Notes, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment

of interest over any other installment of interest, or of any Note over any other Note, ratably, according to the amounts due respectively for principal and interest, to the holders without any discrimination or privilege.

(c) If the principal of all the Notes 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 which shall be applicable in the event that the principal of all the Notes 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 said moneys or other property are to be applied pursuant to the provisions of this Section, such amounts shall be applied at such times, and from time to time, as the Depository shall, in its discretion, determine, having considered the amounts available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Depository shall apply such moneys, the Depository shall fix the date (which shall be an interest payment date unless it shall deem another date appropriate) upon which such application is to be made and upon such date interest on any amounts of principal paid on such dates shall cease to accrue. The Depository shall give such notice of the deposit with it of any such moneys or other property and of the fixing of any date, by depositing in the United States mails, first class postage prepaid, addressed to each of the holders of Notes then outstanding at the address of such Noteholder shown on the books of the County kept by the Depository pursuant to Section 2.05 of this Resolution. The Depository shall not be required to make payment to the holder of any unpaid Note until such Note shall be presented to the Depository for appropriate endorsement or for cancellation if fully paid.

## ARTICLE X THE DEPOSITORY

SECTION 10.01. Morgan Guaranty Trust Company of New York is hereby appointed Depository under this Resolution. The Depository shall signify its acceptance, upon the terms and conditions set forth in this Resolution (including without limitation in this Article X) of the duties imposed upon it by this Resolution by written acceptance delivered to the County.

SECTION 10.02. The duties of the Depository shall be determined solely by the express provisions of this Resolution, and the Depository shall not be liable except for wilful misconduct or negligence in the performance of such duties as are specifically set forth in this Resolution, and no implied covenants, duties or obligations shall be read into this Resolution against the Depository. The Depository shall not be liable for any action taken, suffered or omitted by it in good faith and reasonably believed by it to be authorized or within the discretion, rights, duties, privileges or powers conferred upon it by this Resolution. The Depository shall not be liable for any error of judgment made in good faith by an officer or officers of the Depository, unless it shall be proved that the Depository was negligent in ascertaining the pertinent facts. The Depository shall not be liable to any person (including the holder of a Note, the Corporation or the County) with respect to any action taken, omitted or suffered to be taken by it in accordance with the provisions of this Resolution or in accordance with directions of the holders of a majority in aggregate principal amount of the outstanding Notes (or other principal amount specified in this Resolution) or of a court. The duties of the Depository to any holder of a Note shall not be increased or otherwise affected by reason of the fact that such holder is a party to the Note Purchase Agreement.

SECTION 10.13. (a) Notwithstanding anything contained in this Resolution, the Loan Agreement or the Notes to the contrary, the Depository may rely and shall be protected in acting or refraining from acting in reliance upon any resolution, discretion, certificate, invoice, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, promissory note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper person or persons. The Depository shall not be bound to make any investigation into the facts or matters stated in any resolution, direction, certificate, invoice, statement, instrument, opinion, report, notice, request,

consent, order, approval, appraisal, promissory note or other paper or document. In the absence of bad faith on the part of the Depository, the Depository may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any such paper or document furnished to the Depository, reasonably believed by the Depository to be genuine and to have been signed or presented by the proper person or persons and conforming to the requirements, if any, of this Resolution.

(b) The Depository may consult with counsel, auditors and other experts and any opinion of counsel or written opinion of such auditors or other experts shall be full and complete authorization and protection with respect to any action taken or suffered or omitted by the Depository hereunder in good faith and in accordance with such opinion of counsel or opinion of such auditors or other experts.

(c) The Depository may, whenever it shall deem it necessary or desirable that a matter be proved or established on the part of the Corporation or the County prior to taking, omitting or suffering any action hereunder, deem such matter to be conclusively proved and established by a certificate delivered to it signed by a principal financial or accounting officer of the Corporation or other Authorized Corporation Representative or the Chairman or Acting Chairman of the Oconee County Board of Commissioners, the County Attorney of Oconee County or other appropriate representative of the County, as the case may be, and such certificate shall be full warrant to the Depository for any action taken, omitted or suffered by it under the provisions of this Resolution in reliance thereon.

SECTION 10.04. The Depository shall not be under any obligation to exercise any of the duties, trusts, rights, powers or remedies hereunder at, or otherwise to take any action or to omit the taking of any action in accordance with, the request or direction of the holder or holders of any Notes, unless such holder or holders shall have offered to the Depository security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby. None of the provisions of this Resolution shall be construed as requiring the Depository to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 10.05. The Depository may execute any of its powers or responsibilities hereunder and exercise any right or remedy hereunder either directly or by or through its agents or attorneys. Nothing in this Resolution shall be deemed to impose upon the Depository any liability to the Corporation, the holder of any Note, the County or any other person as a result of any failure of the Depository to qualify to do business or to act as a fiduciary or otherwise in any jurisdiction other than the State of New York.

SECTION 10.06. The Depository shall not be responsible in any manner whatsoever for the correctness of the recitals contained herein, in the Loan Agreement or the Note Purchase Agreement. The Depository shall not be responsible or accountable in any manner whatsoever for, or with respect to, and shall not be under a duty to examine into or pass upon, the validity, binding effect, execution or sufficiency of this Resolution, the Loan Agreement or the Note Purchase Agreement or of any agreement amendatory or supplemental to any thereof, or the security afforded hereby, and the Depository is entitled to assume that all such agreements and this Resolution and each amendment or modification thereof or supplement thereto are genuine, valid, binding and enforceable in accordance with their respective terms.

SECTION 10.07. (a) Neither this Resolution nor any action or inaction on the part of the Depository nor any assignment by virtue of or pursuant to this Resolution shall constitute an assumption on the part of the Depository of any duties or obligations under the Loan Agreement or the Note Purchase Agreement or create any duties or obligations or liabilities of the Depository under either thereof.

(b) The Depository shall not be required to ascertain or inquire as to the performance of any of the covenants or agreements contained in the Loan Agreement or the Note Purchase Agreement on the part of any party thereto. The Depository shall be under no duty to ascertain the amounts payable in respect of the Loan Agreement or this Resolution or the dates upon which such payments are due or to

consent, order, approval, appraisal, promissory note or other paper or document. In the absence of bad faith on the part of the Depository, the Depository may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any such paper or document furnished to the Depository, reasonably believed by the Depository to be genuine and to have been signed or presented by the proper person or persons and conforming to the requirements, if any, of this Resolution.

(b) The Depository may consult with counsel, auditors and other experts and any opinion of counsel or written opinion of such auditors or other experts shall be full and complete authorization and protection with respect to any action taken or suffered or omitted by the Depository hereunder in good faith and in accordance with such opinion of counsel or opinion of such auditors or other experts.

(c) The Depository may, whenever it shall deem it necessary or desirable that a matter be proved or established on the part of the Corporation or the County prior to taking, omitting or suffering any action hereunder, deem such matter to be conclusively proved and established by a certificate delivered to it signed by a principal financial or accounting officer of the Corporation or other Authorized Corporation Representative or the Chairman or Acting Chairman of the Oconee County Board of Commissioners, the County Attorney of Oconee County or other appropriate representative of the County, as the case may be, and such certificate shall be full warrant to the Depository for any action taken, omitted or suffered by it under the provisions of this Resolution in reliance thereon.

SECTION 10.04. The Depository shall not be under any obligation to exercise any of the duties, trusts, rights, powers or remedies hereunder at, or otherwise to take any action or to omit the taking of any action in accordance with, the request or direction of the holder or holders of any Notes, unless such holder or holders shall have offered to the Depository security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby. None of the provisions of this Resolution shall be construed as requiring the Depository to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 10.05. The Depository may execute any of its powers or responsibilities hereunder and exercise any right or remedy hereunder either directly or by or through its agents or attorneys. Nothing in this Resolution shall be deemed to impose upon the Depository any liability to the Corporation, the holder of any Note, the County or any other person as a result of any failure of the Depository to qualify to do business or to act as a fiduciary or otherwise in any jurisdiction other than the State of New York.

SECTION 10.06. The Depository shall not be responsible in any manner whatsoever for the correctness of the recitals contained herein, in the Loan Agreement or the Note Purchase Agreement. The Depository shall not be responsible or accountable in any manner whatsoever for, or with respect to, and shall not be under a duty to examine into or pass upon, the validity, binding effect, execution or sufficiency of this Resolution, the Loan Agreement or the Note Purchase Agreement or of any agreement amendatory or supplemental to any thereof, or the security afforded hereby, and the Depository is entitled to assume that all such agreements and this Resolution and each amendment or modification thereof or supplement thereto are genuine, valid, binding and enforceable in accordance with their respective terms.

SECTION 10.07. (a) Neither this Resolution nor any action or inaction on the part of the Depository nor any assignment by virtue of or pursuant to this Resolution shall constitute an assumption on the part of the Depository of any duties or obligations under the Loan Agreement or the Note Purchase Agreement or create any duties or obligations or liabilities of the Depository under either thereof.

(b) The Depository shall not be required to ascertain or inquire as to the performance of any of the covenants or agreements contained in the Loan Agreement or the Note Purchase Agreement on the part of any party thereto. The Depository shall be under no duty to ascertain the amounts payable in respect of the Loan Agreement or this Resolution or the dates upon which such payments are due or to

make inquiries as to the sufficiency under the Loan Agreement or this Resolution of any such payments, or to present or file any claim or to take any other action to collect amounts due or payable hereunder or the Loan Agreement or enforce any claim under the Loan Agreement or this Resolution or to enter into any disputes between the parties to the Loan Agreement or the Note Purchase Agreement or between the Corporation and the County or any other person with respect to the collateral pledged in Section 1.03 of this Resolution or (except as specified in Sections 3.02 or 9.01 hereof) to give any notice to any person.

(c) The Depository shall be under no duty to see to any filing, recording or registration, re-filing, re-recording or re-registration of the Loan Agreement or this Resolution or of any agreement amendatory thereof or supplemental thereto or of any financing statement or continuation statement or any instrument of assignment, conveyance or further assurance, or to the payment of any taxes, fees or charges in connection therewith or to give any notice with respect thereto or to inquire or see to the payment of, or be under any duty in respect of or arising out of, any tax or assessment or other governmental charge which may be levied or assessed on the collateral pledged in Section 1.03 of this Resolution or any part thereof or against the County or any Noteholder or any confiscation of the collateral pledged in Section 1.03 of this Resolution or any part thereof. The Depository shall be under no obligation to see to the payment or discharge of any liens upon any such collateral.

SECTION 10.08. The Depository shall not be required to take notice of, or be deemed to have notice or knowledge of, and may conclusively assume the absence of, any default referred to in Section 9.01 of this Resolution or the acceleration of the principal of any Note unless and until (i) an officer of the Depository assigned to carry out the duties of the Depository under this Resolution shall in the course of his duties have received actual knowledge of such default or acceleration, as the case may be, (ii) the Depository shall have received a written notice from the County that such a default exists or that such an acceleration has occurred, or (iii) the Depository shall have received a written notice signed by the holder of a Note (or the agent of such holder) stating that such a default exists or that the principal of such Note has been accelerated, as the case may be. In the event that a notice relating to a default or the declaration of acceleration with respect to any Note has been given, the Depository may conclusively rely on such notice unless it shall have received a notice or concurrent notices of similar tenor signed by the Banks then holding Notes and such other holders of outstanding Notes, if any, as are necessary to aggregate at least eighty-five per centum (85%) in aggregate principal amount of the outstanding Notes (or their agents identified as such) stating that such holders have waived all events of default thereunder, or that such holders have rescinded and annulled a declaration of acceleration of the principal of the Notes and its consequences in accordance with Section 9.01 of this Resolution and that such action is sufficient for such waiver or rescission. In the event that the Depository shall receive or shall have knowledge or notice of the acceleration of the principal of any Note, the Depository may conclusively presume that the holder of such Note has complied with the provisions of Section 9.01 hereof, and shall not be affected by any notice to the contrary.

SECTION 10.09. The Depository shall not be liable by reason of any act or omission of any additional or successor Depository.

SECTION 10.10. Any request, approval, consent, notice or direction made or given under this Resolution to the Depository by the holder of any Note shall be embodied in or evidenced by an instrument or instruments signed by the holder of a Note or by holders of the requisite aggregate principal amount of Notes (or their agent identified as such). The Depository shall have the right to decline to follow any such request or direction if the Depository being advised by counsel shall determine that the proceeding so requested or directed is not in accordance with the provisions of this Resolution or may not lawfully be taken.

SECTION 10.11. The Depository may acquire and hold Notes and otherwise deal with the County and the Corporation in the same manner and to the same extent and with like effect as if it were not the Depository hereunder.

SECTION 10.12. The Depository may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty (60) days' written notice to the County and the Corporation and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 10.14, in which event such resignation shall take effect immediately on the appointment of such successor.

SECTION 10.13. The Depository shall be removed by the consent of all the Noteholders if at any time so requested by an instrument or concurrent instruments in writing, filed with the Depository, the County, and the Corporation and signed by such Noteholders or their attorneys-in-fact duly authorized.

SECTION 10.14. In case at any time the Depository shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Depository, or of its property, shall be appointed, or if any public officer shall take charge or control of the Depository or of its property or affairs, the County covenants and agrees that, at the written direction of holders of at least a majority in principal amount of the outstanding Notes, it will thereupon appoint such Noteholders' designee as successor Depository.

If in a proper case no appointment of a successor Depository shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Depository shall have given to the County written notice, as provided in Section 10.12, or after a vacancy in the office of the Depository shall have occurred by reason of its inability to act, the Depository or the holder of any Note may apply to any court of competent jurisdiction to appoint a successor Depository. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Depository.

Any Depository appointed under the provisions of this Section 10.14 in succession to the Depository shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and having a capital and surplus aggregating at least Ten Million Dollars (\$10,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

SECTION 10.15. Any successor Depository appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Depository, and also to the County, an instrument accepting such appointment, and thereupon such successor Depository, without any further act, deed or conveyance, shall be fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Depository, with like effect as if originally named as Depository; but the Depository ceasing to act shall nevertheless, on the written request of the County, or of the successor Depository, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Depository all the right, title and interest of the Depository in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Depository any money or other property subject to the conditions herein set forth. Should any deed, conveyance or instrument in writing from the County be required by such successor Depository for more fully and certainly vesting and confirming in such successor Depository any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the County.

SECTION 10.16. Any company into which the Depository may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Depository may sell or transfer all or substantially all of its commercial banking business shall be the successor to such Depository without the execution or filing of any paper or the performance of any further act, if so designated by the Depository and such company accepts appointment as Depository hereunder.

ARTICLE XI  
DISCHARGE OF LIEN

SECTION 11.01. If the County shall pay or cause to be paid, or there shall otherwise be paid to the holders of all Notes, principal and interest, if any, due or to become due thereon, or any other amounts payable under this Resolution (including, without limitation, Section 1.03 of this Resolution) at the times and in the manner provided in this Resolution and if the County shall keep, perform and observe all and singular the covenants and promises in the Notes and in this Resolution to be kept, performed and observed by it or on its part, then the lien of this Resolution shall be cancelled and discharged and the Depository shall, upon the request of the Corporation, pay to the Corporation any amounts in the Debt Service Fund required to be paid to the Corporation under Section 7.03 hereof, except for funds or securities in which such funds are invested and held by the Depository for the payment of interest on and principal of the Notes.

All outstanding Notes 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 the Notes are to be redeemed on any date prior to their maturity, the County shall have given to the Depository in form satisfactory to it instructions to mail notice of redemption of such Notes as provided in Section 3.02 hereof and (b) there shall have been deposited with the Depository either moneys in an amount which shall be sufficient, or, if consented to in writing by all of the Noteholders, Investment Securities the principal of and the interest on which will provide moneys which, together with the moneys, if any, on deposit with the Depository at the same time, shall be sufficient, to pay the principal and the interest due and to become due on the Notes on and prior to the redemption date or maturity date thereof, as the case may be. Neither Investment Securities nor moneys deposited with the Depository pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held for, the payment of the principal and interest on said Notes; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Depository, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal and interest to become due on the Notes on or prior to such redemption date or maturity date thereof, as the case may be, and if not needed for such purpose on the stated maturity for such Notes or the date fixed for redemption therefor, interest, as received by the Depository, earned from such reinvestments shall be paid over to the Corporation, free and clear of any lien or pledge. For the purposes of this Section 11.01, Investment Securities shall mean and include the securities of the types listed in Section 7.02 of this Resolution.

ARTICLE XII  
MISCELLANEOUS

SECTION 12.01. Any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed and executed by the Banks or any Noteholders may be in any number of concurrent writings of similar tenor and may be signed or executed by the Banks or any Noteholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Notes, if made in the following manner, shall be sufficient for any of the purposes of this Resolution and shall be conclusive in favor of any of the Noteholders 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 writing may be proved by the certificate of any officer in any jurisdiction who by law has the power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership by any person or any Bank of any Notes shall be proved by the registration books maintained by the Depository.

For all purposes of this Resolution and of the proceedings for the enforcement hereof, such person or any of the Banks shall be deemed to continue to be the holder of such Note until transfer of ownership shall take place on the books of the County maintained by the Depository.

SECTION 12.02. In the event of the dissolution of the County or the consolidation of any part of the County with any other political subdivision or the transfer of any other rights of the County to any other such political subdivision or other authority, all the covenants, stipulations, promises and agreements in this Resolution contained, by or on behalf of, or for the benefit of, the County, shall bind or inure to the benefit of the successors of the County from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the County shall be transferred.

SECTION 12.03. Except as herein otherwise specifically provided, nothing in this Resolution expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the County and the holders of the Notes issued hereunder and the Depository, any right, remedy or claim under or by reason of this Resolution; this Resolution being intended to be for the sole and exclusive benefit of the County and the holders of the Notes issued hereunder.

SECTION 12.04. If any clause, provision or section of this Resolution, the Loan Agreement or the Notes be held illegal or invalid by any court, the invalidity of such clause, provisions or sections of this Resolution, the Loan Agreement or the Notes shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained therein. In case any agreement or obligation contained in this Resolution, the Loan Agreement or the Notes is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the County of the Corporation, as the case may be, to the full extent permitted by applicable law.

SECTION 12.05. No covenant or agreement contained in the Notes or in this Resolution shall be deemed to be the covenant or agreement of any official, officer, agent, or employee of the County in his individual capacity, and neither the Chairman of the Board of Commissioners of the County, the members of the Board of County Commissioners nor any official executing the Notes shall be liable personally on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 12.06. Neither the Loan Agreement nor the Resolution shall be amended, modified or rescinded without prior written consent of all of the Banks or (if any of the Banks shall have transferred ownership of any of the Notes) all of the Banks and such other holders of outstanding Notes, if any, as are necessary to aggregate at least sixty-six and two-thirds per centum (66 $\frac{2}{3}$ %) in principal amount of the outstanding Notes; *provided, however*, that nothing in this Section contained shall permit, or be construed as permitting (a) an extension of the maturity date of the principal of or of the date on which any payment of interest on any Note is due and payable hereunder, or (b) a reduction in the principal amount of any Note or the rate of interest thereon, or (c) a privilege or priority of any Note or Notes over any other Note or Notes, or (d) any modification, amendment of any provision of Article III or Article IX hereof, or (e) a reduction in the aggregate principal amount of the Notes required for consent to such modification, amendment or rescission, without the prior written consent of the holders of all the outstanding Notes; *provided, further*, that no modification, amendment or rescission of any provision affecting the rights, duties or immunities of the Depository shall be made without the prior written consent of the Depository.

SECTION 12.07. The laws of the State of South Carolina shall govern the construction of this Resolution and of all Notes issued hereunder.

SECTION 12.08. Subject to the provisions of this Resolution and any resolution supplemental hereto adopted in accordance with Section 12.06 hereof, the Notes are to be in substantially the following forms, with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution:

(FORM OF NOTE)

No. ....

\$.....

**OCONEE COUNTY, SOUTH CAROLINA  
POLLUTION CONTROL REVENUE BOND ANTICIPATION NOTE,  
1975 SERIES  
(Duke Power Company Project)**

Oconee County, South Carolina (the "County"), a political subdivision and a body politic and corporate created and existing under the Constitution and laws of the State of South Carolina, for value received, hereby promises to pay (but only out of the "Revenues" as defined in the Resolution or the other collateral referred to in Section 1.03 of the Resolution)

or registered assigns, on March 11, 1975 upon the presentation and surrender hereof, the principal sum of Dollars ( ) and to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity or, if this note shall have been duly called for earlier redemption and payment of the redemption price shall have been made, until the date fixed for redemption hereof, at the rate of per centum ( % ) per annum, payable on , and at maturity. Both principal and interest on this note are payable at the principal office of Morgan Guaranty Trust Company of New York, New York, New York (the "Depository") in Federal or other immediately available funds.

This note is one of a duly authorized issue of notes of the County, aggregating (except as otherwise provided in the Resolution) twenty-four million dollars (\$24,000,000) in principal amount, designated as "Pollution Control Revenue Bond Anticipation Notes 1975 Series (Duke Power Company Project)," (the "Notes"), and issued under and pursuant to the Constitution and laws of the State of South Carolina, particularly Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (herein referred to as the "Act") and under and pursuant to a Resolution adopted by the County on March 6, 1975 (herein referred to as the "Resolution") in anticipation of the issuance of bonds for the purpose of financing the construction, acquisition and installation by Duke Power Company (the "Corporation") of certain pollution control facilities (the "Facilities") at the Oconee Nuclear Station of the Corporation located in the County.

The Notes are equally and ratably secured, to the extent provided in the Resolution, by the pledge contained in Section 1.03 of the Resolution of certain collateral including the "Revenues", which term is used herein as defined in the Resolution and which as therein defined refers to all the payments, receipts and revenues which the County has a right to receive under the Loan Agreement between the County and the Corporation dated as of March 11, 1975 (the "Loan Agreement") (except for certain indemnification payments and payments of the administration expenses of the County and the Depository) and all income earned by the investment of funds pursuant to the Resolution.

As more fully provided in the Resolution, the Notes are limited obligations of the County, which is obligated to pay the principal of and interest on, the Notes out of the Revenues and other pledged collateral. The County may also utilize any other available funds for the payment of the principal and interest on the Notes including the proceeds of issuance of the bonds mentioned above. The principal of and interest on this note does not constitute an indebtedness of the County within the meaning of any South Carolina constitutional or statutory limitation and shall not constitute nor give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers.

Reference is hereby made to the Resolution for a full and complete statement of the provisions with respect to the custody and application of the proceeds of the Notes, the collection and disposition of the

collateral pledged as security for the payment of the Notes and interest thereon, the nature and extent of the security and the rights of the holders of the Notes and the terms and conditions on which, and the purposes for which, the Notes are issued, the rights, duties and obligations of the County under the Resolution, the duties of the Depository (which shall not be liable except for wilful misconduct or negligence in the performance of such duties as are specifically set forth in the Resolution), the rights and remedies of the holders of the Notes to enforce the provisions of the Resolution, including Section 9.07 of the Resolution, to accelerate payments of the Notes on any Event of Default set forth in Section 9.01 of the Resolution, or to waive or repeal such acceleration and the rights of the holders of the Notes to institute, appear in or defend any suit or other proceeding with respect to the Notes to all of which the holder hereof, by acceptance of this note, assents.

The Notes are issuable in the form of registered Notes in the denomination of \$5,000 or any multiple of \$5,000. The Notes are callable for redemption in whole at any time upon payment of the principal amount thereof, together with accrued interest to the redemption date.

In the event the Notes are called for redemption as aforesaid, notice thereof will be given by depositing in the United States mails a copy of the redemption notice, first class postage prepaid, at least three business days prior to the date fixed for redemption, addressed to the holder of each Note at the address shown on the registration books. All Notes so called for redemption will cease to bear interest on the specified redemption date, provided certain funds are securities in which such funds are invested for their redemption are on deposit at the place of payment at that time, and shall no longer be secured by the Resolution and shall not be deemed to be outstanding under the provisions of the Resolution.

This Note shall be transferable upon the books of the County which shall be kept for such purpose by the Depository at its principal office by the registered holder or his duly authorized attorney, and such registration shall be noted thereon. Such transfers shall be without charge to the holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege.

All acts, conditions and things required by the Constitution and statutes of the State of South Carolina, the Act and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, do exist, have happened and have been performed.

No covenant or agreement contained in this Note or the Resolution shall be deemed to be a covenant or agreement of any officer, agent or employee of the County in his individual capacity, and neither the members of the County Council nor any official executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

IN WITNESS WHEREOF, Oconee County, South Carolina, has caused this Note to be executed in its name and on its behalf by the manual signatures of the Chairman of the County Council of the County and the Secretary of the County Council and its corporate seal to be impressed or imprinted hereon, all as of March 11, 1975.

OCONEE COUNTY, SOUTH CAROLINA

(SEAL)

By .....  
Chairman of the County Council of  
Oconee County

ATTEST:

.....  
Secretary of the County Council of  
Oconee County

SECTION 15.09. This Resolution shall take effect immediately.

APPROVED AND ADOPTED this 6th day of March, 1975, at a Meeting of the County Council of Oconee County, duly called, proper notice thereof having been given, at Walhalla, South Carolina.

JAMES M. PHARMIZ  
Supervisor of Oconee County

(SEAL)

CECIL COX  
ROBERT RAMEY  
HESSON COBB  
JESSE REESE  
Constituting the members of the  
County Council of Oconee County

ATTEST:

ANN S. ORR  
Secretary of the County Council  
of Oconee County

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**LOAN AGREEMENT**

**BETWEEN**

**OCONEE COUNTY, SOUTH CAROLINA**

**AND**

**DUKE POWER COMPANY**

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Dated as of March 11, 1975

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20-1 **LOAN AGREEMENT**

21-1 THIS LOAN AGREEMENT, dated as of March 11, 1975 between OCONEE COUNTY, SOUTH  
1 CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina  
2 (hereinafter called the "County"), party of the first part, and DUKE POWER COMPANY, a corporation  
4 organized and existing under the laws of the State of North Carolina (hereinafter called the "Corpora-  
6 tion"), party of the second part.

22-1 WHEREAS, Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the  
1 General Assembly of the State of South Carolina (the "Act") empowers the several counties and  
2 incorporated municipalities of the State of South Carolina to issue their bonds and to issue notes in  
4 anticipation thereof pursuant to the provisions of Act No. 116 of the Acts and Joint Resolutions enacted  
6 at the 1965 Session of the General Assembly of the State of South Carolina, as amended, and to loan the  
7 proceeds of the sale of such bonds and notes to industrial concerns to finance the construction,  
9 acquisition and installation by such industrial concerns of pollution control facilities as defined in the  
11 Act; and

2-1-1 WHEREAS, the County has adopted a resolution on March 11, 1974 authorizing the issuance of at  
1 least \$24,000,000 aggregate principal amount of Pollution Control Revenue Bonds (Duke Power Com-  
1 pany Project) and in anticipation of the issuance of said Bonds authorizing the issuance of \$24,000,000  
3 aggregate principal amount of its Pollution Control Revenue Bond Anticipation Notes, 1975 Series  
5 (Duke Power Company Project) (herein called the "Notes"), in order to loan the proceeds of the Notes  
6 to the Corporation to finance the construction, acquisition and installation of the pollution control  
8 facilities more fully described in Exhibit A attached hereto at the Oconee Nuclear Station of the  
10 Corporation on the terms and conditions herein set forth.

2-1 **WITNESSETH:**

3-1 **IN CONSIDERATION** of the respective representations and agreements hereinafter contained, the  
1 parties hereto agree as follows:

3-1-1 **ARTICLE I**  
2-1 **DEFINITIONS**

3-1 The terms defined in this Article I shall for all purposes of this Agreement have the meanings herein  
1 specified, unless the context clearly otherwise requires:

4-1 **Act:**

5-1 "Act" shall mean Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the  
1 General Assembly of the State of South Carolina and all future acts supplemental thereto or amenda-  
3 tory thereof.

6-1 **Administration Expenses:**

7-1 "Administration Expenses" shall mean the reasonable and necessary expenses incurred by the  
1 County in connection with this Agreement, the Resolution, the Note Purchase Agreement and the  
2 financing of the Facilities, including the compensation and expenses paid to the Depository under the  
4 Resolution.

8-1 **Agreement:**

9-1 "Agreement" shall mean this Loan Agreement dated as of March 11, 1975, between the County  
1 and the Corporation, and any and all modifications, alterations, amendments and supplements hereto  
2 made in accordance with the provisions hereof.

10-1 **Authorized Corporation Representative:**

4-1-1 "Authorized Corporation Representative" shall mean the person or persons at the time designated  
1 to act on behalf of the Corporation by written certificate furnished to the County and the Depository  
1 containing the specimen signature of such person and signed on behalf of the Corporation by its  
3 President or a Vice President and its Secretary or an Assistant Secretary, which certificate shall

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**LOAN AGREEMENT**

THIS LOAN AGREEMENT, dated as of March 11, 1975 between OCONEE COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter called the "County"), party of the first part, and DUKE POWER COMPANY, a corporation organized and existing under the laws of the State of North Carolina (hereinafter called the "Corporation"), party of the second part.

WHEREAS, Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (the "Act") empowers the several counties and incorporated municipalities of the State of South Carolina to issue their bonds and to issue notes in anticipation thereof pursuant to the provisions of Act No. 116 of the Acts and Joint Resolutions enacted at the 1965 Session of the General Assembly of the State of South Carolina, as amended, and to loan the proceeds of the sale of such bonds and notes to industrial concerns to finance the construction, acquisition and installation by such industrial concerns of pollution control facilities as defined in the Act; and

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WHEREAS, the County has adopted a resolution on March 11, 1974 authorizing the issuance of at least \$24,000,000 aggregate principal amount of Pollution Control Revenue Bonds (Duke Power Company Project) and in anticipation of the issuance of said Bonds authorizing the issuance of \$24,000,000 aggregate principal amount of its Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power Company Project) (herein called the "Notes"), in order to loan the proceeds of the Notes to the Corporation to finance the construction, acquisition and installation of the pollution control facilities more fully described in Exhibit A attached hereto at the Oconee Nuclear Station of the Corporation on the terms and conditions herein set forth.

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**WITNESSETH :**

IN CONSIDERATION of the respective representations and agreements hereinafter contained, the parties hereto agree as follows:

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**ARTICLE I  
DEFINITIONS**

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

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*Act:*

"Act" shall mean Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina and all future acts supplemental thereto or amendatory thereof.

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*Administration Expenses:*

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the County in connection with this Agreement, the Resolution, the Note Purchase Agreement and the financing of the Facilities, including the compensation and expenses paid to the Depository under the Resolution.

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*Agreement:*

"Agreement" shall mean this Loan Agreement dated as of March 11, 1975, between the County and the Corporation, and any and all modifications, alterations, amendments and supplements hereto made in accordance with the provisions hereof.

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*Authorized Corporation Representative:*

"Authorized Corporation Representative" shall mean the person or persons at the time designated to act on behalf of the Corporation by written certificate furnished to the County and the Depository containing the specimen signature of such person and signed on behalf of the Corporation by its President or a Vice President and its Secretary or an Assistant Secretary, which certificate shall

5 continue in full force and effect until the County and the Depository have received a notice of  
6 revocation thereof by the Corporation.

2-1 *Bank:*

3-1 "Bank" shall mean Morgan Guaranty Trust Company of New York or Chemical Bank.

4-1 *Banks:*

5-1 "Banks" shall mean Morgan Guaranty Trust Company of New York and Chemical Bank.

6-1 *Corporation:*

7-1 "Corporation" shall mean Duke Power Company, a North Carolina corporation, or any corpora-  
1 tion which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer  
2 of assets permitted under Section 5.02 hereof.

8-1 *Cost:*

9-1 "Cost" shall mean the cost of acquiring by construction or purchase the Facilities within the  
1 meaning of the Act, including without limitation (a) obligations of the Corporation incurred for labor,  
5-1-2 materials and other expenses in connection with the construction, acquisition and installation of the  
1 Facilities; (b) the cost of contract bonds and of insurance of all kinds that may be required or necessary  
3 during the course of construction of the Facilities; (c) the expenses of the Corporation for test borings,  
5 surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising  
6 construction, as well as for the performance of all other duties required by or reasonably necessary for  
8 the construction, acquisition, and installation of the Facilities; (d) legal, accounting, financial and  
10 printing expenses, fees, compensation and all other expenses incurred in connection with the authoriza-  
12 tion, sale and issuance of the Notes; (e) interest on the Notes until the maturity date of the Notes; (f) all  
13 other costs which the Corporation shall be required to pay, under the terms of any contract or contracts,  
15 for the construction, acquisition and installation of the Facilities; (g) any sums required to reimburse the  
17 Corporation for advances made by it for any of the above items; and (h) to the extent not included in  
19 any of the above mentioned items; all amounts recognized by the Public Service Commission of South  
20 Carolina as items of cost to the Corporation with respect to the construction, acquisition and installation  
22 of the Facilities which amounts are includible as such in the Corporation's rate base and are allowed by  
6-1-23 said Commission to be capitalized on the books of the Corporation.

2-1 The Cost of the Facilities shall not include any item or amount which will result in less than  
1 substantially all of the proceeds of the Notes being used to provide air and water pollution control  
3 facilities or other exempt facilities within the meaning of Section 103(c)(4) of the Internal Revenue Code  
4 of 1954, as amended and the regulations thereunder.

3-1 *County:*

4-1 "County" shall mean Oconee County, South Carolina, a body politic and corporate and a political  
1 subdivision of the State of South Carolina.

5-1 *Debt Service Fund:*

6-1 "Debt Service Fund" shall mean the fund created under Section 6.01 of the Resolution which is  
1 held by the Depository.

7-1 *Depository:*

8-1 "Depository" shall mean Morgan Guaranty Trust Company of New York, appointed under the  
1 Resolution as Depository and its corporate successors and any successor Depository under the  
2 Resolution.

9-1 *Facilities:*

10-1 "Facilities" shall mean the pollution control facilities described in Exhibit A hereto, and related  
1 improvements and any substitutions therefor, to be constructed, acquired and installed by the Corpora-  
7-1-3 tion and to be financed from the proceeds of the Notes for operation by the Corporation as pollution  
1 control facilities, as defined in the Act.

- 2-1 *Loan Fund:*  
3-1 "Loan Fund" shall mean the fund created under Section 5.01 of the Resolution which is held by the  
1 Depository.
- 4-1 *Note Purchase Agreement:*  
5-1 "Note Purchase Agreement" shall mean that agreement dated as of March 11, 1975 between the  
1 County and the Banks with regard to the sale of the Notes.
- 6-1 *Notes:*  
7-1 "Notes" shall mean the \$24,000,000 (except as otherwise provided in the Resolution) aggregate  
1 principal amount of Pollution Control Revenue Bond Anticipation Notes, 1975 Series (Duke Power  
2 Company Project) of the County executed and delivered pursuant to the Resolution.
- 8-1 *1974 Notes:*  
9-1 "1974 Notes" shall mean the \$24,000,000 aggregate principal amount of Pollution Control Revenue  
1 Bond Anticipation Notes (Duke Power Company Project) dated March 12, 1974 and maturing March 11,  
2 1975.
- 10-1 *Noteholder:*  
11-1 "Noteholder" or "holder of the Notes" or "holder" shall mean the registered owner of any of the  
1 Notes.
- 12-1 *Outstanding:*  
13-1 "Outstanding" or "outstanding" shall mean all Notes executed and delivered by the County under  
1 the Resolution, except Notes which have been paid in accordance with the provisions of the Resolution  
2 or cancelled pursuant to the provisions of Sections 2.04 or 2.05 of the Resolution.
- 8-1-1 *Resolution:*  
2-1 "Resolution" shall mean the resolution of the County adopted on March 6, 1975 authorizing,  
1 among other things, the issuance of the Notes, as the same may be amended or supplemented from time  
2 to time in accordance with the terms thereof.

9-1-1 **ARTICLE II**  
2-1 **REPRESENTATIONS AND FINDINGS**

- 3-1 **SECTION 2.01.** The County makes the following representations and warranties as the basis for  
1 the undertakings on the part of the Corporation herein contained:
- 4-1 (a) The County is a body politic and corporate and a validly existing political subdivision of  
1 the State of South Carolina, validly acting by and through the County Board of Commissioners as  
3 its governing body.
- 5-1 (b) The County is authorized and empowered by the provisions of the Act to enter into the  
1 transactions contemplated by this Agreement and the Resolution.
- 6-1 (c) The execution, delivery and performance of this Agreement and the adoption of the  
1 Resolution and the performance of all obligations of the County set forth in this Agreement and the  
3 Resolution are within the power and authority of the County validly acting by and through the  
5 Board of Commissioners of the County, have been duly authorized by all necessary proceedings  
6 and will not contravene, or constitute a default under, any provision of law or regulation or any  
8 judgment, order, decree, contract or agreement or other instrument binding upon the County.
- 10-2-1 **SECTION 2.02.** The Corporation makes the following representations and warranties as the basis  
1 for the undertakings on the part of the County herein contained:
- 3-1 (a) The Corporation is duly incorporated, validly existing and in good standing under the laws  
1 of the State of North Carolina and is qualified to do business as a foreign corporation and is in good  
3 standing under the laws of the State of South Carolina.
- 4-1 (b) The execution and delivery of, and the consummation of the transactions contemplated  
1 by, this Agreement are within the corporate authority of the Corporation, have been duly autho-

3 rized by all necessary corporate proceedings and will not contravene the Articles of Incorporation  
4 or By-Laws of the Corporation, or contravene, or constitute a default under, any provision of law  
6 or regulation or any contract, agreement, judgment, order, decree or other instrument binding upon  
8 it or involving its properties.

5-1 (c) The Facilities are necessary and the design of the Facilities will result in the elimination,  
1 mitigation and prevention of air or water pollution and the South Carolina Department of Health  
2 and Environment Control has made a finding to that effect; the Facilities are of a character subject  
11-1-4 to the allowance for depreciation provided in Section 167 of the Internal Revenue Code of 1954, as  
1 amended; are to be used to abate or control water or atmospheric pollution or contamination by  
4 removing, altering, disposing of or storing pollutants, contaminants and wastes; are designed for no  
6 significant purpose other than the control of pollution; and without limiting the generality of the  
8 foregoing, will not result in any increase in production or capacity, or in a material extension of the  
10 useful life, of a manufacturing or production facility or a part thereof.

2-1 (d) Construction, acquisition and installation of the Facilities were commenced prior to  
1 September 2, 1972 and the Facilities had not been first placed in service, as those terms are used in  
2 United States Treasury Regulations Section 1.103-8(a)(5), as of October 26, 1973, upon which date  
4 the County adopted its Resolution determining, among other things, to issue its bonds under and  
6 pursuant to the Act to finance the Facilities, said Resolution having been intended by the County to  
8 constitute official action on its part toward the issuance of the bonds pursuant to the Act within the  
12-1-10 meaning of said United States Treasury Regulations.

13-1-1 **ARTICLE III**

2-1 **ACQUISITION OF THE FACILITIES BY THE CORPORATION;**  
3-1 **ISSUANCE OF THE BONDS**

4-1 **SECTION 3.01.** The Corporation will construct, acquire and install the Facilities for its own use to  
1 effectuate the purposes of the Act and for the purposes set forth in subsection (c) of Section 2.02 of this  
3 Agreement, and will bring them to completion, substantially in accordance with the plans and  
4 specifications therefor. The Facilities shall belong to and be the property of the Corporation.

5-1 In order to effectuate the purposes of this Agreement, the Corporation, in its own name, will do or  
1 cause to be done all things requisite or proper for constructing, acquiring and installing the Facilities and  
3 fulfilling the obligations of the Corporation under this Agreement.

6-1 The Corporation will acquire, construct and install the Facilities with all reasonable dispatch, and  
1 will use its best efforts with all due diligence to cause the acquisition, construction and installation  
3 thereof to be completed by December 31, 1975, or as soon thereafter as may be practicable, delays  
4 incident to strikes, riots, acts of God or the public enemy or any delay beyond the reasonable control of  
14-1-6 the Corporation only excepted; but if for any reason the acquisition, construction and installation of the  
1 Facilities shall not be completed by said date there shall be no resulting diminution in or postponement  
3 of any of the payments required in Section 4.01 hereof to be paid by the Corporation.

2-1 **SECTION 3.02.** In order to provide funds for payment of the Cost of the Facilities, the County, as  
1 soon as practicable after the execution of this Agreement, will issue the Notes pursuant to the  
3 Resolution, sell the Notes pursuant to the Note Purchase Agreement, and deposit the proceeds thereof  
4 into the Loan Fund.

3-1 **SECTION 3.03.** The County has, in the Resolution, authorized and directed the Depository to  
1 make payments from the Loan Fund to pay the Cost of the Facilities upon receipt from time to time of  
2 requisitions signed by a principal financial or accounting officer of the Corporation (upon which both the  
4 Depository and the County may conclusively rely), stating with respect to each payment to be made: (1)  
6 the requisition number, (2) the name and address of the person, firm or corporation to whom payment is  
8 to be paid or has been paid, (3) the amount to be paid, and (4) that each obligation, item of cost, or  
9 expense mentioned therein has been properly incurred or recognized by the Corporation, is a proper  
11 charge against the Loan Fund as a Cost of the Facilities and has not been the basis of any previous  
15- 13 withdrawal.

2-1 If the County has authorized the issuance of any bonds pursuant to the provisions of Section 1.02  
1 of the Resolution and Section 5.05 of this Agreement and after the requirements of said Sections and  
2 Section 5.06 of the Resolution have been satisfied, any moneys and securities on deposit in the Loan  
4 Fund shall be transferred to the Debt Service Fund and be used for the redemption of the Notes pursuant  
6 to Article III of this Resolution. Also any moneys and securities remaining in the Loan Fund at the  
7 stated maturity date of the Notes or at the date fixed for redemption, as the case may be, shall be  
9 transferred to the Debt Service Fund to be used for redemption of the Notes pursuant to Article III of  
11 the Resolution.

3-1 SECTION 3.04. The Corporation may modify the Facilities at any time and from time to time prior  
1 to the completion of the Facilities, provided that no such change shall render inaccurate any of the  
2 representations contained in subsection (c) of Section 2.02 of this Agreement and that, in the case of  
4 any change that would render inaccurate the description of the Facilities contained in Exhibit A to this  
6 Agreement, there shall be delivered to the Depository (i) a revised Exhibit A containing a description of  
8 the Facilities as modified, the accuracy of which shall have been certified by an Authorized Corporation  
10 Representative, (ii) copies of any governmental or regulatory approvals required to assure that the  
16-1-12 Facilities as described in the revised Exhibit A are "pollution control facilities" within the meaning of  
1 the Act, that the Facilities as described in the revised Exhibit A are such that the expenditure of the  
3 proceeds of the Notes for the loan thereof by the County to the Corporation is authorized by the Act  
5 and would not result in less than substantially all of the proceeds of the Notes being used for air or water  
6 pollution control facilities or other exempt facilities within the meaning of Section 103(c)(4) of the  
8 Internal Revenue Code of 1954, as amended, and the regulations thereunder and (iii) an opinion of  
10 counsel experienced in matters relating to the tax exemption of interest on and validity of obligations of  
11 States and their political subdivisions (which opinion shall be satisfactory in form and substance to the  
13 County and each Bank which are holders of the Notes), and a certificate of an Authorized Corporation  
15 Representative, to the effect set forth in clause (ii) of this Section 3.04.

2-1 SECTION 3.05. When the Facilities have been completed, a certificate of completion shall be  
1 issued by an Authorized Corporation Representative stating that the Facilities have been completed  
2 substantially in accordance with the plans and specifications therefor and are suitable for the purpose  
17-1-4 for which the Facilities are designed as set forth in subsection (c) of Section 2.02 of this Agreement and  
1 stating the date of such completion. Notwithstanding the foregoing, such certificate may state that it is  
2 given without prejudice to any rights against third parties which exist at the date thereof or which may  
4 subsequently come into being.

2-1 Upon the completion of the Facilities any moneys and securities in the Loan Fund shall be  
1 deposited in the Debt Service Fund and disbursed therefrom solely to pay the principal of the Notes in  
2 accordance with the Resolution.

3-1 SECTION 3.06. If the moneys and securities in the Loan Fund shall not be sufficient to pay the  
1 Cost of the Facilities in full, the Corporation shall complete the Facilities in accordance with the plans  
2 and specifications therefor and pay (whether through financing or otherwise) all that portion of the Cost  
4 of the Facilities in excess of the moneys and securities available therefor in the Loan Fund. The County  
6 does not make any warranty, either express or implied, that the moneys and securities which will be  
8 paid into the Loan Fund will be sufficient to pay the Cost of the Facilities. If the Corporation shall pay  
8 any portion of the Cost pursuant to the provisions of this Section, it shall not be entitled to any  
10 reimbursement under this Agreement for such payments from the County, the Depository or the  
18-1-12 holders of any of the Notes, nor shall it be entitled to any diminution in or postponement of any of the  
1 payments required to be paid by the Corporation pursuant to this Agreement.

2-1 SECTION 3.07. Any moneys and securities held as a part of the Loan Fund shall, at the written  
1 request of the Corporation, be invested or reinvested by the Depository as provided in Section 7.02 of  
2 the Resolution.

3-1 The Corporation covenants that it will not cause the use of or make any use of the proceeds of the  
1 Notes or of any moneys or securities on deposit in the Loan Fund or the Debt Service Fund which may  
2 be deemed to be proceeds of the Notes pursuant to Section 103(d) of the Internal Revenue Code of 1954

4 and applicable regulations thereunder or withdrawn therefrom under the provisions of Section 3.03 of  
5 this Agreement, which use would, had such use been reasonably expected at the time of issuance of the  
7 Notes, have caused the Notes to be "arbitrage bonds" within the meaning of such Section 103(d) of the  
8 Internal Revenue Code of 1954, as amended, and applicable regulations thereunder as the same may be  
10 in force and applicable at the time of any such use to obligations issued on the date of issuance of the  
12 Notes.

4-1 SECTION 3.08. Nothing contained in this Agreement shall preclude the County from making a  
1 future loan or loans under any other agreement to the Corporation from the proceeds of notes or bonds  
19-1-2 issued by the County pursuant to the Act or any other applicable legislation in order to finance any  
1 portion of the Cost of the Facilities in excess of the moneys available therefor in the Loan Fund or to  
2 issue one or more series of bonds in accordance with Section 5.05 of this Agreement.

2-1 SECTION 3.09. The Corporation covenants that any moneys remaining in any fund created by the  
1 resolution of the County authorizing the 1974 Notes which moneys the Corporation is entitled to receive  
1 pursuant to the provisions of said resolution shall be transferred to the Loan Fund and used to pay the  
2 Cost of the Facilities pursuant to the provisions of the Resolution.

#### 20-1-1 ARTICLE IV

##### 2-1 LOAN BY THE COUNTY TO THE CORPORATION, REPAYMENT

3-1 SECTION 4.01. The County shall loan the Corporation the proceeds of the sale of the Notes to  
1 finance the construction, acquisition and installation by the Corporation of the Facilities. The Corpora-  
2 tion will repay said loan, together with interest thereon at the rate of five and seventy-five hundredths  
4 per centum (5.75%) per annum, to the County in the amounts and on the dates as follows:

4-1 (a) On each of the interest payment dates for the Notes as set forth in Section 2.01 of the  
1 Resolution, the sum which, together with other moneys available therefor in the Debt Service Fund  
3 except moneys deposited therein pursuant to Section 3.05 of this Agreement, will equal the interest  
5 to be paid on such interest payment date; and

5-1 (b) On the maturity date of the Notes as set forth in Section 2.01 of the Resolution, the sum  
1 which, together with the other moneys available therefor in the Debt Service Fund, will equal the  
3 principal amount of the Notes maturing on such date.

21-1-1 The Corporation shall have the option, exercisable at any time upon five business days' written  
1 notice to the County and the Depository, to accelerate payment of the entire unpaid balance of the loan  
1 by depositing such prepayment with the Depository. The Depository shall apply such prepayment to the  
3 payment of principal and interest due on the redemption of the Notes in accordance with the provisions  
5 of the Resolution.

2-1 In the event the Corporation shall fail to make any payment of interest as required by this Section  
1 4.01(a) of this Agreement or shall fail to make any payment of principal (whether at maturity or at the  
2 date fixed for redemption) as required by Section 4.01(b) of this Agreement, such payment or payments  
4 shall continue as an obligation of the Corporation until fully paid, together with interest on overdue  
6 payments (including, to the extent lawful, interest on overdue payments of interest) through the date of  
8 final payment in full at the rate of \_\_\_\_\_ per centum ( % ) per annum.

3-1 SECTION 4.02. It is understood and agreed that all payments by the Corporation pursuant to this  
1 Agreement are to be paid to the Depository for deposit in the Debt Service Fund. The Corporation  
2 agrees that its obligation to make such payments to the Depository shall be absolute, irrevocable and  
4 unconditional and shall not be subject to any defense (other than payment) or any right of set-off,  
6 counterclaim or recoupment arising out of any breach by the County of any obligation to the Corpora-  
22-1-7 tion, whether hereunder or otherwise, or out of any other indebtedness or liability at any time owing to  
1 the Corporation by the County. The County directs the Corporation, and the Corporation agrees, to pay  
2 to the Depository at its principal office, or such other office designated by the Depository from time to  
4 time, all payments pursuant to this Agreement.

2-1           So long as any Notes are outstanding, the Corporation will pay directly to the County and the  
1           Depository, as the case may be, on each of the interest payment dates referred to in Section 2.01 of the  
2           Resolution the amount of Administration Expenses not theretofore paid which have accrued to the date  
4           thereof and not have been paid.

3-1           SECTION 4.03. As sole owner of the Facilities, the Corporation is entitled to sole and exclusive  
1           possession of the Facilities from the date of this Agreement. It is expressly recognized by the parties  
2           that the Facilities will not constitute any part of the security for the Notes.

4-1           SECTION 4.04. The Corporation will maintain, preserve and keep the Facilities or cause the  
1           Facilities to be maintained, preserved and kept, with the appurtenances and every part and parcel  
2           thereof, in good repair, working order and condition and will from time to time make or cause to be  
4           made all necessary and proper repairs, replacements and renewals; provided, however, that the  
5           Corporation will have no obligation to maintain, repair, replace or renew any element or unit of the  
23-1-7          Facilities (a) the maintenance, repair, replacement or renewal of which becomes an unreasonable  
1           burden to the Corporation because of damage or destruction by a cause not within the control of the  
3           Corporation, or obsolescence (including economic obsolescence), or change in government standards  
5           and regulations, or the termination by the Corporation of the operation of the production facilities to  
6           which the element or unit of the Facilities is an adjunct, and (b) with respect to which the Corporation  
8           has furnished to the County a certificate of an Authorized Corporation Representative that the  
10          maintenance, repair, replacement or renewal of such element or unit of the Facilities is being discontinued  
12          for one of the foregoing reasons, which shall be stated therein.

2-1           The Corporation shall have the privilege of remodeling the Facilities or making substitutions,  
1           modifications and improvements to the Facilities from time to time as it, in its discretion, may deem to  
3           be desirable for its uses and purposes, the cost of which remodeling, substitutions, modifications and  
4           improvements shall be paid by the Corporation and the same shall be the property of the Corporation  
6           and be included under the terms of this Agreement as part of the Facilities; provided, however, while  
8           the Notes are outstanding, such remodeling or such substitutions, modifications and improvements shall  
24-1-9       be subject to the same provisions set forth in Section 3.04 of this Agreement with respect to a  
1           modification in the Facilities.

2-1           SECTION 4.05. In the event that title to or the temporary use of the Facilities, or any part thereof,  
1           shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental  
2           body or by any person, firm or corporation acting under governmental authority, any proceeds received  
4           from any award or awards in respect of the Facilities or any part thereof made in such condemnation or  
6           eminent domain proceedings, after payment of all expenses incurred in the collection thereof, shall be  
7           either (i) expended by the Corporation to replace the Facilities or any part thereof so taken, or (ii) paid  
9           to the Depository for deposit in the Debt Service Fund.

3-1           SECTION 4.06. The Corporation shall keep the Facilities continuously insured in a prudent  
1           manner, paying as the same become due and payable all premiums with respect thereto; provided,  
3           however, that the Corporation may with respect to the Facilities self-insure to the extent and in the  
5           manner that it may legally do so and that it is the general practice of the Corporation to self-insure its  
6           properties and the Corporation deems it prudent to do so. In lieu of separate insurance policies, such  
8           insurance may be in the form of a blanket insurance policy or policies of the Corporation. Any  
25-1-10       insurance policies maintained pursuant to this Section 4.06 may be written with such deductible  
1           amounts and exceptions and exclusions as the Corporation may deem to be prudent.

2-1           SECTION 4.07. In the event that any damage or loss to the Facilities, or any part thereof, shall be  
1           covered by insurance, the proceeds of such insurance received by the Corporation in respect to such  
2           damage or loss shall be either (i) expended by the Corporation to rebuild, repair or restore the Facilities,  
4           or any part thereof, so damaged or destroyed, or (ii) paid to the Depository for deposit in the Debt  
6           Service Fund. The Corporation shall notify the County of the occurrence of any damage or loss to the  
8           Facilities that materially impairs the use of the Facilities for their intended purpose or affects the  
10          representations of the Corporation set forth in subsection (c) of Section 2.02 of this Agreement.

3-1 SECTION 4.08. The Corporation releases the County from, agrees that the County shall not be  
1 liable for, and agrees to indemnify and hold the County harmless from, any liability for any loss or  
2 damage to property or any injury to or death of any person that may be occasioned by any cause  
4 whatsoever pertaining to the financing of the Facilities.

26-1-1 SECTION 4.09. So long as the Notes are outstanding the Facilities will be used only for the  
1 purposes set forth in subsection (c) of Section 2.02 of this Agreement and as pollution control facilities,  
1 as defined in the Act.

2-1 SECTION 4.10. It is understood and agreed that the payments required to be paid pursuant to  
1 Sections 4.01 and 4.02 hereof shall continue to be payable at the time and in the amounts herein  
2 specified, whether or not the Facilities, or any portion thereof, shall have been destroyed by fire or  
4 other casualty, or title thereto or the use thereof shall have been taken by the exercise of the power of  
6 eminent domain, and that there shall be no diminution or postponement of any such payments by reason  
7 thereof.

27-1-1 ARTICLE V  
2-1 SPECIAL COVENANTS

3-1 SECTION 5.01. The County makes no warranty, either express or implied, as to the actual or  
1 designed capacity of the Facilities, as to the suitability of the Facilities for the purposes specified in this  
2 Agreement, as to the condition of the Facilities, or that the Facilities will be suitable for the Corpora-  
4 tion's purposes or needs.

4-1 SECTION 5.02. The Corporation covenants that it will maintain its corporate existence, will not  
1 dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge  
2 into another corporation; provided, however, that the Corporation may consolidate with or merge into  
4 another corporation, or sell or otherwise transfer to another corporation all or substantially all its assets  
5 as an entirety and thereafter dissolve, if the successor corporation is an "Industry" as defined in the  
7 Act, assumes in writing all the obligations of the Corporation herein, has obtained all governmental or  
9 administrative approvals required to conduct its business and is duly qualified to do business in the State  
10 of South Carolina.

5-1 If consolidation, merger or sale or other transfer is made as permitted by this Section 5.02, the  
1 provisions of this Section 5.02 shall continue in full force and effect and no further consolidation,  
28-1-2 merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

2-1 SECTION 5.03. The Corporation covenants that it will remain qualified to do business in South  
1 Carolina, so long as the Notes are outstanding, and that it will comply with any requirements imposed  
2 on it by the Act, so long as the Notes are outstanding.

3-1 SECTION 5.04. In the event it may be necessary for the proper performance of this Agreement on  
1 the part of the County or the Corporation that any application or applications for any permit or license  
2 to be made to any governmental or other agency or authority by the Corporation or the County, the  
4 Corporation and the County each agree to execute upon the request of the other such application or  
5 applications.

4-1 SECTION 5.05. In accordance with the provisions of the Act the County hereby obligates itself to  
1 issue its bonds in one or more series for the purpose of paying the principal of and interest on the Notes  
2 in accordance with the provisions of the Resolution upon receipt of the following: (i) a written request  
4 from the Corporation to issue such bonds in one or more series, (ii) execution of a valid and binding loan  
6 agreement between the County and the Corporation pursuant to which payments will be made by the  
8 Corporation to the County in amounts equal to the principal, interest and premium, if any, on such  
29-1-9 bonds and any administration expenses, and (iii) an opinion of counsel, satisfactory in form and  
1 substance to the County, as to the validity of the issuance of such bonds and such other matters as the  
3 County may reasonably request.

2-1 SECTION 5.06. Notwithstanding anything contained in this Agreement or in the Resolutions to the  
1 contrary, the Corporation covenants it will not submit, and the County agrees that it will not consent to

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or acquiesce in the submission of, any requisition by the Corporation in respect of any item or expense which would not constitute a "cost of acquiring pollution control facilities" within the meaning of the Act or which, if paid, would result in less than substantially all of the proceeds from the issuance of the Notes being used to provide air and water pollution control facilities or other exempt facilities within the meaning of Section 103(c)(4) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder.

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ARTICLE VI

2-1

ASSIGNMENT, LEASING AND SELLING

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SECTION 6.01. The Corporation will not sell, lease or otherwise dispose of the Facilities except as provided in Section 5.02 hereof and in this Section 6.01. The Corporation may from time to time sell or otherwise dispose of any item constituting part of the Facilities if the Corporation, in regard to such item, has furnished to the County a certificate pursuant to clause (b) of Section 4.04 hereof. Any proceeds thereof shall be either (i) applied to the replacement of or substitution for the item so sold or disposed of or to acquire other pollution control facilities, or (ii) paid to the Depository for deposit in the Debt Service Fund, all as the Corporation shall determine. In addition, this Agreement may be assigned in whole or in part, and the Facilities may be sold or leased as a whole or in part, by the Corporation without the necessity of obtaining the consent of the County, subject, however, to the following conditions:

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(a) No sale, assignment or lease (other than pursuant to Section 5.02 hereof) shall relieve the Corporation from liability for any of its obligations under this Agreement, and in the event of any such sale, assignment or lease the Corporation shall continue to remain liable for the payments specified in Section 4.01 hereof, and for performance and observance of the other agreements on its part herein provided;

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(b) The purchaser, assignee or lessee from the Corporation shall assume the obligations of the Corporation under this Agreement to the extent of the interest sold, assigned or leased; and

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(c) The Corporation shall, within fifteen (15) days after the delivery thereof, furnish or cause to be furnished to the County a true and complete copy of each such sale agreement, assignment and lease, as the case may be.

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SECTION 6.02. As set forth in Section 1.03 of the Resolution, the County irrevocably has pledged and assigned to the holders of the Notes all rights (other than the rights to receive payment of administration expenses and indemnification rights pursuant to Section 4.02 and Section 4.08 of this Agreement, respectively) of the County under and all interests of the County in this Agreement, the Revenues (as defined in the Resolution), all moneys or securities in the Debt Service Fund, and, until applied in payment of any of the Cost of the Facilities in accordance with Section 5.03 of the Resolution, all moneys and securities in the Loan Fund. Except as set forth above in this Section 6.02, the County will not sell, assign, pledge, convey or otherwise transfer or encumber its rights and interests in this Agreement, said Revenue or other collateral referred to in Section 1.03 of the Resolution while the Notes are outstanding.

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ARTICLE VII

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EVENTS OF DEFAULT AND REMEDIES

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SECTION 7.01. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

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(a) Failure by the Corporation to pay when due any payment required to be paid under Section 4.01 hereof.

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(b) Failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement (other than the covenants contained in Sections 5.03 and 5.04 of this Agreement).

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(c) The dissolution or liquidation of the Corporation or the filing by the Corporation of a voluntary petition in bankruptcy, or failure by the Corporation promptly to lift any execution, garnishment or attachment of such consequence as will impair its ability to carry out its obligations under this Agreement, or the commission by the Corporation of any act of bankruptcy, or adjudication of the Corporation as a bankrupt, or an assignment by the Corporation for the benefit of its creditors, or the entry by the Corporation into an agreement of composition or arrangement with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Corporation in any proceeding for its reorganization instituted under the provisions of any bankruptcy act, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Corporation", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Corporation resulting either from a merger or consolidation of the Corporation into or with another corporation or a dissolution or liquidation of the Corporation following a transfer of all or substantially all its assets as an entirety, under the conditions permitting such actions contained in Section 5.02 hereof.

(d) Any representation or warranty of the Corporation or the County made herein or in the Note Purchase Agreement or in any certificate or instrument required to be delivered hereunder or thereunder, shall have been incorrect in any material respect.

(e) A default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Corporation for borrowed money, or in respect of any obligation of the Corporation under any turbine generator lease or other financing lease, now outstanding or issued hereafter, or under any indenture, lease or other instrument under which any such bond, debenture, note or other evidence of indebtedness for borrowed money or any such lease obligation has been or may be issued or by which it is or may be governed, which default shall have resulted in the acceleration of the maturity of any such bond, debenture, note or other evidence of indebtedness for borrowed money or any such lease obligation.

(f) The Corporation shall have defaulted in the performance of any covenant on the part of the Corporation contained in Sections 5.03 and 5.04 of this Agreement and such default shall have continued for a period of thirty days after notice thereof is given by any Bank to the Corporation.

The foregoing provisions of this Section are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; orders of any kind of the Government of the United States or of the State of South Carolina or the State of North Carolina or any department, agency, political subdivision or official or either of them, or any civil or military authority, riots, landslides, tornados, fires, hurricanes, storms, floods, washouts or explosions, the Corporation is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Corporation contained in Sections 4.01 and 5.02 hereof, the Corporation shall not be deemed in default during the continuance of such inability. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements and in any event carry out such agreements as soon as possible thereafter; provided however, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Corporation, and the Corporation shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Corporation unfavorable to the Corporation. Any failure of the Corporation to perform its obligations under Sections 4.01 and 5.02 hereof shall constitute a default regardless of the reason for such failure to perform.

SECTION 7.02. Whenever any event of default referred to in Section 7.01 hereof shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) The County may declare all unpaid amounts payable under Section 4.01 hereof, together with interest then due thereon, to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The County may take any action at law or in equity to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under this Agreement.

2-1 Any amounts collected pursuant to action taken under this Section shall be applied in accordance  
1 with Section 9.09 of the Resolution.

3-1 SECTION 7.03. No remedy conferred upon or reserved to the County in connection with the loan  
1 to the Corporation is intended to be exclusive of any other available remedy or remedies, but each and  
2 every such remedy shall be cumulative and shall be in addition to every other remedy given under this  
4 Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to  
5 exercise any right or power accruing upon any default shall impair any such right or power or shall be  
7 construed to be a waiver thereof, but any such right and power may be exercised from time to time and  
8 as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to  
10 it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein  
11 expressly required.

4-1 SECTION 7.04. If the Corporation shall default under any of the provisions of this Agreement and  
1 the County shall employ attorneys or incur other expenses for the collection of payments due hereunder  
2 or for the enforcement of performance or observance of any obligation or agreement on the part of the  
37-1-4 Corporation contained herein, the Corporation will on demand therefor reimburse the reasonable fees  
1 of such attorneys and such other reasonable expenses so incurred.

2-1 SECTION 7.05. In the event that any agreement contained herein shall be breached by either party  
1 and such breach shall thereafter be waived by the other party, such waiver shall be limited to the  
2 particular breach so waived and shall not be deemed to waive any other breach hereunder. In view of  
4 the assignment of the County's rights in and under this Agreement to the holders of the Notes pursuant  
5 to the Resolution, the County shall have no power to waive any default hereunder by the Corporation  
7 except in accordance with Section 9.01 of the Resolution. In the event any default by the Corporation  
8 hereunder shall have been waived in accordance with said Section 9.01 of the Resolution as a default  
10 under the Resolution by all of the Noteholders the County shall be obligated to waive the Corporation's  
12 default hereunder.

38-1-1 ARTICLE VIII

2-1 MISCELLANEOUS

3-1 SECTION 8.01. Any balance in the Loan Fund or Debt Service Fund or otherwise held by the  
1 Depository in connection with the issuance of the Notes or in connection with this Agreement or the  
2 Resolution after all the Notes issued under the Resolution, together with the interest thereon, have been  
4 paid in full and all amounts due to the Depository and the County (including amounts due as Administra-  
5 tion Expenses) have been paid shall belong to and, upon request of the Corporation shall be paid over  
7 to, the Corporation by the Depository in accordance with the provisions of Section 7.03 of the  
9 Resolution.

4-1 SECTION 8.02. All notices, certificates, requests or other communications between the County,  
1 the Corporation and the Depository required to be given hereunder or under the Resolution shall be  
2 sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed  
4 as follows: if to the County, at the Oconee County Court House, Walhalla, South Carolina 29691  
5 Attention: Chairman of the County Council of Oconee County; if to the Corporation, at 422 South  
7 Church Street, Charlotte, North Carolina 28242 Attention: Vice President—Finance; and if to the  
7 Depository, at 23 Wall Street, New York, New York 10005 Attention: Robert W. Brose, Jr. A duplicate  
9 copy of each notice, certificate, request or other communication given hereunder to the County, the  
39-1-10 Corporation or the Depository shall also be given to the others. The Corporation, the County and the  
1 Depository may, by notice given hereunder, designate any further or different addresses to which  
3 subsequent notices, certificates, requests or other communications shall be sent.

2-1 SECTION 8.03. This Agreement shall inure to the benefit of and shall be binding upon the County,  
1 the Corporation and their respective successors and assigns, subject to the limitation that any obligation  
2 of the County created by or arising out of this Agreement shall be a limited obligation of the County,  
4 payable solely from the Revenues (as defined in the Resolution) and other collateral pledged to the  
6 holders of the Notes in Section 1.03 of the Resolution and shall not constitute an indebtedness or a

7 charge against the general credit or taxing powers of the County within the meaning of any South  
9 Carolina constitutional or charter provision or statutory limitation and shall not constitute or give rise to  
10 any pecuniary liability of the County.

3-1 SECTION 8.04. This Agreement may not be amended, modified or rescinded except in accordance  
1 with Section 12.06 of the Resolution.

4-1 SECTION 8.05. This Agreement supersedes any other prior agreements or understandings, writ-  
1 ten or oral, between the parties with respect to the matters referred to herein or contemplated hereby.

40-1-1 SECTION 8.06. This Agreement may be executed in any number of counterparts, each of which,  
1 when so executed and delivered shall be an original; but such counterparts shall together constitute but  
2 one and the same Agreement.

2-1 SECTION 8.07. If any clause, provision or section of this Agreement be held illegal or invalid by  
1 any court, the invalidity of such clause, provision or section shall not affect any of the remaining  
2 clauses, provisions or sections hereof, and this Agreement shall be construed and enforced as if such  
4 illegal or invalid clause, provision or section had not been contained herein. In case any agreement or  
5 obligation contained in this Agreement be held to be in violation of law, then such agreement or  
7 obligation shall be deemed to be the agreement or obligation of the County or the Corporation, as the  
8 case may be, to the full extent permitted by applicable law.

3-1 SECTION 8.08. The laws of the State of South Carolina shall govern the construction of this  
1 Agreement.

4-1 IN WITNESS WHEREOF, Oconee County, South Carolina, has executed this Agreement by causing  
1 its name to be hereunto subscribed by the Chairman of the County Board of Oconee County and the  
2 official seal of said Board to be impressed hereon and attested by the Secretary of said Council; and  
4 Duke Power Company has executed this Agreement by causing its name to be hereunto subscribed by  
41-1-5 its Vice President—Finance and its seal to be impressed hereon and attested by its Assistant Secretary.

OCONEE COUNTY, SOUTH CAROLINA

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3-1 (SEAL)

By .....  
Chairman of the County Council  
of Oconee County

8-1 .....  
9-1 Secretary of the County Council  
10-1 of Oconee County

11-1 Signed, sealed and delivered  
12-1 in the presence of:  
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14-1 .....  
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17-1 .....

DUKE POWER COMPANY

18-1  
19-1 (SEAL)

By .....

20-1 Attest:  
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23-1 .....

PROOF OF 02/25/75 - SORG 943-3040 - JOB 42390

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STATE OF SOUTH CAROLINA }  
COUNTY OF OCONEE } ss.:

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Personally appeared before \_\_\_\_\_ who being duly sworn says that he saw the corpo-  
ration seal of COUNTY COUNCIL OF OCONEE COUNTY, SOUTH CAROLINA affixed to the foregoing  
Agreement, and that \_\_\_\_\_ also saw \_\_\_\_\_ as Chairman and  
as Secretary of the County Council of Oconee County, sign and attest the same, and that  
with \_\_\_\_\_ witnessed the execution and delivery thereof as the act  
and deed of the said Oconee County.

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Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_  
, 1975

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.....  
Notary Public

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My Commission Expires:

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(SEAL)

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STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss.:

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I, the undersigned, a Notary Public in and for said County in said State, hereby certify that R. E.  
FRAZER and JOHN F. DAY as Vice President—Finance and Assistant Secretary of DUKE POWER  
COMPANY respectively signed the foregoing Loan Agreement, and each is known to me and known to  
be such persons, acknowledged before me on this day that, being informed of the contents of the said  
Loan Agreement they, in their capacity as such officers and with full authority, executed the same  
voluntarily for and as the act of said Duke Power Company as of the day the same bears date.

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Given under my hand and seal of office \_\_\_\_\_ day of March, 1975.

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Notary Public

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**DUKE POWER COMPANY  
OCONEE NUCLEAR STATION POLLUTION CONTROL FACILITIES**

**WASTE SYSTEMS**

Oconee Nuclear Station, when completed, will have three closed cycle, pressurized, light water moderated and cooled nuclear reactors for the generation of steam to produce electricity. Each unit will have a generating capacity of 886,300 kilowatts, making a total of 2,658,900 kilowatts for the Station.

The Station includes extensive facilities which are designed for the elimination, mitigation or prevention of air or water pollution. The body of water involved is Lake Keowee, next to which the station is located. These facilities are being installed in order that Duke meet or exceed all applicable and anticipated Federal, State, and local water and air quality standards. Such facilities include the following Waste Systems:

1. Contaminated Wastewater and Waste Gas Disposal Facilities
  - a. Wastewater
  - b. Waste gas
2. Sewage Treatment System
3. Wastewater Retention Pond
4. Spent Fuel Cooling System

Detailed descriptions of these facilities follow. Construction costs which are indicated are those already incurred or estimated to be incurred and include costs of materials and equipment, site preparation, associated structures, installation, overheads and engineering and the allowance for funds used during construction which Duke Power Company records in accordance with the Uniform System of Accounts prescribed for Duke.

**1. Contaminated Wastewater and Waste Gas Disposal Facilities**

**a. Wastewater**

Equipment, some of which will be an integral part of each of the Units and some of which will be external to all three Units and will serve them jointly, is provided to collect, remove, store, and dispose of radioactive and potentially radioactive contaminants in the process wastewater produced during normal operation of the Station so that effluent released to the Keowee River for disposal meets all applicable government water quality standards. The sources of radioactively contaminated wastewater are as follows: leakage and drainage from equipment, drainage from the radioactive chemical laboratories, drainage from decontamination facilities, and discharges from chemical and volume control systems. Radioactively contaminated wastewater is collected in storage tanks, treated by either demineralization, filtration, evaporation, or some combination of these processes, analyzed to insure acceptably low radioactivity, diluted, and finally released to the Keowee River. Radioactive contaminants removed from process wastewater are pumped to drumming stations where they are solidified in steel drums for shipment offsite for final disposition.

Major components of the Contaminated Wastewater Disposal Facility are as follows:

(a) *Collection Equipment*—Piping, valves, and associated equipment to collect and transfer radioactively contaminated wastewater to collection tanks.

(b) *RB Normal Sumps*—Austenitic stainless steel lined sumps to receive and temporarily store drainage from miscellaneous equipment located in reactor containment structures and leakage from reactor coolant systems.

(c) *Quench Tanks*—Austenitic stainless steel tanks to receive and temporarily store drainage from equipment located within the reactor containment structures.

(d) *Low Activity Waste Tank*—An austenitic stainless steel tank to receive and temporarily store waste discharged through the floor drains and drain header in the primary auxiliary building.

4-1 (e) *Spent Resin Storage Tanks*—Austenitic stainless steel tanks to receive and temporarily  
1 store resins discharged from the demineralizers.

5-1 (f) *High Activity Waste Tank*—A welded stainless steel tank to receive and temporarily store  
1 potentially radioactive drainage from equipment in the primary auxiliary building.

6-1 (g) *Miscellaneous Waste Holdup Tanks*—Welded stainless steel tanks for central collection of  
1 radioactive wastewater from receiving tanks and for storage to allow decay of short-lived radioac-  
2 tive isotopes.

7-1 (h) *Condensate Test Tanks*—Welded stainless steel tanks to store treated effluent for analysis  
1 prior to discharge.

47-1-1 (i) *Pumping Equipment*—Pumps, piping, and valves for draining tanks and transferring liquids  
1 throughout the system.

2-1 (j) *Waste Evaporator Systems*—Feed tanks, feed pumps, concentrators, distillate pumps,  
1 circulating pumps, and control equipment used in separating and concentrating the dissolved solids  
2 in the wastewater.

3-1 (k) *Demineralizers*—Tanks containing resins for removal of radioactive contaminants from  
1 wastewater.

4-1 (l) *Miscellaneous Filters*—Pretreatment filters located throughout the system.

5-1 (m) *Drumming Facilities*—Piping and tanks to receive radioactive concentrates from the  
1 waste evaporators and spent resins from the spent resin storage tanks, equipment to remotely  
2 inject these wastes into steel drums and mix them with cement and vermiculites, handling equip-  
3 ment to move filled drums, and shielded areas to store filled drums until they can be removed from  
4 the Station.

6-1 (n) *Allocated Portion of the Auxiliary Building*—A portion of the equipment comprising the  
1 Contaminated Wastewater Disposal Facility is external to all three of the Station's Reactor Units  
2 and serves them jointly. This joint service equipment will be housed in the Station's Auxiliary  
4 Building, a concrete, steel reinforced structure designed to contain radioactive contaminants  
48-1-5 during normal operations and in case of an operational accident or a natural disaster. This  
1 equipment will occupy 11 percent of the available floor space of the Auxiliary Building and,  
3 accordingly, 11 percent of the construction cost of this building has been allocated to the Contami-  
4 nated Wastewater Disposal Facility.

2-1 b. *Waste Gas*

3-1 Equipment, some of which will be an integral part of each of the Units and some of which will be  
1 external to all three Units and will serve them jointly, is provided to collect, remove, store and dispose  
2 of radioactive contaminants in waste gases produced during normal operation of the Station so that  
4 gaseous emissions to the atmosphere meet all applicable government air quality standards. Radioactive  
5 waste gases originate from the following operations: sampling and analyzing, degassing reactor coolant  
6 liquids, purging volume control tanks, purging various other pieces of equipment, displacing cover  
8 gases as liquid accumulates in storage tanks, and collecting leakage to the Station ventilation system  
9 from various other systems and components. High level radioactive gases are collected and treated to  
11 acceptable levels prior to release. Low level radioactive gases are treated as necessary prior to release.

4-1 Major components of the Contaminated Waste Gas Disposal Facility are as follows:

49-1-1 (a) *Piping, Valves, and Associated Equipment*—Facilities to collect and transfer waste gases.

2-1 (b) *Waste Gas Compressors*—Compressors for continuous removal of gases from waste gas  
1 vent headers and transfer to gas decay tanks.

3-1 (c) *Gas Decay Tanks*—Welded carbon steel tanks to hold compressed waste gases for radioac-  
1 tive decay prior to release, at a controlled rate, to the atmosphere through the Station vent.

4-1 (d) *Radioactive Gases Filtration System*—Roughing, high efficiency particulate air, and char-  
1 coal filters for removal of radioactive particulate matter before release of gases to the atmosphere.

5-1 (e) *Allocated Portion of the Auxiliary Building*—As with the Contaminated Wastewater Dispo-  
1 sal Facility, a portion of the equipment comprising the Contaminated Waste Gas Disposal Facility

2 is external to all three of the Station's Reactor Units and serves them jointly. This joint service  
4 equipment will be housed in the Station's Auxiliary Building, a concrete, steel reinforced structure  
5 designed to contain radioactive contaminants during normal operation and in case of an operational  
7 accident or a natural disaster. This equipment will occupy 4 percent of the available floor space of  
8 the Auxiliary Building and, accordingly, 4 percent of the construction cost of the building has been  
50-1-10 allocated to the Contaminated Waste Gas Disposal Facility.

2-1 The construction cost of the Contaminated Wastewater and Waste Gas Disposal Facilities, includ-  
1 ing allocated portions of the construction cost of the Auxiliary Building, is \$22,544,160.

3-1 No part of the expenditure for the Contaminated Wastewater and Waste Gas Disposal Facilities  
1 provided at the Oconee Nuclear Station serves any significant purpose other than the control of  
2 pollution, and the expenditure therefore would not be made but for the purpose of controlling pollution.

## 4-1 2. Sewage Treatment Facility

5-1 A facility is provided to treat the Station's sanitary waste effluent before it is released to the  
1 Keowee River. This facility consists of a package type extended aeration unit, along with associated  
2 sewers, pipes, pumps, sumps, and necessary control equipment.

6-1 The construction cost of the Sewage Treatment Facility is \$71,034.

7-1 No part of the expenditure for the Sewage Treatment Facility provided at the Oconee Nuclear  
1 Station serves any significant purpose other than the control of pollution, and the expenditure therefore  
2 would not be made but for the purpose of controlling pollution.

## 8-1 3. Wastewater Retention Pond

9-1 The Wastewater Retention Pond is a 5 million gallon capacity holding pond designed to receive and  
1 hold nonradioactive process wastewater so that it may be treated prior to its discharge to the Keowee  
51-1-2 River for disposal. The primary source of nonradioactive process wastewater is the Station's water  
1 purification equipment. This equipment is necessary in order to supply the large quantities of pure water  
3 used in generating steam to produce electricity. Wastewater effluent from this equipment contains the  
4 following contaminants: diatomaceous earth and powder resins resulting from filter backwashing,  
7 sodium hydroxide and sulfuric acid in spent demineralizer regenerating solutions, and various chemi-  
8 cals spilled to the drain systems of storage rooms. This facility will consist of the pond itself and the  
9 necessary collecting sewers, drains, pumps, sumps, and control equipment.

2-1 The construction cost of the Wastewater Retention Pond at the Oconee Nuclear Station is \$13,760.

3-1 No part of the expenditure for the Wastewater Retention Pond provided at the Oconee Nuclear  
1 Station serves any significant purpose other than the control of pollution, and the expenditure therefore  
2 would not be made but for the purpose of controlling pollution.

## 4-1 4. Spent Fuel Cooling System

5-1 The fuel handling system is designed to provide a safe, effective means of transporting and  
1 handling fuel. An integral part of the Fuel Handling System is the Spent Fuel Cooling System. The  
2 Spent Fuel Cooling System is designed to remove the decay heat from the stored fuel in the spent fuel  
3 pool and to minimize the possibility of radioactive contaminant release to the environment. The system  
5 provides for purification of the spent fuel pool water, the fuel transfer canal water, and the contents of  
6 the borated water storage tank by removing fission and corrosion products and by maintaining water  
8 clarity for fuel handling operations.

6-1 The related equipment of the Spent Fuel Cooling System includes pumps, demineralizers, filters  
1 and instrumentation and controls.

7-1 The construction cost of the Spent Fuel Cooling System is \$1,921,433.

8-1 No part of the expenditure for the Spent Fuel Cooling System provided at the Oconee Nuclear  
1 Station serves any significant purpose other than the control of pollution, and the expenditure therefore  
2 would not be made but for the purpose of controlling pollution.

CONSTRUCTION COST SUMMARY

Total construction cost of the above-described facilities for the elimination, mitigation or prevention of air or water pollution is as follows:

9-1		
10-1		
1		
11-1	Contaminated Wastewater and Waste Gas Disposal	
12-1	Facilities .....	\$22,544,160
1	Sewage Treatment System .....	71,034
13-1	Wastewater Retention Pond .....	13,760
14-1	Spent Fuel Cooling System .....	1,921,433
16-1	Total Construction Cost .....	\$24,550,387
17-1	Contingency for financing other allowable costs under	
18-1	Act No. 156 of 1971 .....	3,449,613
19-1	Total .....	<u>\$28,000,000</u>

## NOTE PURCHASE AGREEMENT

AGREEMENT dated as of March 11, 1975 between OCONEE COUNTY, South Carolina (the "County"), County Court House, Walhalla, South Carolina 29691 and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, 23 Wall Street, New York, New York 10015 and CHEMICAL BANK, 277 Park Avenue, New York, New York 10017 (each of such banking corporations being hereinafter referred to as a "Bank" and collectively as the "Banks").

### SECTION 1. Representations and Warranties.

The County represents and warrants that:

1.1 *Authority.* The County is a duly constituted and validly existing body politic and corporate and political subdivision of the State of South Carolina, validly acting by and through the Oconee County County Council (the "County Council") as the governing body of the County established pursuant to Act No. 227 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1957, as amended. The County is authorized and empowered by the provisions of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971, as amended (the "Act"), to enter into the transactions contemplated by (i) this Agreement, (ii) the Loan Agreement dated as of March 11, 1975 (the "Loan Agreement") between the County and Duke Power Company (the "Company") and (iii) the resolution of the County Board adopted on March 6, 1975 (the "Resolution"), and to apply the proceeds from the issuance of the bond anticipation notes, within the meaning of the Act, to be issued pursuant to the Resolution (the "Notes") as set forth in such Resolution.

The execution, delivery and performance of this Agreement, the Loan Agreement and the Notes are within the power and authority of the County, have been authorized by all necessary proceedings and will not contravene, or constitute a default under, any provision of law or regulation or any judgment, order, decree, contract, agreement or other instrument binding upon the County. The Resolution has been duly and validly adopted on behalf of the County and the adoption of the Resolution and the performance of all obligations of the County set forth therein will not contravene, or constitute a default under, any provision of law or regulation or any judgment, order, decree, contract, agreement or other instrument binding upon the County. This Agreement and the Loan Agreement constitute valid and binding agreements of the County enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights. The Resolution constitutes a valid and binding obligation of the County; the Pledge (referred to in Section 2.4 hereof) contained in Section 1.03 of the Resolution is enforceable in accordance with its terms and the Resolution (other than such Pledge) is enforceable in accordance with the terms thereof except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights. The Notes, when executed and delivered on behalf of the County in accordance with the Resolution, will constitute valid and binding obligations of the County enforceable in accordance with their terms except as enforcement thereof may be limited by bankruptcy or other laws of general application affecting creditors' rights.

1.2 *Litigation and Governmental Authorization.* There is no action, suit or proceeding pending, or to the best knowledge of the County threatened, against or affecting the County or the County Board before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might adversely affect the power or authority of the County or the County Board or the ability of the County to perform its obligations under this Agreement, the Loan Agreement, the Notes or the Resolution. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery of this Agreement, the Loan Agreement and the Notes, the adoption of the Resolution, and the consummation of the transactions contemplated by this Agreement, the Loan Agreement, the Notes and

the Resolution, including without limitation (i) a finding by the South Carolina Department of Health and Environmental Control that certain pollution control facilities being acquired, installed and constructed by the Company in Oconee County, South Carolina at the Company's Oconee Nuclear Station, which facilities are more fully described in Exhibit A to the Loan Agreement (the "Facilities"), are necessary and that the design thereof will result in the elimination, mitigation and prevention of air or water pollution and (ii) approval by the State Budget and Control Board of South Carolina of the Facilities and of the proposal of the County Board to issue the Notes pursuant to the Resolution, have been obtained.

## SECTION 2. Notes.

2.1 *Agreement to Sell and Purchase.* The County hereby agrees to sell to each of the Banks, and in reliance upon the representations, warranties, covenants and agreements of the County set forth herein or made pursuant hereto, and subject to all the terms and conditions hereof, each of the Banks severally agrees to purchase from the County on the Closing Date specified in Section 3.1 hereof, Notes in the aggregate principal amount set forth opposite the name of such Bank in Exhibit B hereto, in each case at a purchase price of 100% of such aggregate principal amount. Each such Note shall be dated the date of delivery thereof, shall mature on \_\_\_\_\_, 197\_\_\_\_, shall bear interest on the unpaid principal amount thereof from time to time outstanding at a rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum, payable on April 1, July 1, September 30 and December 31, 1975 and at the stated maturity of the Notes, and shall be subject to redemption as provided in the Resolution and in Section 2.2 hereof and shall conform to the form thereof set forth in the Resolution. Interest on overdue payments of principal and interest shall be paid in accordance with the provisions of Section 9.09 of the Resolution.

2.2 *Redemption.* The County, at the prior written direction of the Company, shall, upon three business days' written notice to the holders of the Notes, redeem without penalty all of the outstanding Notes as an entirety at a redemption price equal to the sum of the unpaid principal amount of such Notes, together with all interest accrued and unpaid to the date of redemption on such Notes.

2.3 *Funds.* Payment for the purchase by the Banks of the Notes hereunder and all payments of principal of and interest on the Notes shall be made in Federal or other immediately available funds.

2.4 *Security.* The County represents and warrants that, as security for the punctual payment of all amounts payable by the County pursuant to the Notes or the Resolution, for the performance and observance by the County of all of its covenants and agreements contained in the Notes or the Resolution and to assure the correctness of all representations and warranties made in this Agreement, the Notes or the Resolution or in any document or certificate delivered pursuant to any thereof, the County has in Section 1.03 of the Resolution irrevocably assigned and pledged to the holders of the Notes all rights of the County under and all interests of the County in the Loan Agreement (other than the rights to receive payment of the Administration Expenses and rights to indemnification pursuant to Sections 4.02 and 4.08 thereof, respectively), the Revenues (as defined in the Resolution), all moneys and securities in the Debt Service Fund and, until applied in payment of any item of the Cost of the Facilities in accordance with Section 5.03 of the Resolution, all moneys and securities in the Loan Fund (the "Pledge"). The County covenants and agrees that on or prior to the Closing Date referred to in Section 3 hereof it will effect all filings and recordings currently required in order to establish, protect and preserve the security interests of the holders of the Notes created by the Pledge as valid, perfected and enforceable first security interests in the above-mentioned Revenues, moneys and securities (the "Collateral"). The County covenants and agrees to effect all other filings or recordings, including without limitation the filing of all financing statements and continuation statements in respect thereof under the Uniform Commercial Code of South Carolina, which, in the judgment of any of the Banks, is necessary or desirable from time to time to establish, protect and preserve such security interests as valid, perfected and enforceable first security interests in the Collateral.

2.5 *Limited Obligations.* Anything in this Agreement or in the Notes or Resolution to the contrary notwithstanding, the Banks understand and agree that the obligations of the County to make payments of principal of and interest on the Notes are limited obligations of the County payable solely out of the Collateral, that such obligations do not constitute indebtedness of the County within the meaning of any provision of the Constitution or any law of the State of South Carolina and shall not constitute or give rise to any pecuniary liability of the County, or a charge against its general credit or taxing powers.

### SECTION 3. **Closing.**

3.1 *Closing Date.* The Closing with respect to the purchase and sale of the Notes by the County to the Banks shall take place at the offices of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015 at 2 p.m., New York Time on March 11, 1975 or such other time and date as the parties hereto may mutually agree upon (the "Closing Date").

3.2 *Delivery and Payment.* On the Closing Date the County will deliver to each of the Banks Notes in the aggregate principal amount set forth opposite the name of such Bank in Exhibit B hereto, against delivery of evidence of the transfer of Federal or other immediately available funds in an amount equal to the aggregate purchase price of such Notes, into that account of the County with the Depository which constitutes the Loan Fund under the Resolution. The Notes will be delivered to such Bank in the denominations, and registered in the name of the person or persons, set forth opposite the name of such Bank in Exhibit B hereto.

### SECTION 4. **Conditions to Purchase of Notes.**

4.1 *Closing Conditions.* The obligations of each of the Banks to purchase Notes hereunder on the Closing Date is conditioned upon:

(a) the fact that the representations and warranties of the County contained in Sections 1.1 and 1.2 hereof and in the first sentence of Section 2.4 hereof are true and correct in all material respects on and as of the Closing Date and that the covenant of the County contained in the second sentence of such Section 2.4 has been performed to the satisfaction of each of the Banks;

(b) receipt by each of the Banks of fully registered Notes complying with the provisions of Section 3.2 hereof and conforming to the form of Note set forth in the Resolution;

(c) receipt by each of the Banks of a duly authorized, executed and delivered Contingent Purchase and Indemnification Agreement between the Company and the Banks (the "Contingent Purchase Agreement"), dated as of March 11, 1975 and in form and substance satisfactory to the Banks;

(d) receipt by each of the Banks of a certificate of the County, signed on behalf of the County by the Chairman or Acting Chairman of the County Board, to the effect set forth in Section 4.1(a) above;

(e) receipt by each of the Banks of evidence satisfactory to such Bank that

(i) all necessary or appropriate findings or approvals of the South Carolina Department of Health and Environmental Control have been obtained, including receipt by the County Board of the finding of such Department that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air or water pollution,

(ii) all necessary or appropriate approvals of the State Budget and Control Board of South Carolina have been received, including receipt of the approval by such State Budget and Control Board of the Facilities and of the proposal of the County Board to issue the Notes pursuant to the Resolution, and

(iii) all necessary or appropriate action by the County Board to authorize the execution, delivery and performance of this Agreement, the Loan Agreement, and the Notes has been duly taken, including adoption of the Resolution;

(f) receipt by each of the Banks of a certificate of the County, signed on behalf of the County by the Chairman or Acting Chairman of the County Board, to the effect that

(i) on the basis of the facts, estimates and circumstances (including the certificate of the Company delivered to the County and the covenants of the County contained herein) in existence on the date of the issuance of the Notes, which facts, estimates and circumstances shall be set forth therein, it is not expected that the proceeds of the issuance of the Notes will be used in a manner that would cause the Notes to be arbitrage bonds within the meaning of Section 103(d) of the Internal Revenue Code of 1954, as amended, and

(ii) to the best of the knowledge and belief of the County there are no other facts, estimates or circumstances that would materially change such expectations,

which certificate shall be accompanied by an opinion of Messrs. Mudge Rose Guthrie & Alexander, Bond Counsel, dated the Closing Date and in form and substance satisfactory to each of the Banks, to the effect that, based upon such counsel's examination of law and review of the certificates of the County and the Company, the facts, estimates and circumstances are sufficiently set forth in such certificates to satisfy the criteria which are necessary under Section 103(d) of the Internal Revenue Code of 1954, as amended, and Sections 1.103-13 and 1.103-14 of the Treasury Regulations issued under such Code, to support the conclusion that the Notes will not be arbitrage bonds, and that no matters have come to such counsel's attention which make unreasonable or incorrect the representations made in the certificates;

(g) receipt by each of the Banks of an opinion of W. Jerry Fedder, Esq., County Attorney for Oconee County, South Carolina, dated the Closing Date and in form and substance satisfactory to each of the Banks, to the effect set forth in Exhibit C hereto;

(h) receipt by each of the Banks of an opinion of Messrs. Perkins, Daniels & McCormack, counsel for the Company, dated the Closing Date and in form and substance satisfactory to each of the Banks, to the effect set forth in Exhibit D hereto;

(i) receipt by each of the Banks of opinions of Messrs. Mudge Rose Guthrie & Alexander, Bond Counsel, dated the Closing Date and in form and substance satisfactory to each of the Banks, to the effect set forth in Exhibits E-1 and E-2 hereto;

(j) receipt by each of the Banks of an opinion of Messrs. Davis Polk & Wardwell, special counsel for the Banks, dated the Closing Date and in form and substance satisfactory to each of the Banks, to the effect set forth in Exhibit F hereto; and

(k) receipt by each of the banks of all other documents and opinions which any of them may reasonably request.

To the extent that the opinions required by paragraphs (h), (i) and (j) of this Section 4.1 are governed by matters of South Carolina law, Messrs. Perkins, Daniels & McCormack, Messrs. Mudge Rose Guthrie & Alexander and Messrs. Davis Polk & Wardwell may rely upon the opinion of W. Jerry Fedder, Esq., County Attorney for Oconee County, South Carolina and to the extent that such opinions are governed by matters of North Carolina law, Messrs. Perkins, Daniels & McCormack, Messrs. Mudge Rose Guthrie & Alexander and Messrs. Davis Polk & Wardwell may rely upon the opinion of William H. Grigg, Esq., General Counsel of the Company.

SECTION 5. **Miscellaneous.**

The County covenants and agrees that:

5.1 *Notices.* All notices, requests or demands hereunder shall be deemed to have been given when deposited in the United States mails, first class postage prepaid, addressed to the appropriate party at its address given above or at any other address of which it shall have notified the person giving such notice in writing.

5.2 *Term of Agreement.* The term of this Agreement shall be until the consummation of the purchase of the Notes by the Banks.

5.3 *No Waivers.* No failure or delay by any of the Banks in exercising any right, power or privilege hereunder or under the Resolution or the Notes shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

5.4 *Definitions.* All terms and phrases which are used herein as defined terms and which are defined in the Resolution and not defined herein shall have the meaning set forth in the Resolution, unless the context hereof requires otherwise.

5.5 *Copies of Certificates, etc.* Whenever the County is required to deliver notices, certificates, opinions, statements or other information hereunder to any Bank, it shall do so in such number of copies as such Bank shall specify.

5.6 *Changes, Waivers, etc.* Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated, except by a statement in writing signed by each party against which enforcement of the change, waiver, discharge or termination is sought.

5.7 *Counterparts.* This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5.8 *Successors and Assigns.* This Agreement and the Resolution shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

OCONEE COUNTY, SOUTH CAROLINA

By: County Council of Oconee County

By .....  
Chairman of the County Council  
of Oconee County

(SEAL)

Attest:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

.....  
Secretary of the County Council  
of Oconee County  
Board of Commissioners

By .....  
Vice President

Signed, sealed and delivered in the presence of:

CHEMICAL BANK

.....  
Treasurer of Oconee County

By .....  
Vice President

No.

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**OCONEE COUNTY, SOUTH CAROLINA**  
**POLLUTION CONTROL REVENUE BOND ANTICIPATION NOTE,**  
**Series 1975**  
**(Duke Power Company Project)**

Oconee County, South Carolina (the "County"), a political subdivision and a body politic and corporate created and existing under the Constitution and laws of the State of South Carolina, for value received, hereby promises to pay (but only out of the "Revenues" as defined in the Resolution or the other collateral referred to in Section 1.03 of the Resolution)

or registered assigns, on \_\_\_\_\_, 197 upon the presentation and surrender hereof, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) and to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity or, if this note shall have been duly called for earlier redemption and payment of the redemption price shall have been made, until the date fixed for redemption hereof, at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum, payable on April 1, 1975, July 1, 1975, September 30, 1975, December 31, 1975, and at maturity. Both principal and interest on this note are payable at the principal office of Morgan Guaranty Trust Company of New York, New York, New York (the "Depository") in Federal or other immediately available funds.

This note is one of a duly authorized issue of notes of the County, aggregating (except as otherwise provided in the Resolution) \_\_\_\_\_ million dollars (\$ \_\_\_\_\_) in principal amount, designated as "Pollution Control Revenue Bond Anticipation Notes, Series 1975 (Duke Power Company Project)," (the "Notes"), and issued under and pursuant to the Constitution and laws of the State of South Carolina, particularly Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina (herein referred to as the "Act") and under and pursuant to a Resolution adopted by the County on March \_\_\_\_\_, 1975 (herein referred to as the "Resolution") in anticipation of the issuance of bonds for the purpose of financing the construction, acquisition and installation by Duke Power Company (the "Corporation") of certain pollution control facilities (the "Facilities") at the Oconee Nuclear Station of the Corporation located in the County.

The Notes are equally and ratably secured, to the extent provided in the Resolution, by the pledge contained in Section 1.03 of the Resolution of certain collateral including the "Revenues", which term is used herein as defined in the Resolution and which as therein defined refers to all the payments, receipts and revenues which the County has a right to receive under the Loan Agreement between the County and the Corporation dated as of March 11, 1975 (the "Loan Agreement") (except for certain indemnification payments and payments of the administration expenses of the County and the Depository) and all income earned by the investment of funds pursuant to the Resolution.

As more fully provided in the Resolution, the Notes are limited obligations of the County, which is obligated to pay the principal of and interest on, the Notes out of the Revenues and other pledged collateral. The County may also utilize any other available funds for the payment of the principal and interest on the Notes including the proceeds of issuance of the bonds mentioned above. The principal of and interest on this note does not constitute an indebtedness of the County within the meaning of any South Carolina constitutional or statutory limitation and shall not constitute nor give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers.

Reference is hereby made to the Resolution for a full and complete statement of the provisions with respect to the custody and application of the proceeds of the Notes, the collection and disposition

No.

\$

**OCONEE COUNTY, SOUTH CAROLINA**  
**POLLUTION CONTROL REVENUE BOND ANTICIPATION NOTE,**  
**Series 1975**  
**(Duke Power Company Project)**

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or registered assigns, on \_\_\_\_\_, 197 upon the presentation and surrender hereof, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) and to pay interest on the unpaid principal amount hereof from time to time outstanding from the date hereof until maturity or, if this note shall have been duly called for earlier redemption and payment of the redemption price shall have been made, until the date fixed for redemption hereof, at the rate of \_\_\_\_\_ per centum ( \_\_\_\_\_ %) per annum, payable on April 1, 1975, July 1, 1975, September 30, 1975, December 31, 1975, and at maturity. Both principal and interest on this note are payable at the principal office of Morgan Guaranty Trust Company of New York, New York, New York (the "Depository") in Federal or other immediately available funds.

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As more fully provided in the Resolution, the Notes are limited obligations of the County, which is obligated to pay the principal of and interest on, the Notes out of the Revenues and other pledged collateral. The County may also utilize any other available funds for the payment of the principal and interest on the Notes including the proceeds of issuance of the bonds mentioned above. The principal of and interest on this note does not constitute an indebtedness of the County within the meaning of any South Carolina constitutional or statutory limitation and shall not constitute nor give rise to any pecuniary liability of the County or a charge against its general credit or taxing powers.

Reference is hereby made to the Resolution for a full and complete statement of the provisions with respect to the custody and application of the proceeds of the Notes, the collection and disposition

of the collateral pledged as security for the payment of the Notes and interest thereon, the nature and extent of the security and the rights of the holders of the Notes and the terms and conditions on which, and the purposes for which, the Notes are issued, the rights, duties and obligations of the County under the Resolution, the duties of the Depository (which shall not be liable except for wilful misconduct or negligence in the performance of such duties as are specifically set forth in the Resolution), the rights and remedies of the holders of the Notes to enforce the provisions of the Resolution, including Section 9.07 of the Resolution, to accelerate payments of the Notes on any Event of Default set forth in Section 9.01 of the Resolution, or to waive or repeal such acceleration and the rights of the holders of the Notes to institute, appear in or defend any suit or other proceeding with respect to the Notes to all of which the holder hereof, by acceptance of this note, assents.

The Notes are issuable in the form of registered Notes in the denomination of \$5,000 or any multiple of \$5,000. The Notes are callable for redemption in whole at any time upon payment of the principal amount thereof, together with accrued interest to the redemption date.

In the event the Notes are called for redemption as aforesaid, notice thereof will be given by depositing in the United States mails a copy of the redemption notice, first class postage prepaid, at least three business days prior to the date fixed for redemption, addressed to the holder of each Note at the address shown on the registration books. All Notes so called for redemption will cease to bear interest on the specified redemption date, provided certain funds are securities in which such funds are invested for their redemption are on deposit at the place of payment at that time, and shall no longer be secured by the Resolution and shall not be deemed to be outstanding under the provisions of the Resolution.

This Note shall be transferable upon the books of the County which shall be kept for such purpose by the Depository at its principal office by the registered holder or his duly authorized attorney, and such registration shall be noted thereon. Such transfers shall be without charge to the holder hereof, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder requesting such transfer as a condition precedent to the exercise of such privilege.

All acts, conditions and things required by the Constitution and statutes of the State of South Carolina, the Act and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, do exist, have happened and have been performed.

No covenant or agreement contained in this Note or the Resolution shall be deemed to be a covenant or agreement of any officer, agent or employee of the County in his individual capacity, and neither the members of the County Council of the County nor any official executing this Note shall be liable personally on this Note or be subject to any personal liability or accountability by reason of the issuance of this Note.

IN WITNESS WHEREOF, Oconee County, South Carolina, has caused this Note to be executed in its name and on its behalf by the manual signatures of the Chairman of the County Council of the County and the Treasurer of the County and its corporate seal to be impressed or imprinted hereon, all as of \_\_\_\_\_, 1975.

OCONEE COUNTY, SOUTH CAROLINA

By .....  
Chairman of the County Council  
of Oconee County

(SEAL)

.....  
Treasurer of Oconee County

EXHIBIT B

<u>Name of Bank</u>	<u>Number Of Notes</u>	<u>Principal Amount</u>	<u>Registration Of Notes</u>
Morgan Guaranty Trust Company of New York	1	\$	Morgan Guaranty Trust Company of New York
Chemical Bank	1	\$	Chemical Bank
TOTAL	2	\$	

OFFICE OF OCONEE COUNTY ATTORNEY

Oconee County Court House  
Walhalla, South Carolina

March 11, 1975

COUNTY COUNCIL OF OCONEE COUNTY  
County Court House  
Walhalla, South Carolina 29691

DUKE POWER COMPANY  
422 South Church Street  
Charlotte, North Carolina 28201

MORGAN GUARANTY TRUST COMPANY OF NEW YORK  
23 Wall Street  
New York, New York 10015

CHEMICAL BANK  
277 Park Avenue  
New York, New York 10017

GENTLEMEN:

I am County Attorney for Oconee County, South Carolina (the "County") and as such I have acted as counsel to the County in connection with the authorization, issuance and sale of \$00,000,000 aggregate principal amount of Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project) of the County (the "Notes").

I have examined and am familiar with originals or copies, certified or otherwise identified to my satisfaction, of such statutes, certificates of public officials, proceedings and records, documents and instruments as are necessary for the purposes of this opinion, including without limitation (i) Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971, as amended (the "Act"); (ii) the Note Resolution adopted by the County on March 16, 1975 pursuant to which the Notes are issued (the "Resolution"); (iii) the Loan Agreement dated as of March 12, 1974 between the County and Duke Power Company, a company organized and existing under the laws of the State of North Carolina and qualified to do business as a foreign corporation in the State of South Carolina (the "Company"); (iv) the Note Purchase Agreement dated as of March 11, 1975 between the County and Morgan Guaranty Trust Company of New York, Chemical Bank and First National City Bank (the "Note Purchase Agreement"); and (v) the Notes.

Upon the basis of the foregoing, I am of the opinion that:

(i) The County is a duly constituted and validly existing body politic and corporate and political subdivision of the State of South Carolina, validly acting by and through the County Council of Oconee County (the "County Council") as the governing body of the County established pursuant to Act No. 227 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1957, as amended, and the County is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by the Note Purchase Agreement, the Loan Agreement and the Resolution, and to apply the proceeds from the issuance of the Notes as set forth in the Resolution.

(ii) The execution, delivery and performance of the Note Purchase Agreement, the Loan Agreement and the Notes are within the power and authority of the County, have been authorized by all necessary proceedings and will not contravene, or constitute a default under, any provision of law or regulation or any judgment, order, decree, contract, agreement or other instrument binding upon the County; the Resolution has been duly and validly adopted on behalf of the County; and the adoption of the Resolution and the performance of all obligations of the County set forth therein will not contravene, or constitute a default under, any provision of law or regulation or any judgment, order, decree, contract, agreement or other instrument binding upon the County.

(iii) There is no action, suit or proceeding pending, or to the best of my knowledge threatened, against or affecting the County or the County Council before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might adversely affect the power or authority of the County or the County Council or the ability of the County to perform its obligations under the Note Purchase Agreement, the Loan Agreement, the Notes or the Resolution.

(iv) All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery of the Note Purchase Agreement, the Loan Agreement and the Notes, the adoption of the Resolution and the consummation of the transactions contemplated by the Note Purchase Agreement, the Loan Agreement, the Notes and the Resolution have been obtained, and in particular (a) the South Carolina Department of Health and Environmental Control has found that certain pollution control facilities being acquired, installed and constructed by the Company in Oconee County, South Carolina at the Company's Oconee Nuclear Station, which facilities are more fully described in Exhibit A to the Loan Agreement (the "Facilities"), are necessary and that the design thereof will result in the elimination, mitigation and prevention of air or water pollution and (b) the State Budget and Control Board of South Carolina has approved the Facilities and the proposal of the County Council to issue the Notes pursuant to the Resolution; and all such authorizations, consents and approvals are in full force and effect on the date hereof.

(v) The Act has been duly and validly enacted into law, is validly in effect on the date hereof and the provisions of the Act have been upheld as constitutional by the Supreme Court of the State of South Carolina.

(vi) The Resolution has been duly and validly adopted on behalf of the County under the Act and constitutes a valid and binding obligation of the County; the pledge contained in Section 1.03 of the Resolution (the "Pledge") is enforceable in accordance with its terms and the Resolution (other than such Pledge contained therein) is enforceable in accordance with the terms thereof except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights; the issuance and sale of the Notes has been duly authorized in accordance with the Act; and the Notes are in conformity with the Resolution.

(vii) The Note Purchase Agreement and the Loan Agreement have been duly executed and delivered on behalf of the County, and the Note Purchase Agreement and the Loan Agreement constitute valid and binding agreements of the County enforceable in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights.

(viii) The Notes being delivered to the Banks on the date hereof have been duly authorized, executed and delivered on behalf of the County and constitute valid and binding obligations of the County enforceable in accordance with their terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights, and any Note or Notes issued in exchange therefor, when duly executed and delivered on behalf of the County in accordance with the Resolution, will have been duly authorized, executed and delivered and will constitute valid and binding obligations of the County enforceable in accordance with their terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights.

(ix) The Facilities constitute "pollution control facilities" within the meaning of the Act.

(x) As security for the punctual payment of all amounts payable by the County pursuant to the Notes or the Resolution, for the performance and observance by the County of all of its covenants and agreements contained in the Notes or the Resolution and to assure the correctness of all representations and warranties made in the Note Purchase Agreement, the Notes or the Resolution or in any document or certificate delivered pursuant to any thereof, the County has in the Resolution irrevocably assigned and pledged to the holders of the Notes all rights of the County under and all interests of the County in the Loan Agreement (other than the rights to receive payment of the Administration Expenses and rights to indemnification pursuant to Section 4.02 and 4.08 thereof, respectively), the Revenues (as defined in the Resolution), all moneys and securities in the Debt Service Fund and, until applied in payment of any item of the Cost of the Facilities in accordance with Section 5.03 of the Resolution, all moneys and securities in the Loan Fund; in the event of any Event of Default referred to in Section 9.01 of the Resolution (including a default in respect of the performance of any covenant or agreement contained in the Resolution or the Notes), payment of the unpaid principal of and all accrued interest on the Notes and the performance of the covenants and agreements contained in the Resolution or the Notes may be enforced by mandamus or by the appointment of a receiver in equity with such powers as may be necessary to enforce the obligations of the County to make all such payments and to perform all such covenants and agreements; and the Debt Service Fund created by Section 6.01 of the Resolution is a trust fund completely segregated and set apart from all other funds of the County for the sole benefit of the holders of the Notes.

(xi) Except for the filing of financing statements under the Uniform Commercial Code of South Carolina with the Secretary of State of South Carolina and at the County Court House of Oconee County, which filings have been effected on or prior to the date hereof, no filing or recording of any document or instrument is required under the laws of the State of South Carolina in order to establish, protect and preserve the security interests of the Banks created by the Pledge as valid, perfected and enforceable first security interests in the Collateral (as defined in the Note Purchase Agreement), and there are no requirements with respect to re-recording or re-filing any such financing statements or filing any continuation statements in respect thereof, other than a requirement to file continuation statements in respect of the above-mentioned financing statements in the event that any Notes are outstanding after March 11, 1975.

(xii) Under the Constitution and general laws and statutes of the State of South Carolina, the County may not invoke any rights of immunity on the grounds of sovereignty in any judicial proceeding in respect of its obligations under the Note Purchase Agreement, the Loan Agreement, the Resolution or the Notes.

In rendering the opinion set forth in paragraph (ix) above, I have relied upon the finding of the South Carolina Department of Health and Environmental Control and the approval of the State Budget and Control Board referred to in paragraph (iv) above. I also call to your attention the provisions of Section 14 of the Act, which requires that notice of the above-mentioned approval of the State Budget and Control Board be published by such Board at least once in a newspaper having general circulation in Oconee County, South Carolina and provides that any interested party may within twenty days after the publication of such notice (but not afterwards) challenge the validity of such approval by action de novo in the Court of Common Pleas of Oconee County. The notice required by Section 14 of the Act was published on March 11, 1975 and to date no such action de novo has been initiated, or to the best of my knowledge threatened, but the twenty-day period will not have expired until March 31, 1975.

Yours very truly,

OCONEE COUNTY ATTORNEY

By: .....  
W. Jerry Fedder, Esq.

[Letterhead of Reid & Priest]

March 11, 1975

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK  
23 Wall Street  
New York, N. Y. 10015

CHEMICAL BANK  
277 Park Avenue  
New York, N. Y. 10017

Dear Sirs:

In connection with the loan by Oconee County, South Carolina (the County), of \$00,000,000 in aggregate principal amount to Duke Power Company (the Company), pursuant to a Loan Agreement dated as of March 11, 1975 between the County and the Company, to finance the construction, acquisition and installation of certain pollution control facilities described in Exhibit A to such Loan Agreement (the Facilities), and the Contingent Purchase and Indemnification Agreement dated as of March 11, 1975 between the Company and each of you (the Contingent Purchase Agreement), we, as counsel to the Company, have examined and are familiar with the originals, or copies certified or otherwise identified to our satisfaction of the Articles of Incorporation and By-Laws of the Company and all amendments thereto, and corporate proceedings relating to the authorization and approval by the Company of the Loan Agreement and the Contingent Purchase Agreement, and such other records, certificates and documents as we have considered necessary for the purposes of this opinion.

On the basis of the foregoing, we are of the opinion that:

(i) The Company is duly incorporated, validly existing and in good standing under the laws of the State of North Carolina and is qualified to do business as a foreign corporation and is in good standing under the laws of the State of South Carolina. The execution and delivery of, and the consummation of the transactions contemplated by, the Contingent Purchase Agreement and the Loan Agreement, are each within the corporate authority of the Company, have been duly authorized by all necessary corporate proceedings, will not contravene the Articles of Incorporation or By-Laws of the Company, or contravene or constitute a default under, any provision of law or regulation or any contract, agreement, judgment, order, decree or other instrument binding upon it or involving its properties, and the Contingent Purchase Agreement and the Loan Agreement have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights.

(ii) Except as provided in Section 1.3 of the Contingent Purchase Agreement, there is no action, suit or proceeding pending against the Company or involving any of its properties, or to the best of our knowledge threatened, against the Company or in respect of any of its properties, before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might adversely affect the power of the Company to enter into, or the ability of the Company to perform its obligations under, the Contingent Purchase Agreement or the Loan Agreement. All authorizations, consents and approvals of gov-

ernmental bodies or agencies required to be obtained by the Company in connection with the execution and delivery by the Company of the Contingent Purchase Agreement and the Loan Agreement, in connection with the carrying out by the Company of its obligations under the Contingent Purchase Agreement and the Loan Agreement, in connection with the acquisition, installation and construction by the Company of the Facilities, or in connection with the financing of the Facilities through the issuance by the County of bond anticipation notes, within the meaning of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971 (the Notes), pursuant to the resolution adopted by the County Council of Oconee County (County Council) on March 11, 1975 (the Resolution), have been obtained; the South Carolina Department of Health and Environmental Control has found that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air or water pollution; the State Budget and Control Board of South Carolina has approved the Facilities and the proposal of the County Council to issue the Notes in accordance with the Resolution; and the County Council has adopted the Resolution.

(iii) No filing or recording of any document is required under the laws of the States of North Carolina or New York in order to establish, protect and preserve the security interests of each of you created by the Pledge, as defined in the agreement dated as of March 11, 1975 between the County and each of you relating to the purchase of the Notes (the Note Purchase Agreement), as valid, perfected and enforceable first security interests in the Collateral (as defined in the Note Purchase Agreement); and

(iv) Except to the extent attributable to a relationship between the State of North Carolina or any political subdivision thereof or therein and any of you not derived from the transactions contemplated by the Loan Agreement, the Contingent Purchase Agreement, the Resolution, the Notes and the Note Purchase Agreement, all revenues and securities which may be received by any of you pursuant to the Notes or the Resolution (including without limitation all payments of the principal of or interest on the Notes and all payments, receipts, moneys or other revenues and securities which any of you may receive pursuant to the Pledge) and all revenues which may be received by any of you pursuant to the Contingent Purchase Agreement (including without limitation payments received pursuant to Section 3.1 thereof) will be exempt from any taxation which may be imposed by the State of North Carolina or any political subdivision thereof or therein, except for inheritance, estate or transfer taxes; and that the Note Purchase Agreement, the Loan Agreement and the Resolution will be exempt from all North Carolina stamp and transfer taxes.

In rendering the foregoing opinion, we have assumed, and, accordingly, express no opinion with respect to, the due authorization, validity and enforceability of the Resolution; the due authorization, execution, delivery, validity and enforceability of the Note Purchase Agreement and the Notes; the due authorization, execution and delivery by the County of the Loan Agreement and its validity and enforceability as it relates to the County and the due authorization, execution and delivery by each of you of the Contingent Purchase Agreement and its validity and enforceability as it relates to each of you.

We have also assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as photostatic or certified copies.

We are members of the New York Bar and do not hold ourselves out as experts with respect to the laws of any other State. Accordingly, in rendering the foregoing opinion, we are, with your approval, relying as to each and every matter of North Carolina or South Carolina law upon the opinions addressed to you of even date of Stephen Griffiths, Esq., General Counsel of the Company, and W. Jerry Fedder, Esq., Attorney for the County.

Very truly yours,

March 11, 1975

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK  
23 Wall Street  
New York, N. Y. 10015

CHEMICAL BANK  
277 Park Avenue  
New York, N. Y. 10017

Dear Sirs:

In connection with the loan by Oconee County, South Carolina (the County), of \$00,000,000 in aggregate principal amount to Duke Power Company (the Company), pursuant to a Loan Agreement dated as of March 11, 1975 between the County and the Company, to finance the construction, acquisition and installation of certain pollution control facilities described in Exhibit A to such Loan Agreement (the Facilities), and the Contingent Purchase and Indemnification Agreement dated as of March 11, 1975 between the Company and each of you (the Contingent Purchase Agreement), I, as General Counsel to the Company have examined and am familiar with the originals, or copies certified or otherwise identified to my satisfaction of the Articles of Incorporation and By-Laws of the Company and all amendments thereto, and corporate proceedings relating to the authorization and approval by the Company of the Loan Agreement and the Contingent Purchase Agreement, and such other records, certificates and documents as I have considered necessary for the purposes of this opinion.

On the basis of the foregoing, I am of the opinion that:

(i) The Company is duly incorporated, validly existing and in good standing under the laws of the State of North Carolina and is qualified to do business as a foreign corporation and is in good standing under the laws of the State of South Carolina. The execution and delivery of, and the consummation of the transactions contemplated by, the Contingent Purchase Agreement and the Loan Agreement, are each within the corporate authority of the Company, have been duly authorized by all necessary corporate proceedings, will not contravene the Articles of Incorporation or By-Laws of the Company, or contravene or constitute a default under, any provision of law or regulation or any contract, agreement, judgment, order, decree or other instrument binding upon it or involving its properties, and the Contingent Purchase Agreement and the Loan Agreement have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms except as enforcement may be limited by bankruptcy or other laws of general application affecting creditors' rights.

(ii) Except as provided in Section 1.3 of the Contingent Purchase Agreement there is no action, suit or proceeding pending against the Company or involving any of its properties, or to the best of my knowledge threatened, against the Company or in respect of any of its properties, before any court, governmental department, commission, board or other Federal, state, county, municipal or other instrumentality, agency or authority which might adversely affect the power of the Company to enter into, or the ability of the Company to perform its obligations under, the Contingent Purchase Agreement or the Loan Agreement. All authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the Company in connection with the execution and delivery by the Company of the Contingent Purchase Agreement and the Loan Agreement, in connection with the carrying out by the Company of its obligations under the Contingent Purchase Agreement and the Loan Agreement, in connection with the acquisition, instal-

lation and construction by the Company of the Facilities, or in connection with the financing of the Facilities through the issuance by the County of bond anticipation notes, within the meaning of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971 (the Notes), pursuant to the resolution adopted by the County Council of Commissioners of Oconee County (County Council) on March 11, 1975 (the Resolution), have been obtained; the South Carolina Department of Health and Environmental Control has found that the Facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of air or water pollution; the State Budget and Control Board of South Carolina has approved the Facilities and the proposal of the County Council to issue the Notes in accordance with the Resolution; and the County Council has adopted the Resolution.

(iii) No filing or recording of any document is required under the laws of the State of North Carolina in order to establish, protect and preserve the security interests of each of you created by the Pledge, as defined in the agreement dated as of March 11, 1975 between the County and each of you relating to the purchase of the Notes (the Note Purchase Agreement) as valid, perfected and enforceable first security interests in the Collateral (as defined in the Note Purchase Agreement); and

(iv) Except to the extent attributable to a relationship between the State of North Carolina or any political subdivision thereof or therein and any of you not derived from the transactions contemplated by the Loan Agreement, the Contingent Purchase Agreement, the Resolution, the Notes and the Note Purchase Agreement, all revenues and securities which may be received by any of you pursuant to the Notes or the Resolution (including without limitation all payments of the principal of or interest on the Notes and all payments, receipts, moneys or other revenues and securities which any of you may receive pursuant to the Pledge) and all revenues which may be received by any of you pursuant to the Contingent Purchase Agreement (including without limitation payments received pursuant to Section 3.1 thereof) will be exempt from any taxation which may be imposed by the State of North Carolina or any political subdivision thereof or therein, except for inheritance, estate or transfer taxes; and that the Note Purchase Agreement, the Loan Agreement and the Resolution will be exempt from all North Carolina stamp and transfer taxes.

In rendering the foregoing opinion, I have assumed, and, accordingly, express no opinion with respect to, the due authorization, validity and enforceability of the Resolution; the due authorization, execution, delivery, validity and enforceability of the Note Purchase Agreement and the Notes; the due authorization, execution and delivery by the County of the Loan Agreement and its validity and enforceability as it relates to the County and the due authorization, execution and delivery by each of you of the Contingent Purchase Agreement and its validity and enforceability as it relates to each of you.

I have also assumed the genuineness of all signatures and the authenticity of all documents submitted to me as originals, and the conformity to original documents of all documents submitted to me as photostatic or certified copies.

Very truly yours,

[Letterhead of Mudge Rose Guthrie &amp; Alexander]

March 11, 1975

COUNTY COUNCIL OF  
OCONEE COUNTY, SOUTH CAROLINA  
Walhalla, South Carolina

Gentlemen:

We have examined a record of proceedings relating to the issuance by Oconee County, South Carolina, a body corporate and politic and a political subdivision of the State of South Carolina (the "County"), of its \$00,000,000 aggregate principal amount of Pollution Control Revenue Bond Anticipation Notes (Duke Power Company Project) 1975 (the "Notes").

The Notes are issued under and pursuant to the Constitution and laws of the State of South Carolina, including Act No. 156 of the Acts of the General Assembly of the State of South Carolina for the year 1971 (the "Act"), and under and pursuant to a resolution duly adopted by the County on March 11, 1975 (the "Note Resolution"). The Notes are being sold on the date hereof to Morgan Guaranty Trust Company of New York and Chemical Bank (the "Banks") pursuant to a Note Purchase Agreement dated as of March 11, 1975 between the County and the Banks (the "Note Purchase Agreement").

The Notes will mature on \_\_\_\_\_, 197\_\_\_\_ and will bear interest at the rate of \_\_\_\_\_ % per annum, payable on April 1, July 1, September 30 and December 31, 1975, and at maturity.

The Notes are dated March 11, 1975. The Notes are subject to redemption prior to their maturity in the manner and upon the terms and conditions set forth in the Note Resolution. The Notes are in the form of fully registered Notes without coupons in the denominations set forth in Exhibit B to the Note Purchase Agreement.

The Notes are being issued for the purpose of loaning the proceeds thereof to Duke Power Company, a North Carolina corporation (the "Corporation") pursuant to a Loan Agreement dated as of March 11, 1975 between the County and the Corporation (the "Loan Agreement") to finance the cost of construction, acquisition and installation of certain air and water pollution control facilities by the Corporation at the Oconee Power Station of the Corporation in Oconee County, South Carolina, which facilities are more fully described in Exhibit A to the Loan Agreement (the "Facilities").

We are of the opinion that:

1. The County is a duly constituted and validly existing body corporate and politic and political subdivision of the State of South Carolina.
2. The County has good right and lawful authority to loan the proceeds of the Notes to the Corporation, and to collect revenues from such loan, in accordance with the terms of the Loan Agreement and as provided in the Note Resolution.
3. The County has the right and power under South Carolina law, including the Act, to adopt the Note Resolution, and the Note Resolution has been duly and lawfully adopted, is in full force and effect, and is legal, valid and binding upon the County in accordance with its terms; and the County is duly authorized by the provisions of the Act to apply the proceeds of the Notes in accordance with the Note Resolution.
4. The County is duly authorized and entitled to issue the Notes and the Notes have been duly and validly authorized and issued by the County in accordance with the Constitution and laws

of the State of South Carolina, including the Act, and has the right and power to enter into the Note Purchase Agreement. The Notes are legal, valid and binding obligations of the County in accordance with their terms and the terms of the Note Resolution and the Note Purchase Agreement and are entitled to the benefits of the Note Resolution, including, without limitation, the pledge contained in Section 1.03 thereof, and the Act. The security interest created by such pledge constitutes a valid and perfected first security interest in the payments, receipts, revenues, moneys and securities and other rights and interests of the County under and in the Loan Agreement pledged in said Section 1.03.

5. The Notes are limited obligations of the County payable solely from and secured by the pledge created by Section 1.03 of the Note Resolution of the payments, receipts, revenues, moneys and securities and other rights and interests of the County under and in the Loan Agreement, all as more fully set forth in the Note Resolution. The Notes shall not constitute an indebtedness of the County within the meaning of any constitutional provision or statutory limitation of the State of South Carolina and shall not give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

6. The Loan Agreement and the Note Purchase Agreement have been duly authorized, executed and delivered by the County and are legal, valid and binding obligations of the County in accordance with their terms.

7. All approvals or consents of governmental authorities required for the execution and delivery of the Loan Agreement and the Note Purchase Agreement by the County, the adoption of the Note Resolution by the County and the issuance of the Notes by the County have been obtained.

8. Interest on the Notes is exempt from Federal income taxes under existing statute, court decisions and regulations, except that no opinion is expressed as to whether such exemption shall apply with respect to any Note for any period during which it is held by a substantial user of the Facilities (or a related person) within the meaning of Section 103(c)(7) of the Internal Revenue Code of 1954, as amended.

9. Under the Act, the Notes and the income therefrom, the Facilities and the revenues derived from the Loan Agreement are exempt from all taxation in the State of South Carolina except for inheritance, estate or transfer taxes. The Act also provides that the Loan Agreement is exempt from South Carolina stamp and transfer taxes.

We have examined the executed Notes, and, in our opinion, the form of said Notes and their execution are regular and proper.

We have not been requested to pass upon, nor are we passing upon, and the foregoing opinion in so far as it relates to the perfection of the security interests created by the Loan Agreement and the Resolution is rendered subject to, the due execution of the financing statements, by the Banks as secured parties, filed pursuant to the South Carolina Uniform Commercial Code. In addition, in rendering the foregoing opinion we have also relied upon the opinion, dated this date, of W. Jerry Fedder, County Attorney, with respect to the due filing of such financing statements in all offices of the State of South Carolina where such filings are required, in order to perfect the security interests created by the Loan Agreement and the Resolution.

The foregoing opinions are rendered subject to the condition that a private ruling be obtained from the Internal Revenue Service that interest on the Notes is excludable from the income of recipients thereof for Federal income tax purposes, subject to the exception stated in Section 103(c)(7) of the Internal Revenue Code of 1954, as amended.

Respectfully yours,

[Letterhead of  
Mudge Rose Guthrie & Alexander]

March 11, 1975

COUNTY COUNCIL OF OCONEE COUNTY,  
SOUTH CAROLINA  
Walhalla, South Carolina

Gentlemen:

We have examined the record of proceedings relating to the issuance of \$00,000,000 Pollution Control Revenue Bond Anticipation Notes, Series 1975 (Duke Power Company Project) (the "Notes"), of Oconee County, South Carolina (the "County"), including the Certificate as to Arbitrage (the "Certificate") executed by the Chairman of the County Council of the County on even date herewith. We have also examined the Internal Revenue Code of 1954, as amended (the "Code"), and the regulations in effect thereunder, including particularly Section 103(d) of the Code, Temporary Treasury Regulation Section 13.4 and Proposed Treasury Regulation Sections 1.103-13 and 1.103-14.

Based upon our examination of law and review of the Certificate, we are of the opinion that the facts, estimates and circumstances set forth in the Certificate are sufficiently set forth therein to satisfy the criteria which are necessary under Section 103(d) of the Code, Temporary Treasury Regulation Section 13.4 and Proposed Treasury Regulation Sections 1.103-13 and 1.103-14 to support the conclusion that the Bonds will not be arbitrage bonds and no matters have come to our attention which make unreasonable or incorrect the representations made in the Certificate.

Very truly yours,

[Letterhead of  
Mudge Rose Guthrie & Alexander]

March 11, 1975

COUNTY COUNCIL OF OCONEE COUNTY,  
SOUTH CAROLINA  
Walhalla, South Carolina

Gentlemen:

We have examined the record of proceedings relating to the issuance of \$00,000,000 Pollution Control Revenue Bond Anticipation Notes, Series 1975 (Duke Power Company Project) (the "Notes"), of Oconee County, South Carolina (the "County"), including the Certificate as to Arbitrage (the "Certificate") executed by the Chairman of the County Council of the County on even date herewith. We have also examined the Internal Revenue Code of 1954, as amended (the "Code"), and the regulations in effect thereunder, including particularly Section 103(d) of the Code, Temporary Treasury Regulation Section 13.4 and Proposed Treasury Regulation Sections 1.103-13 and 1.103-14.

Based upon our examination of law and review of the Certificate, we are of the opinion that the facts, estimates and circumstances set forth in the Certificate are sufficiently set forth therein to satisfy the criteria which are necessary under Section 103(d) of the Code, Temporary Treasury Regulation Section 13.4 and Proposed Treasury Regulation Sections 1.103-13 and 1.103-14 to support the conclusion that the Bonds will not be arbitrage bonds and no matters have come to our attention which make unreasonable or incorrect the representations made in the Certificate.

Very truly yours,

[Letterhead of  
Mudge Rose Guthrie & Alexander]

March 11, 1975

MORGAN GUARANTY TRUST COMPANY  
23 Wall Street  
New York, New York 10015

CHEMICAL BANK  
277 Park Avenue  
New York, New York 10017

Dear Sirs:

You have requested our opinion as to whether the receipt of certain payments of interest will result in a Federal income tax liability to the parties to the Loan Agreement described below. The payments referred to above are those made pursuant to a certain Loan Agreement by and between Oconee County, South Carolina (the "County"), and Duke Power Company ("Duke"), dated as of March 11, 1975. The payments will be made by Duke to Morgan Guaranty Trust Company of New York, as Depository (the "Depository") under a certain Note Resolution adopted by the County on March 11, 1975, for the account of the County, as security for the benefit of Morgan Guaranty Trust Company of New York, and Chemical Bank (the "Banks") as purchasers of the \$00,000,000 aggregate principal amount of Pollution Control Revenue Bond Anticipation Notes Series 1975 (Duke Power Company Project) of the County dated March 11, 1975, under a Note Purchase Agreement between the County and the Banks dated as of March 11, 1975 (the "Note Purchase Agreement").

We have examined said Loan Agreement, Note Resolution and Note Purchase Agreement. We have also examined the Constitution and statutes of the State of South Carolina, the applicable provisions of the United States Internal Revenue Code of 1954, as amended, and the judicial decisions and administrative regulations and determinations thereunder, including Revenue Rulings 71-131 and 71-132.

On the basis of the foregoing, it is our opinion that, under existing statutes, judicial decisions, and administrative regulations and rulings, the receipt by the Depository of the payments described above will not result in Federal income tax liability to the County or to the Depository or the Banks.

Very truly yours,

[Letterhead of Davis Polk &amp; Wardwell]

March 11, 1975

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK  
23 Wall Street  
New York, New York 10015

CHEMICAL BANK  
277 Park Avenue  
New York, New York

Dear Sirs:

We have acted as special counsel for you (the "Banks") in connection with the purchase by the Banks pursuant to a Note Purchase Agreement dated as of March 11, 1975 between Oconee County, South Carolina (the "County") and the Banks (the "Note Purchase Agreement") of \$00,000,000 aggregate principal amount of Oconee County, South Carolina, Pollution Control Facilities Revenue Bond Anticipation Notes, Series 1975 (Duke Power Company Project) (hereinafter the "Notes") issued under a Note resolution adopted by the Oconee County Council on March 6, 1975 (the "Note Resolution") on behalf of the County. Pursuant to the Loan Agreement dated as of March 11, 1975 between the County and Duke Power Company (the "Company"), organized under the laws of the State of North Carolina, the Company agrees to construct pollution control facilities, as defined in Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina of 1971 (the "Act"), at the Company's Oconee Power Station, and the County agrees to make loans to the Company from the proceeds of the sale of the Notes to the Banks. As security for the punctual payment of the principal of and interest on the Notes and the performance of all obligations of the Company and the County, the County and the Company have assigned certain rights under and interest in the Loan Agreement, the Revenues, the Debt Service Fund and the Loan Fund (all as defined in the Note Resolution).

Concurrently with the execution of the foregoing agreements, the Company and the Banks have entered into the Contingent Purchase and Indemnification Agreement (the "Contingent Purchase Agreement") dated as of March 11, 1975, whereby the Company has agreed to purchase the Notes upon the occurrence of certain events, including a determination that interest on the Notes constitutes taxable income to you for purposes of Federal income taxation. The Contingent Purchase Agreement also provides for additional payments by the Company to the holders of the Notes upon the occurrence of certain events relating to the Federal income status of the Notes.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, proceedings of the County and other instruments as we have deemed necessary or appropriate for purposes of this opinion, including (i) the Note Purchase Agreement, (ii) the Note Resolution, (iii) the Loan Agreement, (iv) the Contingent Purchase Agreement, and (v) the Notes being delivered to the Banks on the date hereof. In addition, we have examined the closing documents prepared in connection with the transactions described above, including the opinions of Messrs. Mudge Rose Guthrie & Alexander, Bond Counsel, W. Jerry Fedder, Esq., County Attorney, Stephen Griffiths, Esq., General Counsel for the Company, and Messrs. Reid & Priest, counsel for the Company.

On the basis of the foregoing, we are of the opinion that the Note Resolution, the Notes, the Note Purchase Agreement, the Contingent Purchase Agreement and the Loan Agreement are in acceptable legal form; that the closing documents referred to above are in acceptable form; and that the opinions of Messrs. Mudge Rose Guthrie & Alexander, W. Jerry Fedder, Esq., Stephen Griffiths, Esq. and Messrs. Reid & Priest referred to above are in acceptable form and are substantially responsive to the requirements of the Note Purchase Agreement.

Very truly yours,

611

PROSPECTUS

\$100,000,000

**Duke Power Company**

**First and Refunding Mortgage Bonds, 9½% Series Due 2005**

The Bonds will be redeemable at the option of the Company at the regular redemption prices set forth herein, provided that no such redemption may be made prior to February 1, 1985 through refunding at an effective interest cost to the Company of less than the interest rate of the Bonds.

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Application will be made to list the Bonds on the New York Stock Exchange.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discounts	Proceeds to Company(1)(2)
Per Unit	99.50%	.875%	98.625%
Total	\$99,500,000	\$875,000	\$98,625,000

(1) Plus accrued interest from February 1, 1975.

(2) Before deducting expenses payable by the Company estimated at \$150,000.

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The Bonds are offered by the several Underwriters when, as and if issued by the Company and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that the Bonds will be ready for delivery on or about February 20, 1975.

**Morgan Stanley & Co.**  
Incorporated

**Merrill Lynch, Pierce, Fenner & Smith**  
Incorporated

**The First Boston Corporation**

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The date of this Prospectus is February 11, 1975.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES HEREBY OFFERED AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Duke Power Company (the Company) is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission. Information, as of particular dates, concerning directors and officers, their remuneration, the principal holders of securities of the Company and any material interest of such persons in transactions with the Company is disclosed in proxy statements distributed to shareholders of the Company and filed with the Commission. Such reports, proxy statements and other information can be inspected at the Public Reference Room of the Commission, 1100 L Street, N.W., Washington, D.C., and copies of such material can be obtained from the Commission at prescribed rates. In addition, reports, proxy material and other information concerning the Company can be inspected at the office of the New York Stock Exchange.

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The Company is offering with this Prospectus, through the several Underwriters named herein, \$100 million principal amount of First and Refunding Mortgage Bonds, 9½% Series Due 2005 (the New Bonds). Such offering is part of a financing program which included the sale on February 6, 1975 of 2.4 million shares of 10.76% Preferred Stock A, 1975 Series (the New Preferred Stock).

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### THE COMPANY

The Company is engaged in the generation, transmission and sale of electric energy in the central portion of North Carolina and the western portion of South Carolina, comprising the area in both states known as the Piedmont Carolinas. Its service area, approximately two-thirds of which lies in North Carolina, covers about 20,000 square miles with an estimated population of 3,800,000 and includes a number of cities, of which the largest are Charlotte, Greensboro, Winston-Salem and Durham in North Carolina and Greenville and Spartanburg in South Carolina. During the 12 months ended October 31, 1974, the Company's electric revenues amounted to approximately \$776 million, of which about 70% was derived from North Carolina and 30% from South Carolina. The Company ranks sixth in the United States among investor-owned utilities in kilowatt-hour sales. Its executive offices are located in the Power Building, 422 South Church Street, Charlotte, North Carolina 28242 (Telephone No. 704-373-4579).

*Problems Affecting the Company.* The Company is experiencing a number of serious problems affecting its business and financial condition, which are shared to a greater or lesser extent with the electric utility industry in general. Among these are liquidity pressures due to increased competition for debt and equity capital; inability to achieve an adequate rate of return on common stock equity due primarily to regulatory lag in establishing rates which would produce revenue levels sufficient to offset rising capital and operating costs; and a recent decline in kilowatt-hour sales resulting primarily from reduced industrial and commercial activity. The Company is also experiencing increased costs attributable to inflationary pressures, including high coal costs, and to the longer construction periods required for larger, more complex generating facilities and to regulations related to environmental protection. In addition, the Company must make substantial investments in the construction of facilities prior to the completion of licensing and other proceedings by regulatory bodies necessary for the construction and operation of the facilities.

## THE ISSUE IN BRIEF

*The following material is qualified in its entirety by the detailed information and financial statements (including the notes thereto) appearing elsewhere in this Prospectus.*

### THE OFFERING

(see cover page, pages 4, 29)

Security Offered.....	\$100 million First and Refunding Mortgage Bonds
Offering Date.....	February 11, 1975
Interest Payment Dates.....	February 1 and August 1
Maturity Date.....	February 1, 2005
Use of Proceeds.....	Financing construction of electric plant facilities
Listing Application to.....	New York Stock Exchange

### DUKE POWER COMPANY

(see pages 2, 18, 19)

Business .....	Generation, transmission and sale of electric energy
Service Area .....	Approximately 20,000 square miles in central North Carolina and western South Carolina (Piedmont Carolinas)
Service Area Population.....	Approximately 3,800,000
Customers .....	Approximately 1,100,000
Sales during 12 Months Ended	
October 31, 1974 (kilowatt hours).....	42.5 billion (6th largest of U.S. investor-owned utilities)
Generating Capability (kilowatts).....	10,923,000
Sources of Generation during 1975 (est.)..	Coal (65%), Nuclear (31%), Hydro (3%), Oil and Natural Gas (1%)

### FINANCIAL INFORMATION

(see pages 12, 13, 14, 15, 36, 40)

	Year Ended December 31, 1973	12 Months Ended October 31, 1974
Electric Revenues .....	\$ 600,681,000*	\$ 775,855,000*
Net Income .....	\$ 99,562,000	\$ 105,918,000
Ratio of Earnings to Fixed Charges:		
Actual .....	2.24	2.12
Pro Forma .....	—	1.88
Construction Costs .....	\$ 478,953,000	\$ 514,101,000
Electric Plant, net (at end of period).....	\$2,713,889,000	\$3,057,834,000

As of October 31, 1974

	Actual	As Adjusted**	
Long-Term Debt:			
First mortgage bonds .....	\$1,375,000,000	\$1,475,000,000	47.0%
Debentures, notes, etc. ....	283,105,000	283,105,000	9.1
Preferred and Preference Stock.....	395,000,000	455,000,000	14.5
Common Stock Equity.....	880,713,000	921,783,000	29.4
Total Capitalization .....	<u>\$2,933,818,000</u>	<u>\$3,134,888,000</u>	<u>100.0%</u>
Short-Term Notes Payable (estimated as of February 11, 1975) .....	<u>\$ 170,000,000</u>	<u>\$ 70,000,000</u>	

\* Includes \$14,300,000 and \$36,300,000 of revenues subject to refund for 1973 and the 12 months ended October 31, 1974, respectively (see "Rate Matters").

\*\* Adjusted to reflect the issuance on November 7, 1974 of 4 million shares of Common Stock and the issuance of the New Preferred Stock and the New Bonds.

## FINANCING PROGRAM

The net proceeds from the sale of the New Preferred Stock and the New Bonds will be used for the purpose of financing the construction of additions to the Company's electric plant facilities, principally by the payment of short-term obligations incurred primarily for that purpose. Such short-term obligations amounted to \$179 million at January 2, 1975, of which \$82 million represented loans under bank lines of credit of \$163 million, \$81 million represented commercial paper and \$16 million represented the bond anticipation notes referred to below. Short-term obligations are expected to approximate \$170 million at the time of the sale of the New Bonds (after giving effect to the application of the proceeds of the sale of the New Preferred Stock). After giving effect to the application of the proceeds of the sale of the New Bonds, short-term obligations are expected to approximate \$70 million.

The Company presently estimates that it will obtain about 55% of the funds required for the 1975-1977 construction program referred to below through the sale of securities, including the sale of the New Preferred Stock and the New Bonds, and short-term obligations and from other external sources, and the balance from retained earnings, provisions for depreciation and other internal sources. In addition to the funds required for the construction program, it will be necessary for the Company to refund certain funded debt amounting to approximately \$144 million maturing through 1977. The types, amounts and timing of future sales of additional securities will depend upon market conditions and other factors in existence at the time of such sales. The Company also intends to pursue a program of selling or selling and leasing back certain of its properties, including its construction equipment, office buildings and nuclear fuel. The Company raised approximately \$56 million in December 1974 by selling and leasing back certain nuclear fuel assemblies in its Oconee Nuclear Station and its new general office building presently under construction and by selling uranium concentrates not required for current needs.

On March 13, 1974 the Company entered into an agreement to borrow the proceeds from the sale of \$24 million of bond anticipation notes, maturing on March 11, 1975, issued by Oconee County, South Carolina, to finance the costs of construction of certain pollution control facilities at the Company's Oconee Nuclear Station. Approximately \$16 million of such amount has been utilized to reimburse the Company for expenditures incurred for this purpose. The Company contemplates entering into long-term arrangements for the financing of such construction costs through pollution control revenue bonds. Pending the making of such arrangements, the Company is seeking to extend the maturity date of the bond anticipation notes.

The financing program followed by the Company in recent years has involved in large measure the issuance of first and refunding mortgage bonds under the Company's mortgage indenture, in amounts designed to maintain the ratio of long-term debt to total capitalization at about 55% (see "Capitalization"). At October 31, 1974 there was outstanding \$1,658 million of long-term debt, of which \$1,375 million was represented by such bonds. Under the provisions of such indenture, additional bonds may not be authenticated and delivered unless the Company's available net earnings (as defined) for 12 consecutive calendar months within the 15 calendar months immediately preceding the application to the trustee for authentication and delivery shall have been at least twice the amount of the annual interest charges on all bonds outstanding and applied for under the indenture. The Company's earnings coverage of bond interest has declined on an actual basis from 4.19 for 1969 and was 2.80 for the 12 months ended October 31, 1974 (which includes for the latter period revenues subject to refund of approximately \$36 million). Under such earnings test (utilizing the revenues subject to refund and assuming an interest rate of 10%), the Company would be allowed to issue approximately \$385 million principal amount of bonds (see "Rate Matters"). The earnings coverage of bond interest for the 12 months ended October 31, 1974 after giving effect to the issuance of the New Bonds is 2.54.

## FINANCING PROGRAM

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## CONSTRUCTION PROGRAM

The Company, utilizing its own construction and engineering force, carries on a continuous construction program, the nature and extent of which are based upon current and estimated future loads of its system. During the period January 1, 1969 through October 31, 1974, gross property additions and retirements amounted to approximately \$2,463 million and \$150 million, respectively, resulting in a net increase of approximately \$2,313 million, or 155%, in gross plant.

The construction program for 1975 and the three-year period 1975-1977, as now scheduled, involves costs estimated as follows:

<u>Type of Facilities</u>	<u>1975</u>	<u>1975- 1977</u>
	(Millions of Dollars)	
Generation (including nuclear fuel) .....	\$354	\$1,064
Transmission .....	50	154
Distribution .....	87	276
Other .....	11	42
<b>Total</b> .....	<u>\$502</u>	<u>\$1,536</u>

Costs in connection with the construction program during 1974 were \$511 million.

The estimated costs for the 1975-1977 construction program for environmental protection (as now defined by the Federal Power Commission) are estimated to be in excess of \$100 million (see "Business—Regulation—*Environmental Matters*") and include outlays for various projects that will not be completed until later years.

The construction program, as now scheduled, reflects the Company's decision in August 1974 to defer an estimated \$1.45 billion of expenditures then planned through 1979 for generating, transmission, distribution and other facilities. Such deferral was occasioned by difficulties in raising capital funds and a projected reduction in energy demand from that previously forecast. In connection with the revised program, the Company is involved in the preliminary stages of a comprehensive load management program to encourage voluntary off-peak consumption of energy and restrain the growth of its peak demand, thereby minimizing the magnitude of future construction and maximizing reserve margins of generation already scheduled. In light of inflationary price trends, deferrals of construction expenditures can be expected to result in increased unit costs.

Estimated construction expenditures (a substantial portion of which has already been committed) are subject to continuing review and may be further revised from time to time in light of the Company's load forecasts, financial condition (including cash flow, earnings and levels of relief in rate proceedings), the availability and costs of capital in the financial markets, the availability and costs of labor, materials and equipment, licensing and other regulatory delays, and changing environmental standards. Based on present forecasts, a further significant deferral or curtailment of construction might impair the quality and reliability of the Company's service in the future.

The following table sets forth the major generating facilities of the Company currently under construction which are to be added to its present generating capability of 10,923,000 KW (see "Business—Energy Requirements and Capability") :

Unit and Location	Net KW Capability	Energy Source	Date of Planned Operation	Estimated Construction Cost per KW	Estimated Construction Cost		
					Total	Applicable to 1975	After 1975
(Thousands of Dollars)							
Jocassee No. 3.....	152,500}	Hydro-pumped storage	Spring 1975	\$177	\$ 54,000	\$ 2,000	\$ —
Jocassee No. 4.....	152,500{						
(Northwestern South Carolina)							
Belews Creek No. 2.....	1,145,000	Coal	Late 1975	155	178,000	29,000	—
(Northeast of Winston-Salem, North Carolina)							
McGuire No. 1.....	1,180,000}	Nuclear	1978} 1979{	326	859,000*	210,000	334,000
McGuire No. 2.....	1,180,000{						
(Northwest of Charlotte, North Carolina)							
<b>Total</b> .....	<u>3,810,000</u>				<u>\$1,091,000</u>	<u>\$241,000</u>	<u>\$334,000</u>

\* Includes initial fuel cores.

On February 28, 1973 the Atomic Energy Commission, whose licensing and regulatory functions have now been assumed by the Nuclear Regulatory Commission (AEC), issued construction permits for both units of the McGuire Nuclear Station (see "Business—Regulation—Nuclear Facilities"). Certain intervenors have appealed this decision to the United States Court of Appeals, District of Columbia Circuit, on grounds similar to those alleged in the proceeding referred to in the first paragraph under "Business—Litigation" and have asked for a stay of further construction pending final determination of their appeal. On January 21, 1975, the Court affirmed the action of the AEC. Such intervenors are also opposing the Company's application to the AEC for operating licenses for such units.

The complexity of present-day electric utility technology and the time required for the construction of generating facilities and for the completion of the licensing and other regulatory proceedings relating thereto have compelled the Company, as well as other electric utilities, to make substantial investments in the construction of such facilities prior to the completion of licensing and regulatory proceedings. This situation is illustrated by the fact that at December 31, 1974 the Company had expended approximately \$300 million for the McGuire Nuclear Station for which the AEC has issued construction permits but for which, under present procedures of the AEC permitting the granting of an operating license only when construction of a nuclear unit has been completed, an operating license has not yet been issued (see "Business—Regulation—Nuclear Facilities"). The Company is making substantial investments in its other facilities before regulatory proceedings are completed. There is no assurance that the necessary operating licenses and authorizations will be issued for such facilities.

The following table sets forth the major generating facilities (not yet under construction) which the Company presently plans to add to its generating capability through the late 1980s. When such facilities

are added to its present capability and the capability of the facilities currently under construction, the Company will have a total generating capability of approximately 24,000,000 KW after giving effect to the retirement of certain older units:

<u>Unit and Location</u>	<u>Net KW Capability</u>	<u>Energy Source</u>	<u>Date of Planned Operation</u>	<u>Estimated Construction Cost per KW</u>	<u>Total Estimated Construction Cost*</u> (Thousands of Dollars)
Catawba No. 1.....	1,153,000}	Nuclear	1981}	\$470	\$1,184,000
Catawba No. 2.....	1,153,000}		1982}		
(Southwest of Charlotte in South Carolina)					
Perkins No. 1.....	1,280,000}	Nuclear	1983}	610	2,546,000
Perkins No. 2.....	1,280,000}		1985}		
Perkins No. 3.....	1,280,000}		1987}		
(Southwest of Winston-Salem, North Carolina)					
Cherokee No. 1.....	1,280,000}	Nuclear	1984}	613	2,579,000
Cherokee No. 2.....	1,280,000}		1986}		
Cherokee No. 3.....	1,280,000}		1988}		
(Northeast of Spartanburg, South Carolina)					
<b>Total.....</b>	<u>9,986,000</u>				<u>\$6,309,000</u>

\* Includes initial fuel cores.

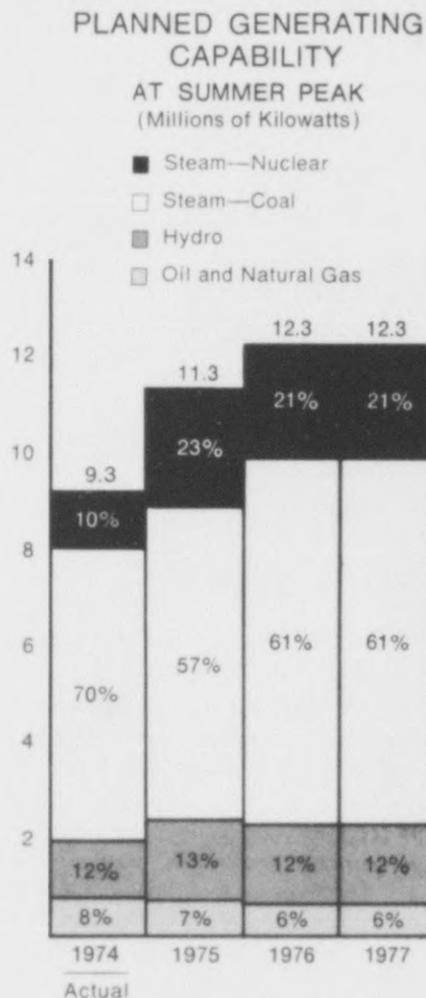
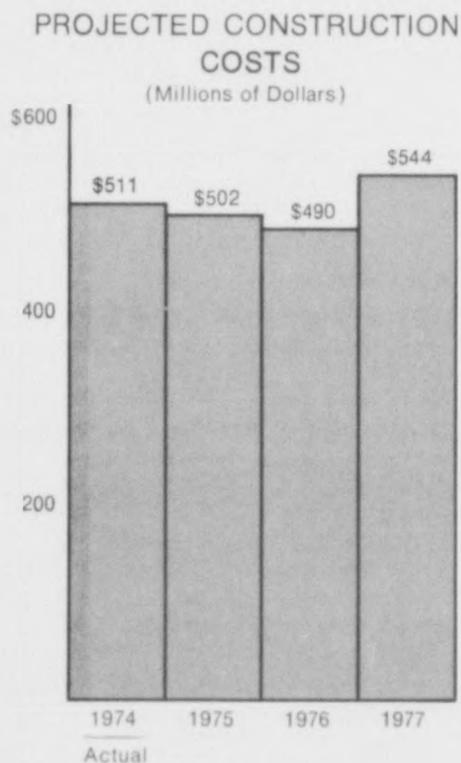
The Company has applied to the AEC for construction permits for its Catawba Nuclear Station and certain petitioners have intervened in such proceedings on environmental, safety and antitrust grounds. A hearing on the Company's application is scheduled to reconvene on February 18, 1975 to reconsider the issues of need for power and financial qualifications. The Company has received a limited work authorization permit allowing it to commence preliminary site preparation but, as part of the revised construction program, work at the Catawba Nuclear Station has been temporarily reduced to minimum levels. Such site preparation is scheduled to resume in April 1975.

Operational dates and costs for generating facilities, particularly nuclear facilities, may vary from the above estimates because of difficulties which may be encountered in obtaining regulatory approvals and other factors (see "Business—Regulation" and "Business—Litigation").

The Company also has long-range plans to construct a pumped storage unit with a generating capability of 1,000,000 KW in northwestern South Carolina for service in the mid-1980s, for which a license application has been filed with the Federal Power Commission (FPC). Construction work on this proposed pumped storage unit cannot proceed without obtaining the requisite licensing.

The construction program also includes the addition of about 560 miles of 500 KV transmission lines and related substations. Segments of these lines, consisting of about 395 miles, have already been placed in service. Expenditures on this project for the three-year period 1975-1977 are expected to be approximately \$24 million.

The following graphs set forth projected construction costs and planned generating capability by type for 1974 and as projected for 1975-1977:



### RATE MATTERS

The North Carolina Utilities Commission (NCUC) and The Public Service Commission of South Carolina (PSC) must approve the Company's rates for retail sales within the respective States. The FPC must approve the Company's rates for sales under its wholesale rate schedules.

*General Rate Increases.* Since December 14, 1970 the Company has placed into effect the following rate increases:

Rate Schedule	%	Effective Date	Approximate Revenue Increases				
			Year Ended December 31			12 Months Ended October 31,	Annualized on 1974 Sales
			1971	1972	1973	1974	
(Thousands of Dollars)							
<b>Retail:</b>							
South Carolina .....	15.44	January 1, 1971	\$16,100	\$17,400	\$ 18,600	\$ 18,300	\$ 18,500
North Carolina .....	10.38	March 15, 1971	22,200(1)	27,300	29,300	28,700	29,000
North Carolina .....	8.93	March 27, 1972	9,000(1)	24,700(1)	27,900	27,300	27,600
North Carolina .....	6.90	January 1, 1973	—	—	23,600	24,100	23,400
South Carolina .....	13.29	January 1, 1973	—	4,100(1)	19,100	19,800	18,900
North Carolina(2) .....	16.80	April 15, 1974	—	—	3,800	48,900	60,700
South Carolina(3) .....	16.70	April 15, 1974	—	—	1,800	21,500	27,200
<b>Total Retail .....</b>			<b>47,300</b>	<b>73,500</b>	<b>124,100</b>	<b>188,600</b>	<b>205,300</b>
<b>Wholesale:</b>							
FPC(4) .....	17.00	December 14, 1970	5,200	5,600	6,200	6,300	6,300
FPC(5) .....	18.50	April 26, 1973	—	—	6,800	10,700	10,900
<b>Total Wholesale .....</b>			<b>5,200</b>	<b>5,600</b>	<b>13,000</b>	<b>17,000</b>	<b>17,200</b>
<b>Total .....</b>			<b>\$52,500</b>	<b>\$79,100</b>	<b>\$137,100</b>	<b>\$205,600</b>	<b>\$222,500</b>

- (1) Includes amounts collected prior to the effective date of the permanent increase.
- (2) On October 10, 1974, the NCUC issued an order approving this increase and directing the Company to restructure its rate design, so as to shift more of the increase to industrial customers and lessen the impact of the increase on residential customers. The Attorney General of North Carolina has appealed such order, maintaining that the NCUC should have ordered a refund of part of the revenues collected prior to the effective date of such order (estimated by the Company to be approximately \$4 million). For information relating to litigation regarding a portion of this increase, see "Business—Litigation".
- (3) On November 8, 1974, the PSC issued an order approving this increase and directing the Company to restructure its rate design, so as to shift more of the increase to industrial customers and lessen the impact of the increase on residential customers.
- (4) Certain intervenors have appealed the decision of the FPC approving this increase.
- (5) Subject to refund with interest pending the outcome of the Company's request for a permanent increase.

*Fuel Adjustment Clauses.* The Company was allowed to place into effect, beginning January 19, 1974, a coal cost adjustment clause with respect to its North Carolina and South Carolina retail customers. The coal clauses allowed the Company to adjust retail rates automatically as costs of coal burned increased or declined from the level existing during October 1973 (.4745¢ per KWH or about 50¢ per million BTU) (see "Business—Fuel Supply").

On October 10, 1974, the NCUC approved the coal cost adjustment clause and extended its coverage to include all fossil fuels, effective November 1, 1974. The new fossil fuel cost adjustment clause is based on a cost of .5039¢ per KWH, which was the cost of fossil fuel for October 1973, using the average heat rate for 1973. The Attorney General of North Carolina has appealed this decision of the NCUC, contending, among other things, that the automatic rate adjustment permitted by the clause violates the statutory requirement of advance approval of rate increases after a public hearing by the NCUC. The Company has recorded \$71 million of revenues through November 30, 1974 pursuant to such fuel clause.

On January 30, 1975, the NCUC began hearings to review the operation of the fuel cost adjustment clauses of three public utilities under its jurisdiction, including the Company. At the hearings a number of consumers expressed opposition to fuel clauses in general, after which the NCUC recessed the hearings until February 18, 1975, at which time the Company and the other utilities are expected to present evidence in support of the operation of their fuel clauses. On February 3, 1975, the NCUC issued an order pending a final order, but effective for not more than 60 days beginning February 1, 1975, precluding the Company

and the other utilities from billing to residential customers more than 75% of the fuel costs permitted to be recovered under fuel cost adjustment clauses allowed by previous orders of the NCUC. If the NCUC ultimately determines that the limitation should be continued beyond the 60-day period, there would be an adverse effect on the Company's future operating results. No assurance can be given as to the ultimate outcome of this matter. As a result of the February 3, 1975 order, the Company will not be permitted to bill approximately \$1,123,000 of revenues which it had accrued on an estimated basis for December 1974 (see note (a) to the Statement of Earnings), thereby reducing net income for 1974 by approximately \$526,000 (see capsule data on results of operations appearing on page 16).

Bills have recently been introduced in the North Carolina Legislature to preclude the use of fuel adjustment clauses in that State. Such legislation if enacted would have a materially adverse impact on the Company's income.

The PSC approved the coal cost adjustment clause on November 21, 1974 in the form originally placed into effect by the Company.

In addition, a fossil fuel cost adjustment clause, which the Company placed into effect on August 23, 1972 with respect to its wholesale customers, subject to refund with interest, was approved with slight modifications by an administrative judge and awaits final action by the FPC. The Company recorded revenues of \$1.9 million, \$7.5 million and \$25.6 million for 1972, 1973 and the 12 months ended October 31, 1974, respectively, under such clause.

Revenues under the fuel clauses for both its wholesale and retail customers amounted to \$1.9 million, \$7.5 million and \$117.2 million for 1972, 1973 and the 12 months ended October 31, 1974, respectively. These clauses provide for a 60-day time lag from the date increases in fuel costs are incurred until the date such increases are billed to customers. For information relating to unbilled revenues accrued under such fuel clauses, see note (a) to the Statement of Earnings.

*Pending Proceedings.* In May 1974 the Company filed an application with the NCUC to further increase retail rates by 16.6%. The NCUC in an order issued on October 10, 1974 dismissed such application because of changed conditions since the filing date, including the new rate design outlined in another order issued by the NCUC on October 10, 1974, the deferral of certain construction expenditures and the expected reduction in energy demand from that previously forecast by the Company (see "Construction Program"). On November 29, 1974, the Company filed another application with the NCUC requesting a permanent rate increase of 23.6%, or approximately \$131 million, based on a test year ending December 31, 1975. The rates requested in such application are designed to recover the higher capital costs associated with the major generating units scheduled to be placed in commercial operation by the Company by the end of 1975, thereby offsetting the regulatory lag caused by the use of an historical test period. As part of the application, the Company asked for a rate increase of 19.7% to be placed into effect on an interim basis subject to refund. Hearings with respect to the request for an interim increase are expected to be held in mid-March 1975. In connection with such request, the Company has advised the NCUC that unless an interim increase is granted there will be a rapid deterioration in the Company's financial position including a further decline in earnings per share of Common Stock and earnings coverage of fixed charges (see capsule data on results of operations appearing on page 16).

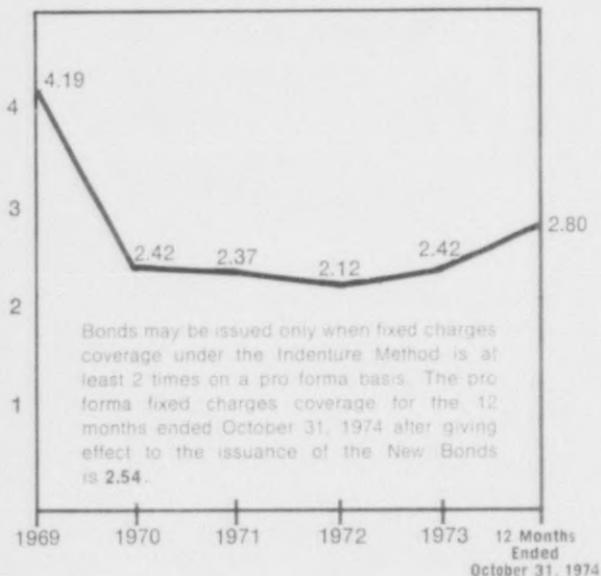
The Committee on Utilities of the North Carolina State Senate has recently requested the NCUC to declare a 60-day moratorium on all rate increases in that State. The Company is unable to predict the effect of such request on its application for an interim rate increase.

The Company also filed an application in May 1974 with the PSC to further increase retail rates by 16.8%. On December 17, 1974, the Company amended such application to request a permanent increase in retail rates of 23.1%, or approximately \$57 million, based on a test year ending December 31, 1975.

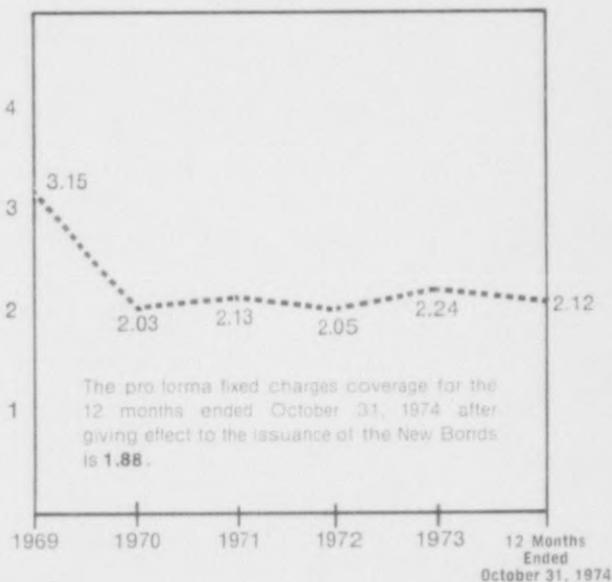
The Company also plans to file an application with the FPC as soon as practicable for a general rate increase. It is expected that such application will be based both on an historical test year and a forward test year.

The following graphs should be read in conjunction with the "Statement of Earnings" and the material under the captions "Financing Program" and "Rate Matters".

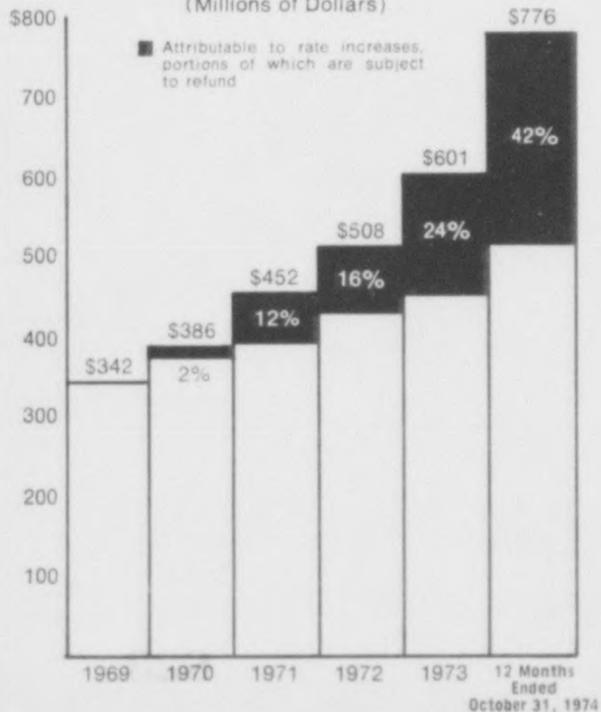
**FIXED CHARGES COVERAGE**  
(TIMES EARNED)  
INDENTURE METHOD



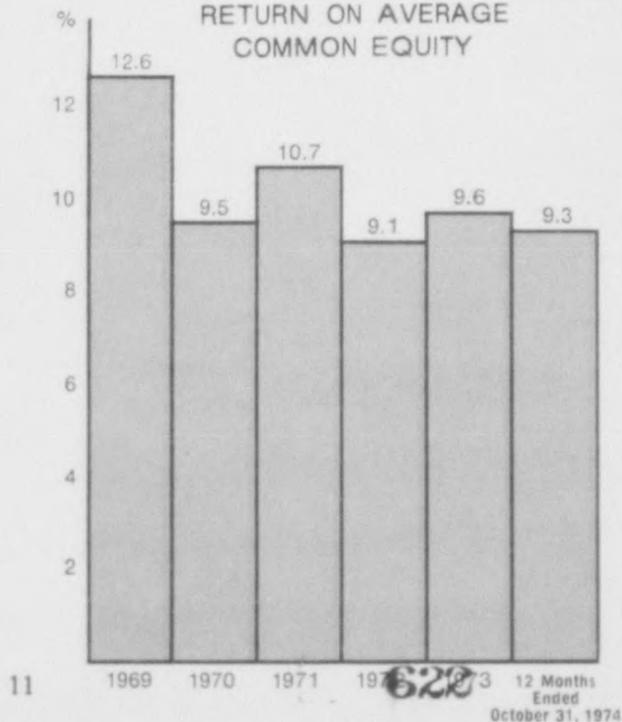
**FIXED CHARGES COVERAGE**  
(TIMES EARNED)  
SEC METHOD



**ELECTRIC REVENUES**  
(Millions of Dollars)



**RETURN ON AVERAGE COMMON EQUITY**



## CAPITALIZATION

The capitalization of the Company as of October 31, 1974 and as adjusted to give effect to the issuance on November 7, 1974 of 4 million shares of Common Stock and the issuance of the New Preferred Stock and the New Bonds, and the application of the proceeds therefrom, is as follows:

	As of	As Adjusted	
	October 31, 1974	Amount	% of Capitalization
	(Thousands of Dollars)		
Long-Term Debt(1) :			
First mortgage bonds.....	\$1,375,000	\$1,475,000	47.0
Sinking fund debentures.....	33,750	33,750	1.1
Term notes .....	160,000	160,000	5.1
Term notes—nuclear fuel .....	76,000	76,000	2.4
Turbine generator leases(2).....	12,088	12,088	0.4
Total .....	1,656,838	1,756,838	56.0
Unamortized debt discount and premium, net.....	1,267	1,267	0.1
Total long-term debt .....	1,658,105	1,758,105	56.1
Preferred and Preference Stock:			
Preferred Stock, par value \$100 (3,450,000 shares outstanding) ...	345,000	345,000	11.0
Preferred Stock A, par value \$25 (2,400,000 shares outstanding) ..	—	60,000	1.9
Preference Stock, par value \$100 (convertible preference stock— 500,000 shares outstanding) .....	50,000	50,000	1.6
Total preferred and preference stock.....	395,000	455,000	14.5
Common Stock Equity :			
Common Stock, no par value (47,673,758 shares outstanding) (3)	773,774	820,274	
Retained earnings .....	106,939	101,509(4)	
Total common stock equity .....	880,713	921,783	29.4
Total capitalization .....	\$2,933,818	\$3,134,888	100.0
Short-Term Notes Payable (estimated as of February 11, 1975)....	\$ 170,000	\$ 70,000(5)	

- (1) These amounts exclude the current portion of long-term debt amounting to \$64,000,000. See note 3 to the Financial Statements and "Financing Program".
- (2) See note 5 to the Financial Statements.
- (3) Shares outstanding reflect the issuance on November 7, 1974 of 4 million shares of Common Stock. See note 4 to the Financial Statements for shares reserved for issuance for specific purposes.
- (4) Retained earnings have been reduced by the underwriting commissions and expenses incurred in connection with the issuance on November 7, 1974 of 4 million shares of Common Stock and in connection with the issuance of the New Preferred Stock.
- (5) Net proceeds from the issuance of the New Preferred Stock and the New Bonds will be used for the purpose of financing the construction of additions to the Company's electric plant facilities, principally by the payment of short-term obligations incurred primarily for that purpose (see "Financing Program").

Reference is made to the Statement of Capitalization following the Balance Sheet for more detailed information concerning the Company's capital structure and to note 6 to the Financial Statements for information with respect to the Company's bank lines of credit.

## STATEMENT OF EARNINGS

The following statement of earnings has been examined, as to the five years ended December 31, 1973, by Haskins & Sells, independent auditors, whose opinion with respect thereto (which is subject for 1973 to final settlement of certain rate matters) is included elsewhere herein. The statement of earnings for the 12 months ended October 31, 1974 has not been examined by independent auditors, but in the opinion of the Company the results of operations for that period include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. The statement should be read in conjunction with its notes, the other financial statements and their notes, and the information under the captions "The Company," "Financing Program" and "Rate Matters".

	Year Ended December 31					12 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	(Unaudited)
	(Thousands of Dollars)					
Electric Revenues .....	\$342,242	\$386,138	\$451,541(a)	\$508,232(a)	\$600,681(a)	\$775,855(a)
Electric Expenses:						
Operation:						
Fuel used in electric generation .....	91,135	140,526	161,087	172,072	191,861	301,933
Purchased power .....	11,127	13,874	18,510	30,478	28,575	11,322
Wages and benefits, materials, etc. ....	43,996	49,119	59,376	67,801	78,580	90,190
Maintenance of plant facilities .....	16,146	18,788	22,205	26,408	28,886	32,953
Depreciation .....	41,934	48,427	53,062	59,923	70,459	82,310
Taxes(b) and (note 1):						
General .....	31,242	35,163	39,226	44,421	50,054	58,992
Federal and state income:						
Current .....	33,143	10,903	10,640	4,229	15,869	21,058
Deferred, net .....	—	1,812	6,800	17,097	25,272	36,197
Investment tax credit:						
Tax credit deferred .....	4,819	3,134	2,763	1,055	178	178
Amortization of deferments (credit) .....	(3,312)	(3,907)	(4,183)	(4,306)	(4,058)	(1,409)
Total electric expenses .....	270,230	317,839	369,486	419,178	485,676	633,724
Electric operating income .....	72,012	68,299	82,055	89,054	115,005	142,131
Other Income:						
Allowance for funds used during construction(c)	15,711	24,342	37,676	51,185	59,459	63,369
Earnings (loss) of subsidiaries, net (note 2) ....	1,200	1,763	2,424	1,204	586	(320)
Dividends and interest .....	156	133	731	1,347	1,616	2,889
Other, net (deduction) .....	112	(49)	1,811	(1,040)	(1,109)	(1,895)
Income tax—credit(b) .....	4,171	8,247	9,553	13,035	15,406	19,957
Total other income .....	21,350	34,436	52,195	65,731	75,958	84,000
Income before interest deductions .....	93,362	102,735	134,250	154,785	190,963	226,131
Interest Deductions:						
Interest on long-term debt .....	29,044	42,291	54,912	70,161	85,659	106,010
Other interest .....	9,663	9,131	7,351	3,990	5,465	13,887
Amortization of debt discount, premium and expense .....	238	135	132	267	277	316
Total interest deductions .....	38,945	51,557	62,395	74,418	91,401	120,213
Net income .....	54,417	51,178	71,855	80,367	99,562	105,918
Dividends on Preference and Preferred Stock ....	6,969	11,177	16,341	21,901	27,456	28,534
Earnings for Common Stock .....	\$ 47,448	\$ 40,001	\$ 55,514	\$ 58,466	\$ 72,106	\$ 77,384
Average Common Shares Outstanding (thousands)	23,196	25,413	29,482	34,592	38,465	41,189
Per Share of Common Stock:						
Earnings for common stock(d) .....	\$2.05	\$1.57	\$1.88	\$1.69	\$1.87	\$1.88
Cash dividends declared and paid .....	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Ratio of Earnings to Fixed Charges(e) .....	3.15	2.03	2.13	2.05	2.24	2.12

Numerical note references are to "Notes to Financial Statements".

Notes to the Statement of Earnings begin on the following page.

**NOTES TO STATEMENT OF EARNINGS**  
(Information for the 12 months ended October 31, 1974 is unaudited.)

(a) *Rate Increases.* Electric revenues for 1971, 1972, 1973 and the 12 months ended October 31, 1974 include \$52,500,000, \$79,100,000, \$137,100,000 and \$205,600,000, respectively, from retail and wholesale rate increases placed into effect since December 14, 1970. In addition, electric revenues for 1972, 1973 and the 12 months ended October 31, 1974 include \$1,900,000, \$7,500,000 and \$117,200,000, respectively, from fossil fuel cost adjustment clauses for wholesale and retail customers. Such clauses provide for a 60-day time lag from the date increases in fuel costs are incurred until the date such increases are billed to customers. To properly match increased fuel costs and revenues the Company, beginning in 1974, is accruing monthly the estimated revenues that will be subsequently billed. Electric revenues for the 12 months ended October 31, 1974 included \$32,400,000 of such unbilled revenues. The amounts of unbilled revenues prior to January 1, 1974 were immaterial and no accruals were recorded.

Electric revenues of \$1,900,000, \$14,300,000 and \$36,300,000 in 1972, 1973 and the 12 months ended October 31, 1974, respectively, from a rate increase and fuel cost adjustment clause applicable to wholesale customers are subject to refund as set forth under "Rate Matters". The management of the Company believes that all or substantially all of such revenues subject to refund will ultimately be approved by the Federal Power Commission.

See "Rate Matters" for additional information with respect to recent rate increases, fossil fuel cost adjustment clauses, revenues subject to refund and pending proceedings.

(b) *Income Taxes.* Income taxes differ from amounts computed by applying the statutory tax rates to adjusted pre-tax income as follows:

	Year Ended December 31		12 Months Ended October 31, 1974
	1972	1973	1974
	(Thousands of Dollars)		
Income taxes on income before income tax at the composite statutory Federal and state rate of 51.12%.....	\$43,660	\$62,068	\$72,583
Increases (decreases) attributable to:			
Allowance for funds used during construction.....	(26,166)	(30,395)	(32,394)
Pensions and taxes capitalized on books.....	(5,779)	(5,779)	(5,297)
Amortization of investment tax credit deferrals.....	(4,306)	(4,058)	(1,409)
Adjustment of prior accruals.....	(1,060)	—	—
Other items, net .....	(1,309)	19	2,584
Income tax expense.....	<u>\$ 5,040</u>	<u>\$21,855</u>	<u>\$36,067</u>

Provisions for income tax expense vary substantially by year, both in amount and in relation to adjusted pre-tax income, principally because of regulatory lag in granting rate increases to offset the rising costs of fuel, interest and other expenses. The reduction and elimination of the Federal income tax surcharge after 1969 also contributed to the reduction in the effective income tax rates for the years thereafter.

The amounts of state income taxes included in the various captions on the Statement of Earnings are shown below:

<u>Statement Captions</u>	Year Ended December 31					12 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	1974
	(Thousands of Dollars)					
Electric Expenses—Taxes—Federal and state income:						
Current .....	\$4,206	\$2,387	\$1,850	\$ 952	\$1,969	\$2,578
Deferred, net .....	—	209	797	1,994	2,967	4,250
Other Income—Income tax—credit.....	407	1,364	1,056	1,454	1,905	2,334

## NOTES TO STATEMENT OF EARNINGS—(Continued)

(c) *Allowance for Funds Used During Construction (ADC)*. ADC is a cost accounting procedure whereby the net composite interest and equity costs of capital funds used to finance construction are transferred from the income statement to construction work in progress in the balance sheet and, accordingly, are capitalized in the same manner as construction labor and material costs. This item is recognized as a cost of Electric Plant, with an offsetting credit to Other Income, because, under established regulatory rate practices, a utility is permitted to include a fair return on, and the recovery of, these capital costs through their inclusion in the rate base and in the provision for depreciation.

The amount of ADC transferred in the last five years has increased as the balance of construction work in progress has grown and as interest rates and equity capital costs have increased. ADC has been calculated using the rates, net of applicable income taxes, of 7% from January through April 1969, 7½% from May 1969 through June 30, 1974 and 8% from June 30, 1974 through October 31, 1974. If it is assumed that funds used to finance construction during the five years and 10 months ended October 31, 1974 were obtained 23% to 25% from common equity, 56% to 58% from debt at current costs net of income taxes and 19% from preferred and preference stock at current costs, the common equity component of ADC as related to earnings for common stock would have amounted to 18%, 29%, 35%, 46%, 41% and 38% for 1969, 1970, 1971, 1972, 1973 and the 12 months ended October 31, 1974, respectively. Earnings resulting from the common equity component of ADC are related principally to the additional capital obtained through the issuance of common stock. During the five years and 10 months ended October 31, 1974, over 20 million shares of common stock were issued which provided the Company with approximately \$443,000,000 of common equity.

(d) *Earnings Per Share*. Earnings per share of common stock are calculated by dividing Earnings for Common Stock by the Average Common Shares Outstanding. Conversion of the Preference Stock, 6¾% Convertible Series AA, would have an anti-dilutive effect.

(e) *Ratio of Earnings to Fixed Charges*. For purposes of this ratio, (i) earnings consist of income before undistributed earnings (loss) of subsidiaries and before income taxes and fixed charges and (ii) fixed charges consist of all interest deductions and the interest component of rentals charged to income. The pro forma ratio of earnings to fixed charges for the 12 months ended October 31, 1974 is 1.88 after giving effect to (1) the annual interest on long-term debt to be outstanding after the sale of the New Bonds (at an assumed interest rate of 10%) and (2) the elimination of interest on short-term obligations repaid during the 12 months ended October 31, 1974 or repaid or to be repaid from the proceeds of the sale on November 7, 1974 of 4 million shares of Common Stock and from the sale of the New Preferred Stock and the New Bonds (see "Financing Program"). A difference of .10% in the actual interest rate from such assumed rate will change the pro forma ratio by approximately .001. Earnings do not include the annual effect of rate increases recently granted but include additional revenues therefrom to the extent recorded through October 31, 1974 (see "Rate Matters").

The annual interest requirement on the New Bonds will be \$9,500,000.

The following tabulation summarizes the results of the Company's operations for 1973 and 1974. The amounts set forth in the tabulation for 1974 have not been examined by independent auditors but, in the opinion of the Company, all necessary adjustments (consisting only of normal recurring accruals) have been made to present fairly the results of operations for such periods.

	12 Months Ended December 31	
	1973	1974 (Unaudited)
Electric revenues* .....	\$600,681,000	\$822,921,000
Net income .....	\$ 99,562,000	\$105,096,000
Earnings for common stock.....	\$ 72,106,000	\$ 76,562,000
Average common shares outstanding.....	38,465,000	42,618,000
Earnings per share of common stock.....	\$1.87	\$1.80
Ratio of earnings to fixed charges .....	2.24	2.10

\* Includes \$19,900,000 and \$42,500,000 of revenues subject to refund for 1973 and 1974, respectively, and \$36,200,000 of unbilled revenues pursuant to fossil fuel cost adjustment clauses for 1974 (see "Rate Matters").

Net income for the last two months of 1974 was approximately \$822,000 less than the corresponding period in 1973. Net income in future 12-month periods is expected to continue to decline unless the Company is allowed to put into effect adequate rate increases.

Reference is made to "Rate Matters" for information with respect to recent rate increases, fossil fuel cost adjustment clauses, revenues subject to refund and pending proceedings.

#### Management's Discussion and Analysis of the Statement of Earnings

The following factors had a significant effect upon the Company's results of operations during the years 1972 and 1973 and the 12 months ended October 31, 1974:

(a) Electric revenues increased primarily because of rate increases described under "Rate Matters", including coal cost adjustment clauses with respect to North Carolina and South Carolina retail customers placed into effect beginning January 19, 1974 (see note (a) to the Statement of Earnings). Electric revenues also were affected by an increase in kilowatt-hour sales in 1973 over those for 1972. As a result of reduced industrial and commercial activity, energy conservation and mild weather conditions, kilowatt-hour sales declined about 1.6% in the 12 months ended October 31, 1974 from those in 1973 (see "Operating Statistics"). The decline in kilowatt-hour sales has been most pronounced in the textile industry, which accounted for approximately 55.7% of electric industrial revenues.

(b) Net income was affected by increasing fuel costs (see "Business—Fuel Supply"). Although the price of coal rose sharply in the latter part of 1973 and in 1974, its effect was substantially offset by fuel cost adjustment clauses in effect or placed into effect during this period. See "Rate Matters—Fuel Adjustment Clauses" for the status of revenues subject to refund under the Company's fuel cost adjustment clauses applicable to its wholesale customers and the appeal taken by

the Attorney General of North Carolina with respect to the fuel cost adjustment clause approved by the NCUC.

(c) Earnings per share of common stock have fluctuated due primarily to regulatory lag in granting rates necessary to produce revenue levels sufficient to offset rising capital and operating costs.

(d) As a result of delays in the start-up of the Oconee Nuclear Station, purchased power expense reached a high of \$30.5 million in 1972. The addition of new generating units since 1972 has reduced the need for purchased power.

(e) Inflationary pressures on wages and material costs have resulted in increases in electric operation and maintenance expenses. Because of regulatory lag in obtaining adequate and timely rate relief, these increasing costs have had an adverse impact on earnings.

(f) Depreciation increased as additional facilities were placed in service.

(g) The Company's annual construction expenditures have increased to their present level of approximately \$500 million, requiring substantial external financing through the sale of debt and equity securities. While these financings resulted in significant increases in both interest expense and preferred dividends, a substantial amount of such costs has been capitalized through allowance for funds used during construction (see note (c) to the Statement of Earnings).

## OPERATING STATISTICS

	Year Ended December 31					12 Months Ended October 31, 1974	
	1969	1970	1971	1972	1973	%	
Sources of Electric Energy—							
Millions of kilowatt hours:							
Generated—net output:							
Coal .....	30,353	32,621	33,472	35,870	37,036	35,220	78.2
Nuclear .....	—	—	—	—	2,402	6,044	13.4
Hydro .....	1,784	1,491	2,028	1,961	2,377	2,317	5.2
Gas .....	589	1,704	1,774	1,568	1,122	719	1.6
Oil .....	292	723	873	1,167	1,096	732	1.6
Total generated .....	33,018	36,539	38,147	40,566	44,033	45,032	100.0
Purchased and net interchange.....	1,534	1,728	1,789	2,607	2,469	693	
Total output .....	34,552	38,267	39,936	43,173	46,502	45,725	
Losses and company use.....	2,672	2,979	3,023	3,485	3,343	3,259	
Energy sold .....	31,880	35,288	36,913	39,688	43,159	42,466	
Average Cost Per Ton of Coal Burned.....	\$7.21	\$9.69	\$10.47	\$10.35	\$11.26	\$18.93	
Electric Energy Sales—							
Millions of kilowatt hours:							
Residential .....	7,340	8,126	8,780	9,237	10,186	10,097	23.8
Commercial .....	4,767	5,391	5,938	6,515	7,287	7,032	16.5
Industrial .....	14,593	15,140	16,357	17,778	18,848	18,335	43.2
All other energy sales.....	5,180	6,631	5,838	6,158	6,838	7,002	16.5
Total energy sales.....	31,880	35,288	36,913	39,688	43,159	42,466	100.0
Electric Revenues—							
Thousands of dollars:							
Residential .....	\$126,145	\$140,281	\$166,442	\$184,581	\$212,213	\$254,230	32.8
Commercial .....	66,378	75,951	91,183	104,479	122,788	148,212	19.1
Industrial .....	109,688	118,811	139,560	157,407	189,879	243,032	31.3
All other energy sales.....	36,576	47,565	49,796	57,258	72,629	95,273	12.3
Unbilled fuel cost adjustment clauses...	—	—	—	—	—	32,437	4.2
Other electric revenues.....	3,455	3,530	4,560	4,507	3,172	2,671	.3
Total electric revenues.....	\$342,242	\$386,138	\$451,541	\$508,232	\$600,681	\$775,855	100.0
Number of Customers End of Period—							
Residential .....	810,743	835,706	864,361	895,488	931,020	954,444	86.0
Commercial .....	115,497	120,594	127,618	135,240	141,064	143,353	12.9
Industrial .....	5,889	6,002	6,103	6,267	6,525	6,637	.6
All other .....	3,110	3,275	3,369	3,432	4,543	4,970	.5
Total customers .....	935,239	965,577	1,001,451	1,040,427	1,083,152	1,109,404	100.0
Residential Customer Statistics—							
Average number for period.....	799,627	823,751	852,486	884,159	919,952	941,453	
Average annual use—KWH.....	9,179	9,864	10,299	10,447	11,072	10,725	
Average annual revenue.....	\$157.75	\$170.30	\$195.24	\$208.76	\$230.68	\$270.04	
Average Annual Revenue Per KWH—							
Residential .....	1.72¢	1.73¢	1.90¢	2.00¢	2.08¢	2.52¢	
Commercial .....	1.39¢	1.41¢	1.54¢	1.60¢	1.69¢	2.11¢	
Industrial .....	.75¢	.78¢	.85¢	.89¢	1.01¢	1.33¢	
Other energy sales.....	.71¢	.72¢	.85¢	.93¢	1.06¢	1.36¢	

## BUSINESS

### Service Area

The Company supplies electric service directly to approximately 1,100,000 retail customers in more than 200 cities, towns and unincorporated communities in North Carolina and South Carolina. Electricity is sold at wholesale to 39 other incorporated municipalities and to a number of rural electric cooperatives and private utilities. The Company renders electric service in a total of 56 counties and is the principal supplier of electric energy in 44 of them.

The Company's service area has undergone increasingly diversified industrial development. The textile, tobacco and furniture industries are of major significance to the economy of the area and there is a diversity of other industrial activity, including the manufacture of metal products, paper and allied products, chemicals, food products, and various other light and heavy manufacturing and service businesses. The largest industry served by the Company is the textile industry, which accounted for approximately \$135 million of the Company's revenues for the 12 months ended October 31, 1974 representing 17.4% of electric revenues and 55.7% of electric industrial revenues.

### Energy Requirements and Capability

The following table sets forth the Company's generating capability at December 31, 1974, its generation of electric energy for 1974 and certain corresponding information presently projected for 1975:

Source	Facility	Generating Capability			Generation		
		Actual 1974		Projected 1975(2)	Actual 1974		Projected 1975(2)
		KW	%	%	KWH (millions)	%	%
Coal	Marshall	2,025,000			12,686		
	Allen	1,140,000			6,818		
	Belews Creek	1,060,000			3,066		
	Cliffside	770,000			4,934		
	Others	1,477,000			7,306		
		6,472,000	59	61	34,810	77	65
Nuclear	Oconee	2,613,000	24	21	6,761	15	31
Hydro	28 stations	1,147,000	10	12	2,320	5	3
Oil and Natural Gas	Principally combustion turbines and combined cycle units	775,000	7	6	1,236	3	1
	Total	11,007,000	100	100	45,127	100	100

- (1) The data relating to capability does not reflect the unavailability or reduction of capability at any given time of facilities because of regulatory restrictions or scheduled maintenance or repair requirements. The Company's present generating capability is 10,923,000 KW.
- (2) Projected figures are based on the assumption that the Company's construction program proceeds on schedule, that required fuel is available and that there are no unforeseen contingencies such as unscheduled maintenance or repairs of facilities or variations from anticipated energy requirements (see "Construction Program").

During 1974 the Company purchased 1.1% of its electric energy requirements from other sources.

Due to reduced industrial and commercial activity, energy conservation and mild weather conditions, the Company's regular sales for 1974 declined 2.3% below those for 1973 to approximately 41.7 billion KWH. Sales to the textile industry for 1974 declined approximately 8.6% below those for 1973.

The Company normally experiences seasonal peak loads in summer and winter which are relatively in balance. The 1974 peak load of 8,057,625 KW occurred on August 28, 1974, a decrease of 2% from the Company's 1973 peak load of 8,235,585 KW which occurred on August 29, 1973. Such 1973 peak load represented an increase of 10.6% over the 1972 peak load of 7,449,500 KW which occurred on July 24, 1972.

### Fuel Supply

Although the Company relies principally on coal for generation of electric energy it will rely on nuclear power to a greater extent in the future (see "Construction Program"). The Company's reliance on oil and natural gas is minimal as they are used principally for combustion turbines, which are utilized mainly for peaking purposes.

The Company generally endeavors to maintain an average coal supply of approximately 70 to 80 days. In recent years, however, the amount of coal burned has at times exceeded deliveries and the Company's coal supply has been below such level. On December 31, 1974, the Company had on hand approximately 60 days' supply of coal.

Passage of certain bills expected to be reintroduced in Congress following a recent Presidential veto would deny the availability of substantial amounts of surface-mined coal and would increase the cost of the remaining amounts. In addition, such action would eliminate many of the existing open market sources of supply. These sources are known to depend substantially on surface mining, although the Company cannot predict the extent of this dependency.

The average sulfur content of coal being purchased by the Company is approximately 1%. Such coal purchases meet sulfur content limitations which are currently applicable or are scheduled to become applicable to the Company's existing plants.

The Company obtains its coal under long-term supply contracts, by open market purchases and through its own mining operations. During the 12 months ended November 30, 1974 the Company's coal requirements, amounting to 14.2 million tons, were supplied approximately as follows: 70% under long-term contracts, 22% by open market purchases and 8% from its own mining operations.

The Company estimates that through the year 2000 its existing coal-fired generating units (see table under "Energy Requirements and Capability") will burn a total of approximately 170 million tons of coal and Unit No. 2 of the Belews Creek Station now under construction (see "Construction Program") will require a total of approximately 47 million tons of coal. The Company presently expects to obtain approximately 40% of its total requirements through the year 2000 from its own mining operations and has long-term agreements which, upon renewal as needed, would provide the balance. Based on past experience, the Company anticipates having to purchase coal on a spot basis to cover shortages in deliveries under its long-term agreements; however, there is no assurance that coal will be available on a spot basis in the future or that it will be available at reasonable prices. The average delivered cost of coal purchased on a spot basis has increased sharply in recent years. In November 1974 the Company purchased coal on a spot basis at a delivered cost of \$40.58 per ton, or \$1.71 per million BTU, as compared with a delivered

cost of \$12.80 per ton, or \$0.52 per million BTU, in November 1973. However, the price of coal presently being purchased on a spot basis is declining as a result of a more favorable supply situation.

The following table sets forth the Company's estimated recoverable coal reserves from its own mining operations at December 31, 1974:

**Estimated Recoverable Coal Reserves(1)**  
**As of December 31, 1974**  
(In Thousands of Tons)

<u>State and Mine Location</u>	<u>Total</u>	<u>Average % Sulfur</u>
<i>Kentucky</i>		
Eastover No. 1 (High Splint) .....	75,000	0.9
Eastover No. 2 (Brookside) .....	57,000	0.9
Eastover No. 4 (Arjay) .....	70,000	1.2(2)
Kentucky Border .....	28,000	1.0
	230,000	
<i>Virginia</i>		
Eastover No. 6 (Virginia City) .....	20,000	1.0
	250,000(3)	

- (1) These "recoverable" reserves represent the amounts of coal that can be expected to be recovered from total coal reserves "in place" after allowing for unavoidable coal losses during mining operations and for coal necessarily left in the ground for safety and other purposes. The mining recovery factors used are 70% for deep mining, 40% for auger mining, 90% for strip mining, and a washing recovery of 95%. These reserves are no less than "probable" and lie within 5,000 feet from a known seam measurement. Such reserves are "assigned" and represent recoverable tonnage which can be produced through existing facilities.

Approximately 90% of these reserves are deep mine reserves and, on the basis of current operations, within the next three years substantially all strip and auger reserves will be mined.

- (2) The sulfur content of approximately one-half of the estimated recoverable coal reserves at Eastover No. 4 (Arjay) is about 1.5% which, on the basis of current operations, is blended with a lower sulfur coal and used as a fuel.
- (3) Substantial coal tonnage of similar quality exceeding this quantity has been established but a determination of the degree to which this coal could be commercially mineable would require additional sampling which the Company does not intend to undertake at this time.

The Company received about 1.1 million tons of coal from its own mining operations in 1974.

Generally, the supply of fuel for nuclear generating units involves the acquisition of uranium ore, its conversion to uranium hexafluoride, enrichment of that gas, fabrication of the nuclear fuel assemblies and reprocessing of the spent fuel. The Company either has on hand or has commitments for uranium materials and services required to fuel its Oconee, McGuire, and Catawba Nuclear Stations (see "Energy Requirements and Capability" and "Construction Program") through the following years:

<u>Nuclear Station</u>	<u>Uranium Material</u>	<u>Conversion Service</u>	<u>Enrichment Service</u>	<u>Fabrication Service</u>	<u>Reprocessing Service</u>
Oconee .....	1982	1990	2004	1985	1984
McGuire .....	1982	1990	2004	1985	1984
Catawba .....	1984	1990	2008	1985	1984

In addition, the Company has commitments for nuclear fuel material supplies amounting to approximately 55% of its needs through 1988 for the above Nuclear Stations and for its Perkins and Cherokee Nuclear Stations. If reprocessed fuel equivalents become available, the Company would have an additional 20% of such needs. The Company also has commitments for a portion of its required fuel cycle services for units of its Perkins and Cherokee Nuclear Stations, including commitments for substantially all of the enrichment services required through the year 2000. Although the Company is endeavoring to obtain other fuel commitments, it will most probably be faced with higher prices. The Company cannot predict its success in obtaining any further commitments nor can it estimate the costs involved.

The Company's average fuel cost for electric energy generated in the 12 months ended November 30, 1974 was .817¢ per KWH (85.56¢ per million BTU) for its coal stations, .177¢ per KWH (17.29¢ per million BTU) for its nuclear station and 1.448¢ per KWH (108.87¢ per million BTU) for its oil and natural gas combustion turbines. These costs do not include any provisions for capital-related costs in connection with the generating facilities, which are currently greater for nuclear power stations than for coal or other fossil-fuel generating facilities (see "Construction Program").

The cost per million BTU of coal burned by the Company increased substantially during the five-year period 1969-1973 as follows: 1969—29.61¢; 1970—40.52¢; 1971—44.56¢; 1972—43.92¢, and 1973—47.27¢ (see "Operating Statistics"). The cost per million BTU of coal burned by the Company increased from 56.17¢ in January 1974 to 111.30¢ in November 1974 and the purchased cost per million BTU increased from 61.45¢ to 134.60¢ (see "Rate Matters").

#### Regulation

The Company is subject to the jurisdiction of the NCUC and the PSC which, among other things, must approve the issuance of securities. The Company also is subject, as to some phases of its business, to the jurisdiction of the FPC and the United States Environmental Protection Agency (EPA) and to the jurisdiction of the AEC as to design, construction and operation of its nuclear power facilities (see "Construction Program").

*Environmental Matters.* The Company is attempting to insure that its facilities meet applicable environmental regulations and standards. However, it is not presently possible to forecast the ultimate effect of environmental quality regulations upon the existing and proposed facilities and operations of the Company. Moreover, developments in these and other areas may require the Company to modify, supplement or replace equipment and facilities, and may delay or impede construction and operation of new facilities at costs which could be substantial.

For many years, the Company has followed an environmental protection program, including extensive reforestation work and siting of generating facilities and transmission lines to minimize the impact of such facilities upon the environment. In recent years, the program has included expenditures of approximately \$70 million for additional air pollution control equipment at fossil-fuel generating plants and approximately \$18 million for environmental costs associated with the construction of power transmission facilities. The program for 1975 through 1977 will include, among other things, the continued use of low-sulfur coal and further additions to existing environmental monitoring and control facilities. Environmental protection costs as a percentage of total construction costs are continuing to increase (see "Construction Program").

In 1971 pursuant to the Federal Clean Air Act of 1970 (the 1970 Act), EPA promulgated primary and secondary ambient air quality standards with respect to certain air pollutants including particulates, sulfur oxides and nitrogen oxides. Pursuant to such regulations, North Carolina and South Carolina have adopted implementation plans containing standards limiting emissions of particulates, sulfur oxides

and nitrogen oxides, which are designed in general to achieve the primary ambient air quality standards by 1975 and the secondary ambient air quality standards within a reasonable time thereafter. EPA has taken the requisite action approving the implementation plans submitted by both States. The Company believes it is presently in substantial compliance with such implementation plans.

In June 1973 an evenly-divided United States Supreme Court left standing an opinion of a lower Federal court to the effect that EPA could not approve state implementation plans which would permit significant deterioration of ambient air quality in areas in which air quality is better than national primary and secondary standards. Neither the court opinion, the 1970 Act nor EPA regulations define "significant deterioration". Air quality in the areas in which many of the Company's existing generating facilities are located is believed to be better than national standards. EPA has adopted regulations, effective January 6, 1975, designed to prevent "significant deterioration" of air quality in areas where air is cleaner than required by Federal standards. The Company is unable at this time to evaluate the impact, if any, of such regulations on its operations.

The Federal Water Pollution Control Act Amendments of 1972 (the 1972 Act) provide for the imposition of effluent limitations to regulate discharges of pollutants, including heat, into the waters of the United States. The 1972 Act requires with respect to existing plants that there be achieved (i) by July 1, 1977, effluent limitations which require application of the "best practicable control technology currently available" as well as compliance with state water quality standards and (ii) by July 1, 1983, effluent limitations which require application of the "best available technology economically achievable". Regulations proposed thereunder on December 13, 1973 require that the location, design and construction of cooling water intake structures reflect the "best technology available for minimizing adverse environmental impact". EPA recently established guidelines for effluent limitations for existing sources and standards of performance for new sources. The guidelines require certain limitations of chemical discharges. In addition, the guidelines may impose a requirement of "no discharge" of heat on generating units presently under construction.

Compliance with applicable effluent limitations by the prescribed dates is to be achieved by a permit system established under § 402 of the 1972 Act which replaces the permit system previously existing under the 1899 Refuse Act. Generally, the discharge of pollutants without a § 402 permit will be a violation of the 1972 Act. However, EPA has stated that where a permit is being processed it will not take any enforcement action merely because a generating station is discharging without a permit. The 1972 Act also requires an applicant for a Federal license or permit to furnish to the issuing Federal agency a water quality certification issued by the appropriate state agency. North Carolina and South Carolina have recently issued such certifications for seven of the Company's nine steam generating stations. On December 30 and 31, 1974, EPA issued permits for these seven stations. Applications for permits for the Company's two remaining steam generating stations have been filed with EPA, with issuance of permits expected by June 1975. The permits in their present form exempt some of the Company's facilities from any requirement to construct cooling towers to meet thermal limitations but appear to require such construction in other instances. The Company has filed applications for variances under § 316(a) of the 1972 Act where permits would require cooling towers to be built for those generating stations for which cooling towers have not been included in the Company's current construction program. Should any such construction ultimately be required, substantial expenditures could be incurred. The Company presently is unable to estimate the effect of the chemical discharge limitations.

North Carolina has enacted a declaration of State environmental policy requiring all State agencies to administer their responsibilities in accordance therewith. In June 1973 the NCUC adopted rules requiring consideration of environmental effects in determining whether certificates of public convenience and necessity will be granted for proposed generation facilities.

Recent legislation in South Carolina will also require consideration by the PSC of environmental effects in determining whether certificates of public convenience and necessity will be granted for proposed generation and related transmission facilities.

*Nuclear Facilities.* AEC regulations require consideration of both radiological and environmental issues prior to granting construction permits and operating licenses for nuclear power plants. These regulations permit public intervention with respect to such issues in proceedings relating to applications for permits or licenses. The operating licenses for the Oconee Nuclear Station and the construction permits for the two units of the McGuire Nuclear Station were granted after completion of the environmental review required of the AEC under the National Environmental Policy Act of 1969 (see "Construction Program" and "Business—Litigation").

The Company has reached agreement with the Department of Justice in settlement of the antitrust aspects involved in the licensing proceedings relating to the Oconee, McGuire and Catawba nuclear stations. Under such agreement, which is contingent upon approval by the AEC and settlement of certain wholesale rate cases, the Company would be required to interconnect and coordinate reserves through the purchase and sale of emergency and limited term power with any neighboring bulk power supplier. The Company would also be required under certain conditions to wheel power for any such supplier in a bona fide wholesale power transaction. Such agreement would not, however, require the Company to sell firm or unit power or an ownership interest in any of its generating facilities nor would it require the Company to engage in a program of staggered construction or any other form of coordinated system development with any neighboring bulk power supplier.

The Company has completed certain calculations relating to the effect on its nuclear units of the emergency core cooling system criteria issued by the AEC, which the AEC has yet to evaluate. However, the Company does not expect that there will be any major changes in maximum permissible levels of operation as a result of such new criteria nor that they will have any effect on its schedule for placing its nuclear units into operation.

*Hydroelectric Licenses.* The principal hydroelectric projects of the Company are licensed by the FPC under Part I of the Federal Power Act. Eleven developments on the Catawba-Wateree River in North Carolina and South Carolina, with a nameplate rating of 804,940 KW, are licensed for a term expiring in 2008. The Company also holds a license for a term expiring in 2016 covering a power generation development on the upper tributaries of the Savannah River in northwestern South Carolina. Certain hydroelectric and pumped storage units in such development, with a nameplate rating of 445,000 KW, have been completed and two hydroelectric and pumped storage units, with a nameplate rating of 305,000 KW, are under construction (see "Construction Program"). The Federal Power Act provides, among other things, that upon the expiration of any license issued by the FPC thereunder the United States may (a) grant a new license to the licensee for the project, (b) take over the project upon payment to the licensee of its "net investment" in the project (but not in excess of the fair value thereof) plus severance damages, or (c) grant a license for the project to a new licensee subject to payment to the former licensee of the amount specified in (b) above.

#### Litigation

In June 1973 a proceeding entitled *Carolina Environmental Study Group, Inc., et al., v. United States Atomic Energy Commission, et al.*, was instituted in the United States District Court for the Western District of North Carolina, naming the AEC, its Commissioners and the Company as defendants and

asking for a preliminary and permanent injunction against continued construction of the McGuire Nuclear Station. In addition, a judgment is sought in connection with the construction of such nuclear station, declaring, among other things, that the environmental statement prepared by the AEC did not comply with the procedural requirements of the National Environmental Policy Act of 1969, that the issuance of the construction permit did not comply with controlling statutory and constitutional substantive standards and that the decision to authorize construction was constitutionally void because of an alleged conflict of interest involving the regulatory and promotional functions of the AEC regarding the use of atomic energy (see "Construction Program" and "Business—Regulation—Nuclear Facilities"). The Company has made a motion to dismiss the proceeding. The Company cannot predict the outcome of this litigation but, if the plaintiffs should be successful, the Company's ability to meet the energy needs of its customers in the late 1970s may be materially affected.

In May 1973 a lawsuit entitled *Ralph Nader, et al., v. Dixy Lee Ray, et al.*, was filed in the United States District Court for the District of Columbia against the AEC seeking a declaratory judgment and injunctive relief. Such lawsuit sought to require the AEC to revoke the operating licenses and to halt the operation of 20 nuclear stations, including the Company's Oconee Unit No. 1 (see "Business—Energy Requirements and Capability"). The plaintiffs alleged that the interim criteria adopted by the AEC for emergency core cooling systems for the stations are inadequate and constitute a threat to public health and safety. In June 1973 the complaint was dismissed and summary judgment was granted in favor of the defendants and intervenors, including the Company. The plaintiffs' appeal of this decision has been dismissed. In July 1973 the plaintiffs filed a petition with the AEC alleging matters similar to those set forth in such lawsuit. In August 1973 the AEC denied such petition, and the plaintiffs have appealed. Oral arguments have been heard regarding this appeal and a decision is expected shortly.

On April 8, 1974, the Senior Citizens Clubs of Winston-Salem, North Carolina, instituted an alleged class action in the United States District Court for the Western District of North Carolina seeking to restrain the Company from collecting approximately 40% of the 16.8% retail rate increase which the Company had placed into effect in North Carolina on April 15, 1974 and asking for a declaration that the statute permitting the Company to put such portion of the increase into effect is unconstitutional. Such 16.8% increase was approved by the NCUC on October 10, 1974. The Company believes that a recent favorable summary decision of the Supreme Court of the United States determining that a comparable statute is constitutional is controlling. For additional information relating to litigation regarding the Company's recent rate increases and fuel adjustment clauses, see "Rate Matters".

#### **VACAR Group and Interconnections**

In 1970 the Company, Carolina Power & Light Company, South Carolina Electric & Gas Company and Virginia Electric and Power Company entered into an agreement for reliability planning, known as the Virginia-Carolinas Reliability Group Agreement, creating the VACAR Group as one of the several sub-regions within the Southeastern Electric Reliability Council (SERC). This arrangement is supplemented by bilateral interchange agreements providing for emergency assistance and for the exchange of capacity and energy.

SERC coordinates planning information for reliability of all bulk power supply systems in the Southeast, whether investor owned or publicly owned. VACAR, as a sub-region of SERC, coordinates reliability planning and operation in the VACAR area of SERC. The VACAR Group is open for membership to other bulk power producers in the Carolinas and Virginia which are eligible for membership in SERC, and now also includes South Carolina Public Service Authority, Southeastern Power Administration and Yadkin, Inc.

The Company has major interconnections and operating agreements with Carolina Power & Light Company, South Carolina Electric & Gas Company, Southeastern Power Administration, Georgia Power Company, Appalachian Power Company and Yadkin, Inc. To improve reliability of bulk power supply, the Company has an agreement with Carolina Power & Light Company, South Carolina Electric & Gas Company, Virginia Electric and Power Company, Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company to promote coordination of planning and operation of generating and bulk power transmission facilities. To further improve reliability of bulk power supply, the VACAR Group also has arrangements with the East Central Area Reliability Coordination and Mid-Atlantic Area Coordination Committees to promote coordination of planning and operation of generation and bulk power transmission through the Mid-Atlantic and East Central United States.

At December 31, 1974 the Company's capacity to receive power, under normal conditions and subject to availability from other systems, amounted to approximately 2,000,000 KW.

### **Competition**

The Company currently is subject to competition in some areas from government-owned power systems, municipally-owned electric systems and rural electric cooperatives and, in certain instances, from other private utilities. Legislation in North Carolina and South Carolina provides for the assignment by the NCUC and the PSC, respectively, of all areas outside municipalities in such States to power companies and rural electric cooperatives. Substantially all of the territory comprising the Company's service area has been so assigned. The remaining areas have been designated as unassigned or will be assigned at a later date. In such areas, the Company remains subject to competition. Until recently, municipalities in North Carolina were apparently in free competition with other electric suppliers outside the limits of the municipalities. However, the North Carolina Supreme Court in April 1974 rendered a decision which in some instances will limit the right of North Carolina municipalities to serve outside their corporate limits. In South Carolina there continues to be competition between municipalities and other electric suppliers outside the corporate limits of the municipalities, subject, however, to the regulation of the PSC.

EPIC, a corporation organized by certain municipally-owned electric systems and rural electric cooperatives in North Carolina, is taking steps with respect to determining the feasibility of building generating and transmission facilities to serve the needs of its constituent members. This project, if ultimately consummated, would provide increased competition for the Company. Sales to municipalities and rural electric cooperatives in North Carolina accounted for about 10% of the Company's KWH sales and about 7% of its revenues for the 12 months ended October 31, 1974.

### **Employees**

On December 31, 1974 the Company employed approximately 12,300 persons, of whom approximately 4,200 were engaged in generating plant construction including design and engineering. About 1,800 electrical operating employees are represented by the International Brotherhood of Electrical Workers (IBEW) with which the Company has a labor agreement which expires on September 30, 1975. The Company's coal-mining subsidiary, Eastover Mining Company, employs approximately 600 persons, the majority of whom is represented by labor unions.

# Duke Power Service Area



## MANAGEMENT

### Directors and Principal Officers

D. W. BOOTH  
Senior Vice President,  
Retail Operations

ROBERT C. EDWARDS  
President, Clemson University

WILLIAM H. GRIGG  
Senior Vice President,  
Legal and Finance

R. B. HENNEY  
Executive Director,  
The Duke Endowment

JOHN D. HICKS  
Vice President,  
Corporate Affairs

HOWARD HOLDERNESS  
Chairman of the Board,  
Jefferson-Pilot Corporation

CARL HORN, JR.  
President

HERMAN W. LAY  
Chairman of the Executive  
Committee, PepsiCo, Inc.

W. S. LEE  
Senior Vice President,  
Engineering and Construction

J. P. LUCAS, JR.  
Vice President,  
Public Affairs

W. B. MCGUIRE  
Former President ;  
Consultant to the Company

B. B. PARKER  
Executive Vice President  
and General Manager

MARSHALL I. PICKENS  
Trustee,  
The Duke Endowment

ADDISON H. REESE  
Chairman of the Finance  
Committee, North Carolina  
National Bank and NCNB  
Corporation

A. C. THIES  
Senior Vice President,  
Production and Transmission

CHAS. B. WADE, JR.  
Senior Vice President,  
R. J. Reynolds Industries, Inc.

### Other Principal Officers

KEITH A. ARLEDGE  
Vice President,  
Western Division

F. W. BEYER  
Vice President,  
System Planning

C. J. BLADES  
Vice President,  
Real Estate

W. J. BURTON  
Vice President,  
Corporate Communications

HENRY CRANFORD  
Vice President,  
Central Division

E. R. DAVIS  
Vice President,  
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Division Operations

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Vice President,  
Personnel

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Steam Production

T. M. PATRICK, JR.  
Vice President,  
Eastern Division

STEVE C. GRIFFITH, JR.  
General Counsel

WILLIAM R. STIMART  
Treasurer

P. A. HAUSER  
Controller

GEORGE W. FERGUSON, JR.  
Secretary

## DESCRIPTION OF THE NEW BONDS

The New Bonds are to be issued as a series of an issue of First and Refunding Mortgage Bonds (the Bonds) under a First and Refunding Mortgage, dated as of December 1, 1927 (the Indenture), between the Company and Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as Trustee (the Trustee), as supplemented and amended, and as to be supplemented by a supplemental indenture to be dated as of February 1, 1975. The Indenture, as heretofore supplemented and amended and as to be supplemented by said supplemental indenture, is hereinafter called the "Mortgage". The statements under this heading are subject to the detailed provisions of the Mortgage. They are summaries which make use of terms defined in the Mortgage but which do not purport to be complete.

### Form, Denominations and Exchangeability

The New Bonds will be issuable only in fully registered form, without coupons, in denominations of \$1,000 and multiples thereof and will be exchangeable for a like aggregate principal amount of New Bonds of other authorized denominations. No charge will be made for any transfer or exchange of the New Bonds, but the Company may require payment of a sum sufficient to cover any stamp tax or other governmental charge incident thereto. Transfers and exchanges of the New Bonds may be made at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015.

### Interest, Maturity and Payment

The New Bonds are to bear interest from February 1, 1975, at the rate shown in their title, payable February 1 and August 1 in each year, and are to be due February 1, 2005. Interest will be paid to the persons in whose names the New Bonds are registered at the close of business on the 15th day (whether or not a business day) of the month preceding the interest payment date, except for defaulted interest and unmatured accrued interest on New Bonds called for redemption on a date other than an interest payment date. Principal and interest are payable in New York City.

### Redemption

The New Bonds are to be redeemable (otherwise than for the Replacement Fund or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action), in whole at any time or in part from time to time at the option of the Company, at the regular redemption prices (expressed in percentages of their principal amounts) set forth on the following page; provided, however, that prior to February 1, 1985 the New Bonds may not be so redeemed if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds having an effective interest cost to the Company (calculated in accordance with generally accepted financial practice) of less than the interest rate of the New Bonds; and the New Bonds are also subject to redemption for the Replacement Fund or upon application of moneys arising from a taking of any of the mortgaged property by eminent domain or similar action, at any time or from time to time, at the special redemption price of 100% of their principal amount; together, in each case, with interest accrued thereon to the date of redemption, and upon not less than thirty days' and not more than sixty days' published notice.

<u>If Redeemed During 12 Month Period Beginning February 1</u>	<u>Regular Redemption Prices</u>	<u>If Redeemed During 12 Month Period Beginning February 1</u>	<u>Regular Redemption Prices</u>
1975.....	109.00%	1990.....	104.35%
1976.....	108.69%	1991.....	104.03%
1977.....	108.38%	1992.....	103.72%
1978.....	108.07%	1993.....	103.41%
1979.....	107.76%	1994.....	103.10%
1980.....	107.45%	1995.....	102.79%
1981.....	107.14%	1996.....	102.48%
1982.....	106.83%	1997.....	102.17%
1983.....	106.52%	1998.....	101.86%
1984.....	106.21%	1999.....	101.55%
1985.....	105.90%	2000.....	101.24%
1986.....	105.59%	2001.....	100.93%
1987.....	105.28%	2002.....	100.62%
1988.....	104.97%	2003.....	100.31%
1989.....	104.66%	2004.....	100.00%

#### Replacement Fund

The Company is required to deposit with the Trustee annually, for a Replacement Fund, the sum of the replacement requirements (as defined) for all years beginning with 1949 and ending with the last calendar year preceding the date of the deposit, after deducting therefrom (1) the aggregate original cost of all fixed property (electric) retired during such period, which amount shall not exceed the aggregate of the gross amounts of additional property (electric) acquired or constructed by the Company during the same period; and (2) the aggregate amount of cash theretofore deposited by the Company with the Trustee, or which would have been required to be so deposited except for permitted reductions, under the Replacement Fund.

The "replacement requirement" in respect of any year is 2½% of the average "amount of depreciable fixed property" (electric) as at the beginning and end of such year, but shall not exceed the depreciation or retirement charges permitted by any governmental authority, or the amount deductible as depreciation or similar expense for Federal income tax purposes. The "amount of depreciable fixed property" (electric) is the amount by which the sum of \$192,913,385, plus the aggregate gross amount of all depreciable additional property (electric) acquired or constructed by the Company from January 1, 1949 to the date as of which such amount is determined, exceeds the original cost of all depreciable fixed property (electric) retired during such period or released from the lien of the Mortgage.

Upon application of the Company, the amount of cash at any time required to be deposited in the Replacement Fund may be reduced, and any cash previously so deposited and then held by the Trustee may be withdrawn, (1) in an amount equal to 150% of the principal amount of Bonds previously authenticated and delivered under the Mortgage, or refundable prior lien bonds, which shall

be deposited with the Trustee and on the basis of which the Company would otherwise have been entitled to the authentication and delivery of additional Bonds; and (2) in an amount equal to 150% of the principal amount of Bonds to the authentication and delivery of which the Company would otherwise be entitled on the basis of additional property (electric).

Upon application of the Company, the Trustee shall apply cash deposited in the Replacement Fund (and not theretofore withdrawn by the Company) to the payment, purchase or redemption of Bonds issued under the Mortgage or to the purchase of refundable prior lien bonds.

The Company has never deposited any cash with the Trustee pursuant to the Replacement Fund. If any cash should be deposited in the future, the Company has agreed not to apply such cash to the redemption of the New Bonds so long as any of the Bonds presently outstanding, other than the Bonds of the 2.65% Series Due 1977, remain outstanding.

### **Security**

The Mortgage creates a continuing lien to secure the payment of the principal of, and interest on, all Bonds issued thereunder, which are in all respects equally and ratably secured without preference, priority or distinction. The lien of the Mortgage covers substantially all of the properties (real, personal and mixed) and franchises of the Company, whether now owned or hereafter acquired, with certain exceptions including certain after-acquired non-electric properties, cash, accounts receivable, choses in action, inventories of materials and supplies, merchandise held for sale, securities held by the Company, certain after-acquired property not useful in the Company's electric business and certain after-acquired franchises.

The lien of the Mortgage is subject to certain permitted liens and to liens which may exist upon properties acquired subsequent to the making of the Mortgage to the extent of the amounts of prior lien bonds secured by such properties (which shall not exceed 75% of the cost or value thereof) and additions thereto.

### **Issuance of Additional Bonds**

The aggregate amount of Bonds which may be issued under the Mortgage is unlimited. The Bonds of each series shall be of such denominations, date, maturity and interest rate, and may have such redemption, sinking fund or improvement fund provisions, and such other terms, as the Board of Directors of the Company may determine.

Subject to the provisions of the Mortgage, additional Bonds may be authenticated and delivered to an aggregate principal amount not exceeding (1) the amount of cash deposited with the Trustee therefor, (2) the amount of previously authenticated and delivered Bonds and/or refundable prior lien bonds retired or to be retired and which, with certain exceptions, are deposited with the Trustee therefor, or (3) as to additional property (electric) certified to the Trustee subsequent to the date of authentication of the Bonds of the 1979 Series, 66 $\frac{2}{3}$ % of the aggregate of the net amounts thereof.

No additional Bonds may be authenticated and delivered under the Mortgage, other than certain types of refunding Bonds, unless the Company's available net earnings for twelve consecutive calendar months within the fifteen calendar months immediately preceding shall have been at least twice the amount of the annual interest charges on all Bonds outstanding under the Mortgage, including the Bonds applied for, and on all outstanding prior lien bonds not held by the Trustee under the Mortgage.

The Company may not apply for the authentication and delivery of any Bonds (1) to an aggregate principal amount exceeding \$26 million on the basis of additional property (electric) acquired or constructed prior to January 1, 1949, or (2) on the basis of Bonds or prior lien bonds paid, purchased or redeemed prior to February 1, 1949; and the Company may not certify any additional property (electric) which is subject to the lien of any prior lien bonds for the purpose of establishing such prior lien bonds as refundable if the aggregate principal amount of such prior lien bonds exceeds 66 $\frac{2}{3}$ % of the net amount of such additional property subject to the lien of such prior lien bonds.

After giving effect to the issuance of the New Bonds, to be issued against 66 $\frac{2}{3}$ % of net property additions (electric), the Company had available as of November 30, 1974 property additions (electric) which would permit the Company to issue under the Mortgage approximately \$770 million additional principal amount of Bonds.

#### **Release Provisions**

The Mortgage permits the Company to dispose of certain property and take certain other action without release by the Trustee, and permits mortgaged property to be released upon the deposit of cash or equivalent consideration equal to the value of the property to be released. The Mortgage contains provisions under which, in certain events and within certain limitations, cash received by the Trustee (other than for the Replacement Fund or as the basis for the issuance of Bonds) shall be paid out by the Trustee upon application of the Company.

Cash deposited with the Trustee for the Replacement Fund may be withdrawn by the Company as outlined under the subcaption "Replacement Fund" above. Cash deposited with the Trustee as the basis for the issuance of Bonds may be withdrawn by the Company, upon application to the Trustee, to an amount equal to the aggregate principal amount of any Bonds to the authentication and delivery of which the Company shall have become entitled on the basis of additional property (electric), on the basis of Bonds previously authenticated and delivered, or on the basis of refundable prior lien bonds.

#### **Amendments of Mortgage**

Amendments of the Mortgage may be made with the consent of the holders of 66 $\frac{2}{3}$ % of the Bonds; but no amendment shall affect the terms of payment of the principal at maturity of, or the interest or premium on, any Bond or affect the rights of Bondholders to sue to enforce any such payment at maturity, or reduce the percentage required to effect a valid amendment; nor shall any amendment affect the rights under the Mortgage of the holders of less than all of the series of Bonds outstanding unless consented to by the holders of 66 $\frac{2}{3}$ % of the Bonds of each of the series so affected.

The covenants to be included in the supplemental indenture to be dated as of February 1, 1975 will be solely for the benefit of holders of the New Bonds and may be modified by written consent or affirmative vote of holders of 66 $\frac{2}{3}$ % of the New Bonds outstanding, without consent of Bondholders of any other series.

#### **Default**

The Trustee may, and upon written request by the holders of not less than a majority of the outstanding Bonds shall, declare the principal of all outstanding Bonds due upon the happening of any of the events of default specified in the Mortgage, but the holders of a majority of the outstanding Bonds may waive such default and rescind any declaration if such default has been cured. The Trustee is under no

obligation to exercise any of its powers at the request of any of the holders of the Bonds unless such Bondholders have offered to the Trustee security or indemnity satisfactory to it against the cost, expenses and liabilities to be incurred therein or thereby. The holders of a majority in principal amount of the Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, and the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with any such direction.

Events of default are defined in the Mortgage as including (a) default in the payment of principal, (b) default for 60 days in the payment of interest, (c) default in the performance of any other covenants in the Mortgage continuing for a period of 60 days after notice by the Trustee or by the holders of not less than 10% in principal amount of the Bonds then outstanding, and (d) certain events in bankruptcy or insolvency. The Company is required to furnish annually to the Trustee a certificate in respect of compliance or noncompliance by the Company with the covenants of the Mortgage.

#### **Concerning the Trustee**

The Trustee, Morgan Guaranty Trust Company of New York, also acts as a Transfer Agent for the Company's capital stocks and is a depository of part of the Company's funds. It also holds a \$10 million term note of the Company and has a participation of \$40 million in the Company's bank lines of credit.

#### **EXPERTS**

The financial statements as of December 31, 1973 and for the five years then ended included in this Prospectus have been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion (which is subject for 1973 to final settlement of certain rate matters) appearing herein, and have been so included in reliance upon such opinion given upon the authority of that firm as experts in accounting and auditing.

#### **LEGAL OPINIONS**

The validity of the New Bonds will be passed upon for the Company by Steve C. Griffith, Jr., Esq., Charlotte, North Carolina, and by Reid & Priest, New York, New York, and for the Underwriters by Brown, Wood, Fuller, Caldwell & Ivey, New York, New York. In giving their opinions, Reid & Priest and Brown, Wood, Fuller, Caldwell & Ivey may rely as to matters of local law upon the opinion of Mr. Griffith, who is General Counsel of the Company. Mr. Griffith owns 796 shares of Common Stock of the Company, including 740 shares held under the Company's Stock Purchase-Savings Program for Employees.

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## AUDITORS' OPINION

### DUKE POWER COMPANY:

We have examined the balance sheet and the statement of capitalization of Duke Power Company as of December 31, 1973 and the related statements of earnings, retained earnings, and source of funds for plant construction costs for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject for 1973 to final settlement of the rate matters referred to in the second paragraph of note (a) to the statement of earnings, the above-mentioned financial statements present fairly the financial position of the Company at December 31, 1973 and the results of its operations and the source of its funds for plant construction costs for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Charlotte, North Carolina  
February 15, 1974

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# DUKE POWER COMPANY

## BALANCE SHEET (Thousands of Dollars)

### ASSETS

	<u>December 31, 1973</u>	<u>October 31, 1974 (Unaudited)</u>
Electric Plant—at original cost (notes 1 and 3):		
Electric plant in service .....	\$2,500,520	\$2,958,235
Construction work in progress (includes in 1973, \$492,808 of nuclear and \$268,278 of other generating facilities and in 1974, \$540,298 of nuclear and \$187,261 of other generating facilities) .....	866,021	826,067
Total .....	<u>3,366,541</u>	<u>3,784,302</u>
Less accumulated depreciation and amortization .....	652,652	726,468
Electric plant, net .....	<u>2,713,889</u>	<u>3,057,834</u>
Other Property and Investments:		
Other property—at cost (less accumulated depreciation: 1973—\$3,106; 1974—\$3,463) ..	21,261	22,809
Investments in and advances to subsidiaries—at equity (note 2) .....	30,626	45,944
Other securities—at cost or less .....	8,328	8,329
Total other property and investments .....	<u>60,215</u>	<u>77,082</u>
Current Assets:		
Cash .....	14,563	18,533
Receivables (less allowance for losses: 1973—\$716; 1974—\$668) .....	60,148	82,819
Materials and supplies—at average cost:		
Fuel .....	24,611	59,561
Other .....	38,925	52,705
Prepayments .....	489	1,365
Total current assets .....	<u>138,736</u>	<u>214,983</u>
Deferred Debits:		
Debt expense being amortized over terms of related debt (note 7) .....	5,466	10,042
Other .....	5,029	4,663
Total deferred debits .....	<u>10,495</u>	<u>14,705</u>
Total .....	<u>\$2,923,335</u>	<u>\$3,364,604</u>

See notes to financial statements.

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DUKE POWER COMPANY

BALANCE SHEET  
(Thousands of Dollars)

LIABILITIES

	December 31, 1973	October 31, 1974 (Unaudited)
Capitalization (see following Statement of Capitalization):		
Common stock equity .....	\$ 796,730	\$ 880,713
Preference and preferred stock .....	395,000	395,000
Long-term debt .....	1,502,630	1,658,105
Total .....	<u>2,694,360</u>	<u>2,933,818</u>
Current Liabilities:		
Accounts payable .....	39,128	60,757
Interest accrued .....	27,288	35,265
Taxes accrued .....	8,181	2,012
Customers' deposits .....	2,383	2,962
Common stock dividends declared.....	—	15,285
Other .....	6,346	5,934
Total .....	<u>83,326</u>	<u>122,215</u>
Current portion of long-term debt.....	—	64,000
Notes payable for construction—pending permanent financing (note 6) .....	69,296	143,619
Total current liabilities .....	<u>152,622</u>	<u>329,834</u>
Deferred Credits, etc.:		
Accumulated deferred income taxes (note 1) .....	56,438	91,716
Investment tax credits (note 1) .....	3,746	2,955
Contributions in aid of construction (note 1) .....	11,861	—
Injuries and damages reserve .....	2,250	2,154
Other deferred credits .....	2,058	4,127
Total deferred credits, etc. ....	<u>76,353</u>	<u>100,952</u>
Commitments and Contingent Liabilities (notes 5 and 8)		
Total .....	<u>\$2,923,335</u>	<u>\$3,364,604</u>

See notes to financial statements.

**STATEMENT OF CAPITALIZATION**  
(Thousands of Dollars)

		December 31, 1973	October 31, 1974 (Unaudited)				
			Amount		% of Capital- ization		
Common Stock Equity (note 4):							
Common stock, no par (authorized 70,000,000 shares; 38,750,672 and 43,673,758 shares outstanding for 1973 and 1974, respectively).....		\$ 692,101	\$ 773,774				
Retained earnings (note 2).....		104,629	106,939				
Total common stock equity.....		<u>796,730</u>	<u>880,713</u>		30		
		<b>Redemption Price Per Share</b>					
	Series	Shares Out- standing	Current	Eventual Minimum			
Preference and Preferred Stock (note 4):							
Preference stock, \$100 par, authorized 1,500,000 shares	Convertible 6¾% AA	500,000	\$100.00	\$100.00	50,000	50,000	
Preferred stock, \$100 par, authorized 5,000,000 shares	4.50% C	350,000	102.25	101.00	35,000	35,000	
	5.72% D	350,000	108.00	101.00	35,000	35,000	
	6.72% E	350,000	110.00*	102.00	35,000	35,000	
	8.70% F	600,000	110.00*	101.00	60,000	60,000	
	8.20% G	600,000	110.00*	101.00	60,000	60,000	
	7.80% H	600,000	109.37*	103.52	60,000	60,000	
	7.35% I	600,000	110.00*	101.00	60,000	60,000	
Preferred Stock A, \$25 par, authorized 10,000,000 shares	—	—	—	—	—	—	
Total preference and preferred stock.....					<u>395,000</u>	<u>395,000</u>	14
Long-Term Debt (note 3):							
First and refunding mortgage bonds .....	Rate	Year Due					
	3%	1975.....		40,000	40,000		
	2.65%	1977.....		40,000	40,000		
	2½%	1979.....		40,000	40,000		
	3¼%	1981.....		35,000	35,000		
	3¾%	1986.....		30,000	30,000		
	4½%	1992.....		50,000	50,000		
	4¼%	1992.....		50,000	50,000		
	4½%	1995.....		40,000	40,000		
	5¾%	1997.....		75,000	75,000		
	6¾%	1998.....		75,000	75,000		
	7%	1999.....		75,000	75,000		
	8%	1999.....		75,000	75,000		
	8½%	2000.....		75,000	75,000		
	8¾%	2000.....		100,000	100,000		
	7½%	2001.....		100,000	100,000		
	7¾%	2001.....		40,000	40,000		
	7¾%	2002.....		100,000	100,000		
	7¾%	2002.....		75,000	75,000		
	7¾%	2003.....		100,000	100,000		
	8¾%	2003.....		100,000	100,000		
	9¾%	2004.....		—	100,000		
Sinking fund debentures....	4¾%	1982.....		33,750	33,750		
Notes:							
Term .....	6½%-7%	1975-1978.....		111,000	111,000		
	Floating	1975-1976.....		30,500	49,000		
	13%	1979.....		—	100,000		
Turbine generator leases (note 5) .....							
	—	—		12,380	12,088		
Total .....				<u>1,502,630</u>	<u>1,720,838</u>		
Less current portion of long-term debt.....				—	64,000		
Total .....				<u>1,502,630</u>	<u>1,656,838</u>		
Unamortized debt discount and premium, net (note 7).....				—	1,267		
Total long-term debt .....				<u>1,502,630</u>	<u>1,658,105</u>	56	
Total capitalization .....				<u>\$2,694,360</u>	<u>\$2,933,818</u>	<u>100</u>	

\* Redemption subject to certain restrictions regarding refunding operations.  
See notes to financial statements.

**STATEMENT OF CAPITALIZATION**  
(Thousands of Dollars)

		December 31, 1973	October 31, 1974 (Unaudited)	
			Amount	% of Capital- ization
Common Stock Equity (note 4):				
Common stock, no par (authorized 70,000,000 shares; 38,750,672 and 43,673,758 shares outstanding for 1973 and 1974, respectively).....		\$ 692,101	\$ 773,774	
Retained earnings (note 2).....		104,629	106,939	
Total common stock equity.....		<u>796,730</u>	<u>880,713</u>	30
		Redemption Price Per Share		
		Shares Out- standing	Current	Eventual Minimum
Preference and Preferred Stock (note 4):				
Preference stock, \$100 par, authorized 1,500,000 shares	Convertible 6¾% AA	500,000	\$100.00	\$100.00
Preferred stock, \$100 par, authorized 5,000,000 shares	4.50% C	350,000	102.25	101.00
	5.72% D	350,000	108.00	101.00
	6.72% E	350,000	110.00*	102.00
	8.70% F	600,000	110.00*	101.00
	8.20% G	600,000	110.00*	101.00
	7.80% H	600,000	109.37*	103.52
	7.35% I	600,000	110.00*	101.00
Preferred Stock A, \$25 par, authorized 10,000,000 shares	—	—	—	—
Total preference and preferred stock.....		<u>395,000</u>	<u>395,000</u>	14
Long-Term Debt (note 3):				
First and refunding mortgage bonds .....	Rate	Year Due		
	3%	1975.....	40,000	40,000
	2.65%	1977.....	40,000	40,000
	2¾%	1979.....	40,000	40,000
	3¼%	1981.....	35,000	35,000
	3¾%	1986.....	30,000	30,000
	4½%	1992.....	50,000	50,000
	4¼%	1992.....	50,000	50,000
	4½%	1995.....	40,000	40,000
	5¾%	1997.....	75,000	75,000
	6¾%	1998.....	75,000	75,000
	7%	1999.....	75,000	75,000
	8%	1999.....	75,000	75,000
	8½%	2000.....	75,000	75,000
	8¾%	2000.....	100,000	100,000
	7½%	2001.....	100,000	100,000
	7¾%	2001.....	40,000	40,000
	7¾%	2002.....	100,000	100,000
	7¾%	2002.....	75,000	75,000
	7¾%	2003.....	100,000	100,000
	8¾%	2003.....	100,000	100,000
	9¾%	2004.....	—	100,000
Sinking fund debentures....	4¾%	1982.....	33,750	33,750
Notes:				
Term .....	6½%-7%	1975-1978.....	111,000	111,000
	Floating	1975-1976.....	30,500	49,000
	13%	1979.....	—	100,000
Turbine generator leases (note 5) .....				
	—	—	12,380	12,088
Total .....			<u>1,502,630</u>	<u>1,720,838</u>
Less current portion of long-term debt .....			—	64,000
Total .....			<u>1,502,630</u>	<u>1,656,838</u>
Unamortized debt discount and premium, net (note 7) .....			—	1,267
Total long-term debt .....			<u>1,502,630</u>	<u>1,658,105</u>
Total capitalization .....			<u>\$2,694,360</u>	<u>\$2,933,818</u>

\* Redemption subject to certain restrictions regarding refunding operations.  
See notes to financial statements.

## DUKE POWER COMPANY

### STATEMENT OF RETAINED EARNINGS

	Year Ended December 31					12 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	(Unaudited)
	(Thousands of Dollars)					
Balance at Beginning of Period.....	\$ 52,775	\$ 66,941	\$ 71,422	\$ 81,818	\$ 88,918	\$ 92,725
Add:						
Net income .....	54,417	51,178	71,855	80,367	99,562	105,918
Undistributed earnings of subsidiaries (note 2).....	—	3,098	—	—	—	—
Total .....	<u>107,192</u>	<u>121,217</u>	<u>143,277</u>	<u>162,185</u>	<u>188,480</u>	<u>198,643</u>
Deduct:						
Dividends:						
Common stock .....	32,478	35,271	40,763	47,758	54,036	59,267
Preference stock—6¾% Convertible Series AA....	1,040	3,375	3,375	3,375	3,375	3,375
Preferred stock (annual rates indicated):						
Series C (\$4.50).....	1,575	1,575	1,575	1,575	1,575	1,575
Series D (\$5.72).....	2,002	2,002	2,002	2,002	2,002	2,002
Series E (\$6.72).....	2,352	2,352	2,352	2,352	2,352	2,352
Series F (\$8.70).....	—	1,873	5,220	5,220	5,220	5,220
Series G (\$8.20).....	—	—	1,817	4,920	4,920	4,920
Series H (\$7.80).....	—	—	—	2,457	4,680	4,680
Series I (\$7.35).....	—	—	—	—	3,332	4,410
Capital stock expense.....	804	3,347	4,355	3,608	2,359	3,903
Total deductions .....	<u>40,251</u>	<u>49,795</u>	<u>61,459</u>	<u>73,267</u>	<u>83,851</u>	<u>91,704</u>
Balance at End of Period.....	<u>\$ 66,941</u>	<u>\$ 71,422</u>	<u>\$ 81,818</u>	<u>\$ 88,918</u>	<u>\$104,629</u>	<u>\$106,939</u>
Common dividends per share.....	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40

See notes to financial statements.

## DUKE POWER COMPANY

### STATEMENT OF SOURCE OF FUNDS FOR PLANT CONSTRUCTION COSTS

Source of Funds:	Year Ended December 31					12 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	(Unaudited)
	(Thousands of Dollars)					
Funds from operations:						
Net income .....	\$ 54,417	\$ 51,178	\$ 71,855	\$ 80,367	\$ 99,562	\$105,918
Non-cash items:						
Depreciation and amortization.....	42,720	49,377	54,238	61,030	76,300	94,787
Deferred income taxes, net.....	—	1,812	6,800	17,097	25,272	36,197
Common equity component of the allowance for funds used during construction.....	(8,766)	(11,619)	(19,541)	(27,026)	(29,492)	(29,462)
Other, net (deduction).....	1,507	(1,509)	(941)	(619)	(797)	2,693
Funds from operations.....	89,878	89,239	112,411	130,849	170,845	210,133
Dividends paid on common stock.....	(32,478)	(35,271)	(40,763)	(47,758)	(54,036)	(57,521)
Dividends paid on preference and preferred stock	(6,969)	(11,177)	(16,341)	(21,901)	(27,456)	(28,717)
Funds retained in the business.....	50,431	42,791	55,307	61,190	89,353	123,895
Funds from financing—net proceeds:						
First mortgage bonds.....	148,402	173,401	138,946	174,563	198,823	196,774
Term notes .....	—	—	59,537	50,935	30,499	127,629
Common stock .....	2,791	64,174	108,813	116,111	72,001	79,035
Preference and preferred stock.....	49,195	59,127	59,142	60,055	59,759	—
Increase (decrease) in notes payable.....	28,477	60,989	(70,463)	(23,343)	(26,704)	22,142
Retirement of long-term debt.....	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(2,940)
Sale and lease of combustion turbine generators...	—	—	65,500	—	—	—
Funds from financing.....	227,615	356,441	360,225	377,071	333,128	422,640
Total available funds.....	278,046	399,232	415,532	438,261	422,481	546,535
Decrease (increase) in working capital, etc.:						
Materials and supplies.....	76	(26,591)	1,172	(10,703)	6,578	(45,733)
Investments in and advances to subsidiaries.....	(2,557)	(2,021)	(4,486)	4,477	62	(8,550)
Other .....	(1,525)	2,516	(6,127)	(5,303)	20,340	(7,613)
Plant construction expenditures.....	274,040	373,136	406,091	426,732	449,461	484,639
Common Equity Component of the Allowance for Funds Used During Construction.....	8,766	11,619	19,541	27,026	29,492	29,462
Plant construction costs.....	\$282,806	\$384,755	\$425,632	\$453,758	\$478,953	\$514,101

See notes to financial statements.

## DUKE POWER COMPANY

### NOTES TO FINANCIAL STATEMENTS

For the Five Years Ended December 31, 1973  
and (Unaudited) for the 12 Months Ended October 31, 1974

#### 1. Summary of Significant Accounting Policies

The Company follows the accrual basis of accounting in all substantial respects to properly match costs with revenues in the determination of Earnings for Common Stock. The following are significant accounting policies.

A. *Electric Plant.* The Company charges to construction all direct labor and material, as well as related indirect construction costs including general engineering, research, development, taxes and the cost of money (allowance for funds used during construction).

The cost of repairs and replacements representing less than a unit of property is charged to electric expenses; the cost of renewals and betterments of units of property is capitalized. The original cost of property retired, together with removal costs less salvage, is charged to accumulated depreciation.

Effective January 1, 1974, contributions in aid of construction were reclassified to Electric Plant in accordance with prescribed regulatory accounting procedures.

B. *Depreciation and Amortization.* Provisions for depreciation are recorded using the straight-line method. The annual average percentage depreciation rates ranged from 3.17% to 3.46% during the five years and 10 months ended October 31, 1974. Provisions for amortization of nuclear fuel are recorded using the unit of production method.

C. *Income Taxes.* The provision for deferred income taxes reflects principally the use of normalization accounting for differences in book and tax depreciation arising from the use of accelerated tax depreciation, except for certain plant additions in 1968 and 1969. Other plant acquired prior to 1970 was depreciated on the straight-line basis.

Income taxes are allocated to electric operating expense and to non-electric operations under "Other Income". The income tax-credit classified under "Other Income" results principally from the tax deductions related to interest expense arising from investments in non-utility properties, mainly construction work in progress.

Income tax reductions arising from the 4% Job Development investment tax credit placed in effect during 1971 are being amortized over the depreciable lives of the related property, and those arising from the 3% investment tax credit in effect until 1969 are being amortized, as approved by regulatory authorities, over a five-year period. The Company has \$17,944,000 of unused 1972 and 1973 investment tax credits available for carryover to future years.

D. *Retirement Plan Cost.* The Company has a non-contributory retirement plan for the benefit of its employees. The Company's policy is to fund pension cost accrued, which amounted to \$3,979,000, \$4,443,000, \$4,185,000, \$5,285,000, \$5,783,000 and \$5,722,000 for 1969, 1970, 1971, 1972, 1973 and the 12 months ended October 31, 1974, respectively. During 1973 the plan was amended to raise the level of

## DUKE POWER COMPANY

### NOTES TO FINANCIAL STATEMENTS—(Continued)

benefits for employees and retirees and the assumed earnings rate on investments was increased from  $3\frac{1}{2}\%$  to  $4\frac{1}{4}\%$ . The changes had no material effect on annual costs for the plan. Unfunded prior service cost amounting to \$4,319,000 and \$3,870,000 at December 31, 1973 and October 31, 1974, respectively, is being amortized over a ten-year period.

#### 2. Subsidiaries

The Company has four operating subsidiaries: Mill-Power Supply Company, a wholesale jobber and distributor of electrical supplies and equipment (which acts as purchasing agent for the Company); Crescent Land & Timber Corp., a land management and forestry company; Eastover Mining Company, a coal mining company; and Eastover Land Company, a real estate and mineral holding company.

The Company adopted, as of January 1, 1970, the equity method of accounting for such subsidiaries and included in its financial statements \$3,098,000 representing the excess of equity in net assets of subsidiaries over cost as of January 1, 1970, thereby increasing the investment in subsidiaries and retained earnings by that amount. Retained earnings include \$6,786,000 and \$6,766,000 of undistributed earnings of subsidiaries at December 31, 1973 and October 31, 1974, respectively. Cash dividends received from subsidiaries for 1969, 1970, 1971, 1972, 1973 and the 12 months ended October 31, 1974 were \$1,200,000, \$1,200,000, \$800,000, \$1,000,000, \$1,000,000 and \$250,000, respectively.

#### 3. Long-Term Debt

Substantially all electric plant is mortgaged under the Indenture relating to the First and Refunding Mortgage Bonds which does not specify any authorized amount of Bonds, issuance being limited by property additions, earnings and other provisions of such Indenture. The Indentures relating to the  $4\frac{7}{8}\%$  Sinking Fund Debentures due September 1, 1982, 6.85% Term Notes due December 1, 1978 and 13% Notes due September 1, 1979 limit such issues to their presently outstanding principal amounts. The sinking fund provisions of the  $4\frac{7}{8}\%$  Sinking Fund Debentures require the annual retirement of \$1,250,000 principal amount of such Debentures.

The amounts of long-term debt maturities due and payable (including sinking fund requirements) through 1979 are \$84,750,000 in 1975 (\$40,000,000 of which was paid on January 2, 1975), \$29,800,000 in 1976, \$69,200,000 in 1977, \$61,250,000 in 1978 and \$141,250,000 in 1979.

#### 4. Capital Stock and Retained Earnings

The preference and preferred stocks are callable, in whole or in part, at redemption prices which decline over a period of years within the limits shown in the Statement of Capitalization, plus dividends accrued to the redemption date.

The 7.35% Preferred Stock, Series I, provides for a sinking fund for the annual redemption of 24,000 shares at \$100 per share on a cumulative basis beginning March 16, 1984. The Company may at its option

## DUKE POWER COMPANY

### NOTES TO FINANCIAL STATEMENTS—(Continued)

redeem an additional 24,000 shares annually at \$100 per share beginning March 16, 1984; such redemption option is non-cumulative and is limited to an aggregate of 200,000 shares.

The outstanding Preference Stock, 6¾% Convertible Series AA, is convertible into shares of common stock at the adjusted conversion price of \$29.28, effective April 18, 1974 (adjusted to \$27.73, effective November 8, 1974 as a result of the issuance of 4,000,000 shares of Common Stock), each share of such Preference Stock being taken at \$100 for such purposes. Such conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution.

Shares of capital stock reserved for conversion or other rights were as follows:

	December 31, 1973	October 31, 1974
Conversion of the Preference Stock, 6¾% Convertible Series AA . . . .	1,624,959	1,707,650
Stock Purchase-Savings Program for Employees . . . . .	811,411	510,026
Dividend Reinvestment and Stock Purchase Plan . . . . .	244,650	122,949
Total . . . . .	2,681,020	2,340,625

Issues of shares of capital stock for the five years and 10 months ended October 31, 1974 were as follows:

	Year Ended December 31					10 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	
Common:						
Public sales . . . . .	—	2,500,000	4,000,000	5,000,000	3,000,000	4,500,000
Stock Purchase-Savings Program for Employees	79,440	134,098	152,417	170,610	201,879	301,386
Dividend Reinvestment and Stock Purchase Plan	—	—	—	—	55,350	121,700
Issued in acquisition of properties . . . . .	—	58,639	144,570	93,370	—	—
Total common . . . . .	79,440	2,692,737	4,296,987	5,263,980	3,257,229	4,923,086
Preference:						
Public sale . . . . .	500,000	—	—	—	—	—
Preferred:						
Public sales . . . . .	—	600,000	600,000	600,000	—	—
Private placement . . . . .	—	—	—	—	600,000	—

On November 7, 1974 the Company issued 4,000,000 shares of its Common Stock in a public sale, realizing approximately \$43,000,000.

The Indentures relating to the 4¾% Sinking Fund Debentures due September 1, 1982, 6.85% Term Notes due December 1, 1978 and 13% Notes due September 1, 1979 provide, among other things, for certain restrictions on the payment of cash dividends. Under the terms of such Indentures, no part of the Company's retained earnings as of December 31, 1973 and October 31, 1974 was restricted with respect to the declaration or payment of dividends.

DUKE POWER COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

5. Leases

Rentals incurred during the period January 1, 1969 through October 31, 1974 and rental commitments at October 31, 1974 under all non-cancellable leases (principally non-capitalized financing leases for combustion turbine generators) were as follows:

<u>Period</u>	
Rentals incurred:	
1969 .....	\$ 2,357,000
1970 .....	2,756,000
1971 .....	10,045,000
1972 .....	12,116,000
1973 .....	13,067,000
12 months ended October 31, 1974	13,516,000
Rental commitments:	
1974 .....	13,447,000
1975 .....	12,490,000
1976 .....	11,906,000
1977 .....	11,186,000
1978 .....	10,741,000
1979-1983 .....	49,208,000
1984-1988 .....	26,266,000
1989-1993 .....	1,250,000
Remainder .....	3,000,000

Amounts in 1969, 1970, 1971, 1972, 1973 and the 12 months ended October 31, 1974 include \$1,424,000, \$1,741,000, \$8,837,000, \$10,623,000, \$11,147,000 and \$11,448,000, respectively, charged to Operating Expenses.

Substantially all leases require the Company to pay taxes and operation and maintenance expenses. Rentals and rental commitments under certain combustion turbine generator leases include accruals in excess of current payments in amounts required to equalize annual rent expense and satisfy the obligations of the leases, net of salvage, at the end of the estimated useful life of the generators. Such leases contain options to purchase beginning in 1981 at the lessors' unrecovered cost.

6. Short-Term Borrowings

The Company maintains bank lines of credit with 69 commercial banks and uses these bank lines plus commercial paper to finance its current cash requirements. At October 31, 1974 the aggregate lines of credit were \$163,000,000.

During 1973 and the 12 months ended October 31, 1974, the maximum outstanding short-term borrowings, including commercial paper, were \$121,000,000 and \$193,000,000, respectively, and the averages were \$54,000,000 and \$114,000,000, respectively. Bank loans are for 90 days or less and are at the lending

## DUKE POWER COMPANY

### NOTES TO FINANCIAL STATEMENTS—(Concluded)

banks' commercial prime interest rate. The daily average interest rates of all short-term borrowings for the respective periods were 8% and 11%.

At December 31, 1973 the notes payable for construction consisted of \$51,000,000 of bank loans at interest rates ranging from 9¾% to 10% and \$18,300,000 of commercial paper at 9⅞%. The outstanding amounts at October 31, 1974 were \$72,802,000 of bank loans at interest rates of 11¼% to 12% and \$55,950,000 of commercial paper at 9¾% to 12⅝%. At December 31, 1974 short-term bank borrowings and commercial paper totaled \$126,250,000. Additionally, at October 31 and December 31, 1974, notes payable for construction included \$14,867,000 and \$15,843,000, respectively, of pollution control bond anticipation notes at 5¾% maturing March 11, 1975.

The Company's practice is to maintain bank balances with all banks providing services to it, including those with lines of credit. At October 31, 1974 there were agreements requiring compensating balances of \$3,500,000. The average daily bank balance during 1973 and through October 31, 1974, as determined from bank statements, was approximately \$18,500,000.

#### 7. Unamortized Debt Discount and Premium

Unamortized Debt Discount and Premium has been reclassified to "Long-Term Debt" on and after January 1, 1974.

#### 8. Commitments and Contingent Liabilities

See "Construction Program".

#### 9. Supplementary Earnings Statement Information

In addition to the amounts of maintenance (including repairs) and provisions for depreciation of electric plant which are shown separately in the Statement of Earnings, other amounts, which are not significant, are charged to "Other Income—Other, net" and to clearing and other accounts.

Research and development costs and advertising costs were each less than 1% of total revenues for each of the periods reported. No royalties were paid.

The following tabulation sets forth, for the periods indicated, provisions for general taxes:

	Year Ended December 31					12 Months Ended October 31, 1974
	1969	1970	1971	1972	1973	
	(Thousands of Dollars)					
Real and personal property.....	\$11,756	\$13,358	\$14,777	\$17,606	\$18,128	\$20,123
State and city franchise.....	14,974	16,564	19,269	21,584	26,456	33,862
Other .....	6,897	7,791	8,444	9,476	11,900	12,961
Total .....	<u>\$33,627</u>	<u>\$37,713</u>	<u>\$42,490</u>	<u>\$48,666</u>	<u>\$56,484</u>	<u>\$66,946</u>
Charged to:						
Electric expenses .....	\$31,242	\$35,163	\$39,226	\$44,421	\$50,054	\$58,992
Construction .....	1,936	2,115	2,832	3,760	5,885	7,382
Other income .....	449	435	432	485	545	572
Total .....	<u>\$33,627</u>	<u>\$37,713</u>	<u>\$42,490</u>	<u>\$48,666</u>	<u>\$56,484</u>	<u>\$66,946</u>

## UNDERWRITING

The Underwriters named below have severally agreed to purchase from the Company the following respective principal amounts of the New Bonds:

<u>Underwriter</u>	<u>Principal Amount</u>	<u>Underwriter</u>	<u>Principal Amount</u>
Morgan Stanley & Co. Incorporated.....	\$ 10,200,000	Harris, Upham & Co. Incorporated.....	\$ 700,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated .....	10,300,000	Interstate Securities Corporation .....	700,000
The First Boston Corporation .....	10,200,000	McDonald & Company .....	700,000
Goldman, Sachs & Co. ....	1,750,000	Moseley, Hallgarten & Estabrook Inc. ....	700,000
Salomon Brothers .....	1,750,000	Nomura Securities International, Inc. ....	700,000
Blyth Eastman Dillon & Co. Incorporated ..	1,300,000	Piper, Jaffray & Hopwood Incorporated ...	700,000
Dillon, Read & Co. Inc. ....	1,300,000	Prescott, Ball & Turben .....	700,000
Donaldson, Lufkin & Jenrette Securities Corporation .....	1,300,000	R. W. Pressprich & Co. Incorporated .....	700,000
Drexel Burnham & Co. Incorporated .....	1,300,000	The Robinson-Humphrey Company, Inc. ..	700,000
Halsey, Stuart & Co. Inc. ....	1,300,000	SoGen-Swiss International Corporation ....	700,000
Hornblower & Weeks-Hemphill, Noyes Incorporated .....	1,300,000	Thomson & McKinnon Auchincloss Kohlmeyer Inc. ....	700,000
E. F. Hutton & Company Inc. ....	1,300,000	Spencer Trask & Co. Incorporated.....	700,000
Kidder, Peabody & Co. Incorporated .....	1,300,000	UBS-DB Corporation .....	700,000
Kuhn, Loeb & Co .....	1,300,000	Wheat, First Securities, Inc. ....	700,000
Lazard Freres & Co. ....	1,300,000	Wood, Struthers & Winthrop Inc. ....	700,000
Lehman Brothers Incorporated .....	1,300,000	Advest Co. ....	400,000
Loeb, Rhoades & Co. ....	1,300,000	American Securities Corporation .....	400,000
Paine, Webber, Jackson & Curtis Incorporated .....	1,300,000	Arnhold and S. Bleichroeder, Inc. ....	400,000
Reynolds Securities Inc. ....	1,300,000	Bacon, Whipple & Co. ....	400,000
Smith, Barney & Co. Incorporated .....	1,300,000	William Blair & Company .....	400,000
Wertheim & Co., Inc. ....	1,300,000	Blunt Ellis & Simmons Incorporated .....	400,000
White, Weld & Co. Incorporated .....	1,300,000	Boettcher & Company .....	400,000
Dean Witter & Co. Incorporated.....	1,300,000	Bosworth, Sullivan & Company, Inc. ....	400,000
Bear, Stearns & Co. ....	1,100,000	J. C. Bradford & Co. ....	400,000
L. F. Rothschild & Co. ....	1,100,000	Butcher & Singer .....	400,000
Shearson Hayden Stone Inc. ....	1,100,000	Craigie, Mason-Hagan, Inc. ....	400,000
Shields Model Roland Securities Incorporated .....	1,100,000	Crowell, Weedon & Co. ....	400,000
Weeden & Co. Incorporated.....	1,100,000	A. G. Edwards & Sons, Inc. ....	400,000
ABD Securities Corporation .....	700,000	Edwards & Hanly .....	400,000
Robert W. Baird & Co. Incorporated .....	700,000	Elkins, Stroud, Suplee & Co. ....	400,000
Basle Securities Corporation .....	700,000	Fahnestock & Co. ....	400,000
Bateman Eichler, Hill Richards, Incorporated .....	700,000	Faulkner, Dawkins & Sullivan Securities Corp. ....	400,000
Alex. Brown & Sons .....	700,000	First of Michigan Corporation .....	400,000
Dain, Kalman & Quail, Incorporated .....	700,000	First Southwest Company .....	400,000
		Folger Nolan Fleming Douglas Incorporated	400,000
		Freeman Securities Company, Inc. ....	400,000
		Fulton, Reid & Staples, Inc. ....	400,000
		J. J. B. Hilliard, W. L. Lyons, Inc. ....	400,000

<u>Underwriter</u>	<u>Principal Amount</u>	<u>Underwriter</u>	<u>Principal Amount</u>
Howard, Weil, Labouisse, Friedrichs Incorporated .....	\$ 400,000	Birr, Wilson & Co., Inc. ....	\$ 200,000
Johnson, Lane, Space, Smith & Co., Inc. ...	400,000	Bruns, Nordeman, Rea & Co. ....	200,000
Ladenburg, Thalmann & Co. Inc. ....	400,000	Carolina Securities Corporation .....	200,000
Legg Mason/Wood Walker Div. of First Regional Securities, Inc. ....	400,000	Equitable Securities Corporation .....	200,000
McDaniel Lewis & Co. ....	400,000	First Albany Corporation .....	200,000
Loewi & Co. Incorporated .....	400,000	Furman Securities Co., Inc. ....	200,000
McCarley & Company, Inc. ....	400,000	J. A. Glynn & Co. ....	200,000
Moore, Leonard & Lynch, Incorporated ....	400,000	Gruntal & Co. ....	200,000
Newhard, Cook & Co. Incorporated .....	400,000	Herzfeld & Stern .....	200,000
The Ohio Company .....	400,000	Hoppin, Watson Inc. ....	200,000
Wm. E. Pollock & Co., Inc. ....	400,000	Johnston, Lemon & Co. Incorporated .....	200,000
Rauscher Pierce Securities Corporation ....	400,000	Josephthal & Co. ....	200,000
Reinholdt & Gardner .....	400,000	Kormendi, Byrd Brothers, Inc. ....	200,000
Rotan Mosle Inc. ....	400,000	Parker/Hunter Incorporated .....	200,000
Shuman, Agnew & Co., Inc. ....	400,000	J. Lee Peeler & Company, Inc. ....	200,000
Stern Brothers & Co. ....	400,000	Rand & Co., Inc. ....	200,000
Stüfel, Nicolaus & Company Incorporated ..	400,000	Scott & Stringfellow, Inc. ....	200,000
Stuart Brothers .....	400,000	Storer Ware & Co., Inc. ....	200,000
Sutro & Co. Incorporated .....	400,000	Thomas & Company, Inc. ....	200,000
Tucker, Anthony & R. L. Day .....	400,000	Underwood, Neuhaus & Co. Incorporated ..	200,000
C. E. Unterberg, Towbin Co. ....	400,000	Wagenseller & Durst, Inc. ....	200,000
Anderson & Strudwick, Incorporated .....	200,000	Watling, Lerchen & Co. Incorporated .....	200,000
		Total .....	<u>\$100,000,000</u>

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the New Bonds if any are purchased.

The Company has been advised by Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and The First Boston Corporation, as Representatives of the Underwriters, that the Underwriters propose to offer the New Bonds to the public initially at the offering price set forth on the cover page of this Prospectus and, through the Representatives, to certain dealers at such price less a concession of .50% of the principal amount of the New Bonds; that the Underwriters and such dealers may allow a discount of .25% of such principal amount on sales to other dealers; and that the public offering price and concessions and discounts to dealers may be changed by the Representatives.

The Underwriting Agreement further provides that the Company will indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.

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No dealer, salesman, or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering made by this Prospectus, and if given or made, such information or representations must not be relied upon. This Prospectus does not constitute an offering of any securities other than those to which it relates, or an offering of those to which it relates to any person in any jurisdiction in which such offering may not lawfully be made.

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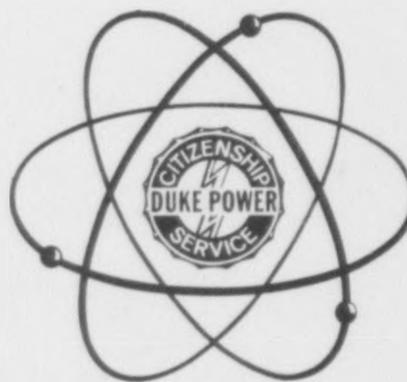
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Duke Power Company

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**\$100,000,000**  
**First and Refunding Mortgage Bonds**  
**9½% Series Due 2005**

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PROSPECTUS



UNIVERSITY OF SOUTH CAROLINA  
COLUMBIA, S. C. 29208

EXHIBIT II  
MARCH 11, 1975

DIVISION OF FINANCE

March 6, 1975

S. C. Budget and Control Board  
P. O. Box 11333  
Columbia, South Carolina 29211

Gentlemen:

The University of South Carolina requests authorization to place its police officers under a Public Employees Blanket Bond in lieu of filing an individual Public Official Bond for each officer. This change would reduce the cost of insurance by a substantial amount.

Due to a change in the rating this year the annual minimum premium on any surety bond other than contract would be \$20.00 and using the number of policemen as 47, this would project an annual premium of \$940.00. Using the same number of employees and furnishing a \$2,500 faithful performance blanket position bond the annual premium on this type bond which affords basically the same coverage would be \$205.00 per year.

Sincerely,

B. A. Daetwyle  
Vice President - Finance

BD:11

CC: Mr. H. Rhodes, Treasurer  
Mr. Philip Grier, Counsel

*Seibels, Bruce & Company*

COMPANY MANAGERS • INSURANCE AND REINSURANCE

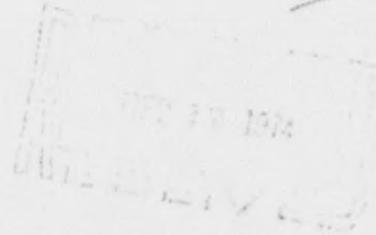
COLUMBIA, SOUTH CAROLINA 29202 • P. O. BOX #1



SINCE 1860

December 16, 1974

*Feb 11 1974  
OR  
MAR 1, 1974*



Mr. Frank Dana  
Dana Insurance Agency  
Columbia, South Carolina

Re: University of South Carolina

Dear Frank:

I have reviewed portions of the South Carolina Code in an effort to determine if University of South Carolina police officers can be covered under a Public Employees Blanket Bond in lieu of filing an individual Public Official Bond for each officer. Reviewing the Code, Section 1240 of the Statutes At Large, this creates the South Carolina Law Enforcement Division and provides for appointment of the Chief and compensated agents by the Governor or the Chief of the Division. This also provides under Section II of the code that before the Chief or any agent shall enter upon his duties he shall first enter into good and sufficient surety bond in the penal sum of two thousand dollars and shall subscribe to the oath provided by law for for peace officers.

Under Section 53-5 of the Code under Peace Officers, this provides for the appointment of these officers without pay as appointed by the Governor. In this Section of the Code it indicates any person appointed by the Governor as Constable or Peace Officer to serve as such without pay who is not under Bond to any County, Municipality, the State or any of its departments, before being commissioned as such officer shall first enter into good and sufficient bond in the penal sum of two thousand dollars. The area of the question I would to pose to the University and/or the Attorney General's Office is whether or not the appointment without pay is an appointment by the Governor for the convenience of an agency which does not have authority or responsibility for commissioning of State Constable or Peace Officers in the Section of the Code 1240 which creates the South Carolina Law Enforcement Division it indicates that all agents appointed by the Governor shall have such rank or title as may be provided under the State Employee Classification System. In other words, if the agents are appointed as compensated officers under Code 1240 it would indicate to me that they have to be titled and paid the prevailing wage of their employed status under the State Employee Classification System. If the Peace Officers at the University of South Carolina are not classified employees under the State System it would indicate to me that their appointment may be they are appointed without compensation by the Governor with the officers to be paid

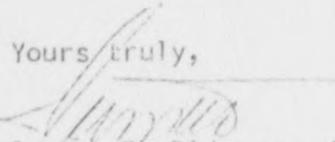
Page 2

at a prevailing or wage established by the University System. If this interpretation is correct then the University of South Carolina could furnish the Bond coverage on their own policemen under a Blanket type of bond and in doing this they would not have to file individual bonds as called for in Section 50-55 of the South Carolina Code.

If the University of South Carolina can file a Public Employees Blanket Bond in lieu of individual bonds this would reduce the cost to them by a substantial amount. Due to a change in the rating this year the annual minimum premium on any surety bond other than contract would be \$20.00 and using the number of policemen as 47, this would project an annual premium of \$940.00. Using the same number of employees and furnishing a \$2,500. faithful performance blanket position bond the annual premium on this type bond which affords basically the same coverage would be \$205.00 per year. If the University wanted this on a three year anniversary basis the total premium would be \$537.00 payable \$179.00 at inception and each anniversary.

Will you please present this information to the University to determine if they would first be interested in the Blanket Bond and if so whether or not the Attorney General's Office concurs with the approach on the appointment as to the officers being appointed in a non-compensated status to the State. If they rule otherwise I see no provisions except to execute the individual bond on each officer and of course at the excessive rate quoted above.

Yours truly,

  
Sumter E. Ridgeway, Secretary  
Underwriting Department

SER-pt-3

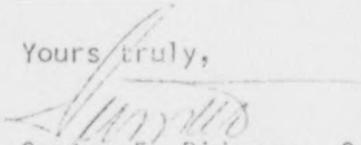
Page 2

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Sumter E. Ridgeway, Secretary  
Underwriting Department

SER-pt-3



UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

DIVISION OF FINANCE

March 6, 1975

S. C. Budget and Control Board  
P. O. Box 11333  
Columbia, South Carolina 29211

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Sincerely,

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B. A. Daetwyle  
Vice President - Finance

BD:11

CC: Mr. H. Rhodes, Treasurer  
Mr. Philip Grier, Counsel



UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

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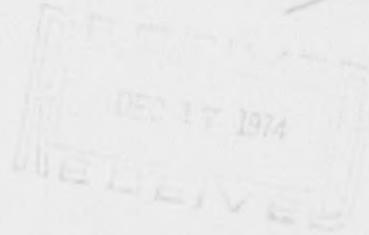
COMPANY MANAGERS • INSURANCE AND REINSURANCE

COLUMBIA, SOUTH CAROLINA 29202 • P. O. BOX #1



December 16, 1974

*Feb 11 1974  
JL  
MAR 1, 1974*



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Dear Frank:

I have reviewed portions of the South Carolina Code in an effort to determine if University of South Carolina police officers can be covered under a Public Employees Blanket Bond in lieu of filing an individual Public Official Bond for each officer. Reviewing the Code, Section 1240 of the Statutes At Large, this creates the South Carolina Law Enforcement Division and provides for appointment of the Chief and compensated agents by the Governor or the Chief of the Division. This also provides under Section II of the code that before the Chief or any agent shall enter upon his duties he shall first enter into good and sufficient surety bond in the penal sum of two thousand dollars and shall subscribe to the oath provided by law for for peace officers.

Under Section 53-5 of the Code under Peace Officers, this provides for the appointment of these officers without pay as appointed by the Governor. In this Section of the Code it indicates any person appointed by the Governor as Constable or Peace Officer to serve as such without pay who is not under Bond to any County, Municipality, the State or any of its departments, before being commissioned as such officer shall first enter into good and sufficient bond in the penal sum of two thousand dollars. The area of the question I would to pose to the University and/or the Attorney General's Office is whether or not the appointment without pay is an appointment by the Governor for the convenience of an agency which does not have authority or responsibility for commissioning of State Constable or Peace Officers in the Section of the Code 1240 which creates the South Carolina Law Enforcement Division it indicates that all agents appointed by the Governor shall have such rank or title as may be provided under the State Employee Classification System. In other words, if the agents are appointed as compensated officers under Code 1240 it would indicate to me that they have to be titled and paid the prevailing wage of their employed status under the State Employee Classification System. If the Peace Officers at the University of South Carolina are not classified employees under the State System it would indicate to me that their appointment may be they are appointed without compensation by the Governor with the officers to be paid

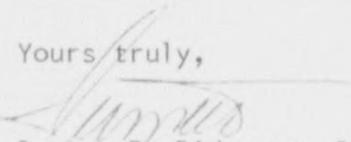
Page 2

at a prevailing or wage established by the University System. If this interpretation is correct then the University of South Carolina could furnish the Bond coverage on their own policemen under a Blanket type of bond and in doing this they would not have to file individual bonds as called for in Section 50-55 of the South Carolina Code.

If the University of South Carolina can file a Public Employees Blanket Bond in lieu of individual bonds this would reduce the cost to them by a substantial amount. Due to a change in the rating this year the annual minimum premium on any surety bond other than contract would be \$20.00 and using the number of policemen as 47, this would project an annual premium of \$940.00. Using the same number of employees and furnishing a \$2,500. faithful performance blanket position bond the annual premium on this type bond which affords basically the same coverage would be \$205.00 per year. If the University wanted this on a three year anniversary basis the total premium would be \$537.00 payable \$179.00 at inception and each anniversary.

Will you please present this information to the University to determine if they would first be interested in the Blanket Bond and if so whether or not the Attorney General's Office concurs with the approach on the appointment as to the officers being appointed in a non-compensated status to the State. If they rule otherwise I see no provisions except to execute the individual bond on each officer and of course at the excessive rate quoted above.

Yours truly,



Sumter E. Ridgeway, Secretary  
Underwriting Department

SER-pt-3

STATE BUDGET AND CONTROL BOARD  
DIVISION OF GENERAL SERVICES  
AGENDA

EXHIBIT III  
MARCH 11, 1975

March 11, 1975

I. Purchase of Vehicles

The manufacture of 1975 model motor vehicles will end in approximately sixty days. We have a number of requests on hand which should be filled before the end of this model year. It is, therefore, recommended:

- A. That high mileage vehicles (above 85,000 miles) may be replaced on a one for one basis
- B. Special purpose vehicles be authorized (van types) for service vehicles and for transportation of individuals for court hearings or for medical care, etc.

II. Utility Rate Increases

The Board is aware of the deficiency appropriations which have been requested because of utility rate increases. It has been suggested that this Division prepare some kind of information for the Public Service Commission on this problem. Statistics can be prepared relating to rates for electricity, gas and telephone which will give some indication of the effect on operating costs in the Central Complex.

It has been recommended that Assistant Attorney General Pat Brehmer amend her motion to intervene in Docket No. 17, 944 now pending before the Public Service Commission from "Representation of Consumer Interest" to "Representation of Consumer and State Interest." The question before the Board is whether or not it is appropriate for the General Services Division to appear before the Public Service Commission in protest of a rate increase on behalf of all State agencies.

Blue Cross -  
Blue Shield  
of South Carolina



EXHIBIT IV  
MARCH 11, 1975

Columbia, S. C. 29219  
803/788-3860

March 6, 1975

Dr. Jack S. Mullins, Director of Personnel Division  
State Budget and Control Board  
1205 Pendleton Street  
Columbia, South Carolina 29201

Dear Dr. Mullins:

As you are aware, this Corporation has committed itself to provide in-patient benefits for treatment of psychiatric and neurological disorders in state mental facilities which are under the direction of the South Carolina Department of Mental Health. The facilities involved in this commitment are the South Carolina State Hospital other than those currently covered under the current contract, which are the William S. Hall Psychiatric Institute for treatment of psychiatric and neurological disorders, Crafts Farrow State Hospital, the Holmes View Center in Greenville, South Carolina, the Central Addiction Facility Demonstration Project in Columbia, South Carolina, and the Palmetto Center in Florence, South Carolina. These latter facilities are for the treatment of alcoholism and drug addiction.

In our considered opinion, based on the study provided by the Department of Mental Health, which includes admissions described by length of stay, total number of beds, and total number of beds available for short term treatment stays, we can provide the thirty days in-patient hospital benefits for psychiatric and neurological disorders at an estimated annual cost to the State of South Carolina Group of \$147,000.00. In that this cost represents .006% to the total cost of the State Employees Group Contract, we would waive the charge at the time of implementation of the benefit, and would waive the charge effective July 1, 1975.

Blue Cross and Blue Shield of South Carolina is committed to deliver the benefits described to all Blue Cross and Blue Shield subscribers in South Carolina, and in order to accomplish this, it is necessary for us to determine the acceptability of this venture through you on behalf of the Budget and Control Board in order that we may provide the benefits to the employees of the State of South Carolina.

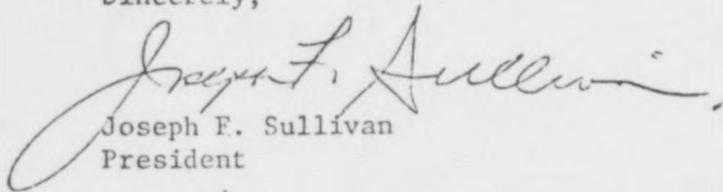
A further comment relating to this benefit is that the cost estimates and charges referred to will be applied in the same fashion for all other subscribers covered by Blue Cross and Blue Shield in South Carolina.

Dr. Jack S. Mullins  
Page Two  
March 6, 1975

In our considered opinion, it is entirely possible that the benefits described herein will prove to the catalyst for reducing costs for these benefits now provided only in general hospitals.

We look forward for the opportunity of continuing services with these new benefits for the employees of South Carolina and its educators.

Sincerely,



Joseph F. Sullivan  
President

JFS:lc



State of South Carolina  
PERSONNEL DIVISION  
1205 Pendleton Street  
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.  
Director

803-758-3334

May 28, 1974

Dr. William S. Hall  
State Commissioner  
S. C. Dept. of Mental Health  
2414 Bull Street  
Columbia, S. C. 29201

Dear Dr. Hall:

Thank you for your letter of May 15, 1974, proposing to include health insurance coverage for services rendered in all State Mental Health facilities.

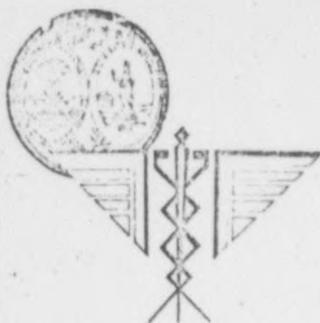
The Master Group Contract between the State of South Carolina and Blue Cross-Blue Shield excludes coverage for those institutions which are not other than incidentally, a nursing home or a place for: rest, the aged, drug addicts, alcoholics, or the treatment of pulmonary tuberculosis or mental disorders. The original Master Contract, that was effective July 1, 1972, provides benefits for treatment of mental illness only in general hospitals, except in the instances of the Palmetto Center in Florence, South Carolina, the Holmes View Center in Greenville, South Carolina, and Central Addictions Facility Demonstration Project in Columbia, South Carolina specifically for the treatment of alcoholism. As a result of your letter of November 3, 1972, the William S. Hall Psychiatric Institute was added to the list of exceptions effective March 1, 1973. These institutions were allowed as exceptions primarily because they provide short-term care. The addition of long-term care institutions such as State Hospital could result in a rate increase. We will discuss this matter, however, with Blue Cross-Blue Shield, assess the potential rate increase, and determine if such a change in the Master Group Contract as you have proposed would be feasible. We would like to discuss this matter with you personally in arriving at our recommendation for the consideration of the Budget and Control Board.

Sincerely,

Jack S. Mullins  
Director

JSM/nls

669



# South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 256-9911

William S. Hall, M.D.  
State Commissioner of Mental Health

May 15, 1974

*Handwritten initials*

MAY 17

S. C. STATE  
PERSONNEL DIVISION

Dr. Jack S. Mullins, Director  
State Personnel Division  
Suite 326, Edgar A. Brown Office Building  
1205 Pendleton Street  
Columbia, South Carolina 29201

Dear Dr. Mullins:

Recently, it has been brought to our attention that state employees have suffered as a result of an inconsistency in the Blue Cross - Blue Shield group policy negotiated through your office.

We refer to the exclusion from coverage of service provided in the majority of our state mental health facilities. At present, William S. Hall Psychiatric Institute and the Alcohol and Drug Addiction Center are covered, while S. C. State Hospital, Crafts Farrow State Hospital, and the C. M. Tucker Human Resources Center are not. This has led to confusion and inequity in the administration of the insurance program.

In view of the fact that two of our facilities are covered, it appears realistic that the major hospitals be covered as well. This would result in a cash savings to the insurer since the charges are less at these hospitals than the William S. Hall Psychiatric Institute.

A modification of the group policy to include all Department of Mental Health facilities is requested and the Department will lend any assistance necessary toward that end.

Sincerely yours,

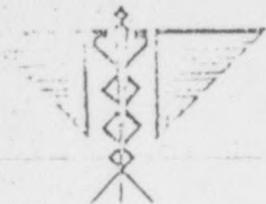
*William S. Hall*

William S. Hall, M. D.  
STATE COMMISSIONER OF MENTAL HEALTH

WSH/LDL/smw

South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (603) 255-9911



William S. Hall, M.D.  
State Commissioner of Mental Health

May 27, 1974

The Honorable John C. West  
Governor of South Carolina  
The State House  
Columbia, South Carolina 29211

Dear Governor West:

I feel it is appropriate that I call to your attention the inconsistencies and inequities in the State Employees' Blue Cross - Blue Shield Group Insurance Policy. This policy is unfair to our State employees in that treatment for mental illness in a State facility is not covered, except at the William S. Hall Psychiatric Institute and the Alcohol and Drug Addiction Center. These are specialty type units and not appropriate for many types of psychiatric illness.

Another big problem is the private pay contracts with individual subscribers which exclude Department of Mental Health institutions from coverage, even though they do provide psychiatric benefits in general hospitals. Most of the policies are so vaguely written that a person is not aware he is not covered until after he is admitted to the hospital.

This has been called to the attention of Blue Cross - Blue Shield on many occasions; however, we have not been able to get any affirmative action.

This Department feels that modification of the State Employees' Insurance is needed and kindly solicit your assistance in bringing this about. We are, of course, available to give you any help needed toward that end.

With kind personal regards.

Sincerely,

William S. Hall, M.D.  
State Commissioner of Mental Health

WJH:ca

CC: Tom George Bushner, Chairman Board of Directors, Blue Cross - Blue Shield  
1-20 East, Columbia, South Carolina

Howard B. Clark, Chief Insurance Commissioner  
2711 Millsburg Drive, Columbia, South Carolina 29104

671

State of South Carolina  
PERSONNEL DIVISION  
1205 Pendleton Street  
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.  
Director

803-758-3334

M E M O R A N D U M

TO: Governor John C. West  
FROM: Jack S. Mullins *JSM*  
DATE: June 18, 1974  
SUBJECT: Proposal of Dr. Hall to Extend Health Insurance Coverage for Treatment at all Mental Health Institutions

Dr. Hall proposed to me by letter of May 15, 1974, that State Hospital, Crafts Farrow Hospital, and the C. M. Tucker Human Resources Center be included among those treatment facilities for which Blue Cross-Blue Shield benefits would be available. Our letter of reply was dated May 28, 1974, one day prior to the date on which Dr. Hall addressed his letter to you. Copies of Dr. Hall's letter of May 15 and our reply of May 28 are enclosed for your information.

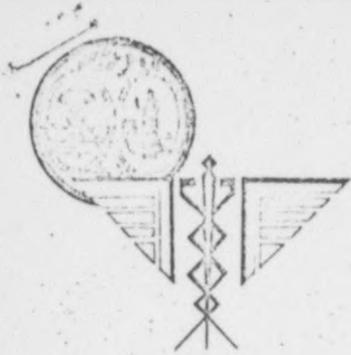
In general, health insurance carriers have excluded from their group and individual contracts the extension of benefits for treatment at publicly supported Mental Health facilities. The compelling reason is that hospitalization at a State Mental Health Institution usually is for very long term treatment, which more often than not stretches into years. By contrast, hospitalization in a psychiatric wing of a general hospital usually is for short term treatment.

Our own contract with Blue Cross-Blue Shield of South Carolina does provide for treatment in a general hospital for up to 30 days. As a result of some negotiations with Blue Cross-Blue Shield "a general hospital" has been defined to include the Palmetto Center in Florence, the Holmes View Center in Greenville, the Central Addiction Facilities Demonstration Project in Columbia, and the William S. Hall Psychiatric Center in Columbia. All of these were included because they provide relatively short term, specialized treatment to patients. As a matter of fact, the William S. Hall Psychiatric Center was included in March, 1973, following a series of negotiations with Blue

Cross-Blue Shield, on the basis of the understanding that hospitalization in that specialized institution averaged less than 30 days per patient.

Dr. Hall's request to extend health insurance coverage for treatment at State Hospital and Crafts Farrow is a very recent proposition, and one which we are convinced would involve prolonged negotiations with questionable results, if any. If Blue Cross-Blue Shield were to open up our group contract in this manner, it probably would have to open up all other group and individual contracts similarly. This may well have beneficial results for the subscribers but we are inclined to think that the substantial increase in premium rates may be beyond the capacities of many individuals to pay.

You will note in our letter of May 28 to Dr. Hall, that we indicated a desire to meet with him and discuss this matter. Although we have heard nothing from Dr. Hall in this respect, we are still anxious for the opportunity to have such a discussion.



# South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 256-9911

William S. Hall, M.D.  
State Commissioner of Mental Health

RECEIVED

June 25, 1974

JUN 26

Jack S. Mullins, Ph.D., Director  
S. C. State Personnel Division  
1205 Pendleton Street  
Columbia, South Carolina 29201

S. C. STATE  
PERSONNEL DIVISION

Dear Dr. Mullins:

As you probably know, Dr. Hall is presently out of the country. Before he left, he referred to me your letter of May 28 referable to our request that Blue Cross/Blue Shield provide coverage for mental illness at all facilities of the Department of Mental Health. He requested that I phone you; however, due to the statistics involved, I thought this information should be in letter form.

The S. C. State Hospital and Crafts-Farrow State Hospital provide acute intensive care to patients for the first 30 days after their admission. These hospitals have a relatively small number of admissions who remain for longer periods of time. For example, I am listing herein a tabulation of the length of stay of all patients in all facilities of the Department for the period July 1 - December 31, 1973:

### Length of Stay

	0-30 days	31-45 days	46-90 days	Over 90 days
SCSH No. Adms.	575 46%	366 30%	210 17%	86 7%
CFSH	74 27%	136 50%	45 16%	19 7%
WSHPI	66 32%	62 30%	68 43%	9 4%
ADAC	105 46%	71 31%	51 22%	2 1%

From the above, you can readily see that the William S. Hall Psychiatric Institute has a higher percentage of admissions who remain hospitalized in excess of 60 days. Also, the Institute, as well as the Alcohol and Drug Addiction Center, are specialty type units and not appropriate for many types of psychiatric illness.

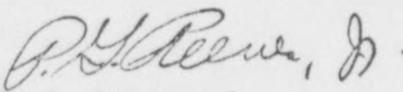
The State policy provides 30 day coverage for mental illness and alcohol and drug addiction and 30 days would be the maximum period we would receive reimbursement for, regardless of what institution the patient was in.

Jack S. Mullins, Ph.D. Director  
S. C. State Personnel Division  
Columbia, South Carolina  
June 25, 1974  
Page -2-

The Department of Mental Health feels very strongly that an amendment to this effect should be added to the State insurance.

Sincerely yours,

WILLIAM S. HALL, M.D.  
STATE COMMISSIONER OF MENTAL HEALTH

By:   
P. G. Reeves, Jr.  
Deputy Commissioner  
Administrative Services

PGRjr:em



State of South Carolina  
PERSONNEL DIVISION  
1205 Pendleton Street  
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.  
Director

803-758-3334

July 3, 1974

Mr. P. G. Reeves, Jr.  
Deputy Commissioner  
Administrative Services  
S.C. Department of Mental Health  
P.O. Box 485  
2414 Bull Street  
Columbia, SC 29202

Dear Mr. Reeves:

Thank you for the statistics provided in your letter of June 25, 1974. This information has been forwarded to Blue Cross-Blue Shield in order that they might further consider Dr. Hall's request to include Health Insurance Coverage for services rendered in all State Mental Health facilities.

You noted in your letter that the William S. Hall Psychiatric Institute has a higher percentage of admissions who remain hospitalized in excess of sixty days. Your statistics, however, also indicate that the majority of the total number of days of care provided are in the South Carolina State Hospital and Crafts Farrow State Hospital.

The State policy does provide a maximum of thirty days of coverage for mental illness and alcohol and drug addiction under the Blue Cross-Blue Shield portions of our Master Contract. However, any days in excess of thirty are applicable under our Major Medical Coverage.

This information will be studied further before any definite decision is reached.

Sincerely,

Jack S. Mullins  
Director

JSM/mrw

EXHIBIT V  
MARCH 11, 1975

PAID HOLIDAYS  
NUMBER BY STATE

(1)	15	Holidays	Texas
(2)	14	Holidays	Hawaii, Maryland
(3)	13	Holidays	Alabama, Indiana, Pennsylvania
(4)	12½	Holidays	Vermont
(5)	12	Holidays	Arizona, California, Colorado, Delaware, Georgia, Illinois, Massachusetts, New Jersey, Tennessee, Utah, Virginia
(6)	11	Holidays	Alaska, Connecticut, Missouri, Montana, Nebraska, New Hampshire, New York, <u>South Carolina</u> , Washington, Wyoming.
(7)	10½	Holidays	Kentucky, New Mexico, Rhode Island
(8)	10	Holidays	Arkansas, Iowa, Maine, Mississippi, North Carolina, North Dakota, South Dakota
(9)	9½	Holidays	Wisconsin
(10)	9	Holidays	Idaho, Louisiana, Michigan, Minnesota, Nevada, Ohio, Oregon
(11)	8	Holidays	Florida, Oklahoma
(12)	7	Holidays	Kansas

\*West Virginia Did not report

\*\*South Carolina Counted as New Bill Filed.

HOLIDAY FACT SHEETS

1. States Allowing More holidays than South Carolina	18
2. States Allowing Fewer Holidays than South Carolina	21
3. States Allowing Same Number of Holidays as South Carolina	<u>10</u>
	Total
	*49

CIVIL WAR HOLIDAYS

1. States observing confederate Memorial Day (Alabama, Georgia, Mississippi)	3
2. States Observing R. E. Lee Birthday (Alabama, Arkansas, Georgia, Mississippi, Texas, Virginia)	6
3. States Observing Jefferson Davis Birthday (Alabama, Georgia, Mississippi)	3
States Observing National Memorial Day (Those not observing: Alabama, Louisiana, Mississippi)	46

\*West Virginia Not Reporting

\*\*South Carolina Counted as New Bill Filed

## PAID HOLIDAYS

STATE	FIVE MAJOR (1)	LINC. BIRTH.	WASH. BIRTH.	GOOD FRI.	MEM. DAY	COL. DAY	GEN. ELECT.	VETS. DAY	OTHER
Alabama	yes	no	yes	no	no	yes	no	yes	Robt. Lee's Birth., (2)
*Alaska	yes	yes	yes	no	yes	no	no	yes	Sewards Day, Alaska Day
Arizona	yes	yes	yes	no	yes	yes	yes	yes	Admission Day
Arkansas	yes	no	yes	no	yes	no	no	yes	Robt. Lee's Birth., VJ Day
California	yes	yes	yes	no	yes	yes	yes	yes	Admission Day
Colorado	yes	yes	yes	no	yes	yes	yes	yes	Colorado Day
Connecticut	yes	yes	yes	yes	yes	yes	no	yes	
Delaware	yes	yes	yes	yes	yes	yes	yes	yes	
Florida	yes	no	no	no	yes	no	no	yes	Day after Thanksgiving
Georgia	yes	no	yes	no	yes	yes	no	yes	Lee & Davis' Birth., Conf. Mem. Day
Hawaii	yes	no	no	yes	yes	yes	yes	yes	Pres. Day; plus 3 state holidays
Idaho	yes	no	yes	no	yes	yes	no	yes	
Illinois	yes	yes	yes	no	yes	yes	yes	yes	Martin L. King's Birth.
Indiana	yes	yes	yes	yes	yes	yes	yes	yes	Primary Elect.
Iowa	yes	no	yes	no	yes	no	no	yes	December 24 and day after Thanksgiving
Kansas	yes	no	no	no	yes	no	no	yes	
Kentucky	yes	no	yes	1/2 day	yes	no	no	no	(3)
Louisiana	yes	no	no	yes	no	no	yes	yes	Mardi Gras Day
Maine	yes	no	yes	no	yes	yes	no	yes	Patriots Day
Maryland	yes	yes	yes	yes	yes	yes	yes	yes	Maryland Day; Defender's Day
Massachusetts	yes	no	yes	no	yes	yes	no	yes	Patriot's Day (6)
Michigan	yes	no	no	no	yes	no	no	yes	1/2 day 12/24; 1/2 day 12/31; Pres. Day
Minnesota	yes	no	no	no	yes	yes	no	yes	Pres. Day
Mississippi	yes	no	yes	no	no	no	no	yes	Davis Birth.; Lee Birth; Conf. Mem. Day

STATE	FIVE MAJOR (1)	LINC. BIRTH.	WASH. BIRTH.	GOOD FRI.	MEM. DAY	COL. DAY	GEN. ELECT.	VETS. DAY	OTHER
Missouri	yes	yes	yes	no	yes	yes	no	yes	Jeff. Birth.
Montana	yes	yes	yes	no	yes	yes	yes	yes	
*Nebraska	yes	yes	yes	no	yes	yes	no	yes	Arbor Day
Nevada	yes	no	yes	no	yes	no	no	yes	Nevada Day
New Hampshire	yes	no	yes	no	yes	yes	yes	yes	Fast Day
New Jersey	yes	yes	yes	yes	yes	yes	yes	yes	
New Mexico	yes	yes	yes	1/2 day	yes	yes	no	yes	
New York	yes	yes	yes	no	yes	yes	yes	yes	
North Carolina	yes	no	no	no	yes	no	no	yes	Easter Monday; (4)
North Dakota	yes	no	yes	yes	yes	no	yes	yes	
Ohio	yes	no	no	no	yes	yes	no	yes	Pres. Day
Oklahoma	yes	no	yes	no	yes	no	no	yes	
Oregon	yes	yes	yes	no	yes	no	no	yes	
Pennsylvania	yes	yes	yes	no	yes	yes	yes	yes	Primary Elect; Flag Day
*Rhode Island	yes	no	no	1/2 day	yes	yes	yes (5)	yes	Victory Day
*South Carolina	yes	no	yes	no	no	no	yes	yes	R. Lee Birth.; Dec. 26; J. Davis Birth.; Conf. Mem. Day
South Dakota	yes	yes (7)	yes (7)	no	yes	yes	no	yes	
Tennessee	yes	no	yes	yes	yes	yes	yes	yes	Primary Election
Texas	yes (8)	no	yes	no	yes	yes	no	yes	San Jacinto Day; Lee Birth. Texas Indep., Lyndon Johnsons Birth.
Utah	yes	yes	yes	no	yes	yes	no	yes	Pioneer Day; Arbor Day
Vermont	yes	yes	yes	1/2 day	yes	yes	no	yes	Battle of Bennington Day (9)
Virginia	yes	no	yes	no	yes	yes	yes	yes	Lee-Jackson Day
Washington	yes	yes	yes	no	yes	yes	yes	yes	
*West Virginia	--	--	--	--	--	--	--	--	--
Wisconsin	yes	no	no	1/2 day	yes	no	no	no	1/2 day 12/24; 1/2 Day 12/31; plus 2 Floating Holidays
Wyoming	yes	yes (7)	yes (7)	no	yes	yes	yes	yes	

- (1) Five major holidays: New Year's, July 4th, Labor Day, Thanksgiving, and Christmas.
- (2) Plus Mardi Gras, Confederate Mem. Day, T. Jefferson and J. Davis Birthdays.
- (3) One extra day each at New Year's, Thanksgiving and Christmas.
- (4) Day before and day after Christmas if regular work days.
- (5) State officers.
- (6) Bunker Hill Day and Evacuation Day are paid holidays for employes working in one county.
- (7) Lincoln's and Washington's Birthdays are combined into 1 day holiday on 3rd Monday in February.
- (8) 2 extra days off at Christmas.
- (9) Plus Town Meeting Day.

South Carolina Compared to Other States

on

Annual Leave Benefits

<u>South Carolina</u>	<u>Other States</u> <u>at 1 year</u>			<u>Other States</u> <u>at 10 years</u>			<u>Other States</u> <u>at 20 years</u>		
	more	same	less	more	same	less	more	same	less
at 1 year - 15 days per year	2	15	31						
at 10 years - 15 days per year				32	14	1			
at 20 years - 27 1/2 days per year							1	0	48

Maximum accumulation

More accumulation than South Carolina	<u>16</u>
Same accumulation as South Carolina	<u>1</u>
Less accumulation than South Carolina	<u>31</u>

## VACATION POLICIES

STATE	NUMBER OF DAYS <sup>(10)</sup> PER YEAR UPON COMPLETION OF:					MAXIMUM VACATION ACCRUAL PERMITTED
	1 Year	5 Years	10 Years	15 Years	20 Years	
Alabama	13	16	19.5	22	26	60 days
*Alaska	15	24	30	30	30	60 days
Arizona	12	15	18	21	21	30 days
Arkansas	12	18	18	20	22	30 days
California	10	15	17	19	19 (1)	(8)
Colorado	12	15	18	21	21	42 days
Connecticut	15	15	15	15	15 (2)	120 days
Delaware	15	15	18	21	21	2 year accrual
Florida	13	16.25	19.5	19.5	19.5	30 days
Georgia	15	18	21	21	21	45 days
Hawaii	21	21	21	21	21	15 days/yr.; 90 days total
Idaho	12	15	18	21	21	30 days
Illinois	10	10	15	20	20	2 yr. accrual
Indiana	12	12	15	15	20	Unlimited
Iowa	10	15	15	20	20	2 yrs. accrual
Kansas	18	20	22	24	24	24 days
Kentucky	12	15	18	21	21	30 days
Louisiana	12	18	21	24	24	Unlimited
Maine	12	15	18	21	24	Varies
Maryland	10	15	20	20	25	30 days
Massachusetts	10	15	20	20	20	1 yr. accrual
Michigan	15	17	19	21	23	30 days
Minnesota	9.75	16.25	22.75	22.75	24.38	24 days
Mississippi	15	15	15	15	15	15 days
Missouri	15	15	18	21	21	2 yrs. accrual
Montana	15	15	18	21	24	30 days
*Nebraska	10	10	15	15	20	None
Nevada	15	15	18	21	21	30 days
New Hampshire	15	15	15	15	15	30 days
New Jersey	12	12	15	15	20	1 yr. accrual

STATE	NUMBER OF DAYS <sup>(10)</sup> PER YEAR UPON COMPLETION OF:					MAXIMUM VACATION ACCRUAL PERMITTED
	1 Year	5 Years	10 Years	15 Years	20 Years	
New Mexico	15	15	15	15	15	30 days
New York	14	18	20	20	21 (4)	40 days
North Carolina	10	12	15	21	24	30 days
North Dakota	12	15	18	21	24	30 days
Ohio	10	10	15	20	20	3 yrs. accrual
Oklahoma	15	18	18	18	18	48 days
Oregon (6)	11	13.5	16	18.5	21	31.25 days
Pennsylvania	15	15	15	20	20	30 days
*Rhode Island	15	15	17	17	22	1 yr. accrual
*South Carolina	15	15	15 (5)	15 (5)	15 (5)	45 days
South Dakota	15	15	15	20	20	30 days
Tennessee	12	18	21	21	24	(11)
Texas	10.5	10.5	10.5	15	21	2 yrs. accrual
Utah	12	15	18	18	18	30 days
Vermont	12	15	18	18	21	(12)
Virginia	12	15	18	18	18	(9)
Washington	12	15	17	18	20	30 days
*West Virginia	--	--	--	--	--	--
Wisconsin (7)	10	15	15	20	20	None
Wyoming	12	15	18	18	21	30 days

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- (1) Twenty days from 24 years and over
- (2) Plus 1 day for each year, up to 5 additional days
- (3) Two weeks after 2 years
- (4) 25 years - 22 days; 30 years - 23 or 24 days; 35 years - 24 or 25 days
- (5) 1-1/4 additional day for each year of continuous service in excess of 10 years, up to 30 days per calendar year
- (6) Accrued vacation paid when employe has reached maximum accrual and time cannot be granted
- (7) Five weeks granted at 25 years
- (8) 30 days up to 10 years service; 40 days over 10 years service
- (9) 0-5 years service= 24 days; 5-10 years service= 30 days; over 10 years service= 36 days
- (10) Eight-hour days
- (11) 1-5 years= 30 days; 5-10 years= 36 days; 10-20 years= 39 days; 20 + years= 42 days
- (12) 1-5 years= 25 days; 5-10 years= 30 days; 10 + years= 35 days.

South Carolina Compared to Other States

on

Sick Leave Benefits

Earning Rate & Accumulation

	<u>South Carolina</u>	<u>Other States</u>
1. Earnings per year	15 days	more <u>3</u> ; same <u>17</u> ; less <u>28</u>
2. Maximum accumulation	90 days	more <u>*38</u> ; same <u>7</u> ; less <u>3</u>

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Payment of Sick Leave

Unused sick leave paid for upon -	<u>Termination</u>		<u>Death</u>		<u>Retirement</u>		<u>Permanent Disability</u>	
	yes	no	yes	no	yes	no	yes	no
	5	44	12	37	**16	33	13	33

(Note: South Carolina does not pay for unused sick leave under any conditions.)

(At termination, 2 states answering "yes" pay for 1/4 of each day of sick leave accrued)

(At death, 2 states reporting "yes" pay for 1/4 of each day accrued)

(At retirement, 3 states reporting "yes" pay for 1/4 of each day of accrued leave. 4 states pay for 1/2 of each day accrued)

(At permanent disability, 2 states reporting "yes" pay for 1/4 of each day accrued)

\* 30 states allow for unlimited accumulation.

\*\* 3 states allow retirement service credit for unused sick leave.

## SICK LEAVE POLICIES

STATE	NO. DAYS ANNUALLY	ELIGIBILITY PERIOD:		MAX. ACCUM. ALLOWANCE	OTHER USES FOR S.L. (3)	PAYMENT OF SICK LEAVE				
		To Accrue	To Use			Term	Death	Retire.	Perm Disability	
Alabama	13	imm.	imm.	150 days	yes	no	no	yes (6)	yes	68
*Alaska	15	imm.	imm.	unlimited	yes	no	no	no	no	
Arizona	12	imm.	1 mo.	unlimited	yes	no	no	no	no	
Arkansas	12	imm.	imm.	90 days	yes	no	no	no	no	
California	12	imm.	6 mo.	unlimited	yes	no	no	no	yes	
Colorado	15	1 mo.	1 mo.	unlimited	no	no	yes(4)	yes(4)	yes (9)	
Connecticut	15	imm.	imm.	unlimited	yes	no	no	yes(5)	no	
Delaware	15	imm.	imm.	90 days	yes	no	yes	yes(6)	yes	
Florida	13	imm.	1 mo.	unlimited	no	yes	yes	yes	--	
Georgia	15	imm.	imm.	90 days	yes	no	no	no	no	
Hawaii	21	imm.	imm.	unlimited	no	no	no	no	no	
Idaho	12	imm.	1 mo.	unlimited	yes	no	no	no	no	
Illinois	12	imm.	1 mo.	unlimited	yes	no	no	no	no	
Indiana	12	imm.	imm.	unlimited	yes	no	no	no	no	
Iowa	30	imm.	1 mo.	90 days	yes	no	no	no	no	
Kansas	12	imm.	imm.	unlimited	yes	no	no	no	no	
Kentucky	12	imm.	imm.	unlimited	yes	no	no	no	no	
Louisiana	varies(1)	imm.	imm.	unlimited	no	no	no	yes	yes	
Maine	12	1 mo.	1 mo.	90 days	yes	no	no	no	no	
Maryland	30	imm.	imm.	100 days	yes	no	no	no	no	
Massachusetts	15	1 mo.	1 mo.	unlimited	yes	no	no	no	no	
Michigan	13	imm.	imm.	unlimited	yes	yes(6)	yes(6)	yes(6)	yes(6)	
Minnesota	varies(2)	imm.	imm.	100 days	yes	no	yes	yes	--	
Mississippi	15	imm.	imm.	60 days	no	no	no	no	yes	
Missouri	15	imm.	imm.	unlimited	yes	no	no	no	no	
Montana	12	imm.	3 mo.	unlimited	yes	yes(10)	yes(10)	yes(10)	yes(10)	
*Nebraska	15	imm.	varies	120 days	no	no	yes(4)	yes(4)	yes(4)	
Nevada	15	imm.	1 mo.	unlimited	yes	no	no	no	no	
New Hampshire	15	imm.	6 mo.	90 days	yes	no	yes(9)	no	no	
New Jersey	15	1 mo.	1 mo.	unlimited	yes	no	no	yes(11)	yes	

STATE	NO. DAYS ANNUALLY	ELIGIBILITY PERIOD:		MAX. ACCUM. ALLOWANCE	OTHER USES FOR S. L. (3)	PAYMENT OF SICK LEAVE			
		To Accrue	To Use			Term	Death	Retire.	Perm Disability
New Mexico	12	imm.	1 mo.	unlimited	yes	no	no	no	yes
New York	13	imm.	imm.	180 days	yes	no	no	no(7)	no
North Carolina	10	imm.	imm.	unlimited	yes	no	no	no(7)	no
North Dakota	12	imm.	imm.	unlimited	yes	no	no	no	no
Ohio	15	imm.	imm.	unlimited	no	yes(8)	no	yes(8)	yes
Oklahoma	15	imm.	varies	45 days	yes	no	no	no	no
Oregon	12	imm.	imm.	unlimited	yes	no	no (7)	yes(7)	no
Pennsylvania	15	10 days	10 days	90 days	yes	no	no	no	no
*Rhode Island	varies	imm.	imm.	120 days	yes	no	yes(6)	yes(6)	no
*South Carolina	15	imm.	imm.	90 days	yes	no	no	no	no
South Dakota	14	imm.	1 mo.	84 days	no	no	no	no	no
Tennessee	12	imm.	imm.	120 days	yes	no	no	no	no
Texas	12	imm.	imm.	unlimited	yes	no	yes(6)	no	no
Utah	12	2 weeks	2 weeks	unlimited	no	no	no	no	no
Vermont	varies(1)	imm.	imm.	unlimited	yes	no	no	no	no
Virginia	15	imm.	imm.	unlimited	yes	no	no	no	no
Washington	12	imm.	imm.	unlimited	yes	no	no	no	no
*West Virginia	--	--	--	--	--	--	--	--	--
Wisconsin	13	imm.	imm.	unlimited	yes	no	yes	yes	yes
Wyoming	12	imm.	imm.	120 days	yes	yes(6)	yes(6)	yes(6)	--

- (1) Accrued on same basis as vacation  
(2) Varies according to length of service  
(3) Other uses: death or illness in immediate family, doctor appointments, quarantine, etc.  
(4) One-fourth days pay for each unused day of sick leave  
(5) One-fourth days pay for each unused day of sick leave up to 60 days pay  
(6) Paid for 1/2 of accrued sick leave  
(7) Unused sick leave can be used for additional service credit for retirement  
(8) One-fourth days pay for each unused day of sick leave up to 30 days pay.  
(9) Paid for total amount of accrued sick leave.  
(10) One-fourth days pay for each unused day of sick leave at the hourly rate in effect at time of accrual.  
(11) Upon retirement employes are paid for one-half of their unused sick leave up to \$12,000.

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GROUP HEALTH INSURANCE

STATE CONTRIBUTION

	More than S.C.	Less than S.C.	Same as S.C.
Employee Coverage	36	9	
Dependent Coverage	17		28
Retirees	16	14	

EMPLOYEE PARTICIPATION  
Mandatory      Optional

7                      40

\*S.C. - optional

WAITING PERIOD ELIGIBILITY

Immediate	30 days or less	more than 30
29	10	6

\*S.C. - Immediate

MAJOR MEDICAL MAXIMUM BENEFIT

More than S.C.	Same as S.C.	Less than S.C.
6	11	22

CONVERSION PRIVILEGE AT TERM

Yes	No
48	1

\*S.C. - yes

MEDICAL INSURANCE FOR RETIREES

Yes	No
33	16

\*S.C. - yes

## GROUP HEALTH INSURANCE

STATE	STATE CONTRIBUTION		EMPL. PART.	ELIG. REQUIRE.	MAJ. MED. MAX. BENE.	CONV. PRIV. AT TERM.	MED. INS. RET. EMPL.	STATE CONTRI. FOR RETIREES
	Empl. Cov.	Depend. Cov.						
Alabama	\$14.55/mo.	none	man.	2 mos.	\$100,000	yes	yes	none
*Alaska	\$17.50/mo.	none	man.	imm.	\$ 25,000	yes	no	--
Arizona	\$15.00/mo.	none	opt.	imm.	\$250,000(9)	yes	no	--
Arkansas	\$11.00/mo.	none	opt.	imm.	\$ 50,000	yes	yes	\$11.00/mo.
California	\$16.00/mo.	none	opt.	6 mos.	\$ 50,000	yes	yes	\$16.00/mo.
Colorado	\$10.00/mo.	none	opt.	imm.	varies	yes	yes	\$10.00/mo.
Connecticut	100%	50%	opt.	60 days	\$ 25,000	no	yes	none
Delaware	\$13.76/mo. <sup>(2)</sup>	none	opt.	imm.	--	yes	yes	\$ 6.55/mo.
Florida	\$ 9.98/mo.	none	opt.	imm.	\$200,000	yes	yes	none
Georgia(6)	\$ 6.16/mo.	\$13.72/mo.	--	1 mo.	\$ 30,000	yes	yes	\$ 6.16/mo.
Hawaii	\$ 5.00/mo.	\$15.00/mo.	opt.	imm.	\$ 20,000	yes	yes	100%
Idaho	\$10.83/mo.	varies	opt.	imm.	\$ 20,000	yes	no	--
Illinois	100%	none	mand.	imm.	\$ 25,000	yes	yes	100%
Indiana	96%	51%	opt.	1 mo.	\$ 20,000	yes	no	--
Iowa	\$15.00/mo.	none	opt.	imm.	\$ 25,000 yr. <sup>(3)</sup>	yes	no	none
Kansas	100%	none	opt.	1 mo.	\$ 30,000	yes	yes	none
Kentucky	\$11.45/mo.	none	opt.	imm.	--	yes	no	--
Louisiana	50%	50%	opt.	imm.	\$ 25,000	yes	yes	50%
Maine	50%	none	opt.	imm.	\$ 20,000	yes	yes	--
Maryland	\$12.62/mo.	\$26.60/mo.	opt.	imm.	\$ 25,000	yes	yes	\$12.62/mo.
Massachusetts	75%	75%	opt.	60 days	\$ 50,000	yes	yes	75%
Michigan	90%	90%	opt.	--	\$100,000	yes	yes	90%
Minnesota	\$18.84/mo.	\$10/mo7/1/74	Mand.	28 days	\$ 50,000	yes	no	--
Mississippi	varies	none	opt.	imm.	\$ 25,000	yes	yes	none
Missouri	\$ 8.65/mo.	none	opt.	imm.	--	yes	no	--
Montana	\$10.00/mo.	none	opt.	imm.	--	yes	yes	none
*Nebraska	none	none	opt.	imm.	varies	yes	no	--
Nevada	\$21.49/mo.	\$21.49/mo.	opt.	90 days	\$ 50,000	yes	yes	none
New Hampshire	\$12.64/mo.	none	opt.	imm.	varies	yes	yes	none
New Jersey	100%	100%	mand.	imm.	--	yes	yes	100%

Group Health Insurance - Page 2

STATE	STATE CONTRIBUTION		EMPL. PART.	ELIG. REQUIRE.	MAJ. MED. MAX. BENE.	CONV. PRIV. AT TERM.	MED. INS. RET. EMPL.	STATE CONTRI. FOR RETIREES
	Empl. Cov.	Depend. Cov.						
New Mexico	50%	50%	opt.	1 mo.	\$ 25,000	yes	no	--
New York	\$15.49/mo.	\$33.61/mo.	opt.	imm.	\$ 50,000	yes (4)	yes	\$15.49/mo.
North Carolina	\$13.00/mo.	none	opt.	imm.	\$ 10,000/50,000	yes	yes (7)	none
North Dakota	\$14.92/mo.	none	opt.	imm.	\$ 30,000	yes	yes	\$14.92/mo.
Ohio (6)	(5)	(5)	opt.	imm.	\$ 15,000	yes	no	--
Oklahoma	\$17.13/mo.	none	mand.	1 mo.	\$ 25,000	yes	no	--
Oregon	\$15.00/mo.	none	opt.	imm.	\$ 50,000	yes	yes	none
Pennsylvania	100%	--	opt.	imm.	\$ 25,000	yes	yes	\$5.00/mo. (8)
*Rhode Island	varies	none	mand.	2 wks.	\$ 20,000	yes	yes	none
*South Carolina	\$10.60/mo.	none	--	imm.	\$ 50,000	yes	yes	\$4.30/mo.
South Dakota	\$ 6.47 <sup>per pay</sup> period	none	opt.	1 mo.	\$ 15,000	yes	no	--
Tennessee	50%	50%	opt.	1 mo.	\$ 10,000	yes	no	--
Texas (1)	\$12.50/mo.	none	opt.	--	varies	--	some	--
Utah	\$14.76/mo.	\$34.60/mo.	opt.	imm.	\$ 50,000	yes	no	--
Vermont	\$ 3.33/mo.	none	opt.	imm.	\$ 20,000	yes	no	--
Virginia	\$15.30/mo.	none	opt.	imm.	\$100,000	yes	yes	none
Washington	\$19.25/mo.	--	opt.	6 mos.	\$ 50,000	yes	yes	none
*West Virginia	--	--	--	--	--	--	--	--
Wisconsin	90%	90%	opt.	6 mos.	\$100,000	yes	yes	varies
Wyoming	varies	none	opt.	1 mo.	\$ 20,000	yes	yes	--

- (1) Plan varies by agency
- (2) Not eligible for employer's contribution until 1 year service
- (3) \$50,000 maximum
- (4) Basic plan only
- (5) \$30.35 for family; \$13.51 for individual
- (6) Data used in this section is taken from the employer's response to the 1972 survey.
- (7) Until age 65
- (8) Contribution will be increased to \$10/mo. on 7/1/74.
- (9) Maximum lifetime benefit.

GROUP LIFE INSURANCE

Number of States with No Plan - 10

STATE CONTRIBUTION (For States with Plans)			
	More than S.C.	Same as S.C.	Less than S.C.
For Active Employees	0	14	17
For Retirees	10	15	0
For Dependents	2	32	0

MAXIMUM COVERAGE AMOUNT			
More	Less	Same	Varies
20	0	2	11

\*S.C. - \$3,000.00

ACCIDENTAL DEATH COVERAGE

FOR EMPLOYEE *		FOR DEPENDENT *	
Yes	No	Yes	No
32	6	8	29

\*S.C.-yes      S.C.-no

RETIREE COVERAGE PROVISION

Yes	No	*S.C. -No
19	15	

LONG TERM DISABILITY PLAN\*

YES	NO
9	27

\*S.C. - yes

BASIS OF COVERAGE \*

AMOUNT			
Salary	Age	Flat Amount	Other
21	2	9	2

\*S.C. - flat amount

WAITING PERIOD FOR ELIGIBILITY \*

IMMEDIATE	30 days or less	More than 30 days
15	5	10

\*S.C. - immediate

## GROUP LIFE INSURANCE

STATE	STATE CONTRIBUTION			ELIG. REQUIRE.	BASIS OF COV. AMT.	MAXIMUM COV. AMT.	RETIREE COV. PROV.	ACC. DEATH & DISMEMBER. COV.		LONG TERM DISABILITY PLAN
	Empl. Cov.	Dept. Cov.	Ret. Cov.					Employee	Depend.	
Alabama (1)	--	--	--	--	--	--	--	yes	yes	no
*Alaska (2)	100%	none	--	imm.	salary	\$35,000	yes	yes	no	no
Arizona (1)	--	--	--	--	--	--	--	yes	yes	no
Arkansas	--	--	--	--	--	--	--	--	--	--
California (3)	--	--	--	--	--	--	--	--	--	no
Colorado (1)	--	--	--	--	--	--	--	--	--	--
Connecticut	varies	none	--(4)	6 mos.	salary	\$38,000	yes	no	no	no
Delaware	varies	none	--	3 mos.	salary	\$20,000	no	yes	no	no
Florida (1)	--	--	--	--	--	--	--	--	--	--
Georgia	none	none	--	--	salary	varies	--	yes	yes	no
Hawaii	\$2.25/mo.	none	100%	imm.	age	varies	yes	no	no	no
Idaho	100%	none	none	imm.	salary	varies	yes	yes	no	yes
Illinois	100%	none	100%	imm.	salary	varies	yes	yes	no	no
Indiana (1)	--	--	--	--	--	--	--	--	--	--
Iowa	100%	none	none	imm.	fixed amt.	\$5,500	no	yes	no	no
Kansas (1)	--	--	--	--	--	--	--	--	--	--
Kentucky	100%	none	none	--	salary	varies	no	yes	no	no
Louisiana	50%	none	50%	imm.	salary	\$40,000	yes	yes	no	no
Maine	Token pmt.	none	100%	imm.	salary	\$25,000	yes	yes	no	no
Maryland (3)	--	--	--	--	--	--	--	--	--	--
Massachusetts	75%	none	75%	60 days	salary	\$21,000	yes	yes	no	no
Michigan	75%	none	--	--	salary	varies	yes	yes	--	yes
Minnesota (6)	100%	none	none	28 days	flat amt.	\$ 5,000	no	yes	yes	yes
Mississippi	50%	none	none	imm.	salary	\$25,000	yes	yes	no	no
Missouri	100%	none	none	imm.	fixed amt.	--	no	no	no	no
Montana	--	--	--	--	--	--	--	--	--	--
*Nebraska	100%	none	--	perma. appmt.	flat amt.	\$ 5,000	no	yes	no	--
Nevada (2)	--	--	none	90 days	age	\$ 5,000	yes	yes	yes	no
New Hampshire	33%	none	--	6 mos.	flat amt.	\$ 1,500	yes	yes	no	no
New Jersey	100%	none	100%	imm.	salary	varies	yes	yes	no	yes

STATE	STATE CONTRIBUTION			ELIG. REQUIRE.	BASIS OF COV.AMT.	MAXIMUM COV.AMT.	RETIREE COV.PROV.	ACC.DEATH & DISMEMBER.COVS.		LONG TERM DISABILITY PLAN
	Empl.Cov.	Dept.Cov.	Ret.Cov.					Employee	Depend.	
New Mexico	none	none	none	30 days	salary	\$50,000	no	yes	no	no
New York (1)	--	--	--	--	--	--	--	--	--	--
North Carolina(5)	50%	none	none	1 year	fixed amt.	\$15,000	no	no	no	yes
North Dakota	100%	none	none	imm.	flat amt.	\$ 1,000(6)	no	yes	no	no
Ohio	100%	100%	--	1 year	length of service	varies	no	no	no	yes
Oklahoma	100%	none	none	1 mo.	flat amt.	\$12,000(6)	no	yes	no	no
Oregon (3)	--	--	--	--	--	--	--	yes	no	--
Pennsylvania	100%	none	--	90 days	salary	\$20,000	no	no	no	no
*Rhode Island	38.5%	none	none	2 weeks	salary	unlimited	yes	yes	no	no
*South Carolina	100%	none	none	imm.	flat amt.	\$ 2,000	no	yes	no	yes
South Dakota	none	none	--	1 mo.	salary	varies	no	yes	yes	yes
Tennessee (2)	50%	50%	100%	30 days	salary	\$30,000	yes	yes	yes	no
Texas (7)	--	--	--	--	--	--	--	--	--	--
Utah	\$3.00/mo.	none	none	imm.	fixed amt.	\$10,000	no	yes	yes	yes
Vermont	50%	none	100%	60 days	salary	--	yes	yes	no	--
Virginia	--	--	--	imm.	salary	varies	yes	yes	no	no
Washington	100%(8)	none	none	imm.	coverage option	varies	no	yes	no	no
*West Virginia	--	--	--	--	--	--	--	--	--	--
Wisconsin	43%	none	100%	6 mos.	salary	\$75,000	yes	yes	no	yes
Wyoming	none	none	--	--	--	\$40,000	yes	yes	no	no

- (1) No state sponsored plan available
- (2) Life insurance coverage included with Group Medical plan
- (3) State offers no plan. Coverage available through employe organizations
- (4) Paid up policy
- (5) Mandatory upon becoming a member of Employe's Retirement System
- (6) Additional coverage available at employe's expense
- (7) Policy varies by agency
- (8) 100% of mandatory coverage

MOVING EXPENSES

- (1) House hunting expenses
- (2) Move of household goods
- (3) Real estate fees and/or commission on sale of house
- (4) Real estate costs on purchase of new house
- (5) Special living allowance during move process
- (6) Travel Expense

No. of	Employee transfer at State Request	Employee transfer at Own Request	Employee Move to to 1st Assignment
States which provide (1) only	0	0	1
" " " (2) only	14	2	5
" " " (2)&(5) only	1	0	0
" " " (2)&(6) "	6	0	1
" " " (1),(2),(5)&(6) only	2	0	0
" " " (2),(5)&(6) "	6	2	3
" " " (6) only	1	0	0
States which provide None	15	34	28

South Carolina has no statewide provisions for any of the above, but the Appropriations Act allows the following agencies to pay moving expenses:

Department of Parks, Recreation and Tourism  
 State Highway Department,  
 Department of Vocational Rehabilitation,  
 State Forestry Commission,  
 State Wildlife Department,  
 Department of Corrections,  
 Department of Social Services.

## MOVING ALLOWANCE

- Move expenses:
1. House hunting expenses (new location).
  2. Move of household goods.
  3. Real estate fees and/or commission on sale of house.
  4. Real estate costs on purchase of new house.
  5. Special living allowance during move process (per diem, lodging, meals, etc.).
  6. Travel expense (mileage, food, lodging and misc.)

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The numbers shown on the following chart are the expenses paid by the appropriate state according to the above categories.

STATE	EXPENSES PAID EMPLOYEE TRANSF. AT STATE REQUEST	EXPENSES PAID EMPLOYEE TRANSF. AT HIS REQUEST	EXPENSES PAID EMPLOYEE MOVING TO FIRST ASSIGNMENT
Alabama	2	none	none
*Alaska	2, 5, 6	may pay 2, 5, 6	2, 5, 6, not to exceed \$1,500
Arizona	none	none	none
Arkansas	--	--	--
California (a)	2, 5	none	2, 5, 6 (b)
Colorado	1, 2, 5, 6	none	none
Connecticut	none	none	none
Delaware	none	none	none
Florida	2, 5, 6	none	2
Georgia	2	2	--
Hawaii	2, 6	none	2
Idaho	none	--	--
Illinois	2, 6	none	none
Indiana	none	none	none
Iowa	none	none	none
Kansas	2	none	1
Kentucky	none	none	none
Louisiana	none	none	none
Maine	2	--	--
Maryland	2, rarely	none	2, excluding packing

STATE	EXPENSES PAID EMPLOYEE TRANSF. AT STATE REQUEST	EXPENSES PAID EMPLOYEE TRANSF. AT HIS REQUEST	EXPENSES PAID EMPLOYEE MOVING TO FIRST ASSIGNMENT
Massachusetts	none	none	none
Michigan	1, 2, 5, 6	none	none
Minnesota	2	none	none
Mississippi	6	---	---
Missouri (c)	none	---	---
Montana	no formal policy	---	---
*Nebraska	2	---	none
Nevada	2, 5, 6	none	none
New Hampshire	none	---	---
New Jersey	none	none	none
New Mexico	2	none	none
New York	2, 6	none	2, 6
North Carolina	2	---	---
North Dakota (c)	none	none	none
Ohio	2	---	---
Oklahoma	2, 5, 6	none	none
Oregon	2, 5, 6	may pay 2, 5, 6	2, 5, 6, if necessary
Pennsylvania	2	none	none
*Rhode Island	none	none	none
*South Carolina	(c)	none	none
South Dakota	2, 6	none	2
Tennessee	none	none	none
Texas	2	2	none
Utah	2, 5, 6	none	none
Vermont	2	none	none
Virginia	2, 6	varies	2
Washington	2	none	none
*West Virginia	--	--	--
Wisconsin	2, 6	none	---
Wyoming	2	none	none

696

- (a) Also pay miscellaneous installation charges.
- (b) Exceptional cases only.
- (c) Varies by agency.

EXHIBIT VI  
MARCH 11, 1975

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

SECTION 1

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

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

(2) Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during its 1969, 1970, 1971, 1972, 1973 and 1974 Sessions.

(3) Pending, in the General Assembly, is a Bill which would further amend Act 1377. A principal purpose of the Bill is to provide an additional \$4.3 Million for State office buildings previously authorized but for which the amount of the authorization has proved to be insufficient.

(4) Limitations now limit the aggregate amount of State Capital Improvement Bonds that may be issued to the sum of

\$443,961,115 (exclusive of bonds issued on behalf of the Mental Health Commission as provided in Act No. 1276 of 1970 and Act No. 1272 of 1970, or bonds issued on behalf of the Commission on Mental Retardation as provided in Act No. 1087 of 1970).

Act 1377 as now written limits the aggregate of State Capital Improvement Bonds that may be issued in the current fiscal year 1975 to \$65 Million. \$20 Million of State Capital Improvement Bonds have been issued during the current fiscal year. If the pending Bill referred to in paragraph (3) above is enacted, the aggregate amount of State Capital Improvement Bonds that may be issued will be increased by an amount equal to the additional authorizations set forth in the pending Bill.

(5) As of this date, eight series of State Capital Improvement Bonds have been issued in the aggregate principal amount of \$209,380,000. As of April 2, 1975, \$182,000,000 of State Capital Improvement Bonds will be outstanding. The issuance of \$45,000,000 State Capital Improvement Bonds authorized by this Resolution, together with all other State Capital Improvement Bonds heretofore issued, will not exceed the debt or other limitations imposed upon the issuance of State Capital Improvement Bonds.

(6) Many undertakings and projects have been authorized by Act 1377. Set forth as Exhibit "A" hereto, is a table showing

the total dollar authorizations for the several agencies and State institutions listed therein, the amounts previously made available to these agencies and institutions, and the balance authorized to these agencies and institutions as of the date shown on Exhibit "A". In the early part of the present fiscal year expenditures on account of construction contracts were approved by the State Board in the amount of \$82,719,270.12. Work on such projects has commenced. Each contract as authorized by the State Board relates to a project authorized by Act 1377 as reflected by Exhibit "A". At that time the State had on hand available for such contracts \$11,014,907.98. It was anticipated that \$65 Million would be raised through the sale of State Capital Improvement Bonds. It was also anticipated that by reason of the nature of certain projects and the time required for their completion, actual progress under the construction contracts so let would not require expenditures beyond available funds.

(7) It is the intention of this Resolution to make provision for the issuance of \$45 Million of State Capital Improvement Bonds whose proceeds will be expended for undertakings and projects authorized by Act 1377 and for which contracts have been approved by the State Board as above recited and on which work thereon is in progress.

SECTION 2

Pursuant to the requirement of Section 6 of Act 1377, the State Board has found that the actual receipts for the preceding fiscal year, viz., that ended on June 30, 1974, from the tax levied pursuant to Chapter 5, Title 65, Code of Laws of South Carolina, 1962, exceeded 150% of the maximum annual debt service

requirements for all State Ports Bonds now outstanding, all State Capital Improvement Bonds now outstanding, and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and has further found that the estimate of collections from the aforesaid tax, for future fiscal years during which State Ports Bonds and State Capital Improvement Bonds are to be outstanding, will not be less than 150% of the maximum annual principal and interest requirements of all State Ports Bonds now outstanding and all State Capital Improvement Bonds to be outstanding following the issuance of the bonds authorized by this Resolution. Such estimate is based upon the written report of the State Auditor to the State Board herewith attached as a part of Schedule No. 4.

SECTION 3

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$45,000,000 of State Capital Improvement Bonds in accordance with the provisions of this Resolution.

SECTION 4

The said bonds shall be in the aggregate principal amount of \$45,000,000, shall be designated "State Capital Improvement Bonds, Series I", shall be in the denomination of \$5,000 each, and shall be numbered from I-1 to I-9,000, inclusive.

SECTION 5

The said bonds shall be dated April 1, 1975, and shall mature, without privilege of prior redemption, in annual series or in-

stallments, in numerical order, as follows:

\$4,500,000 on April 1 in each of the years  
1976 to 1985, inclusive.

SECTION 6

The bonds shall bear such rate or rates of interest, payable on October 1 and April 1 of each year, commencing October 1, 1975, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but:

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

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from April 1, 1975, until their respective maturities, less any sum named by way of premium.

SECTION 7

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

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

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

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8

The bonds are issued for the purposes set forth in Paragraph (6) of Section 1 of this Resolution, and which are shown on Exhibit "A" to this Resolution, and the principal proceeds thereof shall be expended by the State Treasurer for such purposes; provided always that if for any reason moneys are not required for any of such purposes, the same may be expended for other projects authorized by Act 1377 for which contracts have been let and approved by the State Board.

SECTION 9

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

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

SECTION 10

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and in addition thereto, but subject to the provisions of Act 1377, all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax). The pledge of the revenues derived from the State Income Tax is subject to a prior pledge of such revenues heretofore made to secure the \$5,875,000 State Ports Bonds of the State of South Carolina which will be outstanding on the occasion of the delivery of the bonds authorized by this Resolution.

SECTION 11

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

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

SECTION 12

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

SECTION 13

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

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

SECTION 14

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

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

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

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

SECTION 15

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

- (1) Any accrued interest shall be applied to the payment of the first installment of interest to become due on the bonds;
- (2) The premium, if any, shall be applied to the payment of the first installment of principal on said bonds; and

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

SECTION 16

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

SECTION 17

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

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

SECTION 18

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

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## EXHIBIT "A"

CAPITAL IMPROVEMENT BONDSAUTHORIZATION STATUS REPORTFEBRUARY 28 1975

	<u>Authorized</u>	<u>Distributed To Departments</u>	<u>Balance Due Departments</u>
<u>Act 1377, Acts of 1968</u>			
Budget and Control Board	11 000 000 00	11 000 000 00	-0-
John de la Howe	700 000 00	700 000 00	-0-
Opportunity School	1 500 000 00	1 500 000 00	-0-
Parks, Recreation & Tourism	6 249 000 00	6 249 000 00	-0-
South Carolina State College	4 500 000 00	4 500 000 00	-0-
Tricentennial	6 600 000 00	6 600 000 00	-0-
Medical University	6 000 000 00	6 000 000 00	-0-
Mental Health	15 965 384 36	10 932 228 62	5 033 155 74
Mental Retardation	6 419 090 00	4 209 172 71	2 209 917 29
State Notes - Refunding	15 940 000 00	15 940 000 00	-0-
Total - Act 1377, Acts of 1968	<u>74 873 474 36</u>	<u>67 630 401 33</u>	<u>7 243 073 03</u>
<u>Act 349, Acts of 1969</u>			
Department of Education - Vocational Education	1 060 000 00	1 060 000 00	-0-
Technical Education - Denmark	300 000 00	300 000 00	-0-
Total - Act 349, Acts of 1969	<u>1 360 000 00</u>	<u>1 360 000 00</u>	<u>-0-</u>
<u>Act 452, Acts of 1969</u>			
Technical Education - Beaufort	500 000 00	500 000 00	-0-
<u>Act 456, Acts of 1970</u>			
Ports Authority	8 500 000 00	8 500 000 00	-0-
<u>Act 1272, Acts of 1970</u>			
Aeronautics Commission	408 500 00	381 707 41	26 792 59
Budget and Control Board	8 360 000 00	8 360 000 00	-0-
Clemson University	13 452 000 00	12 028 589 11	1 423 410 89
Department of Corrections	11 115 000 00	10 337 427 18	777 572 82
Deaf and Blind School	1 216 000 00	1 216 000 00	-0-
Department of Education - Vocational Education	1 282 500 00	1 282 500 00	-0-
Francis Marion College	4 645 500 00	4 645 500 00	-0-
Highway Department	95 000 00	95 000 00	-0-
Juvenile Corrections	1 173 250 00	1 173 250 00	-0-
Medical University	3 961 500 00	3 961 500 00	-0-
Mental Retardation	1 900 000 00	1 900 000 00	-0-
Parks, Recreation & Tourism	2 683 750 00	2 335 205 04	348 544 96
Ports Authority	31 350 000 00	22 107 751 20	9 242 248 80
SLED	1 140 000 00	1 140 000 00	-0-
South Carolina State College	3 800 000 00	3 799 534 52	465 48
Technical Education	3 154 000 00	2 904 427 18	249 572 82
University of South Carolina	20 947 500 00	20 947 500 00	<b>709</b> -0-
Wildlife Resources	570 000 00	570 000 00	-0-
Winthrop College	712 500 00	712 500 00	-0-
Total - Act 1272, Acts of 1970	<u>111 967 000 00</u>	<u>99 898 391 64</u>	<u>12 068 608 36</u>

	<u>Authorized</u>	<u>Distributed To Departments</u>	<u>Balance Due Departments</u>
<u>Act 410, Acts of 1971</u>			
College of Charleston	5 785 000 00	5 785 000 00	-0-
Adjutant General	225 000 00	225 000 00	-0-
Francis Marion College	4 350 000 00	4 350 000 00	-0-
Budget and Control Board	300 000 00	300 000 00	-0-
York County TEC	80 500 00	80 500 00	-0-
Total - Act 410, Acts of 1971	<u>10 740 500 00</u>	<u>10 740 500 00</u>	<u>-0-</u>
<u>Act 1555, Acts of 1972</u>			
Department of Education -			
Vocational Education	3 300 000 00	3 300 000 00	-0-
Educational T V	3 600 000 00	727 683 49	2 872 316 51
Parks, Recreation & Tourism	196 000 00	-0-	196 000 00
Clemson University	2 675 000 00	-0-	2 675 000 00
University of South Carolina	2 800 000 00	2 126 572 02	673 427 98
College of Charleston	5 182 200 00	5 182 200 00	-0-
Francis Marion College	3 125 000 00	3 125 000 00	-0-
The Citadel	3 000 000 00	562 543 60	2 437 456 40
South Carolina State College	1 360 000 00	1 360 000 00	-0-
Medical University	500 000 00	500 000 00	-0-
John de la Howe	925 000 00	925 000 00	-0-
Youth Services	3 000 000 00	521 893 00	2 478 107 00
Highway Department	500 000 00	500 000 00	-0-
Commission For The Blind	35 000 00	35 000 00	-0-
Deaf and Blind School	1 100 000 00	1 017 157 33	82 842 67
Total - Act 1555, Acts of 1972	<u>31 298 200 00</u>	<u>19 883 049 44</u>	<u>11 415 150 56</u>
<u>Act 354, Acts of 1973</u>			
Aeronautics Commission	1 400 000 00	77 832 58	1 322 167 42
Department of Agriculture	300 000 00	13 551 26	286 448 74
Commission For The Blind	2 536 000 00	248 682 75	2 287 317 25
Budget and Control Board	11 300 000 00	820 580 96	10 479 419 04
College of Charleston	6 482 000 00	4 037 025 23	2 444 974 77
Department of Corrections	1 332 000 00	-0-	1 332 000 00
Department of Education -			
Vocational Education	11 814 000 00	3 901 657 46	7 912 342 54
Educational T V	6 574 000 00	-0-	6 574 000 00
Employment Security	4 000 000 00	185 341 74	3 814 658 26
Francis Marion College	3 105 000 00	300 563 87	2 804 436 13
Highway Department	500 000 00	500 000 00	-0-
Lander College	2 700 000 00	464 862 44	2 235 137 56
Medical University	13 441 000 00	1 113 837 27	12 327 162 73
Mental Health	400 000 00	365 000 00	35 000 00
Mental Retardation	6 420 000 00	680 000 00	5 740 000 00
Parks, Recreation & Tourism	2 500 000 00	-0-	2 500 000 00
Public Railway Commission	500 000 00	80 102 52	419 897 48
South Carolina State College	300 000 00	-0-	300 000 00
Technical Education	7 898 000 00	10 000 00	7 888 000 00
Wildlife Resources	4 010 000 00	657 300 53	3 352 699 47
Winthrop College	400 000 00	85 43	399 914 57
Youth Services	1 000 000 00	-0-	1 000 000 00
Total - Act 354, Acts of 1973	<u>88 912 000 00</u>	<u>13 456 424 04</u>	<u>75 455 575 96</u>
<u>Act 1295, Acts of 1974</u>			
University of South Carolina	8 000 000 00	-0-	8 000 000 00

	<u>Authorized</u>	<u>Distributed To Departments</u>	<u>Balance Due Departments</u>
<u>Act 1060, Acts of 1974</u>			
Highway Department	4 675 000 00	-0-	4 675 000 00
<u>Act 1294, Acts of 1974</u>			
Adjutant General	205 000 00	55 034 17	149 965 83
Budget and Control Board	1 245 000 00	-0-	1 245 000 00
University of South Carolina	1 400 000 00	-0-	1 400 000 00
Clemson University	6 590 000 00	-0-	6 590 000 00
Medical University	5 000 000 00	-0-	5 000 000 00
Citadel	2 137 140 00	-0-	2 137 140 00
Winthrop	640 000 00	-0-	640 000 00
South Carolina State College	1 100 000 00	-0-	1 100 000 00
U. S. C. - Coastal	2 250 000 00	-0-	2 250 000 00
U. S. C. - Spartanburg	2 000 000 00	-0-	2 000 000 00
U. S. C. - Aiken	1 900 000 00	-0-	1 900 000 00
Francis Marion	680 000 00	-0-	680 000 00
College of Charleston	5 635 000 00	-0-	5 635 000 00
Lander College	3 218 000 00	-0-	3 218 000 00
Department of Education			
Vocational Education	7 724 000 00	-0-	7 724 000 00
Technical Education	750 000 00	-0-	750 000 00
Educational Television	2 200 000 00	-0-	2 200 000 00
Opportunity School	63 000 00	17 08	62 982 92
Archives and History	500 000 00	200 102 52	299 897 48
Youth Services	1 000 000 00	-0-	1 000 000 00
John de la Howe	200 000 00	200 000 00	-0-
Department of Corrections	7 500 000 00	-0-	7 500 000 00
Wildlife and Marine Resources	3 592 275 00	-0-	3 592 275 00
Forestry Commission	180 000 00	35 034 17	144 965 83
Parks, Recreation & Tourism	1 010 000 00	-0-	1 010 000 00
Highway Department	200 000 00	200 000 00	-0-
Ports Authority	68 000 000 00	-0-	68 000 000 00
Total - Act 1292, Acts of 1974	<u>126 919 415 00</u>	<u>690 187 94</u>	<u>126 229 227 06</u>
<b>Total</b>	<u><u>467 745 589 36</u></u>	<u><u>222 658 954 39</u></u>	<u><u>245 086 634 97</u></u>

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
STATE CAPITAL IMPROVEMENT BOND  
(SERIES I)

\$5,000  
No. I-

\$5,000  
No. I-

The STATE OF SOUTH CAROLINA hereby acknowledges that it is indebted and for value received, promises to pay to the bearer hereof, or, if this bond be registered, to the registered holder hereof, the sum of

FIVE THOUSAND DOLLARS

on the first day of April, 19\_\_\_\_, with interest thereon, from the date of this bond, at the rate of \_\_\_\_\_ per centum (        %) per annum, payable on April 1 and October 1 of each year, beginning October 1, 1975, according to the tenor, and upon presentation and surrender, of the annexed coupons as they severally become due, or, if this bond be registered as to both principal and interest, to the registered holder hereof. Both the principal of and interest on this bond are payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Unless this bond be registered, payment of both principal and interest will be made at the principal office of \_\_\_\_\_

in the City of \_\_\_\_\_, State of \_\_\_\_\_,  
or, at the option of the holder, at the principal office  
of \_\_\_\_\_, in the City of  
\_\_\_\_\_, State of \_\_\_\_\_.

At the written request of the holder, and upon presentation of this bond to the State Treasurer of South Carolina, this bond will be registered in the holder's name on the books of the State Treasurer as to principal only, or as to both principal and interest, and such registration noted hereon by the State Treasurer, after which no transfer of this bond shall be valid unless made on said books and noted hereon, or, unless in case of registration as to principal only, the last registered transfer so noted shall have been to bearer. Registration as to principal only shall not affect the negotiability of the coupons hereto attached, which shall continue to pass by delivery. If this bond be registered as to principal only, payment of the principal of this bond, upon maturity, will be made to the registered holder upon surrender of this bond to the State Treasurer. In case of registration as to both principal and interest, all unmatured coupons will be cut off and destroyed by the State Treasurer, and that fact noted hereon by him, and thereafter interest evidenced by such surrendered coupons will be paid by check or draft by the State Treasurer at the times provided herein by mail to the registered holder of

this bond at the address shown on the registration books, and in such case payment of the principal of this bond, upon maturity, will be made to the registered holder upon surrender of this bond to the State Treasurer.

The bonds of this issue are not subject to redemption prior to their stated maturities.

This bond is one of an issue of bonds in the aggregate principal amount of Forty-Five Million Dollars (\$45,000,000) of like tenor, except as to number, rate of interest and date of maturity, issued pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, including particularly the provisions of Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, approved the 24th day of June, 1968, as amended, for the purpose of raising funds for purposes authorized by said Act.

For the payment of the principal of and interest on this bond there are hereby pledged the full faith, credit and taxing power of the State of South Carolina, and in addition thereto, but subject to the provisions of the statute law above referred to, all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax). The pledge of revenues derived from the State Income Tax is subject

to a prior pledge of such revenues heretofore made to secure the now outstanding \$5,875,000 of State Ports Bonds of the State of South Carolina.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or Statutes of the State of South Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that the amount of this bond, together with all other indebtedness of the State of South Carolina, does not exceed any limit prescribed by such Constitution or Statutes.

IN WITNESS WHEREOF, the State of South Carolina has caused this bond to be signed by the facsimile signature of the Governor of South Carolina and by the manual signature of the State Treasurer of South Carolina, the Great Seal of the State of South Carolina to be reproduced hereon and attested by the manual signature of the Secretary of State of South Carolina, the coupons attached hereto to be authenticated by the facsimile signature of the State Treasurer in office on the date of this bond, and this bond to be dated April 1, 1975.

(SEAL)

\_\_\_\_\_  
Governor

\_\_\_\_\_  
State Treasurer

Attest:

\_\_\_\_\_  
Secretary of State

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(FORM OF COUPON)

On the first day of October, 19\_\_\_\_, the STATE OF  
SOUTH CAROLINA will pay to BEARER \_\_\_\_\_  
\_\_\_\_\_ DOLLARS \$ \_\_\_\_\_,  
at the principal office of \_\_\_\_\_,  
in the City of \_\_\_\_\_, State of \_\_\_\_\_  
\_\_\_\_\_, or, at the option of the holder, at the  
principal office of \_\_\_\_\_, in  
the City of \_\_\_\_\_, State of \_\_\_\_\_,  
in any coin or currency of the United States of America  
which is then legal tender for the payment of public and  
private debts, being the interest then due on its STATE  
CAPITAL IMPROVEMENT BONDS (SERIES I), dated April 1, 1975,  
No. I-\_\_\_\_\_.

\_\_\_\_\_  
State Treasurer

(FORM OF REGISTRATION TO APPEAR ON THE REVERSE OF EACH BOND)

IT IS HEREBY CERTIFIED that upon the written request of  
the holder of the within bond for its registration as to  
both principal and interest, I have this day cut off and  
destroyed all unmatured coupons of said bond, being  
\_\_\_\_\_ in number, and that the principal and interest of  
said bond are payable to the registered holder or his  
legal representative or successor.

Dated:

\_\_\_\_\_, 19\_\_\_\_\_.

\_\_\_\_\_  
State Treasurer

NO WRITING ON THIS BOND EXCEPT BY  
THE STATE TREASURER OR HIS DEPUTY

The registration indicated below is to be deemed to  
be as to principal only, unless the above certificate has  
been executed by the State Treasurer.

<u>DATE OF REGISTRATION</u>	<u>NAME OF REGISTERED HOLDER</u>	<u>STATE TREASURER</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(FORM OF PANEL FOR BACK OF BONDS)

NO.

STATE OF SOUTH CAROLINA

\$5,000

STATE CAPITAL IMPROVEMENT BOND

(SERIES I)

PER

CENT

PRINCIPAL DUE

April 1, 19\_\_

INTEREST PAYABLE

April 1 and October 1

PRINCIPAL AND INTEREST

Payable

At the principal office of

in

or

Columbia, S. C.

NOTICE OF SALE

\$65,000,000

GENERAL OBLIGATION BONDS OF THE  
STATE OF SOUTH CAROLINA

SEALED PROPOSALS will be received by the Governor and the State Treasurer of the State of South Carolina, in the office of the State Treasurer, in the Wade Hampton Office Building in the City of Columbia, South Carolina, on Tuesday, March 25, 1975, until 11:00 o'clock A.M. (EASTERN DAYLIGHT TIME), at which time said proposals will be publicly opened and announced for the purchase of \$65,000,000 General Obligation Bonds of the State of South Carolina hereinafter described.

The foregoing bonds will consist of two issues enumerated below, which, in their aggregate, are offered as a single issue:

(1) \$45,000,000 State Capital Improvement Bonds, Series I, issued for the purpose of defraying the cost of certain capital improvements pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, payable without privilege of prior redemption, as follows: \$4,500,000 on April 1 in each of the years 1976 to 1985, inclusive.

(2) \$20,000,000 State Highway Bonds, Series L, issued for the purpose of raising moneys for highway construction purposes, pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, payable without privilege of prior redemption, as follows: \$2,000,000 on April 1 in each of the years 1976 to 1985, inclusive.

The bonds will be dated April 1, 1975, and will be in the denomination of \$5,000 each. The bonds will bear interest from their date and such interest will be payable semi-annually on October 1 and April 1 of each year, beginning October 1, 1975.

The bonds will be issued as coupon bonds, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer.

The State Capital Improvement Bonds will be numbered consecutively from 1 upwards in the order of their maturities, and will bear the prefix "I."

The State Highway Bonds will be numbered consecutively from 1 upwards in the order of their maturities, and will bear the prefix "L."

The composite maturity schedule of the State Capital Improvement Bonds and the State Highway Bonds, is as follows:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>
\$6,500,000	1976	\$6,500,000	1981
6,500,000	1977	6,500,000	1982
6,500,000	1978	6,500,000	1983
6,500,000	1979	6,500,000	1984
6,500,000	1980	6,500,000	1985

The State Capital Improvement Bonds are issued pursuant to Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377).

The State Highway Bonds are issued pursuant to the provisions of Sections 15.1 through 15.22, inclusive, of Act No. 1575 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended.

The bonds will be dated April 1, 1975, and will be in the denomination of \$5,000 each. The bonds will bear interest from their date and such interest will be payable semi-annually on October 1 and April 1 of each year, beginning October 1, 1975.

The bonds will be issued as coupon bonds, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer.

The State Capital Improvement Bonds will be numbered consecutively from 1 upwards in the order of their maturities, and will bear the prefix "I."

The State Highway Bonds will be numbered consecutively from 1 upwards in the order of their maturities, and will bear the prefix "L."

The composite maturity schedule of the State Capital Improvement Bonds and the State Highway Bonds, is as follows:

<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>
\$6,500,000	1976	\$6,500,000	1981
6,500,000	1977	6,500,000	1982
6,500,000	1978	6,500,000	1983
6,500,000	1979	6,500,000	1984
6,500,000	1980	6,500,000	1985

The State Capital Improvement Bonds are issued pursuant to Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377).

The State Highway Bonds are issued pursuant to the provisions of Sections 15.1 through 15.22, inclusive, of Act No. 1575 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended.

Bidders are invited to name the rate or rates of interest which the bonds will bear, under the following conditions:

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

Interest cost will be determined by deducting premium, if any, from the aggregate of interest on the bonds from April 1, 1975, until their respective maturities. Bidders are requested to complete the tabulation on the official bid form, which must be used, but such tabulations are not required and will not be regarded as a part of the bid.

Unless all proposals are rejected, the proposal naming the lowest interest cost to the State will be accepted.

Both the principal of and interest on the bonds will be payable in any coin or currency of the United States of America which, at the time of payment, shall be legal tender for the payment of public and private debts. Except as to bonds registered as to principal or as to bonds registered as to both principal and interest, such payments shall be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

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

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

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

Each proposal must be submitted on the official bid form, must be enclosed in a sealed envelope and should be addressed to the State Treasurer of the State of South Carolina, Wade Hampton Office Building, Columbia, South Carolina, and marked on the outside in substance "Proposal for State General Obligation Bonds." As a condition precedent to the consideration of its proposal, each bidder must enclose with it a certified or cashier's or treasurer's check drawn upon a bank or trust company, payable to the order of the Treasurer of South Carolina for \$650,000, as a good faith deposit. The check of the successful bidder will be applied in part payment of the bonds or to secure the State from any loss resulting from the failure of such bidder to comply with the terms of its bid. The good faith deposit will be returned to the successful bidder if the State of South Carolina shall fail to deliver the bonds as provided in this Notice of Sale. No interest will be allowed on the good faith deposit of the successful bidder.

No proposal for the purchase of less than all of the \$65,000,000 of bonds, or at a price of less than par and accrued interest to the date of delivery, will be considered.

Payment for the bonds must be made in Federal Funds or other immediately available funds.

The right to reject all bids is reserved and any bid not conforming to this notice may be rejected, but the right is reserved to waive technicalities.

The State will furnish, without cost to the successful bidder, the printed bonds and the opinions of The Honorable Daniel R. McLeod, Attorney General of the State of South Carolina, and of Sinkler Gibbs Simons & Guerard, Attorneys at Law, Charleston, South Carolina. The opinions to be issued with respect to the State Capital Improvement Bonds will state in substance: (1) the bonds are valid and legally binding obligations of the State of South Carolina, (2) the full faith, credit and taxing power of the State of South Carolina are pledged to the payment of the principal of and interest on the bonds, as they become due and payable, (3) subject to the limitations imposed by Act 1377, the bonds together with other State Capital Improvement Bonds heretofore or hereafter issued under the provisions of the enabling act, are additionally secured by a pledge of all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax); the pledge of the revenues derived from the State Income Tax is subject to a prior pledge of such revenues heretofore made to secure the outstanding \$5,875,000 of State Ports Bonds of the State of South Carolina. The opinions to be issued with respect to the State Highway Bonds will state in substance: (1) the bonds are valid and legally binding obligations of the State of South Carolina, (2) the full faith, credit and taxing powers of the State of South Carolina are pledged to the payment of the principal of and interest on such bonds, as they become due and payable, (3) the bonds, together with other State Highway Bonds heretofore and hereafter issued under the provisions of the enabling law, are additionally secured by a pledge of the entire revenues derived from the 5.67¢ Gasoline Tax, the Motor License Tax, the Road Tax, and the Fuel Oil Tax, levied pursuant to Title 65, Code of Laws of South Carolina, 1962, as amended. The opinions with respect to each issue will also state that (a) interest on the bonds is exempt from Federal income taxes under Federal Statutes existing on the date of the delivery of the bonds, as then judicially construed, and (b) the bonds and the interest thereon are exempt from all state, county, municipal, school district and all other taxes and assessments imposed within the State of South Carolina, except inheritance, estate or transfer taxes. The purchasers will be furnished with the usual closing proofs which will include (a) a certificate that there is no litigation threatened or pending to restrain the issuance or sale of said bonds, and (b) certificates establishing that the bonds are not "arbitrage" bonds, within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder as in effect on the occasion

The State will furnish, without cost to the successful bidder, the printed bonds and the opinions of The Honorable Daniel R. McLeod, Attorney General of the State of South Carolina, and of Sinkler Gibbs Simons & Guerard, Attorneys at Law, Charleston, South Carolina. The opinions to be issued with respect to the State Capital Improvement Bonds will state in substance: (1) the bonds are valid and legally binding obligations of the State of South Carolina, (2) the full faith, credit and taxing power of the State of South Carolina are pledged to the payment of the principal of and interest on the bonds, as they become due and payable, (3) subject to the limitations imposed by Act 1377, the bonds together with other State Capital Improvement Bonds heretofore or hereafter issued under the provisions of the enabling act, are additionally secured by a pledge of all of the revenues that the State shall from time to time realize from the tax imposed by Chapter 5, Title 65, Code of Laws of South Carolina, 1962, as now or hereafter amended (State Income Tax); the pledge of the revenues derived from the State Income Tax is subject to a prior pledge of such revenues heretofore made to secure the outstanding \$5,875,000 of State Ports Bonds of the State of South Carolina. The opinions to be issued with respect to the State Highway Bonds will state in substance: (1) the bonds are valid and legally binding obligations of the State of South Carolina, (2) the full faith, credit and taxing powers of the State of South Carolina are pledged to the payment of the principal of and interest on such bonds, as they become due and payable, (3) the bonds, together with other State Highway Bonds heretofore and hereafter issued under the provisions of the enabling law, are additionally secured by a pledge of the entire revenues derived from the 5.67¢ Gasoline Tax, the Motor License Tax, the Road Tax, and the Fuel Oil Tax, levied pursuant to Title 65, Code of Laws of South Carolina, 1962, as amended. The opinions with respect to each issue will also state that (a) interest on the bonds is exempt from Federal income taxes under Federal Statutes existing on the date of the delivery of the bonds, as then judicially construed, and (b) the bonds and the interest thereon are exempt from all state, county, municipal, school district and all other taxes and assessments imposed within the State of South Carolina, except inheritance, estate or transfer taxes. The purchasers will be furnished with the usual closing proofs which will include (a) a certificate that there is no litigation threatened or pending to restrain the issuance or sale of said bonds, and (b) certificates establishing that the bonds are not "arbitrage" bonds, within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended, and the applicable regulations issued thereunder as in effect on the occasion

of the delivery of the bonds. Upon the delivery of the bonds and payment therefor, the successful bidder shall also be supplied with a certificate signed by the Attorney General of the State, dated as of the date of delivery, to the effect that there is no litigation pending, or (to the knowledge of the Attorney General) threatened, affecting the validity of the bonds.

The opinion of Messrs. Sinkler Gibbs Simons & Guerard will be printed on the back of each of the bonds.

The bonds will be delivered in New York, New York, within thirty days after the award.

Prospective purchasers may obtain, in advance of the sale, copies of the forms of these opinions and other information from the undersigned State Treasurer.

JAMES B. EDWARDS, Governor

GRADY L. PATTERSON, JR., State  
Treasurer

Publication Date:

March \_\_\_\_, 1975.

EXHIBIT VII  
MARCH 11, 1975

A RESOLUTION

MAKING PROVISION FOR THE ISSUANCE OF TWENTY MILLION DOLLARS (\$20,000,000) STATE HIGHWAY BONDS OF THE STATE OF SOUTH CAROLINA.

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

SECTION 1.

O  
R  
As an incident to the adoption of this Resolution the State Budget and Control Board of South Carolina (herein the State Board) has made the findings set forth in the remaining paragraphs of this Section.

I  
G  
I  
N  
(a) Certain terms used herein are defined terms in Act 1575 of the Acts of the General Assembly of the State of South Carolina for the year 1972, as amended (the Highway Bond Act). When used in this Resolution such terms are written with initial capitals and shall have the meanings given to them by the Highway Bond Act.

A  
L  
(b) The State Board did heretofore receive as of November 27, 1974, a Request from the Highway Commission made pursuant to Section 15.3 of the Highway Bond Act, setting forth the information required by Section 15.3, seeking the issuance of \$35 Million of State Highway Bonds to provide funds for Highway Construction Purposes.

(c) After due consideration of the Request, and after consultation with officials of the Highway Commission, the

State Board has determined to approve the Request, but has further determined to issue the requested State Highway Bonds as two issues rather than as a single issue. It has been determined that \$20 Million of State Highway Bonds should be immediately issued in accordance with the provisions of this Resolution, and that the remaining \$15 Million of State Highway Bonds should be issued on an occasion prescribed by the State Board during the fiscal year beginning July 1, 1975.

On the basis of the foregoing findings and determinations, the State Board adopts this Resolution to make provision for the issuance of \$20 Million of State Highway Bonds.

SECTION 2.

Pursuant to the requirements of Section 15.9 of the Highway Bond Act the State Board finds that the actual receipts from the Sources of Revenue for the Fiscal Year ended June 30, 1974 exceeded 150% of the maximum annual debt service requirements of all State Highway Bonds now outstanding and all State Highway Bonds to be outstanding following the issuance of the bonds authorized by this Resolution, and that the estimate made by the Highway Commission and hereby approved by the State Board indicates that collections from the Sources of Revenue in the current Fiscal Year and in succeeding fiscal years during which State Highway Bonds shall be outstanding

will not be less than one hundred fifty per cent of maximum annual interest and principal requirements of all State Highway Bonds now outstanding and all State Highway Bonds hereafter to be outstanding.

SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to immediately effect the issuance of \$20,000,000 State Highway Bonds in accordance with the provisions of this Resolution.

SECTION 4.

The said bonds shall be in the aggregate principal amount of \$20,000,000, shall be designated "State Highway Bonds, Series L," shall be in the denomination of \$5,000 each, and shall be numbered from L-1 to L-4000, inclusive.

SECTION 5.

Said bonds shall be dated April 1, 1975 and shall mature without privilege of prior redemption, in annual series or installments, in numerical order, as follows:

\$2,000,000 on April 1 in each of the years  
1976 to 1985, inclusive.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on October 1 and April 1 of each year, commencing October 1, 1975, as shall at the sale of such bonds

reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but

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

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from April 1, 1975 until their respective maturities, less any sum named by way of premium.

SECTION 7.

Both the principal of and interest on the Bonds shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds will be issued as coupon bonds payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, State of South Carolina. If so registered in either

manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments will be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

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

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

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued to raise \$20 Million for the purpose of defraying the cost of Highway Construction. The principal proceeds of the said Bonds shall be so applied.

SECTION 9.

The bonds shall be signed by the Governor and the State Treasurer. The Governor may sign such bonds by a facsimile of his signature. The Great Seal of the State shall be affixed to, impressed or reproduced upon each bond and each bond shall be attested by the Secretary of State. All coupons attached to the bonds shall be authenticated by the facsimile signature of the State Treasurer who is in office on the date which the bonds bear. The bonds so executed and authenticated shall be valid notwithstanding any change in officers or seal occurring after such execution or authentication.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and, in addition thereto, but subject to the provisions of the Highway Bond Act, all moneys derived

from the Sources of Revenue, and such moneys may be forthwith used by the State Treasurer, without further action of the Highway Commission, for the payment of the principal of and interest on the bonds, as the same respectively mature.

All revenue received from the Sources of Revenue during each Fiscal Year shall be discharged from the pledge made by this Section when payment, or provision for payment, has been made for all installments of principal or interest of all State Highway Bonds maturing in such Fiscal Year, and thereafter such moneys may be applied as provided by the Highway Bond Act.

SECTION 11.

The form of the bonds, with interest coupons attached thereto, and the registration certificate to be endorsed thereon shall be substantially as set forth in "EXHIBIT A" attached hereto and made a part hereof.

SECTION 12.

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

from the Sources of Revenue, and such moneys may be forthwith used by the State Treasurer, without further action of the Highway Commission, for the payment of the principal of and interest on the bonds, as the same respectively mature.

All revenue received from the Sources of Revenue during each Fiscal Year shall be discharged from the pledge made by this Section when payment, or provision for payment, has been made for all installments of principal or interest of all State Highway Bonds maturing in such Fiscal Year, and thereafter such moneys may be applied as provided by the Highway Bond Act.

SECTION 11.

The form of the bonds, with interest coupons attached thereto, and the registration certificate to be endorsed thereon shall be substantially as set forth in "EXHIBIT A" attached hereto and made a part hereof.

SECTION 12.

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

SECTION 13.

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

SECTION 14.

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

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

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

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

SECTION 15.

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

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

(2) \$20 Million of the principal proceeds shall be applied to defray the costs of Highway Construction.

SECTION 16.

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

SECTION 17.

If all of the bonds, and coupons, representing interest thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section, if the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys which at any time shall be deposited with the Paying Agent, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby assigned, transferred and set over to the Paying Agent in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty

of the Paying Agent to forthwith return said funds to the State of South Carolina. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to the provisions of this Section.

SECTION 18.

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

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SOUTH CAROLINA  
STATE HIGHWAY DEPARTMENT  
DRAWER 191  
COLUMBIA, S. C. 29202

March 31, 1975

Mr. P. C. Smith, Secretary  
State Budget and Control Board  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Mr. Smith:

Enclosed is a copy of a Resolution relative to the issuance of \$20 million State Highway Bonds. This Resolution was adopted by the Highway Commission at its regular meeting on March 20, 1975.

Also enclosed is a copy of a Confirmatory Request signed by S. N. Pearman, Chief Highway Commissioner, relative to the issuance of these bonds.

Mr. Huger Sinkler requested that I furnish you with a copy of the Resolution and the Request.

With kindest regards, I remain

Yours very truly,

W. T. Brooks  
Secretary-Treasurer

Enclosures

CONFIRMATORY REQUEST

March 20, 1975

The State Budget and Control Board  
of South Carolina

Gentlemen:

At a meeting of the State Highway Commission held this day, the Commission was advised of the action taken by your Board at its meeting held on March 11, 1975, wherein it approved, in modified form, a Request of the Commission made to you by me under date of November 27, 1974, relating to the issuance of \$35 Million of State Highway Bonds.

By your action, you approved the Request of the State Highway Commission, but determined that the \$35 Million of State Highway Bonds sought to be issued should be issued as two separate series. The one, in the amount of \$20 Million is to be issued as of April 1, 1975, and the second, in the amount of \$15 Million, is to be issued during the next succeeding fiscal year.

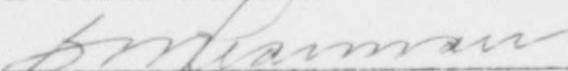
By the Resolution this day adopted, the State Highway Commission approved the action taken by your Board. The Resolution this day adopted, a copy of which is attached, is the Resolution by which the State Highway Commission approved your action.

Attached to this Resolution is the information required by Act No. 1575 of the Acts of the General Assembly for the year 1972, as amended, relating to the \$20 Million State Highway Bonds, Series L.

It is represented to you that the Resolution referred to in this Confirmatory Request was duly adopted at a meeting duly called and regularly held and attended by a quorum and that the said Resolution is now in full force and effect and has not been rescinded.

Respectively yours,

THE STATE HIGHWAY COMMISSION  
OF SOUTH CAROLINA

  
\_\_\_\_\_  
Its Chief Highway Commissioner

A RESOLUTION  
APPROVING THE ACTION OF THE STATE BUDGET AND CONTROL BOARD  
OF SOUTH CAROLINA MODIFYING A REQUEST HERETOFORE MADE AS  
OF NOVEMBER 27, 1974, RELATING TO THE ISSUANCE OF STATE  
HIGHWAY BONDS.

BE IT RESOLVED BY THE STATE HIGHWAY COMMISSION IN  
MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS

Section 1.01

As an incident to the adoption of this Resolution the  
State Highway Commission of South Carolina (the Commission)  
makes the findings set forth in the remaining sections of  
this Article.

Section 1.02

Certain terms used in this Resolution are terms defined  
in the Highway Bond Act. Such terms when used herein have  
initial capitals and shall have the meanings set forth in the  
Highway Bond Act.

Section 1.03

Heretofore on November 27, 1974, the State Highway  
Commission adopted a Resolution directing that a Request  
be made to the State Budget and Control Board of South  
Carolina (the State Board) to effect the issuance of  
\$35 Million State Highway Bonds.

Section 1.04

In accordance with the provisions of the aforesaid  
Resolution, a Request made November 27, 1974 was duly  
made to the State Board.

Section 1.05

By action taken on March 11, 1975, the State Board  
approved the Request of the Commission but determined

that the Bonds so requested should be issued as two separate series. The one, in the amount of \$20 Million is to be issued as of April 1, 1975, and the second, in the amount of \$15 Million, is to be issued during the next succeeding fiscal year.

Section 1.06

By reason of the foregoing, it is appropriate that the Commission adopt a Resolution accepting the decision of the State Board to which should be appended appropriate schedules to set forth the information required by the Highway Bond Act as it pertains to the issuance of \$20 Million State Highway Bonds, Series L.

Section 1.07

Upon the issuance of such Bonds, the proceeds shall be applied for Highway Construction purposes. It is estimated that such sum will be expended during the remaining portion of the fiscal year to end June 30, 1975.

Section 1.08

Attached hereto are schedules showing annual payments of principal and interest of all Highway Bonds now outstanding and a table setting forth the amount as estimated by the Commission which will be derived from the Sources of Revenue during the present fiscal year and the next ensuing fiscal years when State Highway Bonds now outstanding and those sought to be issued will be outstanding.

Section 1.09

The actual revenues derived from the Sources of Revenue during the fiscal year ended June 30, 1974 amount to \$116,898,403. Of such sum \$80,338,203 was raised from the Gasoline Tax; \$12,041,048 raised from the Fuel Oil Tax; \$1,199,604 was raised from the Road Tax; and \$23,319,548 was raised from the Motor Vehicle License Tax.

ARTICLE II

CONFIRMATORY REQUEST

Section 2.01

A confirmatory request shall be made to the State Board for the issuance of \$20 Million of State Highway Bonds and shall be based upon the findings set forth herein. The proceeds of said Bonds shall be expended for Highway Construction purposes.

ARTICLE III

PARTIAL REPEAL OF EARLIER ACTION

Section 3.01

All earlier actions inconsistent with the terms and conditions of this Resolution are rescinded to such extent of such inconsistencies.

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Schedule No. 1

SHOWING ANNUAL PAYMENTS REQUIRED TO RETIRE ALL  
OUTSTANDING STATE HIGHWAY BONDS, PRINCIPAL  
AND INTEREST, PREPARED AS OF APRIL 2, 1975\*

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total Principal</u> <u>&amp; Interest</u>
1975	\$ .00	\$ 1,631,250.00	\$ 1,631,250.00
1976	5,500,000.00	3,574,750.00	9,074,750.00
1977	5,500,000.00	3,291,000.00	8,791,000.00
1978	5,500,000.00	3,011,000.00	8,511,000.00
1979	5,500,000.00	2,738,500.00	8,238,500.00
1980	5,500,000.00	2,471,750.00	7,971,750.00
1981	5,500,000.00	2,210,250.00	7,710,250.00
1982	5,500,000.00	1,955,000.00	7,455,000.00
1983	5,500,000.00	1,696,500.00	7,196,500.00
1984	5,500,000.00	1,434,000.00	6,934,000.00
1985	5,500,000.00	1,167,250.00	6,667,250.00
1986	5,500,000.00	895,750.00	6,395,750.00
1987	5,500,000.00	619,500.00	6,119,500.00
1988	4,500,000.00	360,000.00	4,860,000.00
1989	2,000,000.00	180,000.00	2,180,000.00
1990	2,000,000.00	60,000.00	2,060,000.00
	<u>\$74,500,000.00</u>	<u>\$27,296,500.00</u>	<u>\$101,796,500.00</u>

\*Does not include proposed Issue of Series "L" Bonds.

Schedule No. 1 - (a)

STATE HIGHWAY BONDS, SERIES I, dated October 1, 1971, \$15,000,000, which matured and mature as follows:

\$1,000,000 on October 1 in each of the years 1972 to 1986, inclusive.

The bonds bear interest in accordance with the following schedule:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1972	4.50%	1980	3.60%
1973	4.50%	1981	3.75%
1974	4.50%	1982	3.80%
1975	4.25%	1983	3.90%
1976	3.50%	1984	4.00%
1977	3.50%	1985	4.10%
1978	3.50%	1986	4.10%
1979	3.60%		

SCHEDULE SHOWING THE ANNUAL PAYMENTS REQUIRED TO RETIRE THE SERIES I BONDS AND THE INTEREST THEREON

FISCAL YEAR ENDING JUNE 30	PRIN. DUE OCT. 1	INTEREST		TOTAL INTEREST	PRINCIPAL & INTEREST
		OCT. 1	APRIL 1		
1972	\$ -	\$ -	\$ 295,500.00	\$ 295,500.00	\$ 295,500.00
1973	1,000,000	295,500.00	273,000.00	568,500.00	1,568,500.00
1974	1,000,000	273,000.00	250,500.00	523,500.00	1,523,500.00
1975	1,000,000	250,500.00	228,000.00	478,500.00	1,478,500.00
1976	1,000,000	228,000.00	206,750.00	434,750.00	1,434,750.00
1977	1,000,000	206,750.00	189,250.00	396,000.00	1,396,000.00
1978	1,000,000	189,250.00	171,750.00	361,000.00	1,361,000.00
1979	1,000,000	171,750.00	154,250.00	326,000.00	1,326,000.00
1980	1,000,000	154,250.00	136,250.00	290,500.00	1,290,500.00
1981	1,000,000	136,250.00	118,250.00	254,500.00	1,254,500.00
1982	1,000,000	118,250.00	99,500.00	217,750.00	1,217,750.00
1983	1,000,000	99,500.00	80,500.00	180,000.00	1,180,000.00
1984	1,000,000	80,500.00	61,000.00	141,500.00	1,141,500.00
1985	1,000,000	61,000.00	41,000.00	102,000.00	1,102,000.00
1986	1,000,000	41,000.00	20,500.00	61,500.00	1,061,500.00
1987	1,000,000	20,500.00	-	20,500.00	1,020,500.00
	\$15,000,000	\$2,326,000.00	\$2,326,000.00	\$4,652,000.00	\$19,652,000.00

Balance as of 4-2-75.

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\$12,000,000	\$1,507,000.00	\$1,279,000.00	\$2,786,000.00	\$14,786,000.00
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Schedule No. 1 - (b)

STATE HIGHWAY BONDS, SERIES J, dated April 1, 1973, \$35,000,000,  
which matured and matures as follows:

\$2,500,000 on December 1 in each of the years  
1974 to 1987, inclusive.

The bonds bear interest in accordance with the following schedule:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1974	5.00%	1981	4.50%
1975	5.00%	1982	4.60%
1976	5.00%	1983	4.60%
1977	5.00%	1984	4.70%
1978	4.40%	1985	4.70%
1979	4.50%	1986	4.80%
1980	4.50%	1987	4.80%

SCHEDULE SHOWING THE ANNUAL PAYMENTS REQUIRED TO  
RETIRE THE SERIES J BONDS AND THE INTEREST THEREON

<u>FISCAL YEAR ENDING JUNE 30</u>	<u>PRIN. DUE DEC. 1</u>	<u>INTEREST</u>		<u>TOTAL INTEREST</u>	<u>PRINCIPAL &amp; INTEREST</u>
		<u>DEC. 1</u>	<u>JUNE 1</u>		
1974	\$ -	\$1,101,666.66	\$ 826,250.00	\$1,927,916.66	\$ 1,927,916.66
1975	2,500,000	826,250.00	763,750.00	1,590,000.00	4,090,000.00
1976	2,500,000	763,750.00	701,250.00	1,465,000.00	3,965,000.00
1977	2,500,000	701,250.00	638,750.00	1,340,000.00	3,840,000.00
1978	2,500,000	638,750.00	576,250.00	1,215,000.00	3,715,000.00
1979	2,500,000	576,250.00	521,250.00	1,097,500.00	3,597,500.00
1980	2,500,000	521,250.00	465,000.00	986,250.00	3,486,250.00
1981	2,500,000	465,000.00	408,750.00	873,750.00	3,373,750.00
1982	2,500,000	408,750.00	352,500.00	761,250.00	3,261,250.00
1983	2,500,000	352,500.00	295,000.00	647,500.00	3,147,500.00
1984	2,500,000	295,000.00	237,500.00	532,500.00	3,032,500.00
1985	2,500,000	237,500.00	178,750.00	416,250.00	2,916,250.00
1986	2,500,000	178,750.00	120,000.00	298,750.00	2,798,750.00
1987	2,500,000	120,000.00	60,000.00	180,000.00	2,680,000.00
1988	2,500,000	60,000.00	-	60,000.00	2,560,000.00
	\$35,000,000	\$7,246,666.66	\$6,145,000.00	\$13,391,666.66	\$48,391,666.66
Balance as of 4-2-75					
	\$32,500,000	\$5,318,750.00	\$5,318,750.00	\$9,873,750.00	\$42,373,750.00

Schedule No. 1 - (c)

STATE HIGHWAY BONDS, SERIES K, dated December 1, 1974, \$30,000,000, which matured and matures as follows:

\$2,000,000 on December 1 in each of the years 1975 to 1989, inclusive.

The bonds bear interest in accordance with the following schedule:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
1975	6.00%	1983	5.50%
1976	6.00%	1984	5.60%
1977	6.00%	1985	5.75%
1978	6.00%	1986	5.90%
1979	6.00%	1987	6.00%
1980	5.30%	1988	6.00%
1981	5.30%	1989	6.00%
1982	5.40%		

SCHEDULE SHOWING THE ANNUAL PAYMENTS REQUIRED TO RETIRE THE SERIES K BONDS AND THE INTEREST THEREON

FISCAL YEAR ENDING JUNE 30	PRIN. DUE DEC. 1	INTEREST		TOTAL INTEREST	PRINCIPAL & INTEREST
		DEC. 1	JUNE 1		
1975	\$ -	\$ -	\$ 867,500.00	\$ 867,500.00	\$ 867,500.00
1976	2,000,000	867,500.00	807,500.00	1,675,000.00	3,675,000.00
1977	2,000,000	807,500.00	747,500.00	1,555,000.00	3,555,000.00
1978	2,000,000	747,500.00	687,500.00	1,435,000.00	3,435,000.00
1979	2,000,000	687,500.00	627,500.00	1,315,000.00	3,315,000.00
1980	2,000,000	627,500.00	567,500.00	1,195,000.00	3,195,000.00
1981	2,000,000	567,500.00	514,500.00	1,082,000.00	3,082,000.00
1982	2,000,000	514,500.00	461,500.00	976,000.00	2,976,000.00
1983	2,000,000	461,500.00	407,500.00	869,000.00	2,869,000.00
1984	2,000,000	407,500.00	352,500.00	760,000.00	2,760,000.00
1985	2,000,000	352,500.00	296,500.00	649,000.00	2,649,000.00
1986	2,000,000	296,500.00	239,000.00	535,500.00	2,535,500.00
1987	2,000,000	239,000.00	180,000.00	419,000.00	2,419,000.00
1988	2,000,000	180,000.00	120,000.00	300,000.00	2,300,000.00
1989	2,000,000	120,000.00	60,000.00	180,000.00	2,180,000.00
1990	2,000,000	60,000.00	-	60,000.00	2,060,000.00
	\$30,000,000	\$6,936,500.00	\$6,936,500.00	\$13,873,000.00	\$43,873,000.00

Balance as of 4-2-75

\$30,000,000 \$6,936,000.00 \$6,936,500.00 \$13,873,000.00 \$43,873,000.00

Schedule No. 2

SCHEDULE SHOWING ANNUAL PRINCIPAL REQUIREMENTS AND  
ESTIMATED ANNUAL INTEREST REQUIREMENTS ON THE  
\$20,000,000 STATE HIGHWAY BONDS, SERIES L, ABOUT  
TO BE ISSUED, DATED APRIL 1, 1975  
(INTEREST RATE 6%)

FISCAL YEAR ENDING JUNE 30	PRIN. DUE APRIL 1	INTEREST		TOTAL INTEREST	PRINCIPAL & INTEREST
		OCT. 1	APRIL 1		
1975	\$ 2,000,000	\$ 600,000.00	\$ 600,000.00	\$ 1,200,000.00	\$ 3,200,000.00
1976	2,000,000	540,000.00	540,000.00	1,080,000.00	3,080,000.00
1977	2,000,000	480,000.00	480,000.00	960,000.00	2,960,000.00
1978	2,000,000	420,000.00	420,000.00	840,000.00	2,840,000.00
1979	2,000,000	360,000.00	360,000.00	720,000.00	2,720,000.00
1980	2,000,000	300,000.00	300,000.00	600,000.00	2,600,000.00
1981	2,000,000	240,000.00	240,000.00	480,000.00	2,480,000.00
1982	2,000,000	180,000.00	180,000.00	360,000.00	2,360,000.00
1983	2,000,000	120,000.00	120,000.00	240,000.00	2,240,000.00
1984	2,000,000	60,000.00	60,000.00	120,000.00	2,120,000.00
1985	2,000,000	60,000.00	60,000.00	120,000.00	2,120,000.00
	\$20,000,000	\$3,300,000.00	\$3,300,000.00	\$6,600,000.00	\$26,600,000.00

Schedule No. 3

SCHEDULE SHOWING FUTURE ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS ON OUTSTANDING STATE HIGHWAY BONDS AND ESTIMATED ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS ON STATE HIGHWAY BONDS (SERIES L) ABOUT TO BE ISSUED.

FISCAL YEAR ENDING JUNE 30	PRINCIPAL AND INTEREST REQUIREMENTS ON OUT- STANDING STATE HIGH- WAY BONDS	ESTIMATED PRIN. & INTEREST REQUIREMENTS ON SERIES L BONDS	TOTAL
1975	\$ 1,631,250.00	\$ -	\$ 1,631,250.00
1976	9,074,750.00	3,200,000.00	12,274,750.00
1977	8,791,000.00	3,080,000.00	11,871,000.00
1978	8,511,000.00	2,960,000.00	11,471,000.00
1979	8,238,500.00	2,840,000.00	11,078,500.00
1980	7,971,750.00	2,720,000.00	10,691,750.00
1981	7,710,250.00	2,600,000.00	10,310,250.00
1982	7,455,000.00	2,480,000.00	9,935,000.00
1983	7,196,500.00	2,360,000.00	9,556,500.00
1984	6,934,000.00	2,240,000.00	9,174,000.00
1985	6,667,250.00	2,120,000.00	8,787,250.00
1986	6,395,750.00	-	6,395,750.00
1987	6,119,500.00	-	6,119,500.00
1988	4,860,000.00	-	4,860,000.00
1989	2,180,000.00	-	2,180,000.00
1990	2,060,000.00	-	2,060,000.00
	<u>\$101,796,500.00</u>	<u>\$26,600,000.00</u>	<u>\$128,396,500.00</u>

Schedule No. 4

A TABLE SHOWING THE AMOUNTS RECEIVED FROM THE SOURCES OF REVENUE DURING THE FISCAL YEAR ENDED JUNE 30, 1974 AND THE AMOUNTS ESTIMATED BY THE HIGHWAY COMMISSION TO BE RECEIVED FROM THE SOURCES OF REVENUE DURING THE PRESENT FISCAL YEAR AND THE NEXT ENSUING FISCAL YEARS WHEN STATE HIGHWAY BONDS NOW OUTSTANDING AND THOSE NOW ABOUT TO BE ISSUED WILL BE OUTSTANDING.

FISCAL YEAR ENDED JUNE 30	5.67¢ GAS TAX	FUEL TAX TAX	ROAD TAX	MOTOR VEH. LICENSE TAX	TOTAL
1974	\$80,338,203	\$12,041,048	\$1,199,604	\$23,319,548	\$116,898,403
1975	80,338,203	12,041,048	1,199,604	24,250,000	117,828,855
1976	80,338,203	12,041,048	1,199,604	25,200,000	118,778,855
1977	80,338,203	12,041,048	1,199,604	26,200,000	119,778,855
1978	80,338,203	12,041,048	1,199,604	27,200,000	120,778,855
1979	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1980	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1981	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1982	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1983	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1984	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1985	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1986	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1987	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1988	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855
1989	80,338,203	12,041,048	1,199,604	28,200,000	121,778,855

STATE OF SOUTH CAROLINA

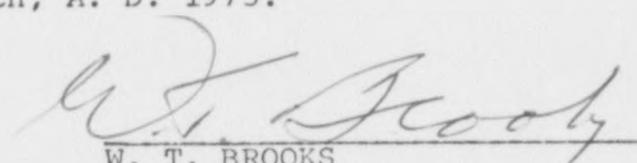
COUNTY OF RICHLAND

I, the undersigned, Secretary of the State Highway Commission of South Carolina, DO HEREBY CERTIFY That the foregoing is a true, correct and verbatim copy of a Resolution duly adopted by the State Highway Commission of South Carolina at a meeting duly called and regularly held on the 20th day of March, 1975, and also attached hereto is a true and correct copy of the Confirmatory Request dated March 20, 1975, which was authorized at said meeting.

A quorum was present at said meeting and voted unanimously in favor of the adoption of said Resolution.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of the State Highway Commission of South Carolina, this 20th day of March, A. D. 1975.

(SEAL)

  
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W. T. BROOKS  
Secretary, State Highway  
Commission