MINUTES OF BUDGET AND CONTROL BOARD MEETING

MAY 4, 1977 2:00 P. M.

The Budget and Control Board met at 2:00 p. m. on May 4, 1977 in the Governor's Conference Room with the following members in attendance:

Governor James B. Edwards
Mr. Grady L. Patterson, Jr.
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

Also attending were Board Secretary State Auditor William T. Putnam, Director of State Planning P. C. Smith, Governor's Executive Assistant James Meredith and his assistant A. E. Reiser, and Assistant to State Auditor W. A. McInnis.

The following items of business were considered:

MINUTES OF PREVIOUS MEETING - Budget and Control Board members had previously been furnished with minutes of the meeting held on April 20, 1977. Upon a motion by Mr. Patterson, seconded by Mr. Mangum, the Budget and Control Board approved these minutes as written.

POLL OF MAY 4, 1977 - Budget and Control Board members without objection approved all items included on a poll agenda dated May 4, 1977 furnished along with agenda materials for the present meeting. Items included in the poll are specifically identified as such in these minutes.

STATE DEVELOPMENT BOARD - CONSULTANT SERVICES CONTRACT (POLL ITEM 1) - The State Development Board has requested Board approval of the following consultant services contract:

Consultant: Walter Harper and Associates; Purpose: Assist the Development Board and the Governor's Committees on new industrial development programs identify new development tools, incentives and programs which will enhance South Carolina's relative competitive position for attracting capital and investments for economic development. Maximum Dollars: $15,000; Contract Period: 4/19/77 - 10/19/77; Source of Funds: 50% EDA reimbursements; 50% [redacted]

Coastal Plains Grant.

Pursuant to the proviso in Part I, Section 13, Pages 44-45 of the 1976-77 Appropriation Act, the Budget and Control Board without objection approved the referenced contract as requested by the State Development Board.

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

POLLUTION CONTROL REVENUE NOTE - AIKEN COUNTY (POLL ITEM 2) - The Budget and Control Board was presented with a Petition to issue a $2,100,000 Pollution Control Revenue Note on behalf of the Graniteville Company.

Board members were advised that all legal documents pertaining to this issue had been reviewed by the Attorney General's Office and that the State Auditor's Office has reviewed all financial data received.

Upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board adopted a Resolution approving the referenced Aiken County proposal to issue a Pollution Control Revenue Note, pursuant to Act 156 of 1971. Information pertaining to this issue has been retained in these files and is identified as Exhibit II.

DIVISION OF GENERAL SERVICES - PRINTING EQUIPMENT PURCHASE REQUESTS (POLL ITEM 3) - Francis Marion College has requested approval of the purchase of: (1) an electric paper cutter, approximate cost $6,800, less trade-in of cutter valued at $800; and (2) a Rollaway attachment to Baumfolder, at an approximate cost of $2,400.

Mr. McEachern reported that the State Printing Officer has reviewed these requests and, on that basis, Mr. McEachern recommended their approval.

The Budget and Control Board without objection approved the referenced printing equipment purchases by Francis Marion College, as recommended by Mr. McEachern.

DIVISION OF GENERAL SERVICES - PURCHASE OF USED AIRCRAFT (POLL ITEM 4) - Mr. Furman McEachern, Director of the Division of General Services, reported that the USC Flying Club has requested permission to purchase a used aircraft and that student fees are to provide the funds required. Mr. McEachern indicated that bids have been received and recommended that the award be made to Midlands Aviation Corporation for the low bid of $8,350 for a used Cessna Model 150 M Commuter, 1975 year model. Mr. McEachern also noted that the Flying Club has inspected this particular aircraft and that they concur in this recommendation.

The Budget and Control Board without objection approved the award to Midlands Aviation Corporation for its low bid of $8,350 for one used Cessna Model 150 M Commuter, 1975 year model aircraft for the USC Flying Club, as recommended by Mr. McEachern.

AERONAUTICS COMMISSION - SELECTION OF ENGINEERING FIRM (POLL ITEM 5) - Aeronautics Commission Director John W. Hamilton informed the Budget and Control Board that no responses were received to an advertisement published 3/30/77 inviting engineering firms to submit resumes of qualifications for providing design services relating to the installation of additional jet fuel storage tanks and the modification of the existing gas system for the Commission.

Mr. Hamilton indicated that, upon the advice of Assistant Attorney General Elizabeth Crum, four firms then were contacted directly to determine interest in the project, two of which declined to be considered. Firms selected in this manner by the Aeronautics Commission, in order of preference, are:

(1) Durlach, O'Neal, Jenkins & Associates; and
(2) Enwright Associates.

The Budget and Control Board without objection approved the selection of Durlach, O'Neal, Jenkins and Associates to provide the referenced design services as requested by the Aeronautics Commission.

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

DIVISION OF GENERAL SERVICES - EMPLOYMENT SECURITY COMMISSION BUILDING SITE - The Budget and Control Board without objection agreed to carry over its consideration of the satisfaction of the contract with the City of Columbia covering the acquisition of the Employment Security Commission Building site to a future meeting.

DEPARTMENT OF CORRECTIONS - SELECTION OF ARCHITECTURAL AND ENGINEERING FIRM - The Budget and Control Board without objection agreed to carry over to a future meeting its consideration of the selection of an architectural and engineering firm to provide the services required in connection with the design and construction of three prototype facilities for the Department of Corrections.

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

STATE HOUSING AUTHORITY - AUTHORIZATION TO INVITE CONSTRUCTION BIDS - State Housing Authority Chairman Hugh P. Lane, accompanied by Vice-Chairman Hemphill Pride, II, Executive Director L. Steve Mayfield and staff-member Charles Thompson, appeared before the Budget and Control Board to request authorization to advertise for construction bids on housing developments for low and moderate income families, involving a total of 156 units, to be located in Walterboro, Ridgeland, Loris and Cowpens. Senator John C. Lindsay, Marlboro County, and Representative Peden B. McLeod, Colleton County, also appeared before the Board on this matter.

Chairman Lane of the State Housing Authority outlined briefly the situation in which the Housing Authority is now in with respect to the referenced projects and stressed the importance of getting these projects underway before June 1, 1977 or facing the prospect of losing the Federal funds now available for them.

Chairman Lane noted that these projects would be operated by the State Housing Authority and concluded by requesting that the Budget and Control Board authorize the State Housing Authority to advertise for bids on the four projects.

Representative McLeod pointed out that the Housing Authority had been unsuccessful in its efforts to work out alternative arrangements for securing these projects without the Authority's direct involvement in them. He stressed the need for low and moderate income housing in Colleton County and expressed the view that the 1971 Housing Authority legislation authorizes the Housing Authority to get into the housing business and that this question is not within the discretion of the Budget and Control Board.

In response to questions from Board members, Housing Authority Executive Directory Mayfield stated that the Housing Authority will be responsible for providing the usual real estate management services in connection with the referenced projects including the collection of rents; that all administrative costs of the projects will be paid from Federal funds; and that the five other projects which the Housing Authority helped initiate, but which are sponsored by non-profit organizations, are operating very successfully and that several of them now have waiting lists.

Governor Edwards expressed the view that the State should not be in the housing business and suggested that a sub-committee of the Board study the Housing Authority request now under consideration.

Messrs. McLeod, Lindsay and Lane stressed that time is a critical factor and urged the Board to act on the request at the present meeting because of deadlines established by the Federal funding agencies.

Mr. Morris also urged the Board to act on the matter at the present meeting.

Senator Lindsay expressed the view that the Budget and Control Board's role is that of determining if procedures have been followed and

that the Budget and Control Board is "not a superannuated legislative body" and he urged the Board to proceed under the mandate of the legislation enacted previously by the General Assembly.

Governor Edwards pointed out that, as the Housing Authority gets into the housing business, more bureaucracy will be built and that less capital would be available in the private sector to meet these sorts of needs.

Housing Authority Executive Director Mayfield stated that under no circumstances would the management personnel required for these projects be State employees and that it was the Authority's intention to contract for these management services. Mr. Mayfield also noted that these projects will pay the same ad valorem property taxes as any other property.

Senator Dennis expressed the view that the General Assembly had expressed itself on the question and that the Budget and Control Board is only called upon to insure that the administrative procedures have been followed.

Following the extended discussion of this matter, upon a motion by Mr. Morris, seconded by Senator Dennis, the Budget and Control Board authorized the State Housing Authority to advertise for construction bids on the housing development projects to be located in Walterboro, Ridgeland, Loris and Cowpens. Senator Dennis, Mr. Morris and Mr. Patterson voted for the motion and Governor Edwards and Representative Mangum voted against it.

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

EDUCATIONAL TELEVISION COMMISSION - ACCEPTANCE AND USE OF FEDERAL GRANT - Following a brief discussion, Governor Edwards ruled that consideration of this item could be added to the agenda.

State Auditor Putnam pointed out that this item is brought to the Budget and Control Board not because of any controversy with the Educational Television Commission but rather because the Board must approve the acceptance and use of Federal Grants by State agencies under a provision in the current

Appropriations Act. Mr. Putnam pointed out that about $90,000 of Capital Improvement Bond funds previously have been approved for equipping the Rock Hill television station and that the ETV Commission now has the promise of a $180,000 Federal Grant to match these State funds. He also pointed out that the issue involved in this matter is the question of future operating expenses and their impacts upon future operating appropriations. He noted that the General Assembly had authorized the bond funds and that, if the Budget and Control Board approves the acceptance and use of the referenced Federal Grant for equipping the Rock Hill station, the Budget and Control Board would virtually be in a position of having committed itself to recommending future appropriations for the operation of the station. Mr. Putnam emphasized that this would not impact on the budget for fiscal year 1977-78 beyond the $100,000 already included for start-up operating costs of that station.

Mr. Henry Cauthen, General Manager of the ETV Network, accompanied by Mr. Thomas Stepp, appeared before the Budget and Control Board on this matter, and in response to questions from Board members, indicated that a total of eight local television stations are envisioned, each of which will require a staff complement of twenty-one individuals when fully staffed.

Governor Edwards called the Board's attention to the future implications of adding twenty-one additional State employees for each of the eight stations envisioned for a total of 168 additional employees, each of which Governor Edwards estimated would cost South Carolina taxpayers in excess of $840,000 in future years.

Following this discussion, upon a motion by Senator Dennis, the Budget and Control Board without objection authorized the Educational Television Commission to accept the $180,000 Federal Grant to be used for equipping the Rock Hill television station. The motion approved by the Board involved no commitment by the Budget and Control Board on the matter of future

recommendations for operating expenses of the station.

STATE PERSONNEL DIVISION - PIEDMONT HEALTH CARE (HMO) PETITION - Dr. Jack Mullins, Director of the State Personnel Division, accompanied by staff members Mr. Joe Mack, Deputy Director, and Ms. Phyllis Beighley, Health Insurance Benefits Manager, and by Assistant Attorney General Steve Savitz, appeared before the Budget and Control Board to present a Petition by Piedmont Health Care, located in Greenville, to approve the marketing of Piedmont Health Care's Health Maintenance Organization (HMO) program to State employees in the Greenville area. Dr. Mullins pointed out that a similar Petition was presented to the Budget and Control Board about one year previously which was not approved but that, under Public Law 93-222, any state is now required to participate by offering HMO's as alternative health care programs to their employees and by paying to the HMO the employer's share of the health insurance premium for those employees who elect this option. Dr. Mullins also noted that Public Law 93-222 has strict penalties for non-compliance.

Mr. Martin A. Hadelman, President of Piedmont Health Care, also appeared before the Budget and Control Board to explain the services offered by his organization. Mr. Hadelman pointed out that his organization initially served rural areas and that it offers a comprehensive pre-paid plan and he requested permission to offer his program to State employees within a thirty mile radius of Greenville.

Assistant Attorney General Savitz indicated that the State is required to comply with the HMO Act (Public Law 93-222); that the penalties for non-compliance involve the possible withholding of certain Public Health Service Funds; that the plan under consideration has been approved by the Secretary of Health, Education and Welfare and by the State Insurance Commission; that the HMO must be given an opportunity to participate at the end of the State's contract year or 7/1/77; and that the State must provide reasonable

access of the HMO to its employees.

A wide-ranging discussion ensued during which Mr. Hadelman noted that some 5,000 to 6,000 State (including school district) employees live within the thirty-mile radius of Greenville, the area served by the Piedmont Health Care HMO. Mr. Hadelman also noted that, while his firm had received Federal assistance in the early stages of its development, that his firm now is a self-sufficient health care organization which employs its own doctors and provides services from its own clinic facility. He indicated that ninety-two percent of the firm's costs are for health care services, forty percent of which are paid to hospitals with fifty-two percent paid for the firm's physicians and facilities, and with the remaining eight percent of outlays for administrative services.

Dr. Mullins noted that the Petition had been reviewed by the Board's insurance sub-committee and that its consensus view was that the Budget and Control Board should approve the Piedmont Health Care HMO as an option to be offered to State employees in the Greenville area.

Governor Edwards expressed the view that the matter should be given further consideration by elected officials beyond the reviews already made by staff of State Department of Health and Environmental Control and of the Insurance Commission. Following this extended discussion, upon a motion by Senator Dennis, seconded by Mr. Mangum, a sub-committee of the Budget and Control Board including Governor Edwards or his representative, State Treasurer Patterson, Comptroller General Morris and Mr. P. C. Smith was named to examine the Piedmont Health Care HMO Petition further and to recommend an appropriate course of action to the Board at a future meeting.

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

SECRETARY'S NOTE: Following the consideration of the preceding item, Senator Dennis had to leave the meeting to attend to legislative matters

under consideration in the Senate Chambers.

THE CITADEL - DELETION OF PREVIOUS CAPITAL IMPROVEMENT BOND RECOMMENDATION - The Budget and Control Board without objection agreed to consider a request by Mr. Patterson that the Budget and Control Board revise its list of recommended Capital Improvement Bond authorizations submitted to the General Assembly on February 15, 1977 by deleting the $2,600,000 included for the Capers Hall project for The Citadel. Mr. Patterson pointed out that The Citadel has the capacity to finance this project through the issuance of State Institution Bonds.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Budget and Control Board deleted from its recommended Capital Improvement Bond authorizations, submitted to the General Assembly on February 15, 1977, the $2,600,000 included for The Citadel for the Capers Hall renovations and addition project provided that The Citadel has the capacity to finance this project in this amount through the issuance of State Institution Bonds.

BOARD OF EXAMINERS IN PSYCHOLOGY - CIVIL CONTINGENT FUND REQUEST - Dr. James A. Keith, Secretary-Treasurer of the Board of Examiners in Psychology has requested that, pending the passage of a supplemental appropriations bill in which $2,270 is requested, an advance of operating funds be made from the Civil Contingent Fund. Dr. Keith indicates that his Board was appropriated $1,950 for the current fiscal year and that it has now exhausted these funds. He also noted that his Agency has collected fees in excess of the amount appropriated and these funds are being deposited to the General Fund but, that until an additional appropriation is made, these fees cannot be used by his Agency.

Mr. Putnam pointed out that, under the circumstances, the Psychology Examiners Board is continuing to collect fees but is unable to perform the services for which the fees are being paid and is not able to pay outstanding bills. Mr. Putnam expressed sympathy for the situation in which this Agency finds itself which apparently stemmed from its inexperience with the

budget and appropriations processes.

Mr. Putnam also stated that the Civil Contingent Fund is now virtually destitute and that he is attempting to make additional funds available to the Civil Contingent Fund from other parts of the Finance Division's budget.

Following a brief discussion, the Budget and Control Board without objection approved the transfer of up to $2,270 from the Civil Contingent Fund to the Board of Examiners in Psychology as an advance to be reimbursed when the supplemental Appropriation Bill is enacted.

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

FUTURE MEETING - The Budget and Control Board agreed to hold its next meeting at 3:00 p. m. on Tuesday, May 24, 1977.

STATE PERSONNEL DIVISION - LIBERTY LIFE INSURANCE RENEWAL RATES FOR 1977-78 - Dr. Jack Mullins, Director of the State Personnel Division, accompanied staff members Joe Mack, Tony Mixon and Phyllis Beighley, appeared before the Budget and Control Board to present this item. Liberty Life has proposed renewal rates which require no increase for life or accidental death and dismemberment coverage but which do entail an increase of $.54 monthly per employee for long term disability coverage. The new rate for all Liberty Life Insurance coverages would be $3.79 per month as opposed to the current rate of $3.25 per month.

Dr. Mullins pointed out that the new rate year begins on July 1, 1977 even though the current contract runs to July 1, 1978. He also noted that since 1972 the rates have been negotiated on an annual basis and that, under the Appropriations Act, the Budget and Control Board is required to rebid the insurance programs not less than once each three years.

Dr. Mullins reported that the Board's insurance consultant has reviewed the Liberty Life insurance rate data and that he has recommended

approval of the proposed increase of twenty-five percent for the long term disability coverage portion.

Governor Edwards expressed great concern about the limited time available to the State to consider the rates proposed and strongly urged that an additional time period be built into the contract to cover the possibility of cancellation and to allow sufficient time for negotiations which might lead to a re-bidding of the insurance coverage.

Dr. Mullins agreed that it would be very desirable to back up renewal rate dates from April 1 to February 1 in order to allow sufficient time for the State to consider all of the options available to it.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Mr. Mangum, the Budget and Control Board approved the Liberty Life insurance renewal rates for fiscal year 1977-78, including the rate increase proposed for the long term disability coverage, with the understanding that in the future the Board would have additional time in which to negotiate rate proposals.

STATE PERSONNEL DIVISION - REPORT ON AUDIT COUNCIL - STATE PERSONNEL EMPLOYEE COUNT DISCREPANCY - Mr. Joe Mack, Deputy Director of the State Personnel Division, presented a brief report to the Budget and Control Board on discrepancies between the Legislative Audit Council's report on the number of State employees and the number reported by the State Personnel Division. Mr. Mack indicated that comparing the two reports is very difficult because the reports were as of different dates and because different techniques for counting employees were employed in the two systems. Despite these disparate approaches, Mr. Mack noted that the two reports differed by only 140 permanent employees which he felt was easily explained by the month lag between the two report dates and by virtue of the fact that State Personnel at any point in time has hundreds of transactions in process. Mr. Mack explained that the big differences between the two sources involved temporary personnel,

which the Legislative Audit Council reported in terms of the number of occupants or incumbents rather than in terms of positions as reported by State Personnel.

Dr. Mullins noted that in the future he and the Director of the Legislative Audit Council will coordinate their reporting more closely.

Governor Edwards requested that Dr. Mullins provide the Budget and Control Board with a written summary of the explanation of the discrepancies between the employee counts as reported by the Legislative Audit Council and by the State Personnel Division.

EXECUTIVE SESSION - Two personnel grievances have been proposed for consideration in Executive Session. The Budget and Control Board without objection agreed to consider these matters whereupon Governor Edwards declared the meeting to be in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTIONS - The Budget and Control Board without objection ratified the following actions taken during Executive Session:

(1) Received as information the findings and recommendations of the State Employee Grievance Committee in a case involving the Department of Mental Retardation; and

(2) Received as information the findings and recommendations of the State Employee Grievance Committee in a case involving the Highway Department.

The meeting was adjourned at 4:15 p. m.

EXHIBIT I
5/4/77

STATE BUDGET AND CONTROL BOARD

POLL OF May 4, 1977 POLL ITEM NUMBER 1

Agency:
State Development Board

Subject: Consultant Services Contract

Consultant: Walter Harper & Associates

Purpose: To assist the Development Board and the Governor's Committees on new industrial development programs identify new development tools, incentives and programs which will enhance South Carolina's relative competitive position for attracting capital and investments for economic development.

Maximum Dollars: $15,000

Period: 4/19/77 - 10/19/77

Source of Funds: 50% EDA Reimbursement
50% Coastal Plains Grant
per Ed Burgess

Board Action Requested:

Approve, pursuant to proviso in Part I, Section 13, Pages 44-45, 1976-77 Appropriation Act.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

"Report on Consultants" form plus attachment.

STATE DEVELOPMENT BOARD

POST OFFICE BOX 927
COLUMBIA, SOUTH CAROLINA 29202

PLANNING AND RESEARCH DIVISION

TEL. 803 / 758-2411
TWX NO. 810 666 2628

April 22, 1977

Mr. William A. McInnis
State Auditor's Office
205 Wade Hampton Office Building
P. O. Box 11333
Columbia, South Carolina 29211

Dear Bill:

The attached material requests approval by the Budget and Control Board to retain Mr. Walter Harper as a consultant to the Governor and the State Development Board. If you need additional information or explanation of our request and proposed agreement with Mr. Harper, please let me know.

Thank you for your assistance.

Sincerely,

Edward B. Burgess
Associate Director for
Planning and Research

EBB/gl

Attachment

E. 15

ECONOMIC DEVELOPMENT CONSTRAINTS

COMMITTEE ASSIGNMENTS

Federal & State Regulations

Walter Pettiss, Chairman
John F. Hassell
James C. Rhea, Jr.
Jack Roddey
Sam Hunt
Lyle Wilcox
Ed Young

Energy for Industry

Arthur Williams, Chairman
Richard Townsend
Tom Berry
Henry Tecklenburg
Jack Paylor
David Harter
Ed Farris

Technical Training

Y. W. Scarborough, Jr., Chairman
C. C. Goodwin
H. P. Midgley
L. L. Lewis
Dick Grimbell
Bill Dudley

Rural Living Conditions

Kelley Smith, Chairman
Harold Ness
William G. Lyles
Joe Lanham
Bob Rogers
Frank Barnes

Taxation Policies

Ramon Finch, Chairman
E. L. Proctor
Howard G. Pettit
Ben F. Hagood
Pat Smith
Grady Patterson
Arthur Swanson
Wallace Trevillion

Attitude Adjustment

Lucas Padgett, Chairman
Winston A. Lawton
Louis Sossamon
W. W. Johnson
Max Earwood
George Styron

Economic Development Finance

John Lumpkin, Chairman
Addison G. Wilson
J. R. Evans
Jim Kane
Lad Owens
Bonner Baxter

## Development Constraints

1) Federal and State Regulatory Laws and Procedures particularly those requiring permits for construction, dredging, disposing of effluent, waste and water treatment facilities and air quality standards.

2) Energy For Industry

   A) waning support for the maintenance of an ample supply of electricity at rates favorable to industrial development

   B) no alternatives and supplements to natural gas for industrial use

   C) no development of supplies of petroleum products for feed-stocks

3) Taxation Policies

   A) diminishing competitive tax rates with other states and areas

   B) developing tax policies unfavorable to industrial development

4) Attitude and Enthusiasm For Continued Industrial Development

   A) the apparent lack of understanding for the need and value of growth and development

   B) lack of coordination of development interest and enthusiasm among government and non-government development officials

5) Supply of Financial Resources for Industrial Development

A) diminishing usefulness and competitive advantage of Industrial Revenue Bonds

B) availability of in-state capital

6) Worker Training Program

A) Loss of the advantage over other states of a unique worker training program

B) lack of an ample supply of highly trained and skilled workforce - craftsmen, technicians and scientists

C) the absence of a reputation as a state that has or can support high technology

7) Rural Living Conditions and Development Infrastructure

A) the absence of adequate housing, water, sewer and health care facilities in rural areas to attract and accommodate industrial growth

B) the lack of recognition and programs to take advantage of South Carolina's agriculture, forestry and aqua resources

8) National Policies and Growth Trends

A) absence of national growth and energy policies

B) unstable and uncertain national and world economic conditions

Development Constraints:

Suggested Work Committees and Responsibilities

Federal and State Regulations

Look at all questions relating to regulatory activities

1) streamlining permitting for Economic Development

2) environmental protection laws and local interpretations and how they affect industrial development with recommendations to minimize the adverse effect on industrial development

Energy For Industry

1) recommend policies and programs to insure electric power availability and favorable rates

2) supplement and improve natural gas supplies

3) programs to improve the availability of petroleum for feedstocks

4) public education campaign on the true energy availability status

Technical Training

1) evaluate and recommend programs for supplying highly trained and experienced persons for high technology industries

2) recommend programs to promote South Carolina resources for high technology industries

Rural Living Conditions

1) recommend programs to take advantage of South Carolina's agricultural resources and related development protential

2) recommend programs to relieve problems relating to water, sewer, housing, medical and recreational facilities in rural areas

Taxation Policies

1) property tax policies

2) tax policies and programs to enhance development potential

Attitude Adjustment Committee

1) evaluate the establishment of a statewide development foundation

2) suggest ways to improve the understanding of the values of economic growth - generate enthusiasm in general

Economic Development Finance Committee

Examine current financing methods and recommend ways to give South Carolina competitive and advantageous financial programs for industrial development

EXHIBIT II
5/4/77

# The State of South Carolina

## Office of the Attorney General

KAREN LeCRAFT HENDERSON
ASSISTANT ATTORNEY GENERAL

WADE HAMPTON OFFICE BUILDING
POST OFFICE BOX 11549
COLUMBIA, S. C. 29211
TELEPHONE 803-758-3970

DANIEL R. McLEOD
ATTORNEY GENERAL

May 2, 1977

Honorable William T. Putnam
State Auditor
Wade Hampton State Office Building
Columbia, South Carolina 29211

Re: $2,100,000 Aiken County, South Carolina
Pollution Control Revenue Note (Graniteville
Company Project)

Dear Mr. Putnam:

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

With kind regards,

Karen LeCraft Henderson

Karen LeCraft Henderson
Assistant Attorney General

KLC:bbb

A RESOLUTION

APPROVING THE UNDERTAKING OF AIKEN COUNTY TO ISSUE A $2,100,000 AIKEN COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE NOTE (GRANITEVILLE COMPANY) PURSUANT TO ACT NO. 156 OF 1971, AS AMENDED, AND APPROVING THE POLLUTION CONTROL FACILITIES TO BE FINANCED IN PART THEREBY.

ORIGINAL

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

ORIGINAL

WHEREAS, the proposed undertaking consists of the issuance of a $2,100,000 Aiken County Pollution Control Revenue Note (Graniteville Company Project) (the Note) by the County Council pursuant to the Act, the proceeds of which will be loaned to Graniteville Company, a South Carolina corporation (the Company) and used to defray its share of the cost of acquiring, constructing and installing certain water pollution control facilities known as the Horse Creek Basin Waste Water Treatment Facility in Aiken County. This project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Company and United Merchants &

Manufacturers Inc. will be treated and disposed of. The project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 59-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds; and

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

WHEREAS, the County proposes to issue and sell the Note directly to Washington National Insurance Company (the Purchaser) pursuant to an ordinance of County Council and to assign directly

to the Purchaser the Loan Agreement and all payments made pursuant thereto (except certain indemnification payments); and

WHEREAS, the form of the Loan Agreement between Aiken County and the Company has been considered by this Board,

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

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

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

(b) That the County Council has filed a proper petition to the State Board in accordance with the provisions of Section 14 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department of Health and Environmental Control in connection therewith, an estimate of the cost of the Facilities and a general summary of the terms and conditions of the Loan Agreement.

(c) The partial financing of the Facilities by the County Council through the issuance of the Note will promote the purposes of the Act, and such Facilities are reasonably anticipated to eliminate, mitigate or prevent water pollution.

(d) The South Carolina Department of Health and Environmental Control has certified that the Facilities

are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

2. On the basis of the foregoing findings, the proposed undertaking of the County Council (i) to enter into the Loan Agreement and to issue the Note; and (ii) to loan the proceeds thereof to the Company to be used in order to defray its share of the costs of the Facilities, be and the same is hereby approved, and the County Council may proceed therewith.

3. Notice of the action taken by the State Board in giving approval to the above described undertaking of Aiken County shall be published in the Aiken, South Carolina, STANDARD, which is a newspaper having general circulation throughout Aiken County.

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

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EXHIBIT "A"

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

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Aiken County Council (the County Council) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertaking (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking), viz.:

The issuance and sale by the County Council of a $2,100,000 Aiken County, South Carolina Pollution Control Revenue Note (Graniteville Company Project) (the Note) pursuant to Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971, as amended (the Act), the proceeds of which are to be loaned by Aiken County to Graniteville Company, a South Carolina corporation (the Company), and used to defray its share of the cost of the Horse Creek Basin Waste Water Treatment Facility in Aiken County; and the execution and delivery of a Loan Agreement between Aiken County and the Company, pursuant to which the Company will unconditionally agree to make payments sufficient to repay the principal of and interest on the Note when due.

The Facilities to be financed in part with the proceeds derived from the sale of the Note will be owned by the County.

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

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of (i) the action of the South Carolina Department of Health and Environmental Control as to the necessity for, and adequacy of, the Facilities, and (ii) the action of the State Board in approving the Facilities and the proposed undertaking of the County Council, by action de novo, instituted in the Court of Common Pleas for Aiken County.

THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

BY: WILLIAM T. PUTNAM

PUBLICATION DATE:

May 5th, 1977.

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 27, 1977

William A. McInnis, Esq.
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Re: $2,100,000 Aiken County, South Carolina Pollution Control Revenue Note (Graniteville Company Project)

Dear Bill:

Enclosed you will find:

1. Original Petition of County Council of Aiken County to the State Board seeking its approval to the above financing.

2. One copy of the approval of the Department of Health and Environmental Control of the State of South Carolina.

3. One copy of the Bond Ordinance of Aiken County Council authorizing the Note.

4. One copy of the Loan Agreement between the County and the Industry.

5. One copy of proposed agreement between the Industry and the Purchaser.

6. 1976 Annual Report of Graniteville Company to its stockholders, which is the latest published financial information available.

7. Original Resolution for the State Board to adopt approving the undertaking.

8. Copies of the foregoing for certification and return to me.

I trust that the foregoing suffices but if there is any further information, please advise. I call your specific attention to the unusual cooperation of industries and public bodies which make this project possible. This is recited in the proceedings.

Sincerely,

Roger Anchors

HS:dn
Enclosures

cc: Ms. Karen L. Henderson

Karen:

Time is of the essence here! Please try to do. before the Board meets on May 4

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

PETITION

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

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

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

3. The County Board did heretofore agree that the County Board would undertake to finance the obligation of

Graniteville Company (the Industry) to make a capital contribution to the cost of constructing the County's project known as the Horse Creek Basin Waste Water Treatment Facility (the project). This Project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Industry and United Merchants & Manufacturers Inc. will be treated and disposed of. The Project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken county as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 49-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds.

4. The County Board is advised by the Industry that its cost of the Project including the cost of issuing the Note hereinafter described, requires the borrowing of $2,100,000, and that it will therefore be necessary that the County Board issue $2,100,000 Aiken County, South Carolina, Pollution Control Facilities Revenue Note, (Graniteville Company Project) (the Note), the proceeds of which shall be loaned to the Industry and used to defray its costs of the Project.

5. The South Carolina Department of Health and Environmental Control has issued its certificate making the findings required by Section 7 of the Act, and a copy of such certificate will be forwarded with the County's petition to the State Budget and Control Board.

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

A. The Project will result in the elimination, mitigation and prevention of water pollution resulting from the operation of the Industry's plant in Aiken County, South Carolina, and the financing of the Project will serve the purposes of the Act.

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

C. The Loan Agreement to be entered into between the County and the Industry in substantially the form enclosed

herewith contains a covenant obligating the Industry to pay its share of the Project if the proceeds of the Note issued by the County prove insufficient, and further obligates the Industry (a) to pay the principal of, interest and premium, if any, on the Note; and (b) to pay a user charge for the use of the Project which will provide its share of the cost of maintaining the Project in good repair. In view of the well established credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

D. The principal of, interest on, and premium, if any, on the Note is secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and the Note shall never constitute an indebtedness of the County within the meaning of any State constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

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

A. The pollution control facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of water pollution at the Industry's plant in Aiken County.

B. The South Carolina Department of Health and Environmental Control has made the finding required by Section 7 of the Act.

C. The cost of the Industry's share of the Project is estimated to be $2,100,000, including the cost of issuing the Note.

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

(a) To finance the cost of the Industry's share of the Project, the County will issue a $2,100,000 Note which will be secured by a pledge of the payments to be made by the Industry pursuant to the Loan Agreement.

(b) Proceeds derived from the sale of the Note will be applied solely for the payment of the costs incident to the Industry's share of the cost of the acquisition, construction and installation of the Project (including the repayment to the Industry of advances made for such purposes) and the issuance of the Note.

(c) Under the terms of the Loan Agreement, the Industry obligates itself to effect payment of its share of the Project if the proceeds derived from the sale of the Note prove insufficient, and to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Note as the same become due.

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

8. The Note will mature in semi-annual installments over a period of twenty-two years and will bear interest at the rate of six and one half per centum per annum.

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

April __, 1977

Respectfully submitted,

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

BY_____
Chairman, Aiken County Council

Attest:

_____
Clerk, Aiken County Council

L 35

APR 1 1977
Office of Envir. C...
S. C. Dept. of Health & Envir. Control

CERTIFICATE

WHEREAS, AIKEN COUNTY, SOUTH CAROLINA, has applied to the South Carolina Department of Health and Environmental Control (the Department) for approval of certain water pollution control facilities known as the Horse Creek Basin Waste Water Treatment Facility to be constructed and installed in Aiken County and to be financed in part through the issuance of $2,100,000 Aiken County, South Carolina, Pollution Control Facilities Revenue Bonds (Graniteville Project) Series 1977, pursuant to the authorization of Act No. 156 of 1971, and, in that connection, there must be obtained, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed water pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution; and

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

NOW, THEREFOR, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said water pollution control facilities (i) are necessary, (ii) and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

DONE at Columbia, South Carolina, this 22nd day of April, A. D. 1977.

SOUTH CAROLINA DEPARTMENT OF HEALTH
AND ENVIRONMENTAL CONTROL

BY C. Kenneth Ayers
Commissioner

AIKEN COUNTY, SOUTH CAROLINA

POLLUTION CONTROL REVENUE NOTE

(GRANITEVILLE COMPANY PROJECT)

Dated April 1, 1977

BOND ORDINANCE

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF A $2,100,000 AIKEN COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE NOTE (GRANITEVILLE COMPANY PROJECT), FOR THE PURPOSE OF FINANCING THE COSTS INCURRED BY GRANITEVILLE COMPANY IN CONNECTION WITH THE CONSTRUCTION OF THE HORSE CREEK BASIN WASTEWATER TREATMENT FACILITY; THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT BETWEEN GRANITEVILLE COMPANY AND THE COUNTY (TOGETHER WITH AN ASSIGNMENT OF THE COUNTY'S INTEREST THEREIN); AND PROVIDING FOR THE SECURING OF SAID NOTE.

WHEREAS, the County is authorized and empowered by the provisions of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act), to assist industries in the financing of facilities for the prevention, mitigation and abatement of pollution; and

WHEREAS, the County is further authorized by the Act to issue revenue bonds or notes payable by the County solely out of Revenues (as hereinafter defined); and

WHEREAS, the County is in the process of constructing the Horse Creek Basin Wastewater Treatment Facility in the Horse Creek Basin section of Aiken County, a project intended to provide a means whereby sewage and other effluent originating in the sewage systems of the cities of Aiken and North Augusta in Aiken County, and the industrial effluent originating in the manufacturing processes of the Graniteville Company (Graniteville) and United Merchants & Manufacturers Inc. will be treated and disposed, a project so designed that users, other than those named, may utilize the project when need therefor arises; and

WHEREAS, the total cost of the project is now estimated at $37,885,000, and is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 59-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds; and

WHEREAS, Graniteville has entered into a contract with the County pursuant to which Graniteville has agreed to pay into the construction fund for the Horse Creek Basin Wastewater Treatment Facility the sum of $2,039,603, a sum which reflects the Graniteville share of the cost of the construction of the Wastewater Treatment Facility, and which contract further provides that Graniteville has the absolute right to utilize a fixed percentage of the capacity of the Wastewater Treatment Facility upon the payment of charges for the services so to be rendered; and

WHEREAS, heretofore, the County and Graniteville did agree that the County would finance the Graniteville obligations under the contract above referred to and expenses incidental thereto and did likewise agree therein that Graniteville might arrange for the sale of the Note therein authorized; and

WHEREAS, Graniteville has determined that in order to meet its obligations under its contract with the County with respect to the Horse Creek Basin Wastewater Treatment Facility and to pay the expenses incurred and to be incurred by it in connection with the issuance of the Note, will require it to raise $2,100,000 and on that basis the County now proposes to issue the Note in the aggregate principal amount of $2,100,000; and

WHEREAS, the $2,100,000 aggregate principal amount of the Note to be issued is to be in substantially the form set forth as Exhibit "A" hereto with necessary and appropriate variations, omissions and insertions as permitted or required by this Bond Ordinance.

NOW, THEREFORE, BE IT ORDAINED by the County Council of Aiken County in meeting duly assembled:

ARTICLE I

DEFINITIONS

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

"ACT" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

"ASSIGNMENT" means the Assignment dated as of April 1, 1977, from the County to the Purchaser assigning the Revenues from the Loan Agreement and certain other of the County's rights under the Loan Agreement to the Purchaser.

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

"CLERK" means the Clerk of the County Council of Aiken County, South Carolina.

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

"COUNTY BOARD" means the County Council of Aiken County as the governing body of the County, and any successor body.

"INDUSTRY" means Graniteville Company, a corporation organized and existing under the laws of the State of South Carolina, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 6.2 of the Loan Agreement.

"LOAN AGREEMENT" means the Loan Agreement to be executed by and between the County and the Industry and to be dated as of April 1, 1977, and any amendments or supplements thereto.

"NOTE" means the $2,100,000 Aiken County Pollution Control Revenue Note (Graniteville Company Project) issued pursuant to this Ordinance.

"ORDINANCE" means this Ordinance of the County Board authorizing, among other things, the issuance of the Note, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"PAYMENT DATES" means April 1 and October 1 of each year, commencing October 1, 1977, until the Note has been fully paid.

"PURCHASER" means Washington National Insurance Company, the Purchaser of the Note.

"REVENUES" means all payments, revenues and receipts

which the County has a right to receive pursuant to the Loan Agreement, other than payment of indemnification pursuant to Section 6.4 of the Loan Agreement and attorneys' fees and expenses, if any, payable to the County pursuant to Section 8.4 of the Loan Agreement. "Revenues" shall include all attorneys' fees and expenses incurred by the Purchaser pursuant to the provisions of Section 8.4 of the Loan Agreement.

ARTICLE II

THE NOTE

SECTION 201. RESTRICTION OF ISSUANCE OF NOTE. No Notes or other obligations may be issued under the provisions of this Ordinance except in accordance with this Article. The total principal amount of indebtedness that may be outstanding hereunder is hereby expressly limited to $2,100,000.

SECTION 202. ISSUANCE OF NOTE. The Note in the principal amount of $2,100,000, dated April 1, 1977, designated Aiken County, South Carolina, Pollution Control Revenue Note (Graniteville Company Project) shall be issued. The Note shall bear interest on the unpaid principal balance thereof from its date at the rate of Six and One-Half per centum (6-1/2%) per annum, payable on each of the Payment Dates, and on the date of final payment, the entire balance then due by way of the principal and interest. Except as the Note may be prepaid in accordance with the applicable provisions of Article III hereof, the principal of the Note shall mature in 44 consecutive semi-annual installments payable on October 1, 1977 and on each Payment Date thereafter. Each semi-annual installment (except the last and final semi-annual installment) shall be in the sum of $90,375.16, of which sum, so much as may be due by way of interest shall be credited to the inter est then due on the Note and the balance remaining after deducting

the sum allocable to interest shall be credited to the principal amount of the Note from time to time remaining unpaid. In the event any semi-annual installment shall not be paid as and when the same shall become due and payable, or in the event that there shall be any other event of default as prescribed in Section 8.1 of the Loan Agreement, then in any of such events, all remedies provided in Article VIII of the Loan Agreement shall forthwith become available to the holder of the Note, including the right to declare all amounts due and payable on the Note to be then forthwith due and payable.

The Industry shall keep a record of all such payments which shall at all times be available to the County.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Note shall be executed on behalf of the County by the Chairman and the corporate seal of the County shall be impressed thereon and attested by the Clerk.

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

The Note, together with interest thereon, shall be a limited obligation of the County payable by the County solely from the Revenues. The Note does not now and shall never constitute an indebtedness of the County within the

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

SECTION 204. FORM OF NOTE. The Note shall be substantially in the form set forth as Exhibit "A" attached hereto with such appropriate variations, omissions and insertions as are permitted or required by the Ordinance.

SECTION 205. DELIVERY OF THE NOTE. The County shall execute and deliver to the Purchaser, or a representative of the Purchaser, the Note in the principal amount of $2,100,000. As provided by the Loan Agreement, the proceeds of the Note shall be loaned to the Industry and as permitted by the Loan Agreement such proceeds may be paid directly to the Industry for application by it to the purposes set forth in Section 3.3 of the Loan Agreement and under the conditions imposed by Article III of the Loan Agreement.

SECTION 206. MEDIUM OF PAYMENT. The Note shall be payable with respect to principal, interest and redemption premium, if any, in Federal or other immediately available funds and in lawful money of the United States of America.

ARTICLE III

PREPAYMENT OF NOTE

SECTION 301. OPTIONAL PREPAYMENT IN FULL UNDER SECTION 9.1 OF THE LOAN AGREEMENT. The County shall have the right to pay the Note or cause the same to be paid in full at any time if any of the events described in paragraphs (a), (b), (c) or (d) of Section 9.1 of the Loan Agreement shall have occurred and the Industry shall have exercised the option granted by said Section 9.1 to terminate the Loan Agreement and shall have made the payments and performed the undertakings therein in said Section 9.1 required of the Industry.

SECTION 302. OPTIONAL PARTIAL PREPAYMENT PURSUANT TO SECTION 9.2 OF THE LOAN AGREEMENT. The County shall have the right to prepay the Note in part under the conditions set forth in Section 9.2 of the Loan Agreement if the Industry shall receive any payment therein referred to, shall have elected to make a prepayment of its obligations under Section 4.3 of the Loan Agreement, and shall have made the payment to the Purchaser required of the Industry under said Section 9.2 of the Loan Agreeement .

SECTION 303. OPTIONAL PREPAYMENTS. At its option, on April 1, 1987 and on any subsequent Payment Date, the County may prepay all or any portion of the principal then due on the Note, but if less than all of the principal amount thereof,

in multiples of $100,000, under the conditions set forth in Section 304 hereof and with the effect provided for in Section 305 hereof at the redemption prices (expressed as percentages of principal amount) set forth in the table below, together with accrued interest to the redemption date:

| Redemption Dates | Redemption Prices |
|---|---|
| April 1, 1987 through March 31, 1988 | 103.00 % |
| April 1, 1988 through March 31, 1989 | 102.67 % |
| April 1, 1989 through March 31, 1990 | 102.33 % |
| April 1, 1990 through March 31, 1991 | 102.00 % |
| April 1, 1991 through March 31, 1992 | 101.67 % |
| April 1, 1992 through March 31, 1993 | 101.33 % |
| April 1, 1993 through March 31, 1994 | 101.00 % |
| April 1, 1994 through March 31, 1995 | 100.67 % |
| April 1, 1995 through March 31, 1996 | 100.33 % |
| April 1, 1996 and thereafter | 100.00 % |

SECTION 304. NOTICE REQUIRED OF ALL PREPAYMENTS. Prior to making any prepayment on the Note, the County or the Industry shall give written notice to the Purchaser by registered mail not less than thirty days nor more than sixty days prior to the next ensuing Payment Date specifying the sum so to be prepaid and the basis upon which such prepayment is to be made.

SECTION 305. EFFECT OF PARTIAL PREPAYMENTS. All partial prepayments made pursuant to Sections 302 or 303 hereof shall be credited to the last maturing installments of principal due on the Note and shall have the effect of accelerating the last Payment Date. No prepayment shall have the effect of

reducing the amount of the semi-annual payments which shall continue to be the sum of $90,375.16 except for the last and final installment which shall be that amount then required to pay in full all principal and interest then due on the Note.

SECTION 306. DEFEASANCE OF NOTE TO THE EXTENT OF PREPAYMENTS. To the extent that prepayments are made to the holder of the Note as herein in this Article III authorized, the Note or the prepaid portion thereof shall cease to bear interest and all obligations of the County or the Industry hereunder or by reason of the Loan Agreement shall cease and determine to the extent of such prepayments.

ARTICLE IV

LOAN AGREEMENT, ASSIGNMENT AND CLOSING DOCUMENTS

SECTION 401. AUTHORIZATION OF LOAN AGREEMENT AND ASSIGNMENT. The Chairman and the Clerk are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Loan Agreement and the Assignment, each in the form presented to the County Board as evidenced by a copy of each such document certified by the Clerk and filed among the permanent records of the County Board. The Chairman, however, is hereby authorized, prior to execution and delivery of this Loan Agreement and the Assignment to make such changes or modifications in the form of any of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by the Ordinance. The execution and delivery of the Loan Agreement and the Assignment by the Chairman and Clerk shall be conclusive evidence of the due execution in accordance with the Ordinance, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. CLOSING DOCUMENTS. The Chairman and Clerk are fully empowered and authorized to take such further action and to execute and deliver such closing documents as may be necessary and proper to effect the delivery of the Note in accordance with the terms and conditions herein set forth, and the action of such officers or either of them in executing and delivering any of such documents in such form as he or they

ARTICLE IV

LOAN AGREEMENT, ASSIGNMENT AND CLOSING DOCUMENTS

SECTION 401. AUTHORIZATION OF LOAN AGREEMENT AND ASSIGNMENT. The Chairman and the Clerk are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Loan Agreement and the Assignment, each in the form presented to the County Board as evidenced by a copy of each such document certified by the Clerk and filed among the permanent records of the County Board. The Chairman, however, is hereby authorized, prior to execution and delivery of this Loan Agreement and the Assignment to make such changes or modifications in the form of any of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by the Ordinance. The execution and delivery of the Loan Agreement and the Assignment by the Chairman and Clerk shall be conclusive evidence of the due execution in accordance with the Ordinance, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. CLOSING DOCUMENTS. The Chairman and Clerk are fully empowered and authorized to take such further action and to execute and deliver such closing documents as may be necessary and proper to effect the delivery of the Note in accordance with the terms and conditions herein set forth, and the action of such officers or either of them in executing and delivering any of such documents in such form as he or they

shall approve, is hereby fully authorized.

SECTION 403. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Each and every covenant herein made, including all covenants contained in the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge against its general credit or against its taxing powers, but shall be payable solely from the Revenues, which Revenues are to be specifically pledged to the payment of the Note in the manner and to the extent in this Ordinance and in the Assignment specified and nothing in the Note or in this Ordinance shall be considered as pledging any other funds or assets of the County.

Subject to the foregoing, the County covenants that it will promptly pay the principal of and interest on the Note at the place, on the dates and in the manner provided herein and in the Note according to the true intent and meaning thereof.

SECTION 404. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Ordinance, in the Note and in all proceedings pertaining thereto. The County represents and warrants that it is duly authorized under the Constitution and Laws of the State of South Carolina to issue the Note authorized

hereby, to enter into the Loan Agreement and to pledge the Revenues in the manner and to the extent herein and in the Assignment set forth; that all actions on its part for the issuance of the Note will have been duly and effectively taken on or prior to the delivery of the Note and that the Note in the hands of the holder and owner thereof will be a valid and binding obligation of the County in accordance with its terms.

SECTION 405. INSTRUMENTS OF FURTHER ASSURANCE. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, instruments and things as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Purchaser the Revenues pledged in the Assignment to the payment of the principal of and interest on the Note.

The County covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues.

## ARTICLE V

## MISCELLANEOUS

SECTION 501. SEVERABILITY. If any provision of the Ordinance shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provisions in question inoperative or unforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in the Ordinance contained, shall not affect the remaining portions of the Ordinance, or any part thereof.

SECTION 502. PAYMENTS DUE ON SATURDAY, SUNDAYS AND HOLIDAYS. If any principal of or interest on the Note falls due on a Saturday, Sunday or public holiday at the place of payment thereof, then such due date shall be extended to the next succeeding full business day at such place.

SECTION 503. COUNTERPARTS. This Ordinance may be executed by the County Board in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 504. ORDINANCE CONSTITUTES CONTRACT. In consideration of the purchase and acceptance of the Note by the Purchaser, the Ordinance shall for all purposes be deemed to be and shall constitute a contract between the County and the Purchaser. Following the delivery of the Note, the contractual obligations herein created shall not be altered or amended by subsequent ordinances or action on the part of the County without, in each instance, the written consent of the Purchaser.

SECTION 505. EFFECTIVE DATE OF ORDINANCE. This Ordinance shall take effect immediately following its third reading by the County Board.

---

Date of First Reading - _____, 1977

Date of Second Reading - _____, 1977

Date of Third Reading - _____, 1977

_____
Chairman, County Council of Aiken County

Attest:

_____
Clerk, County Council of Aiken County

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
AIKEN COUNTY
POLLUTION CONTROL REVENUE NOTE
(GRANITEVILLE COMPANY PROJECT)

Aiken County, a body politic and corporate, and a political subdivision of the State of South Carolina (the County) acknowledges itself indebted and for value received hereby promises to pay, from the source and as hereinafter provided, to the order of Washington National Insurance Company (the Payee), the sum of $2,100,000 with interest thereon, or on the unpaid balance thereof from the date hereof at the rate of six and one-half per centum (6-1/2%) per annum.

Except as the provisions relating to prepayments, as hereinafter set forth, may become applicable, this Note is payable both as to principal and interest in forty-four successive semi-annual installments payable on October 1, 1977 and on each April 1 and October 1 thereafter (the Payment Dates), with the final installment becoming due and payable on April 1, 1999. Each installment shall be in the amount of $90,375.16 except the last and final installment which shall be in an amount sufficient to pay in full the balance of the principal of and interest on the Note then due. Each installment paid shall be credited first to the interest then due on this Note and the balance remaining, after deducting the sum allocable to interest, shall be credited to the principal

amount of this Note from time to time remaining unpaid. Principal of, redemption premium, if any, and interest on this Note are payable in lawful money of the United States of America and in immediate funds at the offices of the Payee at Department 1331, 1630 Chicago Avenue, Evanston, Illinois 60201.

This Note is issued pursuant to an Ordinance of the County duly adopted by its County Council (the Ordinance), and a Loan Agreement dated as of April 1, 1977 (the Loan Agreement) between the County and Graniteville Company (the Industry), for the purpose of financing the Industry's obligation to pay to Aiken County by way of a capital contribution, a portion of the County's cost of constructing certain pollution control facilities known as the Horse Creek Basin Wastewater Treatment Facility into which effluent resulting from the Industry's manufacturing processes in Aiken County will be discharged, treated and stored, and of paying necessary expenses incidental thereto.

This Note is issued by the County pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina. In fulfillment of the requirements of said Act No. 156, the South Carolina Department of Health and Environmental Control has found that the pollution control facilities to be paid for in part with proceeds of this Note are necessary and

that the design thereof will result in the elimination, mitigation and prevention of water pollution, and the issuance of the Note and the pollution control facilities have been approved by the State Budget and Control Board of South Carolina.

This Note and the interest to become due hereon are limited obligations of the County and are payable solely from the Revenues (as defined in the Loan Agreement) and pledged therefor.

This Note and the interest to become due hereon shall never constitute an indebtedness or a charge against the general credit or taxing powers of the County within the meaning of any constitutional provision or statutory limitation and shall never constitute nor give rise to any pecuniary liability of the County.

Pursuant to the Loan Agreement payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Note are to be paid by the Industry to the Payee for the account of the County and have been pledged for that purpose.

By the acceptances of this Note the Payee and all subsequent holders of this Note assent to all of the provisions of the Loan Agreement and the Ordinance.

This Note is not subject to prepayment prior to April 1, 1987, unless the Industry exercises any of its options to

(i) terminate the Loan Agreement as provided in Section 9.1 thereof, or (ii) partially prepay the loan as provided in Section 9.2 thereof. Such options may be exercised both prior to and subsequent to April 1, 1987.

At its option, on April 1, 1987 and on any subsequent Payment Date, the County may prepay all or any portion of the principal then due on the Note but, if less than all of the principal amount then due thereon, in multiples of $100,000, under the conditions hereinafter set forth, and with the effect hereinafter provided for, at the redemption prices (expressed as percentages of principal amount) set forth in the table below, together with accrued interest to the redemption date:

| Redemption Dates | Redemption Prices |
|---|---|
| April 1, 1987 through March 31, 1988 | 103.00 % |
| April 1, 1988 through March 31, 1989 | 102.67 % |
| April 1, 1989 through March 31, 1990 | 102.33 % |
| April 1, 1990 through March 31, 1991 | 102.00 % |
| April 1, 1991 through March 31, 1992 | 101.67 % |
| April 1, 1992 through March 31, 1993 | 101.33 % |
| April 1, 1993 through March 31, 1994 | 101.00 % |
| April 1, 1994 through March 31, 1995 | 100.67 % |
| April 1, 1995 through March 31, 1996 | 100.33 % |
| April 1, 1996 and thereafter | 100.00 % |

All partial prepayments made, either pursuant to Section 9.2 of the Loan Agreement or pursuant to the optional prepayment provisions of this Note, shall be credited to the last maturing installments of principal due on the Note and shall have the effect of accelerating the last Payment Date. No such prepayment shall have the effect of reducing the

amount of the semi-annual payments which shall continue to be the sum of $90,384 except for the last and final installment which shall be that amount then required to pay in full all principal and interest then due on the Note.

Prior to any prepayment being made on this Note, the County or the Industry shall give written notice to the Payee by registered mail not less than thirty days nor more than sixty days prior to the next ensuing Payment Date specifying the sum so to be prepaid and the basis upon which such prepayment is to be made.

In the event that there shall be a default as to any payment on this Note as hereinabove prescribed, or should there occur any event of default as provided in Section 8.1 of the Loan Agreement, then, and in any of such events, all remedies provided in Article VIII of the Loan Agreement shall become available to the holder of this Note including the right to declare all amounts then and thereafter due and payable on this Note to be then forthwith due and payable. The Loan Agreement and the contract created by the Ordinance may be altered or amended only in circumstances therein respectively provided.

This Note and the interest thereon are exempt from all taxation in the State of South Carolina except inheritance, estate and transfer taxes.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and

be performed precedent to and in the execution and delivery of the Loan Agreement and the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Aiken County, South Carolina has caused this Note to be executed by the Chairman of the Aiken County Council, and its corporate seal to be impressed hereon, and attested by the Clerk of the Aiken County Council, all as of the 1st day of April, 1977.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

By_____
Chairman, Aiken County Council

Attest:

_____
Clerk, Aiken County Council

RECORD OF PAYMENTS AND PREPAYMENTS

| Amount of Principal Paid or Prepaid | Date of Payment | Unpaid Principal Balance | Name of Person Making Notation |
|---|---|---|---|

(This payment record is attached merely for the convenience of the Payee)

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

I, the undersigned, Clerk of the County Council of Aiken County, South Carolina, do hereby certify that the foregoing is a true, correct and verbatim copy of an Ordinance duly adopted by the County Council of Aiken County, South Carolina, having been read at three duly called meetings of County Council held on _____, 1977, _____, 1977 and _____, 1977.

Witness my Hand and the Seal of the County Council of Aiken County, this _____ day of _____, A. D. 1977.

(SEAL)

_____

Clerk, County Council of Aiken County

AIKEN COUNTY, SOUTH CAROLINA

and

GRANITEVILLE COMPANY

# LOAN AGREEMENT

Dated as of April 1, 1977

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 1977, between AIKEN COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Aiken County, party of the first part, and GRANITEVILLE COMPANY, a corporation organized and existing under the laws of the State of South Carolina, and doing business in the State of South Carolina, party of the second part,

WITNESSETH:

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

ARTICLE I

DEFINITIONS

Section 1.1. Certain terms used in this Loan Agreement are defined in Section 1.2 hereof. When used herein, such terms shall have the meanings given to them by the language employed in Section 1.2 defining such terms, unless the context clearly indicates otherwise.

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

"Act" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

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

"Assignment" means the Assignment dated as of the date hereof referred to in Section 7.1 hereof.

"Authorized Industry Representative" means the person at the time designated to act on behalf of the Industry by written certificate furnished to the County containing the specimen signature of such person and signed on behalf of the Industry by its President or any Vice

President. Such certificate may designate an alternate or alternates.

"Completion Date" means the date so certified as provided in Section 3.5 hereof.

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

"County Board" means the County Council of Aiken County, as the governing body of the County, and any successor body.

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

"Industry" means (i) the party of the second part hereto and its successors and assigns, and (ii) any surviving, resulting or transferee corporation as provided in Section 6.2 hereof.

"Industry's Obligation" means its obligation to pay, by way of a capital contribution, the sum, now fixed at $2,039,603, into the construction fund established by the County for the payment of the cost of constructing the Pollution Control Facilities.

"Note" means the $2,100,000 Aiken County Pollution Control Facilities Revenue Note (Graniteville Company Project) issued pursuant to the Ordinance.

"Note Proceeds" means the proceeds of the Note paid to the Industry by the Purchaser including accrued interest, if any, and less any commitment fee, if any.

"Penalty Rate" means interest at the rate of 8% per annum, but in no case in excess of the rate permitted by statute.

"Plant" means the Industry's textile manufacturing facilities in the County.

"Pollution Control Facilities" or "Wastewater Treatment Facility" means the Horse Creek Basin Wastewater Treatment Facility into which, when constructed, waste water and other effluent resulting from the manufacturing processes of the Industry will be discharged. The Pollution Control Facilities are being constructed by the County and the Industry has committed itself to pay a share of the cost of the construction thereof in return for the right to use a fixed percentage of the capacity thereof.

"Purchaser" or "Purchaser of the Note" means Washington National Insurance Company of Evanston, Illinois.

"Ordinance" means the Ordinance of the County, including any ordinance supplemental thereto and any amendment thereof, authorizing this Loan Agreement and the issuance and sale of the Note.

"Revenues" means all payments, revenues and receipts which the County has a right to receive pursuant to this Agreement, other than payment of indemnification pursuant to Section 6.4 hereof and attorneys' fees and expenses, if any, payable to the County pursuant to Section 8.4. "Revenues" shall include all attorneys' fees and expenses recoverable by the Purchaser pursuant to the provisions of Section 8.4 hereof.

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

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

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

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement, the Ordinance, the Assignment and the Note. By proper action by the County Board, the State Budget and Control Board of South Carolina, and the South Carolina Department of Health and Environmental Control, the County has been duly authorized to adopt the Ordinance and to execute and deliver this Agreement, the Assignment and to issue the Note.

(b) The County is in the process of constructing the Horse Creek Basin Wastewater Treatment facilities in the Horse Creek Basin section of Aiken County. This project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Industry and United Merchants & Manufacturers Inc. will be treated and disposed



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of. The project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 49-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds.

The Industry has entered into a contract with the County pursuant to which the Industry has agreed to pay into the Construction Fund for the Wastewater Treatment Facility the sum of $2,039,603. This sum reflects the Industry's share of the cost of the construction of the Wastewater Treatment Facility. The contract further provides that the Industry has the absolute right to utilize a fixed percentage of the capacity of the Wastewater Treatment Facility upon the payment

of charges for the services so to be rendered.

(c) Heretofore, the County and the Industry did agree that the County would finance the Industry's Obligation and expenses incidental thereto. The Industry has determined that the Industry's Obligation, together with the expenses incurred and to be incurred by it in connection with the issuance of the Note, will require the Industry to raise $2,100,000 and on that basis the County now proposes to issue the Note in the aggregate principal amount of $2,100,000, to be dated as of April 1, 1977, and to mature and bear interest as set forth in the Ordinance and to be subject to prepayment on the occasions and on the conditions set forth in the Ordinance, and to loan the Note Proceeds to the Industry in order that it might discharge the Industry's Obligation and pay expenses incurred and to be incurred in connection with the issuance of the Note, all as set forth in Article III hereof.

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

(a) The Industry is a corporation duly incorporated and existing under the laws of the State of South Carolina, and is doing business in the State of South Carolina, is in

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good standing under its charter and the laws of South Carolina, has the power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) The Industry has entered into the contract with the County referred to in Section 2.1(b) hereof and has obligated itself to pay into the Construction Fund established for the Pollution Control Facilities the sum of $2,039,603.

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

(d) The manufacturing processes carried out at the Plant

results in the discharge of pollutants into the South Carolina river system. The Pollution Control Facilities are necessary and the contractual right of the Industry to utilize the Horse Creek Basin Wastewater Treatment Facility will result in the elimination, mitigation or prevention of water pollution. The South Carolina Department of Health and Environmental Control has made a finding to that effect. The Pollution Control Facilities constitute pollution control facilities within the meaning of Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended; are to be used by the Industry to abate or control water pollution or contamination by removing, altering, disposing of or storing pollutants, contaminants and wastes; and are designed for no significant purpose other than the control of pollution; and without limiting the generality of the foregoing, will not result in any increase in production or capacity, or in a material extension of the useful life, of a manufacturing or production facility or a part thereof.

(e) The Industry agrees to utilize the Pollution Control Facilities in accordance with all applicable State and Federal statutes, and all rules and regulations promulgated by any State or Federal agency pursuant thereto, in effect on the date of this Agreement and applicable to the operation of the Pollution Control Facilities as it is intended to be

operated.

(f) Substantially all of the Note Proceeds will be used to provide pollution control facilities within the meaning of Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations issued thereunder and the Industry will not commit or suffer to be committed by the Industry, any act which will adversely affect the tax exempt status of the interest on the Note.

operated.

(f) Substantially all of the Note Proceeds will be used to provide pollution control facilities within the meaning of Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations issued thereunder and the Industry will not commit or suffer to be committed by the Industry, any act which will adversely affect the tax exempt status of the interest on the Note.

## ARTICLE III

## ISSUANCE OF NOTE; COMPLETION OF POLLUTION CONTROL FACILITIES; CONSTRUCTION FUND

Section 3.1. Agreement to Complete Pollution Control Facilities. Acting in reliance upon the County's agreement to effect the issuance of the Note, the Industry agrees that it will promptly pay the Industry's Obligation and, in any event, within three years from the date of the issuance of the Note, and will use the balance of the Note Proceeds as provided in Section 3.3 hereof.

Section 3.2. Agreement to Issue Note; Application of Note Proceeds. In order to provide the moneys required by the Industry to pay the Industry's Obligation and expenses incurred and to be incurred by the Industry in connection with the issuance of the Note, the County agrees that it will sell and cause to be delivered to the Purchaser the Note in the aggregate principal amount of $2,100,000 and will thereupon cause the Note Proceeds to be paid to the Industry.

Section 3.3. Disbursements of Note Proceeds. Immediately following the occasion of the delivery of the Note, the Industry shall apply the Note Proceeds for the following purposes and no other:

(a) Payment of any commitment fee charged by the Purchaser, the fees for filing financing statements and curative documents, if any, and charges of White Weld & Co. of New York for arranging the sale of the Note.

(b) Payment to the Industry of such amounts as shall be necessary to reimburse the Industry in full for all payments previously made by the Industry in discharge of the Industry's Obligation.

(c) Payment in full of all sums due on the Industry's Obligation.

(d) Payment or reimbursement to the Industry or the County for payment of the cost of legal, financing, accounting and printing fees, expenses and disbursements incurred in connection with the authorization, sale and issuance of the Note, the preparation of this Agreement, the Ordinance, the Assignment and all other documents in connection therewith.

Provided, however, that no payment shall be made from the Note Proceeds in respect of any item or amounts which will result in less than substantially all of the proceeds of the Note being used to provide water pollution control facilities within the meaning of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations thereunder.

All moneys, if any, remaining from the Note Proceeds after payment in full of the costs of the Industry's Obligation, and after payment of all other items (or after making provision for the payment thereof) provided for in this Section, shall be used by the Industry to effect payment of the next succeeding

semi-annual installment payment on the Note.

Section 3.4. Industry Required to Pay Costs in Event Note Proceeds are Insufficient. In the event the moneys available for payment of the costs of the Industry's Obligation shall not be sufficient to pay the same in full, the Industry agrees to pay all that portion of the costs as may be in excess of the moneys available therefor from Note Proceeds. The County does not make any warranty, either express or implied, that the moneys which will be paid to the Industry and which, under the provisions of this Agreement, will be available for payment of the Industry's Obligation, will be sufficient to pay the same. The Industry agrees that if, notwithstanding the exhaustion of the moneys from the Note Proceeds, the Industry shall not be fully reimbursed for the Industry's Obligation, it shall not be entitled to any reimbursement therefor from the County or from the Purchaser, nor shall it be entitled to any abatement or diminution of the payments required by Section 4.3 hereof.

Section 3.5. Establishment of Completion Date. Completion shall mean the discharge in full of the Industry's Obligation. The Completion Date shall mean that date on which the Industry's Obligation shall have been fully discharged. The completion

shall be evidenced by a certificate signed by the Authorized Industry Representative stating that all sums required to be paid in order to discharge in full the Industry's Obligation have been paid. Such certificate shall set forth all other expenses paid or incurred by the Industry in connection with the transaction contemplated by this Agreement and shall set forth the balance, if any, remaining in the hands of the Industry at the Completion Date. The date of such certificate shall be the Completion Date as used herein. It shall be the duty of the Industry to cause the certificate contemplated by this Section 3.5 to be furnished promptly and in the form herein provided.

Section 3.6. Authorized Industry Representative and Successors. The Industry shall designate, in the manner prescribed in Section 1.2, the Authorized Industry Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner. The Authorized Industry Representative shall be fully empowered:

(a) to execute and deliver the Certificate required by Section 3.5 hereof;

(b) to receive and receipt for the Note Proceeds; and

(c) to execute and deliver such other certifications as may be required by this Agreement or the Purchaser.

Section 3.7. Investment of Note Proceeds Permitted. Any moneys received by the Industry by way of Note Proceeds not then required to be disbursed in accordance with Section 3.3 hereof may, at the option of the Industry, be invested and reinvested in:

(i) obligations of the United States and agencies thereof;

(ii) Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation;

(iii) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; or

(iv) certificates of deposit of banks or trust companies, including the Depositary, organized under the laws of the United States of America or any state thereof, which have a combined capital and surplus of at least $25,000,000.

The Industry covenants:

(a) That it will not make investments which would cause the Note to be an "arbitrage bond" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the



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applicable regulations issued thereunder as then in effect.

(b) That it will furnish to the County accurate information necessary to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the said regulations relating to arbitrage.

ARTICLE IV

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

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

Section 4.2. Possession and Ownership of Pollution Control Facilities. The Pollution Control Facilities shall be the sole property of the County, subject to the right of the Industry to utilize the same in accordance with the contract between the County and the Industry relating thereto.

Section 4.3. Repayment of Loan. The County hereby loans to the Industry the Note Proceeds, and the Industry shall repay such loan and the interest on the Note in accordance with provisions of this Section 4.3:

On or before October 1, 1977, and on or before the first day of each April and October thereafter until the principal of and interest on the Note shall have been fully paid, the Industry shall pay to the Purchaser the sum of $90,375.16 for application by the Purchaser to interest on the Note at the rate of 6-1/2% per annum and the balance of said sum to the principal of the Note. On the final

maturity of the Note, viz.: April 1, 1999, the Industry shall pay to the Purchaser all sums then remaining due by way of both principal and interest.

In the event that the Industry shall have made partial prepayments on the Note either pursuant to the provisions of Section 9.2 hereof or pursuant to the optional redemption provisions as set forth in Section 303 of the Ordinance, then in either of such events, the partial prepayments so made, exclusive of any sum paid by way of redemption premium, shall be credited to the last maturing installments of principal on the Note with the result that the final maturity of the Note shall be correspondingly accelerated.

In any event, each payment under this Section shall be sufficient to pay the total amount of principal and interest (whether at maturity or by redemption or by acceleration) and premium, if any, on each respective payment date.

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

Section 4.4. Place of Payments. The payments provided

for in Section 4.3 hereof shall be paid directly to the Purchaser.

Section 4.5. Obligations of Industry Hereunder Unconditional. The obligations of the Industry to make the payments required in Section 4.3 hereof and to perform and observe the other agreements on its part contained in this Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim and the Industry shall pay absolutely net during the term of this Agreement the payments as prescribed in Section 4.3 and all of the payments required hereunder free of any deductions and without abatement, postponement, diminution or set-off; and until such time as the principal of, premium, if any, and interest on the Note shall have been fully paid the Industry: (i) will not suspend or discontinue any payments required by Section 4.3 hereof; (ii) will perform and observe all of its other agreements contained in this Agreement; and (iii) except as provided in Article IX hereof will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Pollution Control Facilities to function at their intended level, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Pollution Control Facilities,

commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, or failure of the Pollution Control Facilities to comply with any statute, rule or regulation now or hereafter made applicable thereto.

## ARTICLE V

## OPERATION AND MAINTENANCE, TAXES AND INSURANCE

Section 5.1. Operation and Maintenance of Pollution Control Facilities. The Industry agrees that the County shall operate and maintain the Pollution Control Facilities at all times, but that the Industry will utilize the Pollution Control Facilities for the discharge of effluent and waste resulting from its manufacturing operations and will pay to the County its proper charges for the use thereof.

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

However, the Industry will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to its right to use the Pollution Control Facilities or any machinery, equipment or other property installed or brought by the Industry therein or thereon

(including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the income, revenues or receipts of the County from this Agreement, or which will constitute a charge on the income, revenues and receipts from this Agreement). In addition, the Industry will pay all other charges incurred from its use of the Pollution Control Facilities.

The Industry may, at its expense and in its own name, in good faith, contest any taxes, assessments and other charges imposed upon its use of the Pollution Control Facilities and, in the event of any such contest and any appeal therefrom, unless the Purchaser shall notify the Industry that, in the opinion of Independent Counsel, by nonpayment of any such items, the right of the Industry to use the Pollution Control Facilities or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. In the event that the Industry shall fail to pay any of the foregoing items required by this Section to be paid by the Industry, the County or the Purchaser may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Purchaser shall become an additional obligation of the Industry to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date thereof, until paid, the Industry agrees to pay.

Section 5.3. Insurance. It is agreed that the County will provide such insurance on the Pollution Control Facilities as it shall determine to be necessary and that the expense thereof shall be included in the costs of operating and maintaining the Pollution Control Facilities to which costs the Industry will contribute through the payments to be made by the Industry to the County for its use of the Pollution Control Facilities.

ARTICLE VI

SPECIAL COVENANTS

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

Section 6.2. Industry to Maintain Its Corporate Existence; Conditions Under Which Exceptions Permitted. The Industry agrees that during the term of this Agreement it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Industry may, without violating the agreement contained in this Section, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be,

shall be the Industry and it shall assume in writing all of the obligations under this Agreement, and shall be duly qualified to do business in the State of South Carolina.

Section 6.3. Good Standing. The Industry warrants that it is, and will throughout the term of this Agreement maintain its status as a corporation in good standing to do business in South Carolina.

Section 6.4. Indemnification Covenants. The Act prescribes and the parties intend that the County shall not incur any pecuniary liability by reason of making this Agreement, by reason of the issuance of the Note, by reason of the adoption of the Ordinance, by reason of the performance of any act required of it by this Agreement, or by reason of the performance of any act requested of it by the Industry. Nevertheless, if the County shall incur any such pecuniary liability, then in such event the Industry shall indemnify and hold the County harmless by reason thereof.

ARTICLE VII

REDEMPTION, PREPAYMENT AND SALE OF NOTE

Section 7.1. Assignment of this Agreement by the County. The County will assign its interest in this Agreement and all Revenues receivable by it under this Agreement to the Purchaser to secure the payment of the principal of, premium, if any, and interest on the Note.

Section 7.2. Prepayment of Note. The Industry shall at all times have the right to effect prepayment of the Note in whole as provided in Section 9.1 hereof, in part as provided in Section 9.2 hereof, or in whole or in part as provided by Section 303 of the Ordinance, and the Industry is hereby empowered to take all steps required by Sections 9.1 and 9.2 hereof or in Section 303 of the Ordinance to effect such prepayments. Any and all prepayments made by the Industry shall be duly credited to the principal of the Note (and premium, if any, if there be a prepayment pursuant to Section 303 of the Ordinance) as provided in Section 4.3 hereof.

Section 7.3. Sale of Note; Industry Agreement With Purchaser. The County agrees to sell the Note to the Purchaser at par plus accrued interest to the date of the delivery thereof. The County further agrees that the Industry may enter into an agreement with the Purchaser which may provide that so long as the Purchaser is the owner and holder of the Note, the Company shall observe and perform specific affirmative and

negative covenants which limit, for such period of time, the otherwise unrestricted corporate powers of the Industry in the matters covered by such covenants, and that any default under such agreement shall constitute an event of default under this Agreement thus making available to the Purchaser all remedies available hereunder.

## ARTICLE VIII

## EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Industry to pay the amounts required to be paid under Section 4.3 of this Agreement at the times specified herein or at the place specified in Section 4.4 hereof or failure to comply with the provisions of Section 4.5 hereof.

(b) Failure of the Industry to observe the covenants and agreements made by the Industry in its agreement with the Purchaser authorized by Section 7.3 hereof with the result that an event of default has occurred under the said agreement.

(c) Failure by the Industry to observe and perform any of its other covenants, conditions or agreements under this Agreement on the part of the Industry to be observed or performed for a period of forty-five days after receipt by the Industry of written notice, specifying such failure and requesting that it be remedied, given to the Industry by the County and the Purchaser, unless the County and the Purchaser shall agree in

writing to an extension of such time prior to its expiration, or in the case of any such failure (other than a default relating to the payment of money by the Industry) which cannot with due diligence be cured within such 45-day period, if the Industry shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence within 45 days that the time within which the Industry may cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence.

The provisions of subsection (c) of this Section are subject to the following limitations: If by any reason of force majeure the Industry is unable in whole or in part to carry out the agreements of the Industry on its part herein contained, other than the obligations on the part of the Industry contained in Article IV and Sections 5.2, 6.2, 6.4 and 8.4 hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or

writing to an extension of such time prior to its expiration, or in the case of any such failure (other than a default relating to the payment of money by the Industry) which cannot with due diligence be cured within such 45-day period, if the Industry shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence within 45 days that the time within which the Industry may cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence.

The provisions of subsection (c) of this Section are subject to the following limitations: If by any reason of force majeure the Industry is unable in whole or in part to carry out the agreements of the Industry on its part herein contained, other than the obligations on the part of the Industry contained in Article IV and Sections 5.2, 6.2, 6.4 and 8.4 hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or

any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; storms; floods; washouts; droughts; tornadoes; arrests; restraint of government and people; civil or military disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Industry, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Industry, and the Industry shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Industry, unfavorable to the Industry.

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

(a) The County (but only with the consent of the Purchaser) or the Purchaser may, at its option, declare all payments payable under Section 4.3 hereof to be immediately due and payable,

whereupon the same shall become immediately due and payable, and which amounts the Industry hereby agrees to pay.

(b) The County and the Purchaser may have access to and inspect, examine and make copies of the books and records of the Industry relevant to this Agreement.

(c) The County or the Purchaser may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenants of the Industry under this Agreement. Any amounts collected pursuant to action taken under this Section shall be paid to the person entitled thereto. Except to the extent of such collection, no action taken pursuant to this Section shall relieve the Industry from the Industry's obligations pursuant to Section 4.3 and Section 8.2(a) hereof, all of which shall survive any such action.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County or the Purchaser is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any

right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County or the Purchaser to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Purchaser, and the Purchaser shall be deemed a third party beneficiary of all covenants and agreements herein contained.

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

Section 8.5. No Additional Waiver Implied by One Waiver . In the event any agreement contained in this Agreement should be breached by the Industry and thereafter waived by

the County or the Purchaser, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE IX

OPTIONS IN FAVOR OF THE INDUSTRY

Section 9.1. Option to Terminate Upon the Happening of Certain Events. The Industry shall have, and is hereby granted, the option to terminate this Agreement prior to the full payment of the Note if any of the events set forth in the following clauses shall have occurred (but only upon payment of the sum hereinafter prescribed):

(a) The Pollution Control Facilities shall have been damaged or destroyed to such an extent that in the opinion of the Industry, expressed in a certificate of the Authorized Industry Representative filed with the County and the Purchaser, the Pollution Control Facilities cannot be restored within a period of six months to the condition immediately preceding such damage or destruction with the result that the Industry will thereby be prevented (by operation of any pollution control law or regulation or otherwise) from conducting all, or substantially all, of its operations at the Plant for a period of at least six months.

(b) Title to, or the permanent or temporary use of, the Pollution Control Facilities or part thereof, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation

acting under governmental authority to such an extent that in the opinion of the Industry expressed in a certificate of the Authority Industry Representative filed with the County and the Purchaser, the Industry will thereby be prevented from conducting all, or substantially all, of its operations at the Plant for a period of at least six months.

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

(d) Without limiting the options of the Industry set forth in subsections (a) and (b) of this Section 9.2, the Industry, by certificate of the Authorized Industry Representative filed with the County and the Purchaser shall determine: (i) that the reconstruction or restoration of, or its use of the Pollution Control Facilities, after damage or destruction thereto or condemnation thereof, is not economically feasible; or (ii) to cease all, or substantially all, of its operations at the Industry's Plant or its use of the Pollution Control Facilities as a result of changes in the economic availability of raw materials, operating supplies or facilities necessary to operate the Industry's Plant or its use of the Pollution Control Facilities, or technological or other conditions making the continued operation of the Industry's Plant or its use of the Pollution Control Facilities uneconomical.

To exercise any such option set forth in this Section 9.1, the Industry shall, within forty-five days following the event authorizing the exercise of such option, give written notice to the County and to the Purchaser if any part of the Note shall then be unpaid, and shall specify therein the date of termination, which date shall not be less than thirty nor more than sixty days from the date such notice is mailed, provided that this option to terminate is conditioned upon the

Industry's payment to the Purchaser on or prior to the termination date of the sum of the following:

(1) An amount of money which will be sufficient to retire and redeem all sums then due on the Note including, without limitation, principal and all interest to accrue to said termination date, plus

(2) Any and all other sums then due to the County under this Agreement.

(e) If any of the events set forth in clauses (a), (b), (c) and (d) of this Section 9.1 occur and the Industry does not exercise the option to terminate which results from such event, then the obligations of the Industry hereunder shall continue and the option herein granted shall no longer be available to the Industry.

Section 9.2. Option to Prepay in Part in Certain Circumstances. In addition to any other option to prepay amounts due under this Agreement, the Industry shall have and is hereby granted the option to prepay in part amounts due under Section 4.3 of this Agreement, if the Industry shall be repaid by the County any part of the sum paid to the County as the Industry's Obligation by reason of the fact that one or more new customers (other than the initial four customers named in Section 2.1 hereof) have elected to become

users of the Wastewater Treatment Facilities and shall have paid to the County by way of capital contribution for the right to use the Pollution Control Facilities any sum from which the Industry is entitled to any reimbursement of $100,000 or more. Under such circumstance, the Industry may prepay, without redemption premium, under the conditions hereafter set forth in this Section 9.2, that amount of principal equal to the sum received by the Industry from such reimbursement. To exercise such option, the Industry shall give written notice to the County and to the holder of the Note and shall specify therein the date of partial prepayment, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, whereupon, upon payment of such sum, the principal of the Note shall be correspondingly reduced, and to such extent, the obligations of the Industry under Section 4.3 hereof modified as in said Section 4.3 provided.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: If to the County, to the County Council of Aiken County, Aiken County Courthouse, Aiken, South Carolina; if to the Industry, to Graniteville Company, Graniteville, South Carolina 29829, Attention: Treasurer; if to the Purchaser, to Washington National Insurance Company, Attention: Securities Investment Department, 1630 Chicago Avenue, Evanston, Illinois 60201. The County, the Industry and the Purchaser may, by notice given to all parties to this Agreement, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Filing. The pledge of revenues effected by the Assignment shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions, in the Office of the Secretary of State in the City of Columbia, State of South Carolina.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County,

the Industry and their respective successors and assigns, subject to the limitations contained in Sections 4.1 and 6.2 hereof.

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

Section 10.5. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Purchaser.

Section 10.6. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7. Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, AIKEN COUNTY, SOUTH CAROLINA, has executed this Agreement by causing its name to be hereunto subscribed by the Chairman of the County Council of Aiken County, its official seal to be impressed hereon, and attested

by the Clerk of County Council; and GRANITEVILLE COMPANY has executed this Agreement by causing its corporate name to be hereunto subscribed by one of its Vice Presidents, its corporate seal to be impressed hereon, and attested by its Secretary or Assistant Secretary, all being done as of the day and year first above written.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

BY_____
Chairman, County Council of Aiken County

Attest:

_____
Clerk, County Council of Aiken County

Signed, Sealed and Delivered in the Presence of:

_____

_____

GRANITEVILLE COMPANY

(SEAL)

BY _____
Vice President

Attest:

_____
Secretary

Signed, Sealed and Delivered in
the Presence of:

_____

_____

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

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

_____

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)
Notary Public for South Carolina

My Commission Expires: _____

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

PERSONALLY appeared before me _____ who, being duly sworn, said that (s)he saw the corporate seal of GRANITEVILLE COMPANY, a South Carolina corporation, affixed to the foregoing Loan Agreement, and that (s)he also saw _____, as its Vice President and _____, as Secretary of said Corporation sign and attest the same, and that deponent witnessed the execution and delivery thereof as the act and deed of the said GRANITEVILLE COMPANY.

_____

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)
Notary Public for South Carolina

My Commission Expires: _____

GRANITEVILLE COMPANY
Graniteville, South Carolina

April 1, 1977

Washington National Insurance Company
Attention: Securities Investment Department
1630 Chicago Avenue
Evanston, Illinois 60201

Re: $2,100,000 Aiken County, South Carolina, Pollution Control Revenue Note (Graniteville Company Project)

Dear Sirs:

The undersigned, Graniteville Company (the Company), agrees with you as follows:

1. Matters of Essential Inducement. At the instance and request of the Company, you have agreed to purchase the above described Note (the Note) of Aiken County, South Carolina (the County), which is issued pursuant to an Ordinance (the Bond Ordinance) adopted by the County Council of the County and secured by the Assignment from the County to you in accordance with the provisions of a certain Loan Agreement between the County and the Company (the County Loan Agreement). Your agreement to purchase the Note was conditioned upon the execution and delivery by the Company of this Agreement with you.

2. Attachments to this Agreement. The attachments to this Agreement consist of the following:

(a) A certified copy of the Bond Ordinance;
(b) An executed copy of the County Loan Agreement;
(c) An executed copy of the Assignment; and
(d) A copy certified by the Company of a certain Loan Agreement between the County and The Prudential Insurance Company of America (Prudential), dated as of December 1, 1975 (the Prudential Agreement).

Such attachments may, but need not be, physically attached to this Agreement.

3. Rules of Construction. Terms that are defined in this Agreement shall have the meanings attributed to them herein. Terms that are defined in any of the attachments mentioned in paragraph 2 above shall have the meanings attributed to such terms by the particular attachment to which reference is made. Each defined term is written with initial capitals. Whence once referenced herein, subsequent use of such defined term will not thereafter be referenced to the source of its definitions.

4. Conditions of Closing. Your obligation to purchase and pay for the Note is subject to the satisfaction, on or before the date of closing of the following conditions:

(a) You shall have received from Sinkler Gibbs & Simons (Bond Counsel), a favorable written opinion, satisfactory to you, that the County is a body politic and corporate and a political subdivision of the State of South Carolina, that this Agreement, the Note, the County Loan Agreement and the Assignment are valid and binding obligations of the parties thereto enforceable according to their respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally), that the Assignment effectively creates the respective security interests purported to be created thereby, that all action required by Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971 (Act 156), has been properly taken, and that under statutes and court decisions existing as of the date of such opinion, the interest on the Note is exempt from Federal income taxes (except under the circumstances described in Section 103(b)(7) of the Internal Revenue Code) and from all income taxes imposed by the State of South Carolina and any political subdivision or taxing authority thereof or therein.

(b) You shall have received from Messrs. Henderson, Salley & Bodenheimer of Aiken, South Carolina, Counsel for the Company, a favorable opinion, dated the date of such closing, and satisfactory to you as to: (i) the due organization, existence and good standing of the Company; (ii) the due authorization (including any consent of stockholders required by law or by the restated articles of incorporation or by-laws of the Company or otherwise), execution and delivery and the validity of this Agreement and the County Loan Agreement insofar as it affects the Company; (ii) the due organization, existence and good standing of each Subsidiary (as defined in the Prudential Agreement); (iv) the corporate power

of the Company and each Subsidiary to carry on their respective businesses as then being conducted; (v) the due qualification of the Company and each Subsidiary as a foreign corporation to transact business and the good standing of each in each jurisdiction wherein the nature of the respective businesses transacted by each makes such qualification necessary; and (vi) the execution and delivery of this Agreement by the Company and the execution and delivery of the County Loan Agreement by the Company not conflicting with or resulting in a breach of the terms, conditions or provisions of, or constituting a default under or resulting in a violation of, the articles of incorporation or by-laws of the Company or any of its Subsidiaries or any applicable law, statute, rule or regulation (insofar as is known to such counsel after having made due inquiry thereto) any agreement, order, judgment or decree to which the Company or any of its Subsidiaries is subject.

(c) Approvals by the State of South Carolina Budget and Control Board and the Department of Health and Environmental Control of the State of South Carolina to the transaction contemplated by the County Loan Agreement have been duly obtained as required by Act 156.

(d) The representations and warranties contained in paragraph 5 shall be true on and as of the date of such closing except to the extent of changes caused by the transactions herein contemplated; there shall exist on the date of such closing no event of default or default hereunder or under the County Loan Agreement or the Prudential Agreement; and the Company shall have delivered to you an officer's certificate, dated the date of such closing, to such effects.

(e) The Company shall have delivered to you the certificate of George C. Baird & Company, addressed to you, stating that such firm has reviewed the Federal and State income tax returns of the Company and its Subsidiaries filed for all fiscal years which have not been examined and reported on by the taxing authorities (or closed by applicable statutes) and that, in the opinion of such firm, such returns properly reflect the Federal and State income taxes of the Company and its Subsidiaries for the periods covered thereby and the Company and its Subsidiaries have paid, or set up adequate reserves for the payment of, all Federal and State income taxes for such fiscal years.

5. Representations and Warranties. The Company represents and warrants to you:

(a) The Company is a corporation duly organized and existing in good standing under the laws of the State of South Carolina, each Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction in which incorporated, and the Company has and each Subsidiary has the corporate power to own its respective property and to carry on its business as now being conducted, and the Company is and each Subsidiary is duly qualified as a foreign corporation to do business and in good standing in every jurisdiction in which the nature of the respective business conducted by it makes such qualification necessary. The Company has three Subsidiaries, C. H. Patrick & Co., Graniteville International Sales, Inc. and Old Towne Fabrics, Inc., all South Carolina corporations.

(b) The Company has furnished you with the following financial statements, identified by a principal financial officer of the Company: consolidated balance sheets of the Company and its Subsidiaries for the fiscal year ended December 28, 1975 and for the fiscal year ended January 2, 1977, and consolidated statements of income and retained earnings of the Company and its Subsidiaries, for each such fiscal year, together with reports thereon of George C. Baird & Company, independent certified public accountants. Such statements have been prepared in accordance with generally accepted accounting principles on a consistent basis during such periods. Such balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and such statements of income and retained earnings fairly present the results of operations of the Company and its Subsidiaries for the periods indicated. There has been no material adverse change in the condition, financial or otherwise, of the Company or any Subsidiary since January 2, 1977. The status of the Company's employee benefit plans is reflected in Note 6 of the Report of George C. Baird & Company, dated as of January 28, 1977.

(c) There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries before any court, arbitrator or administrative or governmental body which might result in any material adverse change in the business or condition of the Company or such Subsidiary.

(d) As of the date of this Agreement, neither the Company nor any of its Subsidiaries, has outstanding any Debt (as defined in the Prudential Agreement), except as permitted by paragraph

6C(2) of the Prudential Agreement and the obligations of the Company under the County Loan Agreement are permitted by said paragraph 6C(2). There exists no default under the provisions of any instrument evidencing any such Debt or of any agreement relating thereto.

(e) The Company has and each of its Subsidiaries has good title to its respective properties and assets, including the properties and assets reflected in the balance sheet as at January 2, 1977 hereinabove described, subject to no Lien (as defined in the Prudential Agreement) of any kind, except Liens permitted by paragraph 6C(1) of the Prudential Agreement.

(f) The Company has and each of its Subsidiaries has filed all Federal and State income tax returns which are required to be filed, and each has paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes have become due. Federal income tax liabilities of the Company and its Subsidiaries have been examined and reported on by the Internal Revenue Service (or closed by applicable statutes) and satisfied for all fiscal years prior to and including the fiscal year ended in December 1972.

(g) Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects its business, property or assets, or financial condition. Neither the execution and delivery of this Agreement or of the County Loan Agreement, nor fulfillment of nor compliance with the terms and provisions hereof or of the County Loan Agreement, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, the charter or by-laws of the Company or any of its Subsidiaries or any agreement, instrument, order, judgment, decree, law, statute, rule or regulation to which the Company or any of its Subsidiaries is subject.

(h) The net cash proceeds to be received by the Company pursuant to the County Loan Agreement will be used in the manner prescribed by Section 3.3 of the County Loan Agreement and for no other purpose.

(i) The Company and each of its Subsidiaries is exercising its best efforts to comply with all laws and regulations relating to pollution control in all jurisdictions where the Company and

each of its Subsidiaries is presently doing business, and the Company will use its best efforts to comply and to cause each of its Subsidiaries to comply with all such laws and regulations which may be legally imposed in the future in jurisdictions in which the Company or any Subsidiary may then be doing business.

(j) Since August 14, 1971, the Company has and each of its Subsidiaries has conducted its respective business so as to comply in all material respects with the Economic Stabilization Act of 1970, as amended, and all regulations promulgated thereunder.

6. Affirmative Covenants.

(a) The Company covenants that, so long as you shall hold the Note, it will deliver to you in duplicate:

(i) as soon as practicable and in any event within 45 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject to changes resulting from year-end adjustments;

(ii) as soon as practicable and in any event within 90 days after the end of each fiscal year, a consolidating and consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for such year, and a consolidating and consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to you and certified to the Company by independent public accountants of recognized standing selected by the Company whose certificates shall be in scope and substance satisfactory to you;

(iii) as soon as practicable, copies of all such financial statements and reports as it shall send to its stockholders and of all registration statements and all regular or periodic reports which it is or may be required to file with the Securities and Exchange Commission or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission; and

(iv) with reasonable promptness, such other financial data as you may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to you an officer's certificate setting forth (except to the extent specifically set forth in such financial statements) the amount of interest accrued on Funded Debt (as defined in the Prudential Agreement) and Current Debt (as defined in the Prudential Agreement) of the Company and its Subsidiaries during the fiscal period covered by such financial statements, the aggregate amount of rental payments made during such fiscal period by the Company and its Subsidiaries which were of the kinds subject to the restrictions of paragraph 6C(6) of the Prudential Agreement and the aggregate amount of all rental payments made during such fiscal period by the Company and its Subsidiaries, the dates of the beginning and end of the most recent period of 60 consecutive days during which the Company shall have been free from Current Debt, and the amount of depreciation on physical property charged on the books of the Company and its Subsidiaries during such fiscal period, and stating that there exists no event of default or default hereunder, or, if any such event of default or default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto. Together with each delivery of financial statements required by clause (ii) above, the Company will deliver to you a certificate of said accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any event of default or default hereunder, or, if any such event of default or default exists, specifying the nature and period of existence thereof, and setting forth the amount of all liabilities for past services under pension plans and other employee benefit plans of the Company and its Subsidiaries which have not been funded by the Company or its Subsidiaries or for which appropriate reserves have not been established. The Company also covenants that forthwith upon the President or chief financial officer of the

Company obtaining knowledge of any such event of default or default, it will deliver to you an officer's certificate specifying the nature thereof, the period of existence thereof, and what action the Company proposes to take with respect thereto. You are hereby authorized to deliver a copy of any financial statement delivered to you pursuant to this paragraph 6(a) to any regulatory body having jurisdiction over you.

(b) The Company covenants that, so long as you shall hold the Note, it will permit any person designated in writing by you at your expense, to visit and inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries, and to discuss the affairs, finances and accounts of any of such corporations with the principal officers of the Company, all at such reasonable times and as often as you may reasonably request.

7. Negative Covenants. So long as you shall be the holder of the Note, the Company covenants and agrees (subject to the provisions of paragraph 8 below) to observe and perform each and every of the Negative Covenants set forth in the Prudential Agreement, and each such obligation of the Company to Prudential under the Prudential Agreement, shall correspondingly be the obligation of the Company to you hereunder. Resort shall be had to the definitions in the Prudential Agreement where necessary to establish the meaning and import of said Negative Covenants.

8. Modification of Negative Covenants. So long as the indebtedness of the Company under the Prudential Agreement shall equal or exceed $10 Million, then any waiver, modification or amendment of the Prudential Agreement with respect to any of the Negative Covenants of that Agreement set forth in the enumerated paragraphs under the heading "Negative Covenants" therein, made in accordance with the provisions of paragraph 11C of the Prudential Agreement, shall correspondingly modify, amend or waive the Company's obligations to you under paragraph 7 of this Agreement. But if and when the Company's indebtedness pursuant to the Prudential Agreement shall be less than $10 Million, its obligations to you under this Agreement shall require it to observe and perform each and every of said Negative Covenants as then modified, amended or waived for so long a time as the Company shall be obligated under the County Loan Agreement unless such Negative Covenants as then modified, amended or waived shall be further modified, amended or waived with the consent of the holders of not less than 66-2/3% of the Company's

funded debt outstanding pursuant to the Purchase Agreement and the County Loan Agreement. In computing the aggregate of such funded debt on any occasion, the unpaid principal indebtedness on the Note shall be included in such funded debt.

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

(a) any default by the Company under the County Loan Agreement; or

(b) any default by the Company under the Prudential Agreement; or

(c) any default in the observance and performance by the Company of any covenant or agreement herein contained; or

(d) any default by the Company under any other agreement pursuant to which Funded Debt of $1 Million or more has been incurred.

Whenever any event of default hereunder shall have happened or be subsisting, you may take any one or more of the following remedial steps:

(a) You may declare all payments due by the Company under Section 4.3 of the County Loan Agreement to be immediately due and payable;

(b) As provided in paragraph 6(b) hereof, you may have access to and inspect, examine and make copies of the books and records of the Company relevant to this Agreement or the County Loan Agreement;

(d) You may take whatever action at law or in equity that may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenants of the Company under this Agreement or the County Loan Agreement.

remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or the County Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle you to exercise any remedy reserved to you in this paragraph 9, it shall not be necessary to give any notice, other than such notice as may be expressly required by the County Loan Agreement or by this Agreement.

To the extent that you do not recover your fees and expenses pursuant to Section 8.4 of the County Loan Agreement in the event the Company should default under any of the provisions of this Agreement or the County Loan Agreement and you should employ attorneys or reasonably incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Agreement or in the County Loan Agreement, the Company agrees that it will on demand therefor pay to you the reasonable fees of such attorneys and such other expenses so incurred by you.

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

10. Consent to Amendments. In addition to amendments, modifications or waivers effective under paragraph 8 hereof, this Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain your written consent to such amendment, action or omission to act.

11. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Company in connection herewith shall survive the execution and delivery of this Agreement and of the Note.

12. Successors and Assigns. All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

13. Notices. All communications provided for hereto shall be sent to you in the manner indicated by Section 10.1 of the County Loan Agreement.

14. Descriptive Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

15. Governing Law. This Agreement is being delivered and is intended to be performed in the State of South Carolina, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State.

16. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the undersigned, whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

GRANITEVILLE COMPANY

BY_____
President

The foregoing Agreement is
hereby agreed to as of the date
thereof.

WASHINGTON NATIONAL INSURANCE COMPANY

BY_____
Senior Vice President

1 Carbon Rec'd Copy ✓ on 5/4

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 27, 1977

William A. McInnis, Esq.
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Re: $2,100,000 Aiken County, South Carolina Pollution Control Revenue Note (Graniteville Company Project)

Dear Bill:

Enclosed you will find:

1. Original Petition of County Council of Aiken County to the State Board seeking its approval to the above financing.

2. One copy of the approval of the Department of Health and Environmental Control of the State of South Carolina.

3. One copy of the Bond Ordinance of Aiken County Council authorizing the Note.

4. One copy of the Loan Agreement between the County and the Industry.

5. One copy of proposed agreement between the Industry and the Purchaser.

6. 1976 Annual Report of Graniteville Company to its stockholders, which is the latest published financial information available.

7. Original Resolution for the State Board to adopt approving the undertaking.

8. Copies of the foregoing for certification and return to me.

I trust that the foregoing suffices but if there is any further information, please advise. I call your specific attention to the unusual cooperation of industries and public bodies which make this project possible. This is recited in the proceedings.

Sincerely,

Hugh Sinkler

HS:dn
Enclosures

cc: Ms. Karen L. Henderson

A RESOLUTION
APPROVING THE UNDERTAKING OF AIKEN COUNTY TO ISSUE A $2,100,000 AIKEN COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE NOTE (GRANITEVILLE COMPANY) PURSUANT TO ACT NO. 156 OF 1971, AS AMENDED, AND APPROVING THE POLLUTION CONTROL FACILITIES TO BE FINANCED IN PART THEREBY.

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

WHEREAS, the proposed undertaking consists of the issuance of a $2,100,000 Aiken County Pollution Control Revenue Note (Graniteville Company Project) (the Note) by the County Council pursuant to the Act, the proceeds of which will be loaned to Graniteville Company, a South Carolina corporation (the Company) and used to defray its share of the cost of acquiring, constructing and installing certain water pollution control facilities known as the Horse Creek Basin Waste Water Treatment Facility in Aiken County. This project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Company and United Merchants &

Manufacturers Inc. will be treated and disposed of. The project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 59-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds; and

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

WHEREAS, the County proposes to issue and sell the Note directly to Washington National Insurance Company (the Purchaser) pursuant to an ordinance of County Council and to assign directly

to the Purchaser the Loan Agreement and all payments made pursuant thereto (except certain indemnification payments); and

WHEREAS, the form of the Loan Agreement between Aiken County and the Company has been considered by this Board,

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

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

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

(b) That the County Council has filed a proper petition to the State Board in accordance with the provisions of Section 14 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department of Health and Environmental Control in connection therewith, an estimate of the cost of the Facilities and a general summary of the terms and conditions of the Loan Agreement.

(c) The partial financing of the Facilities by the County Council through the issuance of the Note will promote the purposes of the Act, and such Facilities are reasonably anticipated to eliminate, mitigate or prevent water pollution.

(d) The South Carolina Department of Health and Environmental Control has certified that the Facilities

are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

2. On the basis of the foregoing findings, the proposed undertaking of the County Council (i) to enter into the Loan Agreement and to issue the Note; and (ii) to loan the proceeds thereof to the Company to be used in order to defray its share of the costs of the Facilities, be and the same is hereby approved, and the County Council may proceed therewith.

3. Notice of the action taken by the State Board in giving approval to the above described undertaking of Aiken County shall be published in the Aiken, South Carolina, STANDARD, which is a newspaper having general circulation throughout Aiken County.

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

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EXHIBIT "A"

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

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the Aiken County Council (the County Council) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertaking (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking), viz.:

The issuance and sale by the County Council of a $2,100,000 Aiken County, South Carolina Pollution Control Revenue Note (Graniteville Company Project) (the Note) pursuant to Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971, as amended (the Act), the proceeds of which are to be loaned by Aiken County to Graniteville Company, a South Carolina corporation (the Company), and used to defray its share of the cost of the Horse Creek Basin Waste Water Treatment Facility in Aiken County; and the execution and delivery of a Loan Agreement between Aiken County and the Company, pursuant to which the Company will unconditionally agree to make payments sufficient to repay the principal of and interest on the Note when due.

The Facilities to be financed in part with the proceeds derived from the sale of the Note will be owned by the County.

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

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of (i) the action of the South Carolina Department of Health and Environmental Control as to the necessity for, and adequacy of, the Facilities, and (ii) the action of the State Board in approving the Facilities and the proposed undertaking of the County Council, by action de novo, instituted in the Court of Common Pleas for Aiken County.

THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

BY: WILLIAM T. PUTNAM

PUBLICATION DATE:

May 5th, 1977.

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, WILLIAM T. PUTNAM, Auditor of the State of South Carolina, and Secretary of the State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, James B. Edwards, Governor of South Carolina and Chairman of the Board;

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

The Honorable Earle E. Morris, Jr., Comptroller General of South Carolina;

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

The Honorable Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of meeting of said Board, called to be held at the Office of _____, in the _____ Building, at Columbia, South Carolina, at _____, _.M., on _____, 1977, was given to all members in writing, and at least four (4) days prior to said meeting; that all of the members of said Board were present at said meeting with the exception of:

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

_____
Secretary

May ____, 1977.

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

TO THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

PETITION

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

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

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

3. The County Board did heretofore agree that the County Board would undertake to finance the obligation of

Graniteville Company (the Industry) to make a capital contribution to the cost of constructing the County's project known as the Horse Creek Basin Waste Water Treatment Facility (the project). This Project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Industry and United Merchants & Manufacturers Inc. will be treated and disposed of. The Project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken county as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 49-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds.

4. The County Board is advised by the Industry that its cost of the Project including the cost of issuing the Note hereinafter described, requires the borrowing of $2,100,000, and that it will therefore be necessary that the County Board issue $2,100,000 Aiken County, South Carolina, Pollution Control Facilities Revenue Note, (Graniteville Company Project) (the Note), the proceeds of which shall be loaned to the Industry and used to defray its costs of the Project.

5. The South Carolina Department of Health and Environmental Control has issued its certificate making the findings required by Section 7 of the Act, and a copy of such certificate will be forwarded with the County's petition to the State Budget and Control Board.

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

A. The Project will result in the elimination, mitigation and prevention of water pollution resulting from the operation of the Industry's plant in Aiken County, South Carolina, and the financing of the Project will serve the purposes of the Act.

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

C. The Loan Agreement to be entered into between the County and the Industry in substantially the form enclosed

herewith contains a covenant obligating the Industry to pay its share of the Project if the proceeds of the Note issued by the County prove insufficient, and further obligates the Industry (a) to pay the principal of, interest and premium, if any, on the Note; and (b) to pay a user charge for the use of the Project which will provide its share of the cost of maintaining the Project in good repair. In view of the well established credit of the Industry, there is no need to establish and maintain any reserves in connection with the issuance of the Note.

D. The principal of, interest on, and premium, if any, on the Note is secured by a pledge of the revenues payable to the County pursuant to the Loan Agreement, and the Note shall never constitute an indebtedness of the County within the meaning of any State constitutional provision or statutory limitation, nor ever constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

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

A. The pollution control facilities to be financed out of the proceeds of the Note consist of facilities designed for the elimination, mitigation and prevention of water pollution at the Industry's plant in Aiken County.

B. The South Carolina Department of Health and Environmental Control has made the finding required by Section 7 of the Act.

C. The cost of the Industry's share of the Project is estimated to be $2,100,000, including the cost of issuing the Note.

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

(a) To finance the cost of the Industry's share of the Project, the County will issue a $2,100,000 Note which will be secured by a pledge of the payments to be made by the Industry pursuant to the Loan Agreement.

(b) Proceeds derived from the sale of the Note will be applied solely for the payment of the costs incident to the Industry's share of the cost of the acquisition, construction and installation of the Project (including the repayment to the Industry of advances made for such purposes) and the issuance of the Note.

(c) Under the terms of the Loan Agreement, the Industry obligates itself to effect payment of its share of the Project if the proceeds derived from the sale of the Note prove insufficient, and to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Note as the same become due.

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

8. The Note will mature in semi-annual installments over a period of twenty-two years and will bear interest at the rate of six and one half per centum per annum.

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

April __, 1977

Respectfully submitted,

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

BY _____
Chairman, Aiken County Council

Attest:

_____
Clerk, Aiken County Council

APR 1 1 1977
Office of Envir. Q
S. C. Dept. of Health & Envir. Contro

CERTIFICATE

WHEREAS, AIKEN COUNTY, SOUTH CAROLINA, has applied to the South Carolina Department of Health and Environmental Control (the Department) for approval of certain water pollution control facilities known as the Horse Creek Basin Waste Water Treatment Facility to be constructed and installed in Aiken County and to be financed in part through the issuance of $2,100,000 Aiken County, South Carolina, Pollution Control Facilities Revenue Bonds (Graniteville Project) Series 1977, pursuant to the authorization of Act No. 156 of 1971, and, in that connection, there must be obtained, in accordance with Section 7 of said Act, a finding from the Department (as successor to the Pollution Control Authority of South Carolina) that the proposed water pollution control facilities are necessary and that the design thereof will result in the elimination, mitigation and prevention of water pollution; and

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

NOW, THEREFOR, THIS IS TO CERTIFY on behalf of the South Carolina Department of Health and Environmental Control that the said water pollution control facilities (i) are necessary, (ii) and that the design thereof will result in the elimination, mitigation and prevention of water pollution.

DONE at Columbia, South Carolina, this 22nd day of April, A. D. 1977.

SOUTH CAROLINA DEPARTMENT OF HEALTH
AND ENVIRONMENTAL CONTROL

BY C. Kenneth Ayers
Commissioner

AIKEN COUNTY, SOUTH CAROLINA

POLLUTION CONTROL REVENUE NOTE

(GRANITEVILLE COMPANY PROJECT)

Dated April 1, 1977

BOND ORDINANCE

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF A $2,100,000 AIKEN COUNTY, SOUTH CAROLINA, POLLUTION CONTROL REVENUE NOTE (GRANITEVILLE COMPANY PROJECT), FOR THE PURPOSE OF FINANCING THE COSTS INCURRED BY GRANITEVILLE COMPANY IN CONNECTION WITH THE CONSTRUCTION OF THE HORSE CREEK BASIN WASTEWATER TREATMENT FACILITY; THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT BETWEEN GRANITEVILLE COMPANY AND THE COUNTY (TOGETHER WITH AN ASSIGNMENT OF THE COUNTY'S INTEREST THEREIN); AND PROVIDING FOR THE SECURING OF SAID NOTE.

WHEREAS, the County is authorized and empowered by the provisions of Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended (the Act), to assist industries in the financing of facilities for the prevention, mitigation and abatement of pollution; and

WHEREAS, the County is further authorized by the Act to issue revenue bonds or notes payable by the County solely out of Revenues (as hereinafter defined); and

WHEREAS, the County is in the process of constructing the Horse Creek Basin Wastewater Treatment Facility in the Horse Creek Basin section of Aiken County, a project intended to provide a means whereby sewage and other effluent originating in the sewage systems of the cities of Aiken and North Augusta in Aiken County, and the industrial effluent originating in the manufacturing processes of the Graniteville Company (Graniteville) and United Merchants & Manufacturers Inc. will be treated and disposed, a project so designed that users, other than those named, may utilize the project when need therefor arises; and

WHEREAS, the total cost of the project is now estimated at $37,885,000, and is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 59-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds; and

WHEREAS, Graniteville has entered into a contract with the County pursuant to which Graniteville has agreed to pay into the construction fund for the Horse Creek Basin Wastewater Treatment Facility the sum of $2,039,603, a sum which reflects the Graniteville share of the cost of the construction of the Wastewater Treatment Facility, and which contract further provides that Graniteville has the absolute right to utilize a fixed percentage of the capacity of the Wastewater Treatment Facility upon the payment of charges for the services so to be rendered; and

WHEREAS, heretofore, the County and Graniteville did agree that the County would finance the Graniteville obligations under the contract above referred to and expenses incidental thereto and did likewise agree therein that Graniteville might arrange for the sale of the Note therein authorized; and

WHEREAS, Graniteville has determined that in order to meet its obligations under its contract with the County with respect to the Horse Creek Basin Wastewater Treatment Facility and to pay the expenses incurred and to be incurred by it in connection with the issuance of the Note, will require it to raise $2,100,000 and on that basis the County now proposes to issue the Note in the aggregate principal amount of $2,100,000; and

WHEREAS, the $2,100,000 aggregate principal amount of the Note to be issued is to be in substantially the form set forth as Exhibit "A" hereto with necessary and appropriate variations, omissions and insertions as permitted or required by this Bond Ordinance.

NOW, THEREFORE, BE IT ORDAINED by the County Council of Aiken County in meeting duly assembled:

ARTICLE I

DEFINITIONS

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

"ACT" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

"ASSIGNMENT" means the Assignment dated as of April 1, 1977, from the County to the Purchaser assigning the Revenues from the Loan Agreement and certain other of the County's rights under the Loan Agreement to the Purchaser.

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

"CLERK" means the Clerk of the County Council of Aiken County, South Carolina.

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

"COUNTY BOARD" means the County Council of Aiken County as the governing body of the County, and any successor body.

"INDUSTRY" means Graniteville Company, a corporation organized and existing under the laws of the State of South Carolina, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 6.2 of the Loan Agreement.

"LOAN AGREEMENT" means the Loan Agreement to be executed by and between the County and the Industry and to be dated as of April 1, 1977, and any amendments or supplements thereto.

"NOTE" means the $2,100,000 Aiken County Pollution Control Revenue Note (Graniteville Company Project) issued pursuant to this Ordinance.

"ORDINANCE" means this Ordinance of the County Board authorizing, among other things, the issuance of the Note, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

"PAYMENT DATES" means April 1 and October 1 of each year, commencing October 1, 1977, until the Note has been fully paid.

"PURCHASER" means Washington National Insurance Company, the Purchaser of the Note.

"REVENUES" means all payments, revenues and receipts

which the County has a right to receive pursuant to the Loan Agreement, other than payment of indemnification pursuant to Section 6.4 of the Loan Agreement and attorneys' fees and expenses, if any, payable to the County pursuant to Section 8.4 of the Loan Agreement. "Revenues" shall include all attorneys' fees and expenses incurred by the Purchaser pursuant to the provisions of Section 8.4 of the Loan Agreement.

ARTICLE II

THE NOTE

SECTION 201. RESTRICTION OF ISSUANCE OF NOTE. No Notes or other obligations may be issued under the provisions of this Ordinance except in accordance with this Article. The total principal amount of indebtedness that may be outstanding hereunder is hereby expressly limited to $2,100,000.

SECTION 202. ISSUANCE OF NOTE. The Note in the principal amount of $2,100,000, dated April 1, 1977, designated Aiken County, South Carolina, Pollution Control Revenue Note (Graniteville Company Project) shall be issued. The Note shall bear interest on the unpaid principal balance thereof from its date at the rate of Six and One-Half per centum (6-1/2%) per annum, payable on each of the Payment Dates, and on the date of final payment, the entire balance then due by way of the principal and interest. Except as the Note may be prepaid in accordance with the applicable provisions of Article III hereof, the principal of the Note shall mature in 44 consecutive semi-annual installments payable on October 1, 1977 and on each Payment Date thereafter. Each semi-annual installment (except the last and final semi-annual installment) shall be in the sum of $90,375.16, of which sum, so much as may be due by way of interest shall be credited to the interest then due on the Note and the balance remaining after deducting

the sum allocable to interest shall be credited to the principal amount of the Note from time to time remaining unpaid. In the event any semi-annual installment shall not be paid as and when the same shall become due and payable, or in the event that there shall be any other event of default as prescribed in Section 8.1 of the Loan Agreement, then in any of such events, all remedies provided in Article VIII of the Loan Agreement shall forthwith become available to the holder of the Note, including the right to declare all amounts due and payable on the Note to be then forthwith due and payable.

The Industry shall keep a record of all such payments which shall at all times be available to the County.

SECTION 203. EXECUTION; LIMITED OBLIGATION. The Note shall be executed on behalf of the County by the Chairman and the corporate seal of the County shall be impressed thereon and attested by the Clerk.

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

The Note, together with interest thereon, shall be a limited obligation of the County payable by the County solely from the Revenues. The Note does not now and shall never constitute an indebtedness of the County within the

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

SECTION 204. FORM OF NOTE. The Note shall be substantially in the form set forth as Exhibit "A" attached hereto with such appropriate variations, omissions and insertions as are permitted or required by the Ordinance.

SECTION 205. DELIVERY OF THE NOTE. The County shall execute and deliver to the Purchaser, or a representative of the Purchaser, the Note in the principal amount of $2,100,000. As provided by the Loan Agreement, the proceeds of the Note shall be loaned to the Industry and as permitted by the Loan Agreement such proceeds may be paid directly to the Industry for application by it to the purposes set forth in Section 3.3 of the Loan Agreement and under the conditions imposed by Article III of the Loan Agreement.

SECTION 206. MEDIUM OF PAYMENT. The Note shall be payable with respect to principal, interest and redemption premium, if any, in Federal or other immediately available funds and in lawful money of the United States of America.

ARTICLE III

PREPAYMENT OF NOTE

SECTION 301. OPTIONAL PREPAYMENT IN FULL UNDER SECTION 9.1 OF THE LOAN AGREEMENT. The County shall have the right to pay the Note or cause the same to be paid in full at any time if any of the events described in paragraphs (a), (b), (c) or (d) of Section 9.1 of the Loan Agreement shall have occurred and the Industry shall have exercised the option granted by said Section 9.1 to terminate the Loan Agreement and shall have made the payments and performed the undertakings therein in said Section 9.1 required of the Industry.

SECTION 302. OPTIONAL PARTIAL PREPAYMENT PURSUANT TO SECTION 9.2 OF THE LOAN AGREEMENT. The County shall have the right to prepay the Note in part under the conditions set forth in Section 9.2 of the Loan Agreement if the Industry shall receive any payment therein referred to, shall have elected to make a prepayment of its obligations under Section 4.3 of the Loan Agreement, and shall have made the payment to the Purchaser required of the Industry under said Section 9.2 of the Loan Agreeement .

SECTION 303. OPTIONAL PREPAYMENTS. At its option, on April 1, 1987 and on any subsequent Payment Date, the County may prepay all or any portion of the principal then due on the Note, but if less than all of the principal amount thereof,

in multiples of $100,000, under the conditions set forth in Section 304 hereof and with the effect provided for in Section 305 hereof at the redemption prices (expressed as percentages of principal amount) set forth in the table below, together with accrued interest to the redemption date:

| Redemption Dates | Redemption Prices |
|---|---|
| April 1, 1987 through March 31, 1988 | 103.00 % |
| April 1, 1988 through March 31, 1989 | 102.67 % |
| April 1, 1989 through March 31, 1990 | 102.33 % |
| April 1, 1990 through March 31, 1991 | 102.00 % |
| April 1, 1991 through March 31, 1992 | 101.67 % |
| April 1, 1992 through March 31, 1993 | 101.33 % |
| April 1, 1993 through March 31, 1994 | 101.00 % |
| April 1, 1994 through March 31, 1995 | 100.67 % |
| April 1, 1995 through March 31, 1996 | 100.33 % |
| April 1, 1996 and thereafter | 100.00 % |

SECTION 304. NOTICE REQUIRED OF ALL PREPAYMENTS. Prior to making any prepayment on the Note, the County or the Industry shall give written notice to the Purchaser by registered mail not less than thirty days nor more than sixty days prior to the next ensuing Payment Date specifying the sum so to be prepaid and the basis upon which such prepayment is to be made.

SECTION 305. EFFECT OF PARTIAL PREPAYMENTS. All partial prepayments made pursuant to Sections 302 or 303 hereof shall be credited to the last maturing installments of principal due on the Note and shall have the effect of accelerating the last Payment Date. No prepayment shall have the effect of

reducing the amount of the semi-annual payments which shall continue to be the sum of $90,375.16 except for the last and final installment which shall be that amount then required to pay in full all principal and interest then due on the Note.

SECTION 306. DEFEASANCE OF NOTE TO THE EXTENT OF PREPAYMENTS. To the extent that prepayments are made to the holder of the Note as herein in this Article III authorized, the Note or the prepaid portion thereof shall cease to bear interest and all obligations of the County or the Industry hereunder or by reason of the Loan Agreement shall cease and determine to the extent of such prepayments.

ARTICLE IV

LOAN AGREEMENT, ASSIGNMENT AND CLOSING DOCUMENTS

SECTION 401. AUTHORIZATION OF LOAN AGREEMENT AND ASSIGNMENT. The Chairman and the Clerk are hereby authorized and directed to execute, seal and deliver, on behalf of the County, the Loan Agreement and the Assignment, each in the form presented to the County Board as evidenced by a copy of each such document certified by the Clerk and filed among the permanent records of the County Board. The Chairman, however, is hereby authorized, prior to execution and delivery of this Loan Agreement and the Assignment to make such changes or modifications in the form of any of such agreements as may be required or deemed appropriate by him in order to accomplish the purposes of the transactions authorized by the Ordinance. The execution and delivery of the Loan Agreement and the Assignment by the Chairman and Clerk shall be conclusive evidence of the due execution in accordance with the Ordinance, on behalf of the County, of each such instrument which shall thereupon become binding and enforceable against the County.

SECTION 402. CLOSING DOCUMENTS. The Chairman and Clerk are fully empowered and authorized to take such further action and to execute and deliver such closing documents as may be necessary and proper to effect the delivery of the Note in accordance with the terms and conditions herein set forth, and the action of such officers or either of them in executing and delivering any of such documents in such form as he or they

shall approve, is hereby fully authorized.

SECTION 403. CONDITION OF COUNTY'S OBLIGATION; PAYMENT OF PRINCIPAL AND INTEREST. Each and every covenant herein made, including all covenants contained in the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge against its general credit or against its taxing powers, but shall be payable solely from the Revenues, which Revenues are to be specifically pledged to the payment of the Note in the manner and to the extent in this Ordinance and in the Assignment specified and nothing in the Note or in this Ordinance shall be considered as pledging any other funds or assets of the County.

Subject to the foregoing, the County covenants that it will promptly pay the principal of and interest on the Note at the place, on the dates and in the manner provided herein and in the Note according to the true intent and meaning thereof.

SECTION 404. PERFORMANCE OF COVENANTS; AUTHORITY OF COUNTY. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Ordinance, in the Note and in all proceedings pertaining thereto. The County represents and warrants that it is duly authorized under the Constitution and Laws of the State of South Carolina to issue the Note authorized

hereby, to enter into the Loan Agreement and to pledge the Revenues in the manner and to the extent herein and in the Assignment set forth; that all actions on its part for the issuance of the Note will have been duly and effectively taken on or prior to the delivery of the Note and that the Note in the hands of the holder and owner thereof will be a valid and binding obligation of the County in accordance with its terms.

SECTION 405. INSTRUMENTS OF FURTHER ASSURANCE. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, instruments and things as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Purchaser the Revenues pledged in the Assignment to the payment of the principal of and interest on the Note.

The County covenants and agrees that, except as herein provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Revenues.

## ARTICLE V

## MISCELLANEOUS

SECTION 501. SEVERABILITY. If any provision of the Ordinance shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provisions in question inoperative or unforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in the Ordinance contained, shall not affect the remaining portions of the Ordinance, or any part thereof.

SECTION 502. PAYMENTS DUE ON SATURDAY, SUNDAYS AND HOLIDAYS. If any principal of or interest on the Note falls due on a Saturday, Sunday or public holiday at the place of payment thereof, then such due date shall be extended to the next succeeding full business day at such place.

SECTION 503. COUNTERPARTS. This Ordinance may be executed by the County Board in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 504. ORDINANCE CONSTITUTES CONTRACT. In consideration of the purchase and acceptance of the Note by the Purchaser, the Ordinance shall for all purposes be deemed to be and shall constitute a contract between the County and the Purchaser. Following the delivery of the Note, the contractual obligations herein created shall not be altered or amended by subsequent ordinances or action on the part of the County without, in each instance, the written consent of the Purchaser.

SECTION 505. EFFECTIVE DATE OF ORDINANCE. This Ordinance shall take effect immediately following its third reading by the County Board.

---

Date of First Reading - _____, 1977

Date of Second Reading - _____, 1977

Date of Third Reading - _____, 1977

_____
Chairman, County Council of Aiken County

Attest:

_____
Clerk, County Council of Aiken County

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
AIKEN COUNTY
POLLUTION CONTROL REVENUE NOTE
(GRANITEVILLE COMPANY PROJECT)

Aiken County, a body politic and corporate, and a political subdivision of the State of South Carolina (the County) acknowledges itself indebted and for value received hereby promises to pay, from the source and as hereinafter provided, to the order of Washington National Insurance Company (the Payee), the sum of $2,100,000 with interest thereon, or on the unpaid balance thereof from the date hereof at the rate of six and one-half per centum (6-1/2%) per annum.

Except as the provisions relating to prepayments, as hereinafter set forth, may become applicable, this Note is payable both as to principal and interest in forty-four successive semi-annual installments payable on October 1, 1977 and on each April 1 and October 1 thereafter (the Payment Dates), with the final installment becoming due and payable on April 1, 1999. Each installment shall be in the amount of $90,375.16 except the last and final installment which shall be in an amount sufficient to pay in full the balance of the principal of and interest on the Note then due. Each installment paid shall be credited first to the interest then due on this Note and the balance remaining, after deducting the sum allocable to interest, shall be credited to the principal

amount of this Note from time to time remaining unpaid. Principal of, redemption premium, if any, and interest on this Note are payable in lawful money of the United States of America and in immediate funds at the offices of the Payee at Department 1331, 1630 Chicago Avenue, Evanston, Illinois 60201.

This Note is issued pursuant to an Ordinance of the County duly adopted by its County Council (the Ordinance), and a Loan Agreement dated as of April 1, 1977 (the Loan Agreement) between the County and Graniteville Company (the Industry), for the purpose of financing the Industry's obligation to pay to Aiken County by way of a capital contribution, a portion of the County's cost of constructing certain pollution control facilities known as the Horse Creek Basin Wastewater Treatment Facility into which effluent resulting from the Industry's manufacturing processes in Aiken County will be discharged, treated and stored, and of paying necessary expenses incidental thereto.

This Note is issued by the County pursuant to the authorization of and for the purposes prescribed by Act No. 156 of the Acts and Joint Resolutions enacted at the 1971 Session of the General Assembly of the State of South Carolina. In fulfillment of the requirements of said Act No. 156, the South Carolina Department of Health and Environmental Control has found that the pollution control facilities to be paid for in part with proceeds of this Note are necessary and

that the design thereof will result in the elimination, mitigation and prevention of water pollution, and the issuance of the Note and the pollution control facilities have been approved by the State Budget and Control Board of South Carolina.

This Note and the interest to become due hereon are limited obligations of the County and are payable solely from the Revenues (as defined in the Loan Agreement) and pledged therefor.

This Note and the interest to become due hereon shall never constitute an indebtedness or a charge against the general credit or taxing powers of the County within the meaning of any constitutional provision or statutory limitation and shall never constitute nor give rise to any pecuniary liability of the County.

Pursuant to the Loan Agreement payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Note are to be paid by the Industry to the Payee for the account of the County and have been pledged for that purpose.

By the acceptances of this Note the Payee and all subsequent holders of this Note assent to all of the provisions of the Loan Agreement and the Ordinance.

This Note is not subject to prepayment prior to April 1, 1987, unless the Industry exercises any of its options to

(i) terminate the Loan Agreement as provided in Section 9.1 thereof, or (ii) partially prepay the loan as provided in Section 9.2 thereof. Such options may be exercised both prior to and subsequent to April 1, 1987.

At its option, on April 1, 1987 and on any subsequent Payment Date, the County may prepay all or any portion of the principal then due on the Note but, if less than all of the principal amount then due thereon, in multiples of $100,000, under the conditions hereinafter set forth, and with the effect hereinafter provided for, at the redemption prices (expressed as percentages of principal amount) set forth in the table below, together with accrued interest to the redemption date:

| Redemption Dates | Redemption Prices |
|---|---|
| April 1, 1987 through March 31, 1988 | 103.00 % |
| April 1, 1988 through March 31, 1989 | 102.67 % |
| April 1, 1989 through March 31, 1990 | 102.33 % |
| April 1, 1990 through March 31, 1991 | 102.00 % |
| April 1, 1991 through March 31, 1992 | 101.67 % |
| April 1, 1992 through March 31, 1993 | 101.33 % |
| April 1, 1993 through March 31, 1994 | 101.00 % |
| April 1, 1994 through March 31, 1995 | 100.67 % |
| April 1, 1995 through March 31, 1996 | 100.33 % |
| April 1, 1996 and thereafter | 100.00 % |

All partial prepayments made, either pursuant to Section 9.2 of the Loan Agreement or pursuant to the optional prepayment provisions of this Note, shall be credited to the last maturing installments of principal due on the Note and shall have the effect of accelerating the last Payment Date. No such prepayment shall have the effect of reducing the

amount of the semi-annual payments which shall continue to be the sum of $90,384 except for the last and final installment which shall be that amount then required to pay in full all principal and interest then due on the Note.

Prior to any prepayment being made on this Note, the County or the Industry shall give written notice to the Payee by registered mail not less than thirty days nor more than sixty days prior to the next ensuing Payment Date specifying the sum so to be prepaid and the basis upon which such prepayment is to be made.

In the event that there shall be a default as to any payment on this Note as hereinabove prescribed, or should there occur any event of default as provided in Section 8.1 of the Loan Agreement, then, and in any of such events, all remedies provided in Article VIII of the Loan Agreement shall become available to the holder of this Note including the right to declare all amounts then and thereafter due and payable on this Note to be then forthwith due and payable. The Loan Agreement and the contract created by the Ordinance may be altered or amended only in circumstances therein respectively provided.

This Note and the interest thereon are exempt from all taxation in the State of South Carolina except inheritance, estate and transfer taxes.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and

be performed precedent to and in the execution and delivery of the Loan Agreement and the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Note does not exceed or violate any constitutional or statutory limitation.

IN WITNESS WHEREOF, Aiken County, South Carolina has caused this Note to be executed by the Chairman of the Aiken County Council, and its corporate seal to be impressed hereon, and attested by the Clerk of the Aiken County Council, all as of the 1st day of April, 1977.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

By_____
Chairman, Aiken County Council

Attest:

_____
Clerk, Aiken County Council

RECORD OF PAYMENTS AND PREPAYMENTS

| Amount of Principal Paid or Prepaid | Date of Payment | Unpaid Principal Balance | Name of Person Making Notation |
|---|---|---|---|

(This payment record is attached merely for the convenience of the Payee)

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

I, the undersigned, Clerk of the County Council of Aiken County, South Carolina, do hereby certify that the foregoing is a true, correct and verbatim copy of an Ordinance duly adopted by the County Council of Aiken County, South Carolina, having been read at three duly called meetings of County Council held on _____, 1977, _____, 1977 and _____, 1977.

Witness my Hand and the Seal of the County Council of Aiken County, this _____ day of _____, A. D. 1977.

(SEAL)

_____
Clerk, County Council of Aiken County

AIKEN COUNTY, SOUTH CAROLINA

and

GRANITEVILLE COMPANY

# LOAN AGREEMENT

Dated as of April 1, 1977

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of April 1, 1977, between AIKEN COUNTY, SOUTH CAROLINA, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Aiken County, party of the first part, and GRANITEVILLE COMPANY, a corporation organized and existing under the laws of the State of South Carolina, and doing business in the State of South Carolina, party of the second part,

WITNESSETH:

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

ARTICLE I

DEFINITIONS

Section 1.1. Certain terms used in this Loan Agreement are defined in Section 1.2 hereof. When used herein, such terms shall have the meanings given to them by the language employed in Section 1.2 defining such terms, unless the context clearly indicates otherwise.

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

"Act" means Act No. 156 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the year 1971, as amended.

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

"Assignment" means the Assignment dated as of the date hereof referred to in Section 7.1 hereof.

"Authorized Industry Representative" means the person at the time designated to act on behalf of the Industry by written certificate furnished to the County containing the specimen signature of such person and signed on behalf of the Industry by its President or any Vice

President. Such certificate may designate an alternate or alternates.

"Completion Date" means the date so certified as provided in Section 3.5 hereof.

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

"County Board" means the County Council of Aiken County, as the governing body of the County, and any successor body.

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

"Industry" means (i) the party of the second part hereto and its successors and assigns, and (ii) any surviving, resulting or transferee corporation as provided in Section 6.2 hereof.

"Industry's Obligation" means its obligation to pay, by way of a capital contribution, the sum, now fixed at $2,039,603, into the construction fund established by the County for the payment of the cost of constructing the Pollution Control Facilities.

"Note" means the $2,100,000 Aiken County Pollution Control Facilities Revenue Note (Graniteville Company Project) issued pursuant to the Ordinance.

"Note Proceeds" means the proceeds of the Note paid to the Industry by the Purchaser including accrued interest, if any, and less any commitment fee, if any.

"Penalty Rate" means interest at the rate of 8% per annum, but in no case in excess of the rate permitted by statute.

"Plant" means the Industry's textile manufacturing facilities in the County.

"Pollution Control Facilities" or "Wastewater Treatment Facility" means the Horse Creek Basin Wastewater Treatment Facility into which, when constructed, waste water and other effluent resulting from the manufacturing processes of the Industry will be discharged. The Pollution Control Facilities are being constructed by the County and the Industry has committed itself to pay a share of the cost of the construction thereof in return for the right to use a fixed percentage of the capacity thereof.

"Purchaser" or "Purchaser of the Note" means Washington National Insurance Company of Evanston, Illinois.

"Ordinance" means the Ordinance of the County, including any ordinance supplemental thereto and any amendment thereof, authorizing this Loan Agreement and the issuance and sale of the Note.

"Revenues" means all payments, revenues and receipts which the County has a right to receive pursuant to this Agreement, other than payment of indemnification pursuant to Section 6.4 hereof and attorneys' fees and expenses, if any, payable to the County pursuant to Section 8.4. "Revenues" shall include all attorneys' fees and expenses recoverable by the Purchaser pursuant to the provisions of Section 8.4 hereof.

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

ARTICLE II

REPRESENTATIONS AND UNDERTAKINGS

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

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement, the Ordinance, the Assignment and the Note. By proper action by the County Board, the State Budget and Control Board of South Carolina, and the South Carolina Department of Health and Environmental Control, the County has been duly authorized to adopt the Ordinance and to execute and deliver this Agreement, the Assignment and to issue the Note.

(b) The County is in the process of constructing the Horse Creek Basin Wastewater Treatment facilities in the Horse Creek Basin section of Aiken County. This project is intended to provide a means whereby sewage and other effluent originating in the sewage systems of the Cities of Aiken and North Augusta in Aiken County, and industrial effluent originating from the manufacturing processes of the Industry and United Merchants & Manufacturers Inc. will be treated and disposed

of. The project is so designed that users, other than those named, may utilize the project when need therefor arises. The total cost of the project is now estimated at $37,885,000. It is intended to be financed as follows:

The City of Aiken will make a capital contribution of $1,417,094; the City of North Augusta will make a capital contribution of $1,511,523; Graniteville Company will make a capital contribution of $2,039,603 and United Merchants & Manufacturers Inc. will make a capital contribution of $2,391,780. Aiken County as the owner and operator of the facility will raise $3.3 Million with a Farmers Home Administration loan. Such loan will be evidenced by Revenue Bonds payable from use charges to be paid by the users, and will be issued pursuant to Sections 59-361 to 49-415, et. seq., Code of Laws of South Carolina, 1962. Federal grants aggregating $27,225,000 will provide the remaining funds.

The Industry has entered into a contract with the County pursuant to which the Industry has agreed to pay into the Construction Fund for the Wastewater Treatment Facility the sum of $2,039,603. This sum reflects the Industry's share of the cost of the construction of the Wastewater Treatment Facility. The contract further provides that the Industry has the absolute right to utilize a fixed percentage of the capacity of the Wastewater Treatment Facility upon the payment

of charges for the services so to be rendered.

(c) Heretofore, the County and the Industry did agree that the County would finance the Industry's Obligation and expenses incidental thereto. The Industry has determined that the Industry's Obligation, together with the expenses incurred and to be incurred by it in connection with the issuance of the Note, will require the Industry to raise $2,100,000 and on that basis the County now proposes to issue the Note in the aggregate principal amount of $2,100,000, to be dated as of April 1, 1977, and to mature and bear interest as set forth in the Ordinance and to be subject to prepayment on the occasions and on the conditions set forth in the Ordinance, and to loan the Note Proceeds to the Industry in order that it might discharge the Industry's Obligation and pay expenses incurred and to be incurred in connection with the issuance of the Note, all as set forth in Article III hereof.

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

(a) The Industry is a corporation duly incorporated and existing under the laws of the State of South Carolina, and is doing business in the State of South Carolina, is in

good standing under its charter and the laws of South Carolina, has the power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

(b) The Industry has entered into the contract with the County referred to in Section 2.1(b) hereof and has obligated itself to pay into the Construction Fund established for the Pollution Control Facilities the sum of $2,039,603.

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

(d) The manufacturing processes carried out at the Plant

results in the discharge of pollutants into the South Carolina river system. The Pollution Control Facilities are necessary and the contractual right of the Industry to utilize the Horse Creek Basin Wastewater Treatment Facility will result in the elimination, mitigation or prevention of water pollution. The South Carolina Department of Health and Environmental Control has made a finding to that effect. The Pollution Control Facilities constitute pollution control facilities within the meaning of Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended; are to be used by the Industry to abate or control water pollution or contamination by removing, altering, disposing of or storing pollutants, contaminants and wastes; and are designed for no significant purpose other than the control of pollution; and without limiting the generality of the foregoing, will not result in any increase in production or capacity, or in a material extension of the useful life, of a manufacturing or production facility or a part thereof.

(e) The Industry agrees to utilize the Pollution Control Facilities in accordance with all applicable State and Federal statutes, and all rules and regulations promulgated by any State or Federal agency pursuant thereto, in effect on the date of this Agreement and applicable to the operation of the Pollution Control Facilities as it is intended to be

operated.

(f) Substantially all of the Note Proceeds will be used to provide pollution control facilities within the meaning of Section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations issued thereunder and the Industry will not commit or suffer to be committed by the Industry, any act which will adversely affect the tax exempt status of the interest on the Note.

## ARTICLE III

## ISSUANCE OF NOTE; COMPLETION OF POLLUTION CONTROL FACILITIES; CONSTRUCTION FUND

Section 3.1. Agreement to Complete Pollution Control Facilities. Acting in reliance upon the County's agreement to effect the issuance of the Note, the Industry agrees that it will promptly pay the Industry's Obligation and, in any event, within three years from the date of the issuance of the Note, and will use the balance of the Note Proceeds as provided in Section 3.3 hereof.

Section 3.2. Agreement to Issue Note; Application of Note Proceeds. In order to provide the moneys required by the Industry to pay the Industry's Obligation and expenses incurred and to be incurred by the Industry in connection with the issuance of the Note, the County agrees that it will sell and cause to be delivered to the Purchaser the Note in the aggregate principal amount of $2,100,000 and will thereupon cause the Note Proceeds to be paid to the Industry.

Section 3.3. Disbursements of Note Proceeds. Immediately following the occasion of the delivery of the Note, the Industry shall apply the Note Proceeds for the following purposes and no other:

(a) Payment of any commitment fee charged by the Purchaser, the fees for filing financing statements and curative documents, if any, and charges of White Weld & Co. of New York for arranging the sale of the Note.

(b) Payment to the Industry of such amounts as shall be necessary to reimburse the Industry in full for all payments previously made by the Industry in discharge of the Industry's Obligation.

(c) Payment in full of all sums due on the Industry's Obligation.

(d) Payment or reimbursement to the Industry or the County for payment of the cost of legal, financing, accounting and printing fees, expenses and disbursements incurred in connection with the authorization, sale and issuance of the Note, the preparation of this Agreement, the Ordinance, the Assignment and all other documents in connection therewith.

Provided, however, that no payment shall be made from the Note Proceeds in respect of any item or amounts which will result in less than substantially all of the proceeds of the Note being used to provide water pollution control facilities within the meaning of Section 103(c)(4)(F) of the Internal Revenue Code of 1954, as amended, and regulations thereunder.

All moneys, if any, remaining from the Note Proceeds after payment in full of the costs of the Industry's Obligation, and after payment of all other items (or after making provision for the payment thereof) provided for in this Section, shall be used by the Industry to effect payment of the next succeeding

semi-annual installment payment on the Note.

Section 3.4. Industry Required to Pay Costs in Event Note Proceeds are Insufficient. In the event the moneys available for payment of the costs of the Industry's Obligation shall not be sufficient to pay the same in full, the Industry agrees to pay all that portion of the costs as may be in excess of the moneys available therefor from Note Proceeds. The County does not make any warranty, either express or implied, that the moneys which will be paid to the Industry and which, under the provisions of this Agreement, will be available for payment of the Industry's Obligation, will be sufficient to pay the same. The Industry agrees that if, notwithstanding the exhaustion of the moneys from the Note Proceeds, the Industry shall not be fully reimbursed for the Industry's Obligation, it shall not be entitled to any reimbursement therefor from the County or from the Purchaser, nor shall it be entitled to any abatement or diminution of the payments required by Section 4.3 hereof.

Section 3.5. Establishment of Completion Date. Completion shall mean the discharge in full of the Industry's Obligation. The Completion Date shall mean that date on which the Industry's Obligation shall have been fully discharged. The completion

shall be evidenced by a certificate signed by the Authorized Industry Representative stating that all sums required to be paid in order to discharge in full the Industry's Obligation have been paid. Such certificate shall set forth all other expenses paid or incurred by the Industry in connection with the transaction contemplated by this Agreement and shall set forth the balance, if any, remaining in the hands of the Industry at the Completion Date. The date of such certificate shall be the Completion Date as used herein. It shall be the duty of the Industry to cause the certificate contemplated by this Section 3.5 to be furnished promptly and in the form herein provided.

Section 3.6. Authorized Industry Representative and Successors. The Industry shall designate, in the manner prescribed in Section 1.2, the Authorized Industry Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner. The Authorized Industry Representative shall be fully empowered:

(a) to execute and deliver the Certificate required by Section 3.5 hereof;

(b) to receive and receipt for the Note Proceeds; and

(c) to execute and deliver such other certifications as may be required by this Agreement or the Purchaser.

Section 3.7. Investment of Note Proceeds Permitted. Any moneys received by the Industry by way of Note Proceeds not then required to be disbursed in accordance with Section 3.3 hereof may, at the option of the Industry, be invested and reinvested in:

(i) obligations of the United States and agencies thereof;

(ii) Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation;

(iii) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; or

(iv) certificates of deposit of banks or trust companies, including the Depositary, organized under the laws of the United States of America or any state thereof, which have a combined capital and surplus of at least $25,000,000.

The Industry covenants:

(a) That it will not make investments which would cause the Note to be an "arbitrage bond" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the

applicable regulations issued thereunder as then in effect.

(b) That it will furnish to the County accurate information necessary to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the said regulations relating to arbitrage.

## ARTICLE IV

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

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

Section 4.2. Possession and Ownership of Pollution Control Facilities. The Pollution Control Facilities shall be the sole property of the County, subject to the right of the Industry to utilize the same in accordance with the contract between the County and the Industry relating thereto.

Section 4.3. Repayment of Loan. The County hereby loans to the Industry the Note Proceeds, and the Industry shall repay such loan and the interest on the Note in accordance with provisions of this Section 4.3:

On or before October 1, 1977, and on or before the first day of each April and October thereafter until the principal of and interest on the Note shall have been fully paid, the Industry shall pay to the Purchaser the sum of $90,375.16 for application by the Purchaser to interest on the Note at the rate of 6-1/2% per annum and the balance of said sum to the principal of the Note. On the final

maturity of the Note, viz.: April 1, 1999, the Industry shall pay to the Purchaser all sums then remaining due by way of both principal and interest.

In the event that the Industry shall have made partial prepayments on the Note either pursuant to the provisions of Section 9.2 hereof or pursuant to the optional redemption provisions as set forth in Section 303 of the Ordinance, then in either of such events, the partial prepayments so made, exclusive of any sum paid by way of redemption premium, shall be credited to the last maturing installments of principal on the Note with the result that the final maturity of the Note shall be correspondingly accelerated.

In any event, each payment under this Section shall be sufficient to pay the total amount of principal and interest (whether at maturity or by redemption or by acceleration) and premium, if any, on each respective payment date.

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

Section 4.4. Place of Payments. The payments provided

for in Section 4.3 hereof shall be paid directly to the Purchaser.

Section 4.5. Obligations of Industry Hereunder Unconditional. The obligations of the Industry to make the payments required in Section 4.3 hereof and to perform and observe the other agreements on its part contained in this Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim and the Industry shall pay absolutely net during the term of this Agreement the payments as prescribed in Section 4.3 and all of the payments required hereunder free of any deductions and without abatement, postponement, diminution or set-off; and until such time as the principal of, premium, if any, and interest on the Note shall have been fully paid the Industry: (i) will not suspend or discontinue any payments required by Section 4.3 hereof; (ii) will perform and observe all of its other agreements contained in this Agreement; and (iii) except as provided in Article IX hereof will not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of the Pollution Control Facilities to function at their intended level, the occurrence of any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Pollution Control Facilities,

commercial frustration of purpose, any change in the tax laws of the United States of America or of South Carolina or any political subdivision of either of these, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, or failure of the Pollution Control Facilities to comply with any statute, rule or regulation now or hereafter made applicable thereto.

ARTICLE V

OPERATION AND MAINTENANCE, TAXES AND INSURANCE

Section 5.1. Operation and Maintenance of Pollution Control Facilities. The Industry agrees that the County shall operate and maintain the Pollution Control Facilities at all times, but that the Industry will utilize the Pollution Control Facilities for the discharge of effluent and waste resulting from its manufacturing operations and will pay to the County its proper charges for the use thereof.

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

However, the Industry will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to its right to use the Pollution Control Facilities or any machinery, equipment or other property installed or brought by the Industry therein or thereon

(including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the income, revenues or receipts of the County from this Agreement, or which will constitute a charge on the income, revenues and receipts from this Agreement). In addition, the Industry will pay all other charges incurred from its use of the Pollution Control Facilities.

The Industry may, at its expense and in its own name, in good faith, contest any taxes, assessments and other charges imposed upon its use of the Pollution Control Facilities and, in the event of any such contest and any appeal therefrom, unless the Purchaser shall notify the Industry that, in the opinion of Independent Counsel, by nonpayment of any such items, the right of the Industry to use the Pollution Control Facilities or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. In the event that the Industry shall fail to pay any of the foregoing items required by this Section to be paid by the Industry, the County or the Purchaser may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Purchaser shall become an additional obligation of the Industry to the one making the advancement, which amounts, together with interest thereon at the Penalty Rate from the date thereof, until paid, the Industry agrees to pay.

Section 5.3. Insurance. It is agreed that the County will provide such insurance on the Pollution Control Facilities as it shall determine to be necessary and that the expense thereof shall be included in the costs of operating and maintaining the Pollution Control Facilities to which costs the Industry will contribute through the payments to be made by the Industry to the County for its use of the Pollution Control Facilities.

ARTICLE VI

SPECIAL COVENANTS

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

Section 6.2. Industry to Maintain Its Corporate Existence; Conditions Under Which Exceptions Permitted. The Industry agrees that during the term of this Agreement it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Industry may, without violating the agreement contained in this Section, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be,

shall be the Industry and it shall assume in writing all of the obligations under this Agreement, and shall be duly qualified to do business in the State of South Carolina.

Section 6.3. Good Standing. The Industry warrants that it is, and will throughout the term of this Agreement maintain its status as a corporation in good standing to do business in South Carolina.

Section 6.4. Indemnification Covenants. The Act prescribes and the parties intend that the County shall not incur any pecuniary liability by reason of making this Agreement, by reason of the issuance of the Note, by reason of the adoption of the Ordinance, by reason of the performance of any act required of it by this Agreement, or by reason of the performance of any act requested of it by the Industry. Nevertheless, if the County shall incur any such pecuniary liability, then in such event the Industry shall indemnify and hold the County harmless by reason thereof.

## ARTICLE VII

## REDEMPTION, PREPAYMENT AND SALE OF NOTE

Section 7.1. Assignment of this Agreement by the County. The County will assign its interest in this Agreement and all Revenues receivable by it under this Agreement to the Purchaser to secure the payment of the principal of, premium, if any, and interest on the Note.

Section 7.2. Prepayment of Note. The Industry shall at all times have the right to effect prepayment of the Note in whole as provided in Section 9.1 hereof, in part as provided in Section 9.2 hereof, or in whole or in part as provided by Section 303 of the Ordinance, and the Industry is hereby empowered to take all steps required by Sections 9.1 and 9.2 hereof or in Section 303 of the Ordinance to effect such prepayments. Any and all prepayments made by the Industry shall be duly credited to the principal of the Note (and premium, if any, if there be a prepayment pursuant to Section 303 of the Ordinance) as provided in Section 4.3 hereof.

Section 7.3. Sale of Note; Industry Agreement With Purchaser. The County agrees to sell the Note to the Purchaser at par plus accrued interest to the date of the delivery thereof. The County further agrees that the Industry may enter into an agreement with the Purchaser which may provide that so long as the Purchaser is the owner and holder of the Note, the Company shall observe and perform specific affirmative and

negative covenants which limit, for such period of time, the otherwise unrestricted corporate powers of the Industry in the matters covered by such covenants, and that any default under such agreement shall constitute an event of default under this Agreement thus making available to the Purchaser all remedies available hereunder.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Industry to pay the amounts required to be paid under Section 4.3 of this Agreement at the times specified herein or at the place specified in Section 4.4 hereof or failure to comply with the provisions of Section 4.5 hereof.

(b) Failure of the Industry to observe the covenants and agreements made by the Industry in its agreement with the Purchaser authorized by Section 7.3 hereof with the result that an event of default has occurred under the said agreement.

(c) Failure by the Industry to observe and perform any of its other covenants, conditions or agreements under this Agreement on the part of the Industry to be observed or performed for a period of forty-five days after receipt by the Industry of written notice, specifying such failure and requesting that it be remedied, given to the Industry by the County and the Purchaser, unless the County and the Purchaser shall agree in

writing to an extension of such time prior to its expiration, or in the case of any such failure (other than a default relating to the payment of money by the Industry) which cannot with due diligence be cured within such 45-day period, if the Industry shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence within 45 days that the time within which the Industry may cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence.

The provisions of subsection (c) of this Section are subject to the following limitations: If by any reason of force majeure the Industry is unable in whole or in part to carry out the agreements of the Industry on its part herein contained, other than the obligations on the part of the Industry contained in Article IV and Sections 5.2, 6.2, 6.4 and 8.4 hereof, the Industry shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or

any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; hurricanes; storms; floods; washouts; droughts; tornadoes; arrests; restraint of government and people; civil or military disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Industry, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Industry, and the Industry shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Industry, unfavorable to the Industry.

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

(a) The County (but only with the consent of the Purchaser) or the Purchaser may, at its option, declare all payments payable under Section 4.3 hereof to be immediately due and payable,

whereupon the same shall become immediately due and payable, and which amounts the Industry hereby agrees to pay.

(b) The County and the Purchaser may have access to and inspect, examine and make copies of the books and records of the Industry relevant to this Agreement.

(c) The County or the Purchaser may take whatever action at law or in equity may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenants of the Industry under this Agreement. Any amounts collected pursuant to action taken under this Section shall be paid to the person entitled thereto. Except to the extent of such collection, no action taken pursuant to this Section shall relieve the Industry from the Industry's obligations pursuant to Section 4.3 and Section 8.2(a) hereof, all of which shall survive any such action.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County or the Purchaser is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any

right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County or the Purchaser to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Purchaser, and the Purchaser shall be deemed a third party beneficiary of all covenants and agreements herein contained.

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

Section 8.5. No Additional Waiver Implied by One Waiver . In the event any agreement contained in this Agreement should be breached by the Industry and thereafter waived by

the County or the Purchaser, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

the County or the Purchaser, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE IX

OPTIONS IN FAVOR OF THE INDUSTRY

Section 9.1. Option to Terminate Upon the Happening of Certain Events. The Industry shall have, and is hereby granted, the option to terminate this Agreement prior to the full payment of the Note if any of the events set forth in the following clauses shall have occurred (but only upon payment of the sum hereinafter prescribed):

(a) The Pollution Control Facilities shall have been damaged or destroyed to such an extent that in the opinion of the Industry, expressed in a certificate of the Authorized Industry Representative filed with the County and the Purchaser, the Pollution Control Facilities cannot be restored within a period of six months to the condition immediately preceding such damage or destruction with the result that the Industry will thereby be prevented (by operation of any pollution control law or regulation or otherwise) from conducting all, or substantially all, of its operations at the Plant for a period of at least six months.

(b) Title to, or the permanent or temporary use of, the Pollution Control Facilities or part thereof, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation

acting under governmental authority to such an extent that in the opinion of the Industry expressed in a certificate of the Authority Industry Representative filed with the County and the Purchaser, the Industry will thereby be prevented from conducting all, or substantially all, of its operations at the Plant for a period of at least six months.

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

(d) Without limiting the options of the Industry set forth in subsections (a) and (b) of this Section 9.2, the Industry, by certificate of the Authorized Industry Representative filed with the County and the Purchaser shall determine: (i) that the reconstruction or restoration of, or its use of the Pollution Control Facilities, after damage or destruction thereto or condemnation thereof, is not economically feasible; or (ii) to cease all, or substantially all, of its operations at the Industry's Plant or its use of the Pollution Control Facilities as a result of changes in the economic availability of raw materials, operating supplies or facilities necessary to operate the Industry's Plant or its use of the Pollution Control Facilities, or technological or other conditions making the continued operation of the Industry's Plant or its use of the Pollution Control Facilities uneconomical.

To exercise any such option set forth in this Section 9.1, the Industry shall, within forty-five days following the event authorizing the exercise of such option, give written notice to the County and to the Purchaser if any part of the Note shall then be unpaid, and shall specify therein the date of termination, which date shall not be less than thirty nor more than sixty days from the date such notice is mailed, provided that this option to terminate is conditioned upon the

Industry's payment to the Purchaser on or prior to the termination date of the sum of the following:

(1) An amount of money which will be sufficient to retire and redeem all sums then due on the Note including, without limitation, principal and all interest to accrue to said termination date, plus

(2) Any and all other sums then due to the County under this Agreement.

(e) If any of the events set forth in clauses (a), (b), (c) and (d) of this Section 9.1 occur and the Industry does not exercise the option to terminate which results from such event, then the obligations of the Industry hereunder shall continue and the option herein granted shall no longer be available to the Industry.

Section 9.2. Option to Prepay in Part in Certain Circumstances. In addition to any other option to prepay amounts due under this Agreement, the Industry shall have and is hereby granted the option to prepay in part amounts due under Section 4.3 of this Agreement, if the Industry shall be repaid by the County any part of the sum paid to the County as the Industry's Obligation by reason of the fact that one or more new customers (other than the initial four customers named in Section 2.1 hereof) have elected to become

users of the Wastewater Treatment Facilities and shall have paid to the County by way of capital contribution for the right to use the Pollution Control Facilities any sum from which the Industry is entitled to any reimbursement of $100,000 or more. Under such circumstance, the Industry may prepay, without redemption premium, under the conditions hereafter set forth in this Section 9.2, that amount of principal equal to the sum received by the Industry from such reimbursement. To exercise such option, the Industry shall give written notice to the County and to the holder of the Note and shall specify therein the date of partial prepayment, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, whereupon, upon payment of such sum, the principal of the Note shall be correspondingly reduced, and to such extent, the obligations of the Industry under Section 4.3 hereof modified as in said Section 4.3 provided.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: If to the County, to the County Council of Aiken County, Aiken County Courthouse, Aiken, South Carolina; if to the Industry, to Graniteville Company, Graniteville, South Carolina 29829, Attention: Treasurer; if to the Purchaser, to Washington National Insurance Company, Attention: Securities Investment Department, 1630 Chicago Avenue, Evanston, Illinois 60201. The County, the Industry and the Purchaser may, by notice given to all parties to this Agreement, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2. Filing. The pledge of revenues effected by the Assignment shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commercial Code - Secured Transactions, in the Office of the Secretary of State in the City of Columbia, State of South Carolina.

Section 10.3. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County,

the Industry and their respective successors and assigns, subject to the limitations contained in Sections 4.1 and 6.2 hereof.

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

Section 10.5. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Purchaser.

Section 10.6. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.7. Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, AIKEN COUNTY, SOUTH CAROLINA, has executed this Agreement by causing its name to be hereunto subscribed by the Chairman of the County Council of Aiken County, its official seal to be impressed hereon, and attested

by the Clerk of County Council; and GRANITEVILLE COMPANY has executed this Agreement by causing its corporate name to be hereunto subscribed by one of its Vice Presidents, its corporate seal to be impressed hereon, and attested by its Secretary or Assistant Secretary, all being done as of the day and year first above written.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

BY _____
Chairman, County Council of Aiken County

Attest:

_____
Clerk, County Council of Aiken County

Signed, Sealed and Delivered in the Presence of:

_____

_____

GRANITEVILLE COMPANY

(SEAL)

BY _____
Vice President

Attest:

_____
Secretary

Signed, Sealed and Delivered in
the Presence of:

_____

_____

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

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

_____

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)
Notary Public for South Carolina

My Commission Expires: _____

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

PERSONALLY appeared before me _____ who, being duly sworn, said that (s)he saw the corporate seal of GRANITEVILLE COMPANY, a South Carolina corporation, affixed to the foregoing Loan Agreement, and that (s)he also saw _____, as its Vice President and _____, as Secretary of said Corporation sign and attest the same, and that deponent witnessed the execution and delivery thereof as the act and deed of the said GRANITEVILLE COMPANY.

_____

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)

Notary Public for South Carolina

My Commission Expires: _____

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

PERSONALLY appeared before me _____ who, being duly sworn, said that (s)he saw the corporate seal of GRANITEVILLE COMPANY, a South Carolina corporation, affixed to the foregoing Loan Agreement, and that (s)he also saw _____, as its Vice President and _____, as Secretary of said Corporation sign and attest the same, and that deponent witnessed the execution and delivery thereof as the act and deed of the said GRANITEVILLE COMPANY.

_____

SWORN to before me this

____ day of _____, 1977.

_____(L.S.)
Notary Public for South Carolina

My Commission Expires: _____

GRANITEVILLE COMPANY
Graniteville, South Carolina

April 1, 1977

Washington National Insurance Company
Attention: Securities Investment Department
1630 Chicago Avenue
Evanston, Illinois 60201

Re: $2,100,000 Aiken County, South Carolina, Pollution Control Revenue Note (Graniteville Company Project)

Dear Sirs:

The undersigned, Graniteville Company (the Company), agrees with you as follows:

1. Matters of Essential Inducement. At the instance and request of the Company, you have agreed to purchase the above described Note (the Note) of Aiken County, South Carolina (the County), which is issued pursuant to an Ordinance (the Bond Ordinance) adopted by the County Council of the County and secured by the Assignment from the County to you in accordance with the provisions of a certain Loan Agreement between the County and the Company (the County Loan Agreement). Your agreement to purchase the Note was conditioned upon the execution and delivery by the Company of this Agreement with you.

2. Attachments to this Agreement. The attachments to this Agreement consist of the following:

(a) A certified copy of the Bond Ordinance;
(b) An executed copy of the County Loan Agreement;
(c) An executed copy of the Assignment; and
(d) A copy certified by the Company of a certain Loan Agreement between the County and The Prudential Insurance Company of America (Prudential), dated as of December 1, 1975 (the Prudential Agreement).

Such attachments may, but need not be, physically attached to this Agreement.

3. Rules of Construction. Terms that are defined in this Agreement shall have the meanings attributed to them herein. Terms that are defined in any of the attachments mentioned in paragraph 2 above shall have the meanings attributed to such terms by the particular attachment to which reference is made. Each defined term is written with initial capitals. Whence once referenced herein, subsequent use of such defined term will not thereafter be referenced to the source of its definitions.

4. Conditions of Closing. Your obligation to purchase and pay for the Note is subject to the satisfaction, on or before the date of closing of the following conditions:

(a) You shall have received from Sinkler Gibbs & Simons (Bond Counsel), a favorable written opinion, satisfactory to you, that the County is a body politic and corporate and a political subdivision of the State of South Carolina, that this Agreement, the Note, the County Loan Agreement and the Assignment are valid and binding obligations of the parties thereto enforceable according to their respective terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally), that the Assignment effectively creates the respective security interests purported to be created thereby, that all action required by Act No. 156 of the Acts of the General Assembly of South Carolina for the year 1971 (Act 156), has been properly taken, and that under statutes and court decisions existing as of the date of such opinion, the interest on the Note is exempt from Federal income taxes (except under the circumstances described in Section 103(b)(7) of the Internal Revenue Code) and from all income taxes imposed by the State of South Carolina and any political subdivision or taxing authority thereof or therein.

(b) You shall have received from Messrs. Henderson, Salley & Bodenheimer of Aiken, South Carolina, Counsel for the Company, a favorable opinion, dated the date of such closing, and satisfactory to you as to: (i) the due organization, existence and good standing of the Company; (ii) the due authorization (including any consent of stockholders required by law or by the restated articles of incorporation or by-laws of the Company or otherwise), execution and delivery and the validity of this Agreement and the County Loan Agreement insofar as it affects the Company; (ii) the due organization, existence and good standing of each Subsidiary (as defined in the Prudential Agreement); (iv) the corporate power

of the Company and each Subsidiary to carry on their respective businesses as then being conducted; (v) the due qualification of the Company and each Subsidiary as a foreign corporation to transact business and the good standing of each in each jurisdiction wherein the nature of the respective businesses transacted by each makes such qualification necessary; and (vi) the execution and delivery of this Agreement by the Company and the execution and delivery of the County Loan Agreement by the Company not conflicting with or resulting in a breach of the terms, conditions or provisions of, or constituting a default under or resulting in a violation of, the articles of incorporation or by-laws of the Company or any of its Subsidiaries or any applicable law, statute, rule or regulation (insofar as is known to such counsel after having made due inquiry thereto) any agreement, order, judgment or decree to which the Company or any of its Subsidiaries is subject.

(c) Approvals by the State of South Carolina Budget and Control Board and the Department of Health and Environmental Control of the State of South Carolina to the transaction contemplated by the County Loan Agreement have been duly obtained as required by Act 156.

(d) The representations and warranties contained in paragraph 5 shall be true on and as of the date of such closing except to the extent of changes caused by the transactions herein contemplated; there shall exist on the date of such closing no event of default or default hereunder or under the County Loan Agreement or the Prudential Agreement; and the Company shall have delivered to you an officer's certificate, dated the date of such closing, to such effects.

(e) The Company shall have delivered to you the certificate of George C. Baird & Company, addressed to you, stating that such firm has reviewed the Federal and State income tax returns of the Company and its Subsidiaries filed for all fiscal years which have not been examined and reported on by the taxing authorities (or closed by applicable statutes) and that, in the opinion of such firm, such returns properly reflect the Federal and State income taxes of the Company and its Subsidiaries for the periods covered thereby and the Company and its Subsidiaries have paid, or set up adequate reserves for the payment of, all Federal and State income taxes for such fiscal years.

5. Representations and Warranties. The Company represents and warrants to you:

(a) The Company is a corporation duly organized and existing in good standing under the laws of the State of South Carolina, each Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction in which incorporated, and the Company has and each Subsidiary has the corporate power to own its respective property and to carry on its business as now being conducted, and the Company is and each Subsidiary is duly qualified as a foreign corporation to do business and in good standing in every jurisdiction in which the nature of the respective business conducted by it makes such qualification necessary. The Company has three Subsidiaries, C. H. Patrick & Co., Graniteville International Sales, Inc. and Old Towne Fabrics, Inc., all South Carolina corporations.

(b) The Company has furnished you with the following financial statements, identified by a principal financial officer of the Company: consolidated balance sheets of the Company and its Subsidiaries for the fiscal year ended December 28, 1975 and for the fiscal year ended January 2, 1977, and consolidated statements of income and retained earnings of the Company and its Subsidiaries, for each such fiscal year, together with reports thereon of George C. Baird & Company, independent certified public accountants. Such statements have been prepared in accordance with generally accepted accounting principles on a consistent basis during such periods. Such balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and such statements of income and retained earnings fairly present the results of operations of the Company and its Subsidiaries for the periods indicated. There has been no material adverse change in the condition, financial or otherwise, of the Company or any Subsidiary since January 2, 1977. The status of the Company's employee benefit plans is reflected in Note 6 of the Report of George C. Baird & Company, dated as of January 28, 1977.

(c) There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries before any court, arbitrator or administrative or governmental body which might result in any material adverse change in the business or condition of the Company or such Subsidiary.

(d) As of the date of this Agreement, neither the Company nor any of its Subsidiaries, has outstanding any Debt (as defined in the Prudential Agreement), except as permitted by paragraph

6C(2) of the Prudential Agreement and the obligations of the Company under the County Loan Agreement are permitted by said paragraph 6C(2). There exists no default under the provisions of any instrument evidencing any such Debt or of any agreement relating thereto.

(e) The Company has and each of its Subsidiaries has good title to its respective properties and assets, including the properties and assets reflected in the balance sheet as at January 2, 1977 hereinabove described, subject to no Lien (as defined in the Prudential Agreement) of any kind, except Liens permitted by paragraph 6C(1) of the Prudential Agreement.

(f) The Company has and each of its Subsidiaries has filed all Federal and State income tax returns which are required to be filed, and each has paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes have become due. Federal income tax liabilities of the Company and its Subsidiaries have been examined and reported on by the Internal Revenue Service (or closed by applicable statutes) and satisfied for all fiscal years prior to and including the fiscal year ended in December 1972.

(g) Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects its business, property or assets, or financial condition. Neither the execution and delivery of this Agreement or of the County Loan Agreement, nor fulfillment of nor compliance with the terms and provisions hereof or of the County Loan Agreement, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, the charter or by-laws of the Company or any of its Subsidiaries or any agreement, instrument, order, judgment, decree, law, statute, rule or regulation to which the Company or any of its Subsidiaries is subject.

(h) The net cash proceeds to be received by the Company pursuant to the County Loan Agreement will be used in the manner prescribed by Section 3.3 of the County Loan Agreement and for no other purpose.

(i) The Company and each of its Subsidiaries is exercising its best efforts to comply with all laws and regulations relating to pollution control in all jurisdictions where the Company and

each of its Subsidiaries is presently doing business, and the Company will use its best efforts to comply and to cause each of its Subsidiaries to comply with all such laws and regulations which may be legally imposed in the future in jurisdictions in which the Company or any Subsidiary may then be doing business.

(j) Since August 14, 1971, the Company has and each of its Subsidiaries has conducted its respective business so as to comply in all material respects with the Economic Stabilization Act of 1970, as amended, and all regulations promulgated thereunder.

6. Affirmative Covenants.

(a) The Company covenants that, so long as you shall hold the Note, it will deliver to you in duplicate:

(i) as soon as practicable and in any event within 45 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject to changes resulting from year-end adjustments;

(ii) as soon as practicable and in any event within 90 days after the end of each fiscal year, a consolidating and consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for such year, and a consolidating and consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to you and certified to the Company by independent public accountants of recognized standing selected by the Company whose certificates shall be in scope and substance satisfactory to you;

(iii) as soon as practicable, copies of all such financial statements and reports as it shall send to its stockholders and of all registration statements and all regular or periodic reports which it is or may be required to file with the Securities and Exchange Commission or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission; and

(iv) with reasonable promptness, such other financial data as you may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to you an officer's certificate setting forth (except to the extent specifically set forth in such financial statements) the amount of interest accrued on Funded Debt (as defined in the Prudential Agreement) and Current Debt (as defined in the Prudential Agreement) of the Company and its Subsidiaries during the fiscal period covered by such financial statements, the aggregate amount of rental payments made during such fiscal period by the Company and its Subsidiaries which were of the kinds subject to the restrictions of paragraph 6C(6) of the Prudential Agreement and the aggregate amount of all rental payments made during such fiscal period by the Company and its Subsidiaries, the dates of the beginning and end of the most recent period of 60 consecutive days during which the Company shall have been free from Current Debt, and the amount of depreciation on physical property charged on the books of the Company and its Subsidiaries during such fiscal period, and stating that there exists no event of default or default hereunder, or, if any such event of default or default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto. Together with each delivery of financial statements required by clause (ii) above, the Company will deliver to you a certificate of said accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any event of default or default hereunder, or, if any such event of default or default exists, specifying the nature and period of existence thereof, and setting forth the amount of all liabilities for past services under pension plans and other employee benefit plans of the Company and its Subsidiaries which have not been funded by the Company or its Subsidiaries or for which appropriate reserves have not been established. The Company also covenants that forthwith upon the President or chief financial officer of the

Company obtaining knowledge of any such event of default or default, it will deliver to you an officer's certificate specifying the nature thereof, the period of existence thereof, and what action the Company proposes to take with respect thereto. You are hereby authorized to deliver a copy of any financial statement delivered to you pursuant to this paragraph 6(a) to any regulatory body having jurisdiction over you.

(b) The Company covenants that, so long as you shall hold the Note, it will permit any person designated in writing by you at your expense, to visit and inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries, and to discuss the affairs, finances and accounts of any of such corporations with the principal officers of the Company, all at such reasonable times and as often as you may reasonably request.

7. Negative Covenants. So long as you shall be the holder of the Note, the Company covenants and agrees (subject to the provisions of paragraph 8 below) to observe and perform each and every of the Negative Covenants set forth in the Prudential Agreement, and each such obligation of the Company to Prudential under the Prudential Agreement, shall correspondingly be the obligation of the Company to you hereunder. Resort shall be had to the definitions in the Prudential Agreement where necessary to establish the meaning and import of said Negative Covenants.

8. Modification of Negative Covenants. So long as the indebtedness of the Company under the Prudential Agreement shall equal or exceed $10 Million, then any waiver, modification or amendment of the Prudential Agreement with respect to any of the Negative Covenants of that Agreement set forth in the enumerated paragraphs under the heading "Negative Covenants" therein, made in accordance with the provisions of paragraph 11C of the Prudential Agreement, shall correspondingly modify, amend or waive the Company's obligations to you under paragraph 7 of this Agreement. But if and when the Company's indebtedness pursuant to the Prudential Agreement shall be less than $10 Million, its obligations to you under this Agreement shall require it to observe and perform each and every of said Negative Covenants as then modified, amended or waived for so long a time as the Company shall be obligated under the County Loan Agreement unless such Negative Covenants as then modified, amended or waived shall be further modified, amended or waived with the consent of the holders of not less than 66-2/3% of the Company's

funded debt outstanding pursuant to the Purchase Agreement and the County Loan Agreement. In computing the aggregate of such funded debt on any occasion, the unpaid principal indebtedness on the Note shall be included in such funded debt.

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

(a) any default by the Company under the County Loan Agreement; or

(b) any default by the Company under the Prudential Agreement; or

(c) any default in the observance and performance by the Company of any covenant or agreement herein contained; or

(d) any default by the Company under any other agreement pursuant to which Funded Debt of $1 Million or more has been incurred.

Whenever any event of default hereunder shall have happened or be subsisting, you may take any one or more of the following remedial steps:

(a) You may declare all payments due by the Company under Section 4.3 of the County Loan Agreement to be immediately due and payable;

(b) As provided in paragraph 6(b) hereof, you may have access to and inspect, examine and make copies of the books and records of the Company relevant to this Agreement or the County Loan Agreement;

(d) You may take whatever action at law or in equity that may appear necessary or desirable to collect the payments and other amounts then due or to enforce performance and observance of any obligation, agreement or covenants of the Company under this Agreement or the County Loan Agreement.

remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or the County Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle you to exercise any remedy reserved to you in this paragraph 9, it shall not be necessary to give any notice, other than such notice as may be expressly required by the County Loan Agreement or by this Agreement.

To the extent that you do not recover your fees and expenses pursuant to Section 8.4 of the County Loan Agreement in the event the Company should default under any of the provisions of this Agreement or the County Loan Agreement and you should employ attorneys or reasonably incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Company contained in this Agreement or in the County Loan Agreement, the Company agrees that it will on demand therefor pay to you the reasonable fees of such attorneys and such other expenses so incurred by you.

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

10. Consent to Amendments. In addition to amendments, modifications or waivers effective under paragraph 8 hereof, this Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain your written consent to such amendment, action or omission to act.

11. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by the Company in connection herewith shall survive the execution and delivery of this Agreement and of the Note.

12. Successors and Assigns. All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

13. Notices. All communications provided for hereto shall be sent to you in the manner indicated by Section 10.1 of the County Loan Agreement.

14. Descriptive Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

15. Governing Law. This Agreement is being delivered and is intended to be performed in the State of South Carolina, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State.

16. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the undersigned, whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

GRANITEVILLE COMPANY

BY_____
President

The foregoing Agreement is
hereby agreed to as of the date
thereof.

WASHINGTON NATIONAL INSURANCE COMPANY

BY_____
Senior Vice President

Ed: Would appreciate your review of this. It is going to the Board at the May 4 meeting.
Bill

SINKLER GIBBS & SIMONS
PROFESSIONAL ASSOCIATION
ATTORNEYS & COUNSELLORS AT LAW
2 PRIOLEAU STREET
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366
AREA CODE 803

April 27, 1977

William A. McInnis, Esq.
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Re: $2,100,000 Aiken County, South Carolina Pollution Control Revenue Note (Graniteville Company Project)

Dear Bill:

Enclosed you will find:

1. Original Petition of County Council of Aiken County to the State Board seeking its approval to the above financing.

2. One copy of the approval of the Department of Health and Environmental Control of the State of South Carolina.

3. One copy of the Bond Ordinance of Aiken County Council authorizing the Note.

4. One copy of the Loan Agreement between the County and the Industry.

5. One copy of proposed agreement between the Industry and the Purchaser.

6. 1976 Annual Report of Graniteville Company to its stockholders, which is the latest published financial information available.

7. Original Resolution for the State Board to adopt approving the undertaking.

8. Copies of the foregoing for certification and return to me.

I trust that the foregoing suffices but if there is any further information, please advise. I call your specific attention to the unusual cooperation of industries and public bodies which make this project possible. This is recited in the proceedings.

Sincerely,

Hugo Sinkler

HS:dn
Enclosures

cc: Ms. Karen L. Henderson

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.

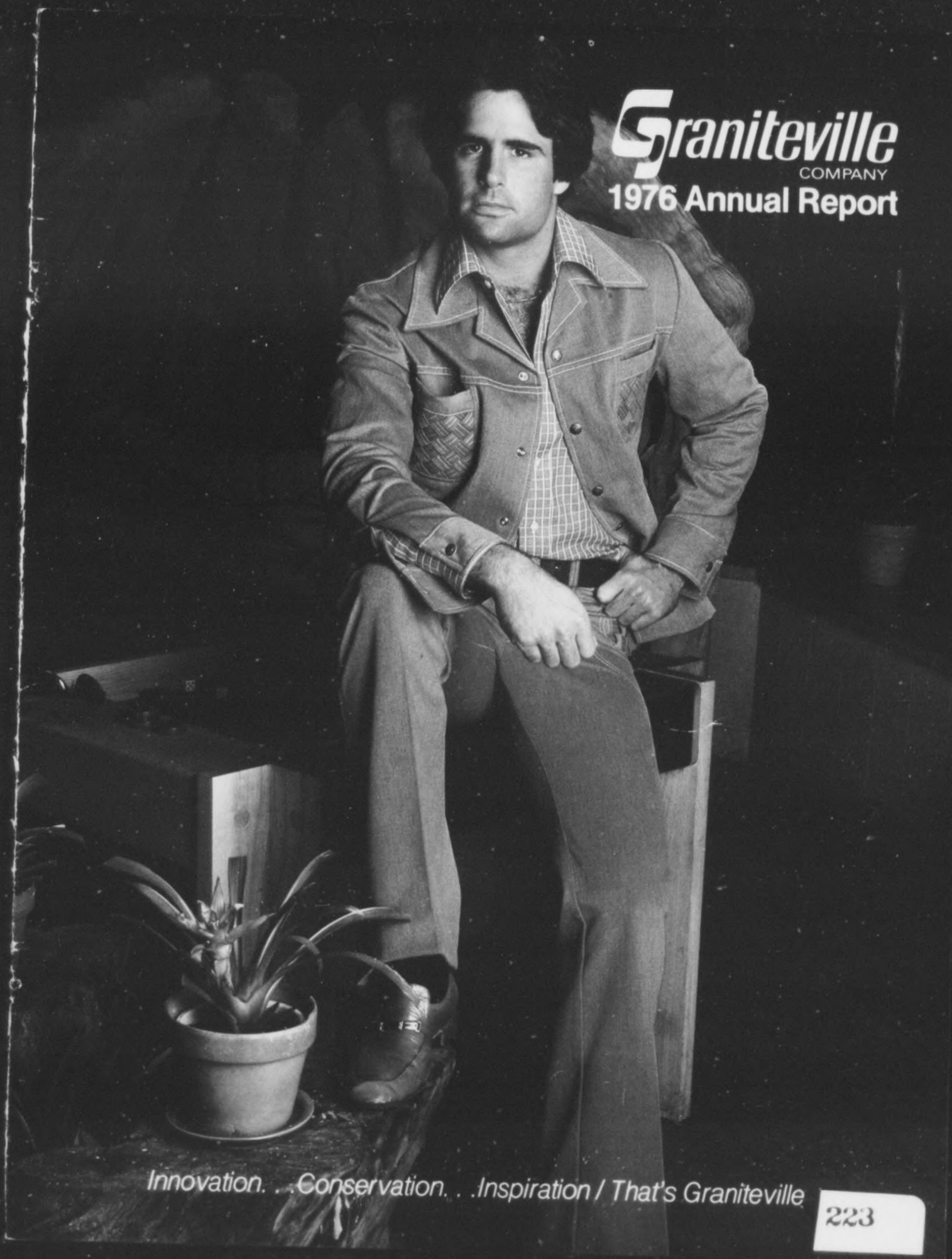
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.

3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.

4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVENT TO THE READABLE INFORMATION.

5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.

6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.


Graniteville
COMPANY
1976 Annual Report
Innovation. . .Conservation. . .Inspiration / That's Graniteville

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Graniteville
COMPANY

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**Innovation. . .Conservation. . .Inspiration/**
**That's Graniteville**

Graniteville has been a leading manufacturer of textile products for more than 130 years—certainly long enough to become a mature and experienced company. But we have not let being around a long time make us provincial and insensitive to change. We are consciously and positively just the opposite—innovative, creative, contemporary, concerned about tomorrow and inspired by the people who make our Company one of the leaders in our industry.

Graniteville has grown primarily because it has been innovative and creative—in product development, in equipment development and expansion, in processing methods and in understanding and meeting the needs of the users of our products.

And while we have continually developed and expanded our operations we have also come to understand the necessity for practicing all kinds of conservation—of water, fuel, land, electricity and other natural resources.

But most of all, Graniteville has endured better than a century and a quarter of changing times because of its people and the leadership and inspiration they bring to their jobs. Without the determination and inspiration of our people, we would not have been able to keep up with the rapid changes in technology and human needs.

Inspired leadership and dedicated employees have made Graniteville a company of innovation, conservation and inspiration—proud to be an integral part of the American business system as well as of the American dream.

Graniteville Company

# Annual Report 1976 – Comparative Highlights

| | 1976 | 1975 | Percent Increase (Decrease) |
|---|---|---|---|
| **Operations** | | | |
| Net Sales | $294,310,520 | $211,768,748 | 39% |
| Net Earnings | 12,766,103 | 9,218,498 | 38% |
| Per Common Share, fully diluted | 2.94 | 2.14 | 37% |
| Dividends Paid | 3,549,647 | 3,257,264 | 9% |
| Per Common Share | .83 | .76 | 9% |
| Earnings as Percent of Sales | 4.3% | 4.4% | (2%) |
| Earnings as Percent of Stockholders' Equity | 14.2% | 11.5% | 23% |
| Spent for Additions and Replacements | $ 13,324,750 | $ 14,006,777 | (5%) |
| Depreciation | 5,757,324 | 4,782,778 | 20% |
| Wages and Salaries Paid | 67,934,985 | 55,892,235 | 22% |
| Taxes Paid | 16,827,757 | 10,222,137 | 65% |
| **Year-End Status** | | | |
| Current Assets | $ 75,172,442 | $ 64,185,382 | 17% |
| Current Liabilities | 14,801,741 | 11,029,840 | 34% |
| Working Capital | 60,370,701 | 53,155,542 | 14% |
| Ratio—Current Assets to Current Liabilities | 5.1 to 1 | 5.8 to 1 | (12%) |
| Long-Term Debt | $ 23,000,000 | $ 19,000,000 | 21% |
| Stockholders' Equity | 89,767,229 | 80,374,619 | 12% |
| Per Common Share | 20.84 | 18.75 | 11% |
| Market Value Per Common Share | 14.88 | 12.88 | 16% |
| Property, Plant and Equipment—Net | 58,851,447 | 51,686,110 | 14% |
| Employees on Payroll | 6,803 | 6,626 | 3% |

# President's Letter

**Fellow Stockholders:**

1976 produced the highest sales and the second highest earnings in our Company's 131 years of corporate life. Had it not been for erosion of profit margins in the last half caused by unexpectedly high increases in costs of fuel, power, chemicals, general supplies and particularly fibers, I am convinced that earnings would have equalled or perhaps even exceeded our record year of 1974. It was, nevertheless, a performance of which we can be proud and one reflecting much credit on our team of sales, production and service people.

Net sales amounted to $294,311,000, up 39% from the $211,769,000 of sales recorded in 1975. Net earnings were $12,766,000, or $2.94 per share, as compared with $9,218,000, or $2.14 per share earned in 1975, an increase of 38%. While we can take some measure of satisfaction in the increase in earnings, almost in direct proportion to the increase in sales, I am disturbed by the fact that earnings were only 4.34% of sales. We need to get our earnings and those of our industry up in order to generate the capital necessary to make us a less labor-intensive industry as well as to attempt to comply with the unreasonable and unrealistic regulations we face from government regulatory agencies. At the same time, we can be proud of the fact that our percent of earnings on sales as well as our 14.22% earned on stockholders' equity compare favorably with our counterparts in the industry.

At the October meeting of our Board of Directors in 1975 the quarterly cash dividend was increased from 37½ cents per share to 40 cents per share, and a 2-for-1 stock split was declared. The 20 cents per share resulting from this action was paid for the first three quarters of 1976, and at the October meeting your Board increased the quarterly cash payout to 22½ cents per share, an annual rate of 90 cents per share, or an increase of 12½% annualized. This makes a total of 125% that our cash dividend rate has been increased over the past four years. All per-share figures have been adjusted to reflect the 5-for-4 split in 1973 and the 2-for-1 split in 1975.

Financial details are included in other sections of this report, but a few highlights are worth repeating here. Cash generated by earnings, depreciation and deferred income taxes amounted to $19,534,000, or $4.53 per share; this compared with $14,533,000, or $3.38 per share for 1975. Depreciation amounted to $5,757,000 for 1976, as compared with $4,783,000 for 1975. The investment tax credit was $1,153,000, or 27 cents per share. Our working capital amounted to $60,371,000 at year-end, or $14.02 per share; this was up from $53,156,000, or $12.40 per share, at the end of 1975. Our book value was $89,767,000, or $20.84 per share, which compared with $80,375,000, or $18.75 per share, at the end of 1975. Our balance sheet showed no short-term debt at year-end, but as this was written we have borrowed $2,000,000, and this figure may have to be increased unless our operations can be returned to normal faster than currently expected due to the natural gas shortage, on which I shall comment later. Inventories are clean, and increased by only 11% during the year. Our inventory turned 9.6 times during 1976, compared with 7.8 times in 1975.

We spent $13,325,000 for capital improvements in 1976, not far from the record $14,007,000 spent in 1975. The major projects absorbing these monies were completion of the expansion of our Swint and Hickman Divisions, new and improved equipment in our Townsend and Warren Divisions, a new Sanfor-Set Range in our Gregg Division, a new finishing range in our Sibley Division, and the purchase and furnishing of our new Williston Division, which accounted for the fact that our capital expenditures exceeded our projections. A major portion was also spent for nonproductive projects required primarily in the area of occupational safety and health, and we still face major expenditures in these areas unless we can get a more reasonable and practical approach to regulations pertaining to noise and dust in particular. We expect to spend about $7,500,000 for capital expenditures in 1977. Some $500,000 will be spent for additional propane gas storage to help prevent the kind of situation we are now going through because of inability to obtain natural gas.

Our international sales amounted to some 11% of total sales. The Tax Reform Act of 1976 will reduce the amount of these sales, handled through our Domestic International Sales Corporation (DISC), subject to tax deferral. Our other subsidiaries and our joint venture in Japan made satisfactory progress, with the exception of Old Towne Fabrics, Inc. This effort to get us into the home furnishings market through the manufacture and sale of bedspreads proved to be so unsatisfactory that we decided to close it out at the end of 1976.

Imports grew at such a pace in 1976 that they again loom as a major threat to the industry's good health and the job security of its employees. The dollar value of cotton, wool and man-made goods and garments imported during the past year was up 48% over that of the prior year, and the trade imbalance or deficit was up by 66%. These increases emphasize the importance of an extension of the Multifiber Textile Arrangement with quota growths limited to domestic growth factors, an effort in which the industry's leadership is deeply involved at this time. Equally important is a system of controls to limit such imports from nations which are not parties to these agreements.

The critical energy shortage into which the nation was plunged by the unprecedented low temperatures, snow and ice of January had an immediate impact on our operations. On January 11, 1977, we were notified by our supplier of natural gas, an interstate pipeline supplier regulated by the Federal Power Commission, that we were being shut off completely. Our supplies of stored propane, the only standby fuel we can use for certain essential processes in our dyeing and finishing plants, were quickly exhausted because of abnormally sustained subfreezing temperatures. Despite our most strenuous efforts to obtain additional supplies of propane, we had to



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close our Gregg Division on Friday, January 21, and were able to reopen about 60% of the plant on Monday, February 7, only by leasing tank cars, buying propane at points of delivery anywhere obtainable and at purchase and delivery prices that substantially increased costs. Because of the restricted operation at Gregg we also had to cut back schedules at four of our manufacturing plants for two weeks, since Gregg could not take their production for dyeing and finishing.

Our management and purchasing people spent countless hours during that time in rounding up every available gallon of propane we could secure, and on February 21, 1977, we had secured or had on the way enough to enable us to start up on a full schedule again. We have been able to maintain this schedule, and at this writing it appears that due to a warming trend we shall shortly begin to secure natural gas again. With the propane on hand and scheduled for delivery, and with the outlook for a resumption of the flow of natural gas, we expect to maintain operations for the remainder of the winter season without further interruption. Thus, the threat of what could have been and certainly appeared at the time to be a situation posing a very adverse effect on our operations has been substantially lessened. Of course, we shall undoubtedly experience a decrease in earnings during the first quarter, but we should be able to recover a good portion through increased running time during the remainder of the year. Further, should the severe weather we have experienced this winter be seen in the future we are going to have increased storage facilities for propane which will be sufficient to free us from the disruptions we have had to go through this time. And, along with added propane storage, we are looking at every operation in which gas is used with a view toward reducing our dependence on both gas and propane as processing fuels. These have been continuing efforts for some time (see page 8), but will be accelerated as a result of the extremely severe winter through which we have just gone.

The deplorable feature of this situation is that it has resulted from Congress' failure to insist on and implement a positive and responsible national energy policy. And the reason for this is that such a policy, based on deregulation of the price of natural gas in interstate commerce and permitting it to seek its level in a free market just as coal and oil have done, is politically unpopular. Natural gas as a fuel is the most efficient, quickest, cleanest and best available. Why should it sell at a controlled price far less than oil or coal? We, along with others in the industry, have long recognized and predicted that only one really prolonged cold winter would bring this situation into focus, just as this winter has done, but our pleas for a realistic energy policy based on the free market principle of supply and demand have fallen on deaf political ears. Hopefully, the present crisis, which nothing but better weather will cure, will give us a long-range policy that will avoid the necessity for the Band-Aid type actions currently being taken.

We entered 1977 with the highest backlog of unfilled orders, the cleanest inventory, and the best plant operating efficiencies we have seen in a long time. The darkest cloud we saw was posed by the fact that imports from abroad were beginning to become a real problem. But we were, and are, optimistic that the multifiber agreement with exporting nations can be renegotiated satisfactorily. Rising costs naturally cause concern about a return of double-digit inflation, cruelly evident in many parts of our one world. But we have detected a new spirit of public confidence, so essential to economic and political progress. The last national administration restored to a substantial degree the public's declining faith in the dignity and integrity of our political system. The November election brought in a completely new administration, and one which we believe will take advantage of that restoration of public confidence and will nurture and strengthen it. It seems to us that President Carter and his associates recognize that their first obligation is to the people of the United States, and that

they appreciate the role of the business system in America's progress and world leadership. I think we should all work with, support and assist in every way possible those who have the awesome task of deciding and carrying out our nation's domestic and foreign policies for the next four years. I am optimistic that more right decisions will be made than wrong. And I believe that, despite the serious problems we face nationally and internationally, many of which have serious implications for our Company, we shall find solutions to our problems, continue to make progress and keep Graniteville's name synonymous with top quality and dependable service to our customers, fair treatment to our employees and suppliers, and a good return to the owners of the business.

Robert P. Timmerman

Robert P. Timmerman
President of
Graniteville Company

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# The Year in Review

**General Description of Business:** Graniteville Company manufactures, dyes and finishes both cotton and blended (cotton and polyester) fabrics, primarily for the apparel trade and, again, mainly for two consumer end-uses: (1) work clothing, and (2) men's, women's and boys' sportswear, casual wear and outerwear. Our basic fabrics, sold in a wide variety of weaves, weights, colors and finishes (both regular and brushed), are denims, drills, twills, jeans, flannels, cords, indigo stripes, sateens, poplins, ducks, and specialties such as coated fabrics, awnings, fabrics for tentage, hunting clothing, boat covers and camper fabrics. Approximately 96% of the Company's sales are made up of dyed and finished yardage; the remainder is made up of yardage sold in the greige or in charges for custom finishing.

Plants are located in Graniteville, South Carolina (6); Warrenville, South Carolina (1); Vaucluse, South Carolina (1); Williston, South Carolina (1); Augusta, Georgia (3); and in Greenville, South Carolina (1), where specialty chemicals and dyestuffs are produced, mainly for the textile trade. The Company's headquarters is in Graniteville, South Carolina (zip code 29829). Except for the Greenville, South Carolina plant, all are located within a twenty-mile radius of the Company's headquarters. Graniteville owns some 16,500 acres of land, of which about 165 acres are used for plant sites and the remainder is in woodlands, utilized primarily as a watershed and water storage area—a resource vital to the Company's operations. Sales headquarters is in New York, New York, with branch offices located in Atlanta, Georgia; Boston,

**Summary of Operations** — Five Years Ended

| | January 2, 1977 (53 Weeks) | December 28, 1975 (52 Weeks) | December 28, 1974 (52 Weeks) | December 29, 1973 (52 Weeks) | December 30, 1972 (52 Weeks) |
|---|---|---|---|---|---|
| Net sales | $294,310,520 | $211,768,748 | $226,333,316 | $176,764,578 | $161,661,936 |
| Cost of sales | 247,472,191 | 176,095,384 | 182,906,561 | 150,830,006 | 140,987,027 |
| Gross profit on sales | 46,838,329 | 35,673,364 | 43,426,755 | 25,934,572 | 20,674,909 |
| Selling, general and administrative expenses | 20,047,075 | 19,268,792 | 14,548,672 | 13,024,767 | 10,003,235 |
| | 26,791,254 | 16,404,572 | 28,878,083 | 12,909,805 | 10,671,674 |
| Other income | 357,476 | 437,380 | 378,521 | 915,000 | 815,179 |
| | 27,148,730 | 16,841,952 | 29,256,604 | 13,824,805 | 11,486,853 |
| Interest charges | 2,631,434 | 1,422,067 | 1,407,448 | 1,339,801 | 1,505,084 |
| Income from continuing operations before income taxes | 24,517,296 | 15,419,885 | 27,849,156 | 12,485,004 | 9,981,769 |
| Provision for income taxes | 11,751,193 | 6,201,387 | 14,173,529 | 6,136,920 | 4,635,000 |
| Income from continuing operations | 12,766,103 | 9,218,498 | 13,675,627 | 6,348,084 | 5,346,769 |
| Discontinued operations: | | | | | |
| Loss from operations of Company 50% owned | | | | (137,173) | (238,337) |
| Profit on sale of Company 50% owned net of applicable income tax credit of $552,000 | | | | 106,284 | |
| Net income | $ 12,766,103 | $ 9,218,498 | $ 13,675,627 | $ 6,317,195 | $ 5,108,432 |

Massachusetts; Des Plaines, Illinois; Dallas, Texas; St. Louis, Missouri; and Los Angeles and San Francisco, California. Approximately 11% of the Company's sales for 1976 were foreign sales, handled through Graniteville International Sales, Inc. (DISC). This compared with 10% of international sales in 1975 and 13% in 1974. The Company considers that it is engaged in one line of business—the production and sale of finished fabrics, primarily for apparel, and that this business is not seasonal.

## Quarterly Statistics

| NET SALES (millions) | 1976 | 1975 | % Increase (Decrease) |
|---|---|---|---|
| Quarters Ending | | | |
| March | $72.9 | $43.7 | 67% |
| June | 73.1 | 51.8 | 41% |
| September | 66.7 | 53.8 | 24% |
| December | 81.7 (14 weeks) | 62.5 | 31% |

| EARNINGS PER SHARE (fully diluted) | 1976 | 1975 | % Increase (Decrease) |
|---|---|---|---|
| Quarters Ending | | | |
| March | $.77 | $.26 | 196% |
| June | .82 | .37 | 122% |
| September | .55 | .73 | ( 25%) |
| December | .80 (14 weeks) | .78 | 3% |

**Working Capital** increased by $7,215,000 during the year and amounted to $60,371,000, up 14% from the $53,156,000 in working capital we had at the end of 1975. For every dollar of current liabilities on our balance sheet at the end of the year we had $5.08 in current assets, which is a healthy ratio.

**Long-Term Debt** amounted to $23,000,000 at year-end. There was no short-term debt outstanding, but we shall likely have to go into the banks during the year, primarily because of the disruption of operations currently being experienced by the shortage of natural gas. While a portion of our production and billings lost through this disruption may not be recoverable, we shall make up as much as possible by overtime operations when conditions return to normal. As a percent of sales, long-term debt amounted to 8%; as a percent of stockholders' equity, it amounted to 26%.

**Stockholders' Equity** amounted to $89,767,000 at the end of 1976, up 12% from the $80,375,000 we had at the end of 1975. It consisted of 4,307,504 shares of $5 par value common stock, or $21,537,520, $1,493,618 of capital in excess of par value and $66,736,091 of retained earnings.

**Fiber Prices** created some very real problems for us again in 1976. We used 255,000 bales of cotton during the year, as compared with 237,000 bales in 1975, but our cotton costs amounted to better than $76,000,000, as compared with $53,000,000 in 1975. Cotton futures went up the limit and down the limit perhaps as many times in 1976 as in any prior year, giving rise to critical problems in both purchasing raw materials and in marketing of finished goods. Currently, through the auspices of the National Cotton Council, the entire cotton trade is working on a formula to help stabilize cotton prices. Somehow or other, a more orderly system of forecasting, planting, harvesting and pricing of natural fibers must come about, or an even stronger trend toward use of synthetic fibers will be seen in the future—a trend making itself more evident in apparel fabrics in recent months despite the long-time preference for natural fibers. We used 61,500 bales of polyester fibers in 1976, as compared with 50,700 in 1975, and the price per pound increased by about 5½ cents, as compared with almost 16 cents increase in the price of cotton per pound.

**Our Subsidiaries,** with the exception of Old Towne Fabrics, Inc., performed well during the year. C. H. Patrick & Co., Inc., our specialty chemicals company in Greenville, South Carolina, had sales of $8,912,000, up 35% from sales of $6,598,000 in 1975. Net income increased 48% to $203,000. Year-end equity amounted to $1,558,000, up $203,000, or 15% from that of the end of 1975.

Sales of our wholly-owned Graniteville International Sales, Inc. amounted to $32,669,000, or approximately 11% of total consolidated sales. This compared with sales of $20,812,000 in 1975, an increase of 57%. The deferred portion of allowable accrued but unpaid income taxes permitted under regulations pertaining to this operation are shown as a liability on our balance sheet, and future deferrals will be reduced under provisions of the Tax Reform Act of 1976.

Finally, because of continued foreseeable losses in our Old Towne Fabrics, Inc. bedspread operation in Saluda, South Carolina, we discontinued it and disposed of the machinery and the inventory to make the premises available for storage and to serve as a salvage and reclamation site.

Total effect of the operations of these subsidiaries on the Company's operating results is not material, as will be seen in examining the audited financial reports.

**Unfilled Orders** at the end of the year were at a record high of some seventeen weeks, and up 12% over our position at the end of 1975. Finished goods inventories in yards were also up 12% from the end of 1975 and up 3% from the end of the prior quarter. These positions reflected a strong demand for our type goods and, without the current disruption caused by the natural gas shortage, we could have expected

continued high billings and good control of inventories. The gas shortage, while serious, should prove only a temporary setback and, hopefully, will not affect us for the year as a whole as much as the current situation might indicate.

**Accounts Receivable** increased from $30,861,000 at the end of 1975 to $39,211,000 at the end of 1976, or 27%. This was considerably less than our 39% increase in sales, and we were also pleased to see our collection period drop from an average of 53 days in 1975 to 47 days in the fourth quarter of 1976. As already mentioned, our inventory turn for 1976 was a very pleasing 9.6 times, up 23% from the 7.8 turn seen in 1975.

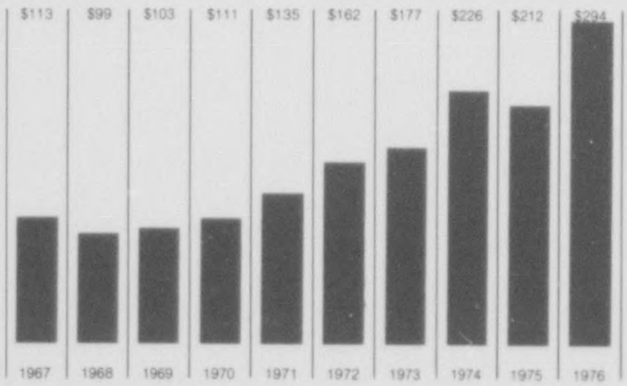
**Cash Dividends** paid in 1976 amounted to $3,549,647, an increase of 9% over the $3,257,264 paid in 1975; as a percent of net earnings, these payouts were 28% and 35%, respectively. Through stock splits and increases in cash dividends paid, the cash dividend rate has been increased 125% over the past four years. There were 4,340,849 average shares outstanding in 1976, which compared with 4,308,604 average shares outstanding in 1975. All per-share figures are based on full dilution, which, while not material, is the most conservative approach to these statistics. Our shares were owned by 5,443 persons, corporations, trusts or other entities at year-end, a figure which compares with 5,259 at the end of 1975.

**Our Work Force** continued to grow in 1976, principally because of the expansion of our facilities already mentioned under the capital expenditures heading. Along with the industry, we granted a 10% wage increase to hourly employees at mid-year. Our total payroll, including subsidiaries, went up 22% to $67,935,000, which means that our weekly payroll now averages slightly better than $1.25 million. Of our work force, numbering 6,900 at year-end, 39% were non-white and 35% were female. Our rate of turnover based on separations was 36% in 1976, as compared with only 30% in the "depression" year of 1975. We continue to place a great deal of emphasis on proper orientation and training in an effort to reduce turnover, absenteeism and work-related accidents, which also helps to improve both quantity and quality of production. Pulmonary screening, audiometric testing and other preventive and health maintenance actions are an integral part of our increasing efforts to promote the health and safety of our employees, both on and off the job.

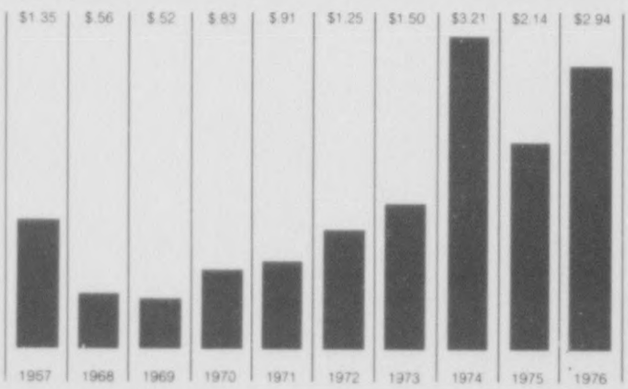
**Highlights on Capital Expenditures** are contained in the President's Letter on page 2, as well as on pages 9 through 14 of this report.

| Distribution of the Sales Dollar | 1976 | 1975 |
|---|---|---|
| Raw materials | 33.3% | 33.0% |
| Labor | 18.0 | 19.9 |
| Dyes, chemicals and outside cloth purchases | 18.2 | 14.9 |
| Other manufacturing expenses | 12.4 | 12.7 |
| Depreciation | 2.0 | 2.3 |
| Selling, general and administrative expenses | 6.8 | 9.1 |
| Interest charges | .9 | .7 |
| Other income | .1 | .2 |
| Provision for taxes based on income | 4.0 | 2.9 |
| Common dividends paid | 1.2 | 1.5 |
| Retained earnings | 3.1 | 2.8 |
| Total | 100.0% | 100.0% |

**Sales** (millions of dollars)




**Earnings Per Share** (dollars)



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**Per Share Statistics—Yearly**

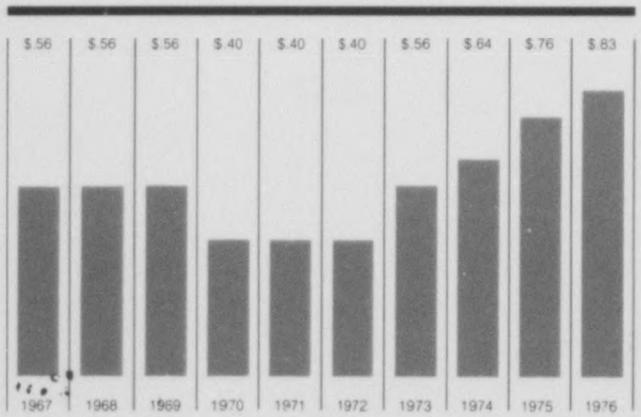
| Fiscal Year | Dividends Paid | Earnings Per Share | Weighted Average Shares Outstanding | Market Price Per Share High | Market Price Per Share Low | Market Price Per Share Close | Dividend Yield* | P/E Ratio* |
|---|---|---|---|---|---|---|---|---|
| 1976 | $ .83 | $2.94 | 4,300,560 | $17.38 | $12.25 | $14.88 | 5.6 | 5.1 |
| 1975 | .76 | 2.14 | 4,269,286 | 14.06 | 6.69 | 12.88 | 5.9 | 6.0 |
| 1974 | .64 | 3.21 | 4,247,010 | 9.00 | 6.19 | 6.50 | 9.8 | 2.0 |
| 1973 | .56 | 1.50 | 4,222,206 | 10.38 | 7.06 | 7.63 | 7.3 | 5.1 |
| 1972 | .40 | 1.25 | 4,099,442 | 10.63 | 7.50 | 9.88 | 4.0 | 7.9 |
| 1971 | .40 | .91 | 4,083,536 | 13.75 | 7.81 | 8.19 | 4.9 | 9.0 |
| 1970 | .40 | .83 | 4,078,866 | 9.63 | 5.44 | 9.31 | 4.3 | 11.2 |
| 1969 | .56 | .52 | 4,063,676 | 13.00 | 6.06 | 6.75 | 8.3 | 13.0 |
| 1968 | .56 | .56 | 4,002,700 | 17.19 | 10.19 | 12.38 | 4.5 | 22.1 |
| 1967 | .56 | 1.35 | 4,000,000 | 16.25 | 8.75 | 12.56 | 4.5 | 9.3 |

*Calculated on closing market price and on earnings made and dividends paid during fiscal year.

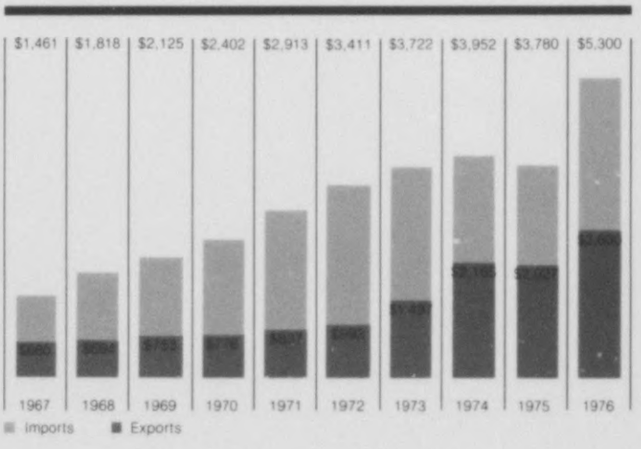
**Per Share Statistics—Quarterly**

| Date | Dividends Paid | Earnings Per Share | Weighted Average Shares Outstanding | Market Price Per Share High | Market Price Per Share Low | Market Price Per Share Close |
|---|---|---|---|---|---|---|
| **1976** | | | | | | |
| 3-28 | $.20 | $.77 | 4,293,259 | $15.63 | $15.25 | $15.63 |
| 6-27 | .20 | .82 | 4,299,423 | 14.13 | 14.00 | 14.13 |
| 9-26 | .20 | .55 | 4,303,005 | 13.75 | 13.50 | 13.63 |
| 12-27 | .23 | .80 | 4,306,270 | 14.88 | 14.63 | 14.88 |
| **1975** | | | | | | |
| 3-30 | .18 | .26 | 4,255,556 | 9.00 | 6.69 | 8.81 |
| 6-29 | .19 | .37 | 4,256,474 | 11.13 | 8.50 | 10.50 |
| 9-28 | .19 | .73 | 4,278,270 | 12.31 | 9.56 | 10.94 |
| 12-28 | .20 | .78 | 4,286,992 | 14.06 | 10.44 | 12.88 |
| **1974** | | | | | | |
| 3-30 | .15 | .72 | 4,241,374 | 9.00 | 7.56 | 8.25 |
| 6-29 | .15 | .94 | 4,242,142 | 8.44 | 7.19 | 7.75 |
| 9-28 | .15 | .74 | 4,249,584 | 8.25 | 6.19 | 6.63 |
| 12-28 | .19 | .81 | 4,254,982 | 7.94 | 6.25 | 6.50 |

**Dividends Per Share**




**U.S. Textile Trade** (millions of dollars)



# Innovation...Conservation...Inspiration/That's Graniteville

**Energy Conservation**

Graniteville Company has developed a comprehensive energy policy as a result of recommendations made by the Company's Energy Committee, which was appointed in late 1973. We recognized back before then that our nation was destined for a critical energy crisis unless measures were taken to deregulate natural gas prices so that oil companies would have the proper incentives to seek out and deliver the natural gas that industry needs.

The Committee's first action was to initiate a program to determine how many thousand BTU's were used to produce a pound of either greige or finished goods. The Environmental Engineering Department established a monitoring program, and information collected from this program gave us the data needed to establish goals and objectives for our energy program. The basic conservation goal of the Energy Committee was to reduce our energy use per pound of fabric at least 20 percent by 1980. Here are some of the specific programs developed by Graniteville divisions to meet the Company's energy conservation challenge:

Swint Division has installed a solid state air conditioning control unit which effectively uses outside air rather than air conditioning when weather conditions permit. Although evaluation of the system is not yet complete, the plant has already realized significant electrical savings through methods which we expect to apply company-wide.

Sibley Yarn Dyeing and Finishing Division operates a wastewater line heat exchanger to preheat water used in dyeing operations. By using this heat exchanger method, Sibley also eliminates the discharge of hot wastewater into the municipal sewer system.

Stevens Steam Plant installed a combustion air preheater on a boiler, resulting in a 6 percent reduction in fuel use per thousand pounds of steam generated.

Gregg Division has invested $75,000 in a new exhaust heat recovery system which is installed on the roof of the Preparation Department.This energy-saving device works in both cool and warm weather. During cooler weather hot exhaust gases pass through a series of coils containing water (similar to a car radiator). As the water in the coils is heated by the hot exhaust gases, it is pumped into another set of coils located in one of the heat and ventilation make-up air units. When the make-up air passes over these coils, it is heated and exhaust heat is therefore used to reheat the plant through this regeneration process. In warm weather, excess hot water from the system is fed into the plant hot water system and used as process water for washing. When operating at full capacity, this system will save 5,800,000 BTU's an hour—enough energy to heat about 40 homes in 10° Fahrenheit weather.

Our Company and the entire textile industry are constantly seeking new methods to conserve energy, and we have already cut our overall consumption by approximately 13 percent. We must all work together to find a means of discouraging wasteful and inefficient consumption, both on the job and in our homes.

Left – Shown here is the new exhaust heat recovery system which is installed on the roof of the Gregg Dyeing and Finishing Division. When operating at full capacity, this system will save 5,800,000 BTU's an hour – enough energy to heat about 40 homes in 10° Fahrenheit weather

**Hickman Division Expansion**

Hickman Division primarily produces heavyweight twills, sateens and ducks. It also produces some lightweight duck that is used in manufacturing hunting garments.

During 1976 Hickman completed a two-year $11 million expansion program, which included the addition of a 112,000-square-foot weave room and the relocation of the opening and card rooms. Approximately 120 additional jobs resulted from this project.

The expansion and modernization program included replacement of some existing equipment, the addition of new equipment, expansion of office facilities and addition of new rest and eating areas for employees. The final completion of the machinery layout included 213 additional looms for a total of 782 looms in the weave room (pictured below) and 10 roving frames plus 18 new drawing frames in the card room.

In the spinning room alone, Hickman added six new 50-spindle winders and 53 spinning frames with automatic doffers (pictured below). These new efficient doffing methods will reduce training time for new operators and also significantly reduce production costs.

With the completion of the program, Hickman can now produce 700,000 pounds of fabric a week, an increase of nearly 40 percent over the previous capacity. This additional fabric production is vital to the Gregg Finishing Plant in supplying dyed and finished goods to our customers.

Significant in the Hickman Division expansion program was the teamwork that went into the completion of the project. Not only did the Division meet its target completion date, but it maintained full-time production throughout the period.

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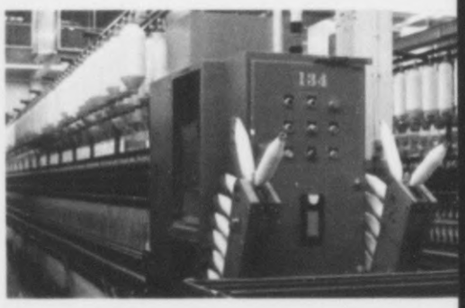

**Gregg Division**

Gregg is the major finishing division of Graniteville, each year processing tons of brushed denim, other cottons and various blended fabrics.

In 1976, something special happened at Gregg. It was special because it gave Gregg some hedges on the competition in three areas – process control, quality and cost reduction.

The "something special" was the final installation of three totally integrated process control systems, the first installed in 1973. These units specifically control one line of scouring, mercerizing, bleaching, dyeing and resin finishing. Everything is monitored by a computer system – temperatures, machine speeds, cloth widths, pressures and water and chemical flows ratioed to weight of goods. Other controlled variables include liquid levels, acid concentrations, caustic concentrations and squeeze roll pneumatic loading. Video readouts on cathode-ray tube (CRT) terminals instantly display all critical variables throughout the system. These readouts not only provide operators information about systems operations, but also provide a continuing record of operations as well. This allows Gregg to measure precisely the cost per yard of fabric processed, important in controlling standard operating costs.

Comparison studies between the computer-controlled systems approach and conventional methods of processing showed that the process-controlled machine produced goods with 35 to 50 percent fewer defects in certain areas in the finished product. The basic difference is that the computer-controlled system maintains closer tolerances on chemical, resource and energy usage, allowing for tighter control. For instance, water usage with this new system control method has been reduced by nearly 25 percent.

The new system is also unique in that Graniteville was responsible for the entire installation and programming of the units, which allowed us to capture and use information applicable particularly to our specialized operations and products.

We feel that this modern system at Gregg is yet another step in controlling costs, protecting the environment and producing the highest quality product possible.

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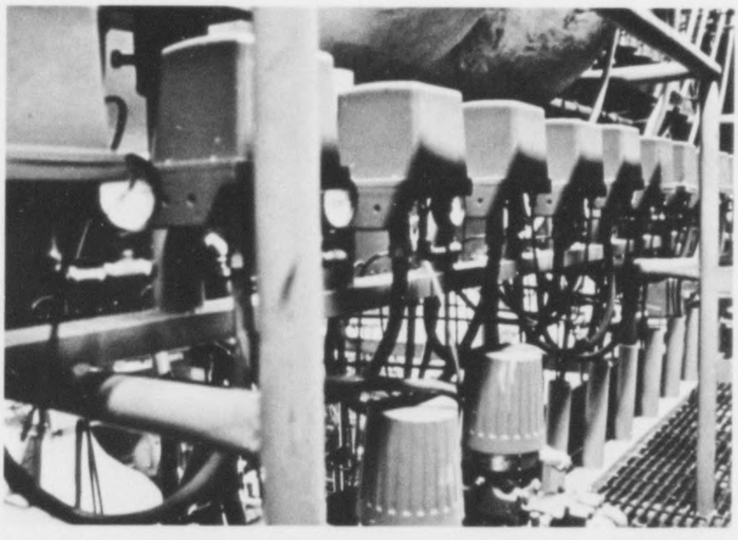
**Work Clothing: Graniteville, in cooperation with its customers, brought permanent press into the industrial laundry trade when others were reluctant to do so. A major development in the work clothing field has been our industrial finish, which is both washable and dry cleanable. We expect our business in the work clothing area to continue to lead the way by placing additional emphasis on better fire retardant finishes and fibers.**

Rolston Wilder is shown monitoring data from a finishing range to assure efficient operations and improved quality control through computerized machine supervision of the equipment.



Shown here is an array of field-mounted transmitters and converters on top of one of the bleach ranges, which is operated by remote control.

Charles Leaphart is operating a computer-interfaced control system for a web of bleached cloth being wound at the end of a scouring, mercerizing and bleaching range.

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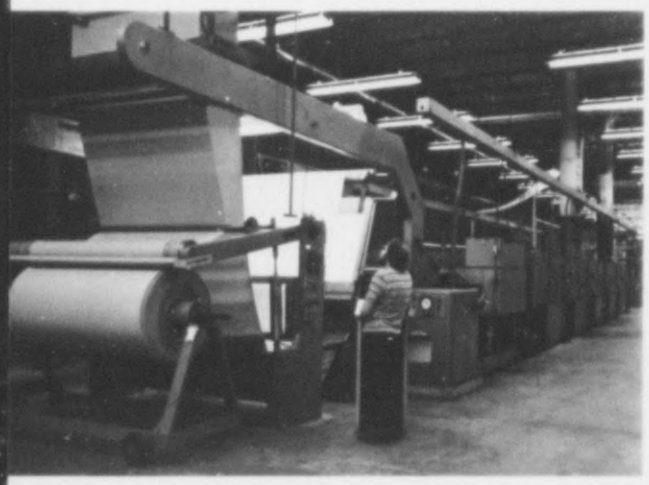
**Williston Division**

Williston is Graniteville's newest division, acquired in the spring of 1976. Located in Williston, South Carolina, the plant dyes and finishes all types of knit and woven fabrics made from textured polyester yarns. This addition expands the Company's finished goods manufacturing capability and will allow us to enter the double knit market in both manufacturing and finishing when the market shows us a need. Although Graniteville has been active in the double knit market for some time, our polyester grey goods have been bought, then finished by another manufacturer. Now, at Williston we can do our own finishing and eventually become actively involved in the manufacturing and marketing of polyesters, which we need to complement our lines.

Following the plant acquisition, Graniteville invested $850,000 to expand the Williston Division facilities, and finishing operations began in June. Future plans include expanding Williston to be able to handle 100 percent nylon fabric as well as the double knits, warp knits and texturized wovens that are now being finished.

Although our Gregg Division presently has modern finishing facilities for cotton and blended fabrics, the addition of the Williston Division allows Graniteville to dye and finish double knits or texturized wovens with minimal capital equipment investment.

Robert Baker, tenter frame inspector, is shown checking some of the 100% polyester texturized woven fabric being processed in our newest division. This tenter frame stabilizes the fabric and certain finishes are added according to customer specifications.



**Woodhead Division**

Woodhead Division, named after the late Henry A. Woodhead, Sr., finishes a variety of special-coated fabrics. These fabrics are used widely in sports and recreation, for awnings and tents and for artist canvas and related products. Woodhead's fabrics are also used for ironing board covers, insulated drapery backing, gardening gloves, vacuum cleaner bags, fluorescent safety flags and vests, lawn furniture, hammocks and balloon fabrics. Specialty fabrics are finished here and are used on boats, campers, snowmobiles and other items which need to be protected from harsh weather. Woodhead's coated fabrics are also utilized in making insulated jumpsuits and other protective outerwear.

Woodhead is continually creating new products and developing new uses in the field of special finishes for heavy-duty fabric such as nylon and heavy canvas (known as Army Duck). Much of that innovation is inspired by the Woodhead Development Laboratory, which is part of the Graniteville Research and Development Department. Always responding to customer demands for new or improved products, the Woodhead Laboratory has developed or improved the formulation of more than fifty products over the past two years.

Some of these developments include flame retardant–mildew resistant finishes for tentage, fluorescent coating for safety flags and vests and acrylic-coated artist canvas. The Woodhead Lab has created outstanding products, such as Fire Pac, a lightweight 100 percent nylon material for back-pack tents. Fire Pac combines ultra lightness with fire retardancy, extended weather durability and an unusual opaqueness for such lightweight fabric. Also developed here was Gala tentage, a product that couples a flame retardant vinyl coating with bright colors – a first in the textile industry. Other specialty-finished fabrics include Lite Pac, a lightweight acrylic coated nylon for personal flotation devices; Weatherguard, a texturized vinyl coated polyester fabric for convertible boat tops and campers; Iron Quik, an aluminized coating for ironing board covers; Water King, a pigment-dyed 100 percent polyester fabric used for director chairs and hammocks; and Scouter, a cotton-polyester tentage fabric developed for the Boy Scouts of America.

Sophisticated equipment and machinery are used in the Woodhead effort to develop new products and processes. One such piece of equipment is the weatherometer, which exposes fabrics to accelerated weathering under laboratory conditions. There are three such units which run around the clock for testing and development. Other devices test fabric strength and abrasion as well as hydrostatic properties. Considerable time has been spent in developing methods and evaluating chemicals to retard mildew growth on our fabrics. In the textile industry, Graniteville is considered one of the most advanced in knowledge of mildew inhibitors.

From Woodhead's beginnings as a section of the Gregg Finishing Division in 1946, this creative and progressive operation has reflected the spirit and innovation of Henry Woodhead. He developed the unique design of the fountains which apply colors onto awning fabrics evenly and separately. From Woodhead's mechanical inspiration through the Division's research and development and through innovative marketing techniques and manufacturing methods, the Division has developed into a modern specialty processing operation that is vital to the success of Graniteville.

**Henry Stringer, Jr., inspector at Woodhead Division, uses these inspecting machines to check our Calabana awning fabric – a year-round awning and canopy cloth for home, business and industry that will not crack, harden or soften and has a smooth stay-clean, easy-to-wash surface.**

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**Swint Division**

The Company's Swint Division produces twills, sateens, yarn-dyed chambrays and plaids for the bottomweight trade.

In 1976 Swint expanded its production facility by 18,500 square feet, creating approximately 60 new jobs at the plant. The Division installed 100 new shuttleless looms, increased carding production by 100,000 pounds, expanded slasher production for 100 more looms, adapted operations for an entirely new concept of spinning and added a near-full shift to the cloth room. The entire expansion project was completed for $4.2 million, $140,000 under the original projected construction and expansion cost estimate.

New open-end spinning frames (pictured below) will produce three to six times as much product as the old ring-spinning frames. They also require less space and fewer operators.

The Division's weave room has been rearranged to accommodate 464 looms and allows us to produce goods of greater width than before.

The Division also installed a solid state air conditioning control unit which allows the use of outside air for plant cooling rather than using artificially cooled air. This new system saved nearly $34,000 in electrical energy in 1976. It is believed savings will be even greater in 1977.

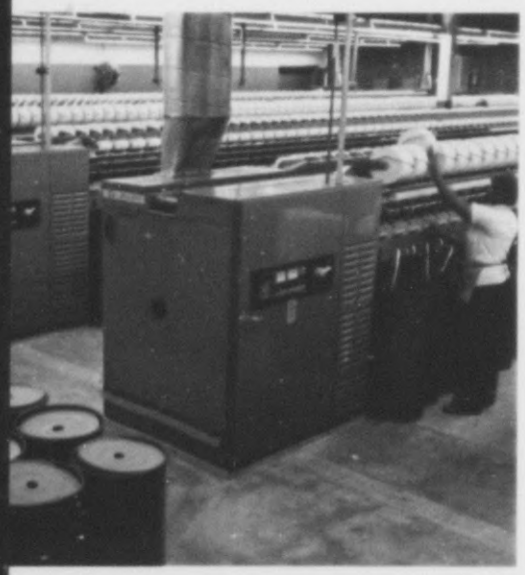
Swint's expansion program prepares Graniteville for increases in product demand and for the ever-changing needs of our customers.

McCampbell Color Cards

Basically the promotion programs in Graniteville's McCampbell Sales Division center around spring and fall color lines.

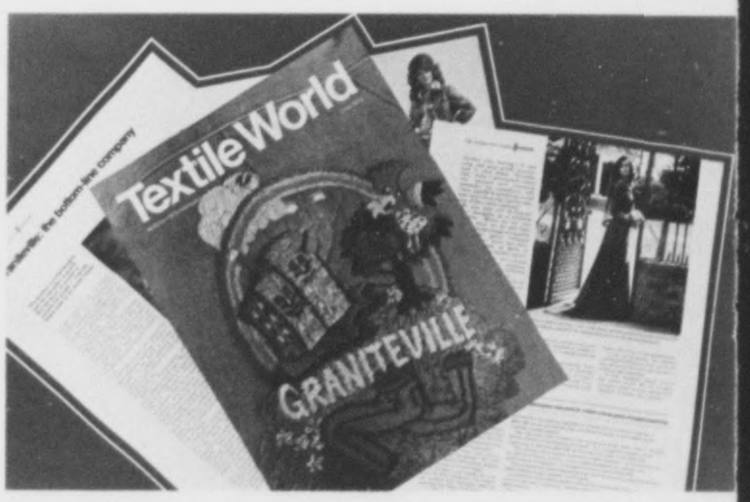
Ideas are stimulated by thematic materials such as the "jungle habitat" theme, which depicts the animals roaming free while spectators drive through the areas with windows tightly closed. Another stimulus for a color card idea came about through the tremendous amount of publicity New York City has been receiving through "The Big Apple" promotion to brighten the city's image with the assistance of the news media.

Graniteville does not involve itself in huge expensive advertising programs, as it believes such efforts can be used to better advantage in Research and Development and Quality Control. As one administrator explains it: "We put it in the cloth."



Graniteville was chosen by Textile World, McGraw-Hill's international textile magazine, to be featured in the 1976 "Model Mill" Bicentennial issue published in June of last year.

If you would like a reprint of this special story, you may obtain a copy by writing: Public Relations Department, Graniteville Company, Graniteville, South Carolina 29829.



**Free Enterprise—**
**The Cornerstone of Democracy**

The free enterprise system, not just the American free enterprise system, is the cornerstone of democracy around the world. Look carefully at the words – free and enterprise. Free implies choice, the idea that each of us has the opportunity to choose to be whomever or whatever we wish. And enterprise – a systematic, purposeful activity – is available to all Americans, to selectively approach their chosen activities as they see fit.

At Graniteville, free enterprise is synonymous with how our business is conducted. Free enterprise is the cornerstone of our business and we encourage our employees, our customers and the communities in which our employees live to support our American system of free choice and personal fulfillment. We actively work with civic groups to educate others about free enterprise. We sponsor and furnish four advisors for a Junior Achievement Company in Augusta, Georgia. More than 1,200 students applied for 750 openings in Junior Achievement Companies there, and local industries have sharply increased sponsorship of JA from 12 to 18 companies.

As a part of our commitment to education in free enterprise, we present one-hour classes on the American free enterprise system as part of each new employee's follow-up orientation. The program consists of a fifteen-minute slide/tape presentation produced by the Educational Resources Foundation with class discussion following.

We have embarked on a pilot program for presenting free enterprise educational material to Company employees. The program, once implemented, will be presented by plant industrial relations managers.

Graniteville is a member and supporter of the "Interpreting Business Task Force" of the South Carolina Chamber of Commerce. This program will provide information on free enterprise to employees, students, educators and the public. Most significant is the establishment of five economic teaching centers offering teachers continuing education courses on free enterprise. The centers are to be located in various colleges and universities throughout South Carolina.

Graniteville is deeply committed to the American free enterprise system and will continue to work with civic and business organizations to communicate that commitment.

AMERICA'S FUTURE LEADERS IN ACTION
Our Junior Achievement Company is shown manufacturing denim magazine racks which will be sold to the public. Advisors are (left) Billy Eubanks, Accounting Department; (background) Coleman Hatfield, Research Department; (right foreground) Ron Kennett, Data Processing Department; and (far right) George Boatwright, Personnel Department.

# Consolidated Statement of Income

and Earnings Retained for use in the Business

| | Year Ended | |
|---|---|---|
| | **January 2, 1977** | December 28, 1975 |
| Net sales | **$294,310,520** | $211,768,748 |
| Cost of sales | **247,472,191** | 176,095,384 |
| Gross profit on sales | **46,838,329** | 35,673,364 |
| Selling, general and administrative expenses | **20,047,075** | 19,268,792 |
| | **26,791,254** | 16,404,572 |
| Other income | **357,476** | 437,380 |
| | **27,148,730** | 16,841,952 |
| Interest charges | **2,631,434** | 1,422,067 |
| Income before income taxes | **24,517,296** | 15,419,885 |
| Provision for estimated income taxes | **11,751,193** | 6,201,387 |
| Net income | **12,766,103** | 9,218,498 |
| Earnings retained for use in the business— | | |
| Beginning of year | **57,519,635** | 62,276,041 |
| | **70,285,738** | 71,494,539 |
| Dividends: | | |
| Cash (Per share: 1976, $.83 and 1975, $.76) | **3,549,647** | 3,257,264 |
| Transfer to common stock in connection with stock split | **—** | 10,717,640 |
| Earnings retained for use in the business— End of year | **$ 66,736,091** | $ 57,519,635 |
| Net Income: | | |
| Per common share and common equivalent share | **$ 2.94** | $ 2.15 |
| Per common share—assuming full dilution | **$ 2.94** | $ 2.14 |

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See notes to consolidated financial statements.

# Consolidated Balance Sheet

| ASSETS | January 2, 1977 | December 28, 1975 |
|---|---|---|
| **Current assets:** | | |
| Cash on hand and in banks | **$ 3,533,422** | $ 2,089,686 |
| Marketable securities, at cost plus accrued interest (approximates market) | **—** | 2,007,958 |
| Trade receivables | **39,708,525** | 31,268,528 |
| Less allowance for doubtful accounts | **497,310** | 408,012 |
| | **39,211,215** | 30,860,516 |
| Inventories (Note 1) | **32,237,658** | 29,027,064 |
| Prepaid expenses | **190,147** | 200,158 |
| **Total current assets** | **75,172,442** | 64,185,382 |
| **Property, plant and equipment:** (Note 1) | | |
| Land | **861,296** | 838,411 |
| Buildings | **23,273,205** | 22,098,215 |
| Machinery, furniture and equipment | **67,968,456** | 58,771,579 |
| Leasehold improvements | **547,902** | 547,902 |
| Projects in progress | **2,235,724** | 2,800,814 |
| | **94,886,583** | 85,056,921 |
| Accumulated depreciation | **36,035,136** | 33,370,811 |
| **Net property, plant and equipment** | **58,851,447** | 51,686,110 |
| **Other Assets** (Note 8) | **869,515** | 847,106 |
| **Total** | **$134,893,404** | $116,718,598 |

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See notes to consolidated financial statements.

| LIABILITIES | January 2, 1977 | December 28, 1975 |
|---|---|---|
| **Current liabilities:** | | |
| Current maturity of long-term debt | **$ 1,000,000** | $ 1,000,000 |
| Accounts payable | **9,290,807** | 7,324,444 |
| Accrued liabilities: | | |
| Payrolls | **25,690** | 153,581 |
| Taxes, including income taxes (Notes 1 and 4) | **2,459,023** | 282,117 |
| Interest | **221,190** | 148,077 |
| Retirement and pension plans (Note 6) | **1,179,045** | 934,296 |
| Other | **625,986** | 1,187,325 |
| | **$ 4,510,934** | 2,705,396 |
| **Total current liabilities** | **14,801,741** | 11,029,840 |
| **Deferred income taxes** (Notes 1 and 4) | **7,324,434** | 6,314,139 |
| **Long-term debt** (Note 3) 9.625% Note payable | **23,000,000** | 19,000,000 |
| **Stockholders' equity:** | | |
| Common stock—$5 par value, authorized 5,000,000 shares; issued and outstanding, 1976, 4,307,504 shares; 1975, 4,287,056 shares (Note 5) | **21,537,520** | 21,435,280 |
| Capital in excess of par value (Note 5) | **1,493,618** | 1,419,704 |
| Earnings retained for use in the business (Note 3) | **66,736,091** | 57,519,635 |
| **Total stockholders' equity** | **89,767,229** | 80,374,619 |
| **Total** | **$134,893,404** | $116,718,598 |

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# Consolidated Statement of Changes in Financial Position

| | Year Ended | |
|---|---|---|
| | **January 2, 1977** | December 28, 1975 |
| **Sources of working capital:** | | |
| Working capital provided from operations: | | |
| Net income | **$ 12,766,103** | $ 9,218,498 |
| Charges against income which did not reduce working capital: | | |
| Depreciation | **5,757,324** | 4,782,778 |
| Deferred income taxes | **1,010,295** | 531,439 |
| **Total derived from operations** | **19,533,722** | 14,532,715 |
| Increase in long-term debt | **5,000,000** | 10,000,000 |
| Issuance of capital stock | **176,154** | 198,378 |
| Unrecovered cost of assets disposed of | **402,089** | |
| | **25,111,965** | 24,731,093 |
| **Application of working capital:** | | |
| Cash dividends | **3,549,647** | 3,257,264 |
| Additions to property, plant and equipment | **13,324,750** | 14,006,777 |
| Current maturity of long-term debt | **1,000,000** | 1,000,000 |
| Increase in other assets | **22,409** | 1,325 |
| | **17,896,806** | 18,265,366 |
| **Increase in working capital** | **$ 7,215,159** | $ 6,465,727 |
| **Changes in working capital:** | | |
| Increase (decrease) in: | | |
| Cash | **$ 1,443,736** | $ (2,689,579) |
| Marketable securities | **(2,007,958)** | 2,007,958 |
| Receivables | **8,350,699** | (2,996,393) |
| Inventories | **3,210,594** | 4,059,401 |
| Prepaid expenses | **(10,011)** | 105,001 |
| Decrease (increase) in: | | |
| Notes payable | **—** | 5,400,000 |
| Accounts payable | **(1,966,363)** | (1,675,142) |
| Accrued items, including income taxes | **(1,805,538)** | 2,254,481 |
| **Increase in working capital** | **$ 7,215,159** | $ 6,465,727 |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## Note 1—Summary of Significant Accounting Policies

*Consolidation Policy*—The consolidated financial statements include the accounts of all wholly-owned subsidiary companies (C. H. Patrick & Co., Inc.; Graniteville International Sales, Inc. and Old Towne Fabrics, Inc.). Intercompany transactions and balances have been eliminated. A minor investment in McCampbell Company, Ltd., a 50%-owned foreign company, is accounted for under the equity method using appropriate rates of exchange.

*Fiscal Year*—For the years 1976 and 1975, the Company's fiscal year ended on the Sunday closest to December 31. For prior years the Company's fiscal year ended on the Saturday closest to December 31. Fiscal years ended January 2, 1977, and December 28, 1975, were comprised of fifty-three and fifty-two weeks, respectively.

*Inventories*—Inventories are valued at the lower of cost or market. The cost of approximately 87% of total inventories at January 2, 1977 (86% at December 28, 1975) is determined by the last-in, first-out method. The cost of the balance is determined by the first-in, first-out method. The costs of certain supplies, repair parts, maintenance materials and similar items are expensed as incurred. Inventory amounts used in determining cost of sales for 1976 and 1975, are as follows:

| | January 2, 1977 | December 28, 1975 | December 28, 1974 |
|---|---|---|---|
| Finished Goods | $17,646,063 | $16,928,483 | $16,583,137 |
| Stock-in-Process | 2,344,097 | 2,393,674 | 2,504,179 |
| Raw Materials | 9,584,597 | 7,298,522 | 3,423,660 |
| Dyes and Chemicals | 2,662,901 | 2,406,385 | 2,456,687 |
| | $32,237,658 | $29,027,064 | $24,967,663 |

If the cost of inventories determined under the last-in, first-out method had been determined under the first-in, first-out method, total inventory value would have been increased by approximately $23,400,000 at January 2, 1977 ($15,500,000 at December 28, 1975).

*Property, Plant and Equipment*—Property, plant and equipment are stated generally at cost. The cost of property, plant and equipment sold, retired or fully depreciated is credited to the asset account, and the related depreciation is charged to the accumulated depreciation account. Any profit or loss resulting from a sale or retirement is included in income.

Maintenance and repairs, including the replacement of minor items, are charged to income, and major additions to property are capitalized.

Depreciation for financial statement purposes is computed by the straight-line method using the estimated useful lives of the related major classes of fixed assets, as follows:

| | |
|---|---|
| Buildings | 45 Years |
| Machinery and Equipment | 12-14 Years |
| Waste Treatment Equipment | 15 Years |
| Furniture and Fixtures | 10 Years |
| Automotive Equipment | 4 Years |
| Paving | 20 Years |

Provision for depreciation and amortization for 1976 and 1975 was $5,757,324 and $4,782,778, respectively. Depreciation for income tax purposes is computed by accelerated methods using the estimated useful lives allowable by the Internal Revenue Code at the time assets are placed in service.

*Income Taxes*—The Company and its subsidiaries have elected to file consolidated income tax returns for 1974 and subsequent years. Provisions for income taxes are calculated on income before income taxes for financial statement purposes. Such provisions differ from amounts currently payable because certain income and expense is reported in the income statement in periods different from those in which they are reported for income tax purposes. The tax effects of these timing differences, related to use of accelerated depreciation methods for income tax purposes and to deferral of undistributed earnings of a subsidiary, which has elected to be taxed as a Domestic International Sales Corporation, are reflected as deferred income taxes.

Investment tax credits are accounted for using the flow-through method which reduces federal income tax expense for the year in which qualified property is placed in service.

*Earnings Per Share*—The computation of net income per share is based on the weighted-average number of common shares outstanding during each year assuming common stock equivalents (stock options) were outstanding from the beginning of each year or date of issuance, if later. Shares outstanding from the beginning of 1975 to November 21, 1975, were restated for the stock split effective on such date (see Note 5).

## Note 2—Bank Notes Payable

The Company has informal arrangements with various domestic banks whereby the banks have extended lines of credit totaling $10,000,000 at their prime commercial rate (a rate of 6.75% on funds borrowed in 1976). The average of short-term notes payable throughout 1976 under this informal arrangement, computed on a weighted-average number of days outstanding, was approximately $48,000. The maximum amount payable at any month end in 1976 was $2,000,000. Interest rates throughout 1976 averaged 6.75%. This average rate was computed by expressing interest expense applicable to the short-term notes as a percentage of the weighted-average outstanding short-term notes payable. Compensating balances, including float, equal 10% of the lines of credit and an additional 10% on any borrowings. Withdrawal of such amounts is not legally restricted and in most cases such balances constitute normal working funds in the account.

In late 1975, the Company terminated its revolving credit and term loan agreement, entered into on February 1, 1972, with a group of banks. The termination occurred concurrently with the execution of the new note agreement with another lender (see Note 3). Interest on notes issued under the agreement was computed at ¼% above the prime commercial rate during January, 1975, and at the prime commercial rate

from February 1, 1975 (under terms of a revision in the loan agreement effective on such date) through the date the agreement was terminated (a range of 7.00% to 12.25% for 1975). The average of short-term notes payable throughout 1975, computed on a weighted-average number of days outstanding, was approximately $2,000,000. The maximum amount payable at any month end in 1975 was $5,000,000. Interest rates throughout 1975 averaged 8.51%. These average rates were computed as explained above.

### Note 3—Long-Term Debt

On December 1, 1975, the Company entered into a note agreement providing for a loan of $25,000,000. The indebtedness is evidenced by unsecured promissory notes bearing interest at 9.625% per annum and due December 1, 1990. On December 1, 1975, the Company delivered a note to the lender in the principal amount of $20,000,000 in exchange for cash of $9,000,000 and surrender for cancellation of the Company's 7.70% promissory note due December 1, 1984, in the unpaid principal amount of $11,000,000. On March 1, 1976, the Company delivered a note to the lender in the principal amount of $5,000,000 in exchange for cash. The Company is required to make payments on the notes as follows: $1,000,000 on December 1 in each of the years 1976 to 1979, inclusive; $1,200,000 on December 1, 1980; $1,800,000 on December 1, 1981; and $2,000,000 on December 1 in each of the years 1982 to 1990, inclusive. The Company is subject to additional requirements and restrictions under the terms of the notes, as follows:

1. The Company must maintain a consolidated working capital of at least $37,500,000. (At January 2, 1977, consolidated working capital totaled approximately $60,400,000.)
2. The Company may not pay dividends or make "restricted investments" in excess of consolidated net earnings available for dividends or "restricted investment", as such earnings and "restricted investments" are defined in the note agreement. Approximately $12,600,000 was free of restriction at January 2, 1977.
3. The Company may not place or allow to exist an encumbrance on any of its assets with certain limited exceptions.
4. The Company may not incur debt or contingent liabilities, in addition to the promissory notes, in excess of amounts allowed under the note agreement, nor may the Company enter lease agreements requiring annual expenditures in excess of $1,000,000, such amount excluding sales office and data processing equipment rentals.
5. The Company may not merge or consolidate with any other corporation unless it is the continuing or surviving corporation.

The 7.70% unsecured note outstanding through December 1, 1975, surrendered for cancellation in conjunction with execution of the new note agreement as heretofore mentioned, was repayable in annual installments on December 1, amounting to $1,000,000 in each of the years 1975 through 1979, and $1,200,000 in each of the years 1980 through 1984. Restrictions similar to those detailed above were embodied in the terms of the note.

### Note 4—Income Taxes

The provision for income taxes consists of the following:

| | Current | Deferred | Total |
|---|---|---|---|
| 1976 | | | |
| U. S. Federal | $ 9,140,347 | $ 923,858 | $10,064,205 |
| State | 1,600,551 | 86,437 | 1,686,988 |
| Total | $10,740,898 | $ 1,010,295 | $11,751,193 |
| 1975 | | | |
| U. S. Federal | $ 4,895,709 | $ 481,759 | $ 5,377,468 |
| State | 774,239 | 49,680 | 823,919 |
| Total | $ 5,669,948 | $ 531,439 | $ 6,201,387 |

The 1976 deferred tax expense, arising from timing differences in reporting revenue and expense for tax and financial statement purposes, is summarized below:

| | Federal | State |
|---|---|---|
| Excess of tax over book depreciation | $ 650,004 | $ 86,437 |
| Deferral of tax recognition of operating income from Domestic International Sales Corporation | 273,854 | |
| | $ 923,858 | $ 86,437 |

A reconciliation of income tax expense shown in the accompanying statement of income with amounts computed by applying the U. S. Federal income tax rate of 48% to income before tax follows:

| | 1976 | | 1975 | |
|---|---|---|---|---|
| | Amount | Per Cent of Pretax Income | Amount | Per Cent of Pretax Income |
| Computed "expected" tax expense | $11,768,302 | 48.0% | $ 7,383,878 | 48.0% |
| Increase (decrease) resulting from: | | | | |
| State income taxes net of Federal benefit | 877,234 | 3.5 | 396,296 | 2.6 |
| Investment tax credit | (1,153,018) | (4.7) | (1,158,803) | (7.5) |
| Contribution of land | | | (150,054) | (1.0) |
| Miscellaneous items | 258,675 | 1.1 | (269,930) | (1.8) |
| Provision for income taxes | $11,751,193 | 47.9% | $ 6,201,387 | 40.3% |

### Note 5—Common Stock

Stockholders of record November 21, 1975, received additional shares as a result of a 2-for-1 stock split approved on October 28, 1975.

Changes in common stock and capital in excess of par value for the two years ended January 2, 1977, were as follows:

| | Common Stock Shares | Common Stock Amount | Capital In Excess of Par Value |
|---|---|---|---|
| Balance at December 28, 1974 | 2,127,778 | $10,638,890 | $ 1,300,076 |
| Exercise of Common Stock Options | 15,750 | 78,750 | 119,628 |
| 2-for-1 Stock Split | 2,143,528 | 10,717,640 | |
| Balance at December 28, 1975 | 4,287,056 | $21,435,280 | $ 1,419,704 |
| Exercise of Common Stock Options | 20,448 | 102,240 | 73,914 |
| Balance at January 2, 1977 | 4,307,504 | $21,537,520 | $ 1,493,618 |

Stockholder approval was given on April 29, 1971, to the "1970 Employee Stock Option Plan" providing for the granting, on or before July 27, 1980, of options to certain key employees of the Company or its subsidiaries to purchase 200,000 shares of common stock at 100% of market value on the date of grant. No option may be exercised prior to one year from the date of the grant nor later than ten years from the date of the grant. The excess of the option price over the $5 par value of the shares exercised was added to "Capital in excess of par value" shown in the accompanying balance sheet. Nominal transfer taxes are paid by the Company and charged as operating expenses. Options granted under this plan may include options which can be exercised, in whole or in part, either as qualified or as nonqualified options, at the determination of the recipient. Qualified options are exercisable over a five-year period from date of grant, and nonqualified options are exercisable over a ten-year period. The following table summarizes the plan for 1976 and 1975:

| | Number of Shares | Option Prices Range Per Share | Option Prices Total | Market Price |
|---|---|---|---|---|
| Year ended December 28, 1975: | | | | |
| Granted | 59,000 | $8.375 | $494,125 | $494,125 |
| Became exercisable | 12,752 | $8.09-$9.70 | 110,388 | 109,367 |
| Exercised | 31,500 | $5.70-$9.70 | 198,379 | 338,387 |
| Terminated | None | | | |
| Expired | None | | | |
| Year ended January 2, 1977: | | | | |
| Granted | None | | | |
| Became exercisable | 25,448 | $8.09-$9.70 | 216,757 | 385,908 |
| Exercised | 20,448 | $5.70-$9.70 | 176,154 | 319,700 |
| Terminated | None | | | |
| Expired | None | | | |
| At January 2, 1977: | | | | |
| Outstanding | 90,082 | $5.70-$9.70 | 740,669 | 740,669 |
| Exercisable | 36,502 | $5.70-$9.70 | 289,001 | 542,967 |
| Reserved for future options | 2,328 | | | |

Stockholder approval was given on April 29, 1976, to the "1976 Employee Stock Option Plan" providing for the granting of options to certain key employees of the Company or its subsidiaries to purchase 200,000 shares of common stock at 100% of market value on the date of the grant. Terms of the options and accounting treatment to be accorded such options is similar to that described above. No options had been granted under this plan at January 2, 1977.

**Note 6—Employee Benefit Plans**

The Company has in effect several noncontributory pension and profit-sharing plans covering substantially all employees. The total expense of these plans for 1976 and 1975 was approximately $2,200,000 and $2,300,000, respectively. The Company's policy is to fund all accrued current service costs and to fund amortization of unfunded prior service costs over ten years. At December 28, 1975, the actuarially computed value of vested benefits did not exceed the total of pension fund assets and accruals in the balance sheet. Actuarial data regarding vested benefits at January 2, 1977, is not yet available. However, in the opinion of management, such benefits did not exceed the total of pension fund assets and accruals included in the accompanying consolidated balance sheet. Unfunded prior service costs at December 28, 1975, aggregated approximately $1,800,000. The amount of unfunded prior service costs at January 2, 1977, is unavailable.

The Company amended the pension plan, effective January 1, 1976, to provide 100% vesting at ten years rather than at fifteen years and, in other respects, to comply with the Employee Retirement Income Security Act. Such amendments had a limited impact on employee benefits under the plan and on the amount of the Company's obligation to fund the costs of such benefits.

The Company adopted, effective January 3, 1971, "The Graniteville Company Savings and Supplemental Retirement Plan" which provides that qualified employees of the Company may contribute to the plan through payroll deduction any whole percentage of their gross compensation from 1% to 6%. The Company will make annual contributions of an amount equal to at least 10% of the participant's deposits and, depending on earnings per share and year-end book value per share, will make contributions not exceeding 150% of the participant's deposits. The Company's contribution for the current year was approximately $761,000 ($188,000 in 1975). The contribution formula was amended, effective for the year 1976, to provide for increased Company contributions. Contributions for 1975 would have been $344,251 had such contributions been computed under the amended formula.

**Note 7—Incentive (Profit-Sharing) Plan**

The Company has had in effect for many years a profit-sharing plan that allocates up to but not exceeding 10% of pre-tax income for distribution to officers and key employees. The Plan provides the method for determining the amount each employee is to receive. Incentive payments and expense for 1976 and 1975 amounted to $1,603,140 and $1,118,895, respectively.

### Note 8—Contingent Liabilities and Commitments

The Company is involved in various suits, claims, commitments and contingent liabilities arising from the conduct of its business. Such matters include product warranties, examination of income tax returns and compliance with environmental quality control standards. Ultimate liability, if any, is indeterminable at present. However, in the opinion of management, adequate provision has been made in the accounts or, in any event, they would have no material adverse effect on the financial condition of the Company.

Total minimum rentals (before considering in some cases taxes, insurance and/or other renewal factors) for noncancellable leases with terms of one year or more in effect at January 2, 1977, are as follows:

| | Real Estate | Equipment |
|---|---|---|
| 1977 | $ 420,000 | $ 140,000 |
| 1978 | 400,000 | 3,000 |
| 1979 | 390,000 | |
| 1980 | 380,000 | |
| 1981 | 380,000 | |
| 1982-1986 | 1,900,000 | |
| 1987-1991 | 1,900,000 | |
| 1992-1996 | Indefinite | |
| Thereafter | Indefinite | |

Total rental expense for the year 1976 and 1975 was approximately $900,000 and $840,000, respectively.

### Note 9—Quarterly Financial Data (Unaudited)

The selected quarterly financial data presented below is included as a note to the financial statements pursuant to Rule 3-16(t) of Regulation S-X of the Securities and Exchange Commission:

| | Quarter Ended | | | |
|---|---|---|---|---|
| | March 28, 1976 | June 27, 1976 | Sept. 26, 1976 | January 2, 1977 |
| Net sales | $ 72,881,769 | $ 73,051,914 | $ 66,686,220 | $ 81,690,617 |
| Gross profit | $ 12,113,822 | $ 13,209,362 | $ 9,091,214 | $ 12,829,663 |
| Net income | $ 3,319,491 | $ 3,558,333 | $ 2,381,307 | $ 3,506,972 |
| Net income per share: | | | | |
| Per common share and common equivalent share | $ .77 | $ .82 | $ .55 | $ .80 |
| Per common share—assuming full dilution | $ .77 | $ .82 | $ .55 | $ .80 |

The Company recorded a provision for estimated losses to be realized upon liquidation of a subsidiary's bedspread inventory and related manufacturing equipment for the quarter ended June 27, 1976. The estimated loss of $416,000 (net of estimated income tax savings of $384,000) was recorded when such loss became probable and subject to reasonable determination. Liquidation was not completed prior to year end as projected but is expected to be completed in 1977. Currently estimated losses approximate those originally recorded.

### Note 10—Replacement Cost (Unaudited)

In compliance with rules of the Securities and Exchange Commission, the Company has estimated certain replacement cost information for inventories, cost of sales, property, and depreciation of property. The amounts determined were compiled based on assumptions and estimates that have inherent limitations because of the need for substantial subjective judgments in the estimating process. The replacement cost of inventories, cost of sales, productive property and related depreciation was determined to be substantially higher than the related historical cost presented in the accompanying financial statements. The Form 10-K, Annual Report to the Securities and Exchange Commission, contains the replacement cost data, as determined by management, in more detail.

### Note 11—Significant Events Subsequent to the Balance Sheet Date

On January 11, 1977, the Company signed a contract with the Aiken County (South Carolina) Public Service Authority committing the Company to participate in a waste water treatment facility. The Company agreed to assume liability for payment of its prorata portion of annual operating and maintenance costs and for repayment of its prorata portion of capital construction costs. These costs are to be financed by an Environmental Protection Agency grant (75% of eligible costs), a Farmers Home Administration loan and the balance by the four major customers in their individual capacities. The Company will be liable for repayment of approximately 28% of the debt service on the Farmers Home Administration loan and 22% of the noninterest bearing Environmental Protection Agency grant. The Company intends to finance most, if not all, of its remaining prorata portion of total construction costs through Aiken County Pollution Control Facilities Revenue Bonds. The net present value of the Company's portion of such liabilities is estimated to be approximately $5,000,000. The Company's portion of estimated annual debt service requirements approximates $425,000 for thirty years. The Company's portion of estimated annual operating and maintenance costs approximates $200,000. In the opinion of management, participation in the facility will not significantly affect earnings, capital expenditures or the competitive position of the Company.

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Total minimum rentals (before considering in some cases taxes, insurance and/or other renewal factors) for noncancellable leases with terms of one year or more in effect at January 2, 1977, are as follows:

| | Real Estate | Equipment |
|---|---|---|
| 1977 | $ 420,000 | $ 140,000 |
| 1978 | 400,000 | 3,000 |
| 1979 | 390,000 | |
| 1980 | 380,000 | |
| 1981 | 380,000 | |
| 1982-1986 | 1,900,000 | |
| 1987-1991 | 1,900,000 | |
| 1992-1996 | Indefinite | |
| Thereafter | Indefinite | |

Total rental expense for the year 1976 and 1975 was approximately $900,000 and $840,000, respectively.

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# Auditor's Opinion

Stockholders and Board of Directors
Graniteville Company

We have examined the consolidated balance sheet of Graniteville Company and subsidiary companies as of January 2, 1977, and December 28, 1975, and the related consolidated statements of income and earnings retained for use in the business, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the financial position of Graniteville Company and subsidiaries at January 2, 1977, and December 28, 1975, and the results of their operations and the changes in their financial position for the years then ended in conformity with generally accepted accounting principles consistently applied.

George C. Baird & Co.

George C. Baird & Company
Certified Public Accountants

January 28, 1977
Augusta, Georgia

# Management's Discussion and Analysis of The Consolidated Summary of Operations

The following is Management's discussion and analysis of certain significant factors which have affected the Company's earnings during the last three fiscal years, and should be read in conjunction with the Consolidated Statement of Income and related notes together with the other financial statements and notes appearing elsewhere in this report.

A summary of the year-to-year changes in the principal items included in the Consolidated Summary of Operations is shown below:

| | Increases (Decreases) Dollars in Thousands | | | |
|---|---|---|---|---|
| | 1975 Compared to 1974 | | 1976 Compared to 1975 | |
| Net sales | $(14,565) | ( 6.4)% | $ 82,542 | 39.0% |
| Cost of sales | ( 6,811) | ( 3.7) | 71,377 | 40.5 |
| Gross profit on sales | ( 7,754) | (17.9) | 11,165 | 31.3 |
| Selling, general and administrative expenses | 4,720 | 32.4 | 778 | 4.0 |
| | (12,474) | (43.2) | 10,387 | 63.3 |
| Other income | ( 60) | 15.5 | ( 80) | (18.3) |
| | (12,414) | (42.4) | 10,307 | 61.2 |
| Interest charges | 15 | 1.0 | 1,209 | 85.0 |
| Income before income taxes | (12,429) | (44.6) | 9,098 | 59.0 |
| Provision for estimated income taxes | ( 7,972) | (56.2) | 5,550 | 89.5 |
| Net income | $( 4,457) | (32.6)% | $ 3,548 | 38.5% |

**Net Sales**

Company sales declined 6% in 1975 as compared with 1974. Essentially, this resulted from lower prices and demand in the first half caused by the severe economic recession. The second half showed steady improvement over the first half.

In 1976, sales increased 39% over the prior year and were the highest in the Company's history. The average price per yard increased 12% and physical volume accounted for the remainder. The demand for heavyweight fabrics both at home and abroad remained high throughout the year.

**Cost of Sales**

Cost of sales in the period from 1974 through 1975 reflects, in addition to sales volume, the continuing inflated cost of labor, services, energy and petroleum-based products.

The Company had used the LIFO method of valuating the cotton content of inventory for a number of years. Beginning in 1974, the LIFO method was also applied to synthetic fiber content, which increased the cost of sales in that year by approximately 1%. Cotton cost (per pound) declined 20% in 1975 from 1974, but rose 34% in 1976 from 1975. Cotton consumed increased 17% in 1975 over 1974 and 8% in 1976 over 1975.

Polyester consumption declined 39% in 1975 from 1974, but rose 21% in 1976 from 1975. Polyester prices (per pound) have increased 20% over the last three years. During 1976, the Company booked the estimated loss of phasing out of the home furnishings market.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses increased continuously during the period 1974 through 1975. As compared to the prior year, these expenses rose in 1975 and 1976 by 32% and 4%, respectively. Certain selling, general and administrative expenses are related to sales and production levels and rose as activity increased. Inflation has helped to boost employee-related and other costs almost without exception through the entire three-year period.

**Other Income**

Included in other income is Graniteville's share of earnings in a joint venture in Japan. Earnings of $36,000 in 1975 and $17,000 in 1976 were recorded.

**Interest Charges**

The significant increase in interest charges in 1976 as compared to 1975 reflects the additional $14,000,000 in long-term debt outstanding. See Note 3 – Long-term Debt.

**Provision for Estimated Income Taxes**

Generally, full income tax rates are applicable to the Company's income. Taxes paid or accrued by the Company are reduced by the investment tax credits, which amounted to $199,000, $1,159,000 and $1,153,000 for the years 1974 through 1976, respectively. See Note 1, Summary of Significant Accounting Policies, and Note 4, Income Taxes.

**Net Income**

Net income in 1974 was the highest in the Company's history. In 1976, the Company's net income was second highest although sales established a new record.

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# Information for Stockholders

**Annual Meeting**

The annual meeting of stockholders of Graniteville Company will be held at Gregg Park Civic Center in Graniteville, South Carolina, at 11:00 a.m. on Thursday, April 28, 1977. Formal notice of the meeting, together with Proxy Statement and Proxy, will be mailed about March 28, 1977, to stockholders of record on March 11, 1977; all stockholders are urged to exercise their right to vote in the meeting by signing and returning this proxy in the self-addressed and stamped envelope which will be sent with it.

**Transfer Agent and Registrar**

Chemical Bank
55 Water Street
New York, New York 10041—1962

Communications regarding transfers, lost certificates, dividends or change of address should be directed to the Chemical Bank at the address given, marked to the attention of the Corporate Trust Department.

**Common Shares**

The only class of Graniteville Company stock issued and outstanding is common shares. These shares are traded on the New York Stock Exchange under the trading symbol GVL.

**Form 10-K**

The Form 10-K Annual Report to the Securities and Exchange Commission is more detailed in certain respects than the Annual Report to Stockholders. A copy of this report may be obtained by requesting it from the Corporate Secretary, Graniteville Company, Graniteville, South Carolina 29829.

**Legal Counsel**

Henderson, Salley, Lynn & Farmer
Aiken, South Carolina—1872

Fulcher, Hagler, Harper & Reed
Augusta, Georgia—1936

Ivins, Phillips & Barker
Washington, D.C.—1942

Shearman & Sterling
New York, New York—1961

**Auditing**

George C. Baird & Company
Augusta, Georgia—1931

Graniteville
COMPANY

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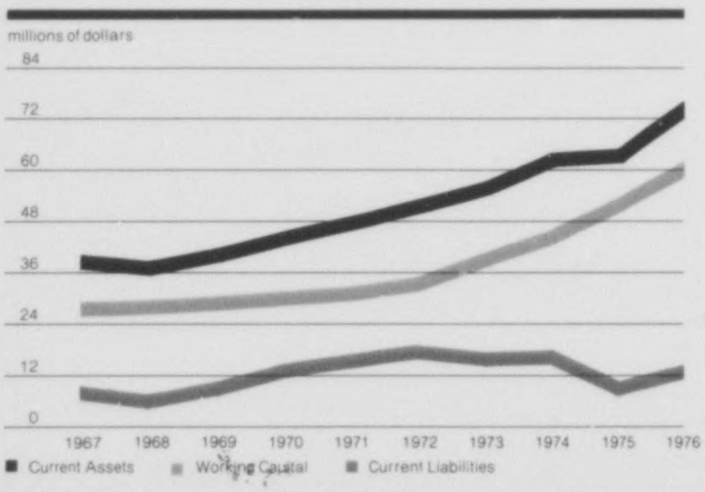
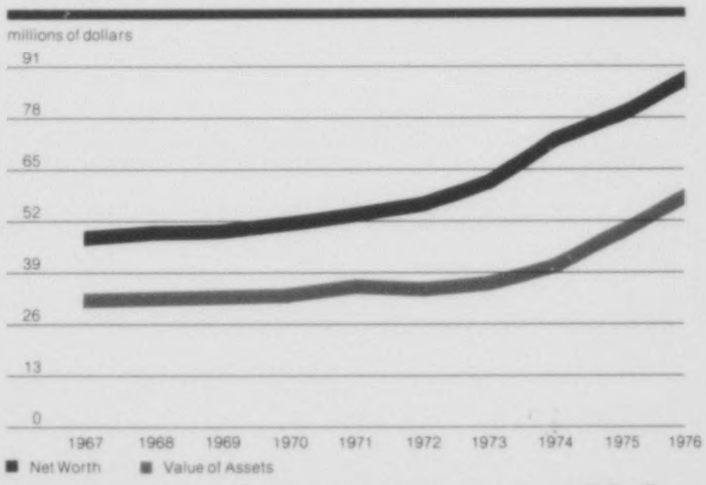
# Ten-Year Record

## CONDENSED BALANCE SHEETS

| | | 1976 | 1975 | 1974 |
|---|---|---|---|---|
| **Assets** | Cash on hand and in banks | $ 3,533,422 | $ 2,089,686 | $ 4,779,265 |
| | Marketable securities at cost plus accrued interest | 0 | 2,007,958 | 0 |
| | Accounts receivable | 39,211,215 | 30,860,516 | 33,856,909 |
| | Inventories | 32,237,658 | 29,027,064 | 24,967,663 |
| | Prepaid expenses | 190,147 | 200,158 | 95,157 |
| | Investments | 323,257 | 300,848 | 299,523 |
| | Fixed assets—less depreciation | 58,851,447 | 51,686,110 | 42,462,111 |
| | Other assets | 546,258 | 546,258 | 546,258 |
| | Totals | 134,893,404 | 116,718,598 | 107,006,886 |
| **Liabilities** | Notes payable (current) | $ 1,000,000 | $ 1,000,000 | $ 6,400,000 |
| | Accounts payable, accrued items, and income taxes (estimated) | 13,801,741 | 10,029,840 | 10,609,179 |
| | Deferred income taxes | 7,324,434 | 6,314,139 | 5,782,700 |
| | Term loans | 23,000,000 | 19,000,000 | 10,000,000 |
| | Capital stock | 21,537,520 | 21,435,280 | 10,638,890 |
| | Capital in excess of par value | 1,493,618 | 1,419,704 | 1,300,076 |
| | Earnings retained for use in the business | 66,736,091 | 57,519,635 | 62,276,041 |
| | Totals | 134,893,404 | 116,718,598 | 107,006,886 |
| **Financial Statistics** | Stockholders' equity | $ 89,767,229 | $ 80,374,619 | $ 74,215,007 |
| | Working capital | 60,370,701 | 53,155,542 | 46,689,815 |
| | Increase (decrease) in working capital | 7,215,159 | 6,465,727 | 5,860,620 |
| | Additions and replacements to plants | 13,324,750 | 14,006,777 | 9,232,747 |
| | Depreciation | 5,757,324 | 4,782,778 | 4,347,540 |
| | Fixed assets fully depreciated and written off | 2,853,442 | 1,438,369 | 2,245,148 |
| | Weighted average shares outstanding | 4,300,560 | 4,269,286 | 4,247,010 |
| | Cash dividends | $ 3,549,647 | $ 3,257,264 | $ 2,708,662 |
| | Cash dividends per share | .83 | .76 | .64 |
| | Average selling price per yard, net | 1.68 | 1.28 | 1.18 |
| | Inventory turnover—sales divided by average inventory | 9.6 | 7.8 | 9.6 |
| | Net earnings per share | $ 2.94 | $ 2.14 | $ 3.21 |
| | Book value per share at year-end | 20.84 | 18.75 | 17.44 |
| | Percent earned on book value at year-end | 14.22% | 11.46% | 18.43% |
| | Market value per share at year-end | $ 14.88 | $ 12.88 | $ 6.50 |



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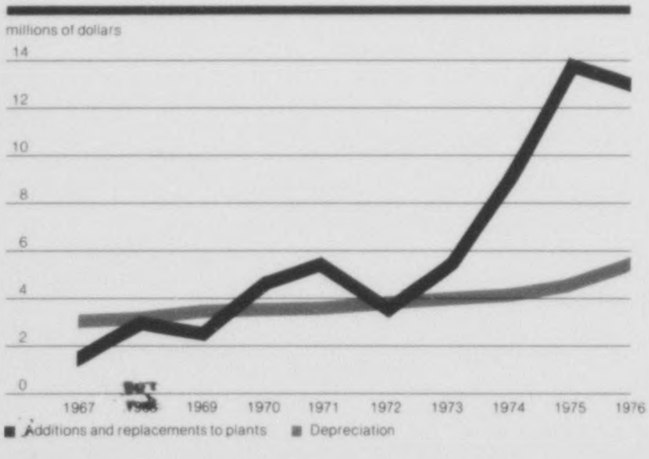
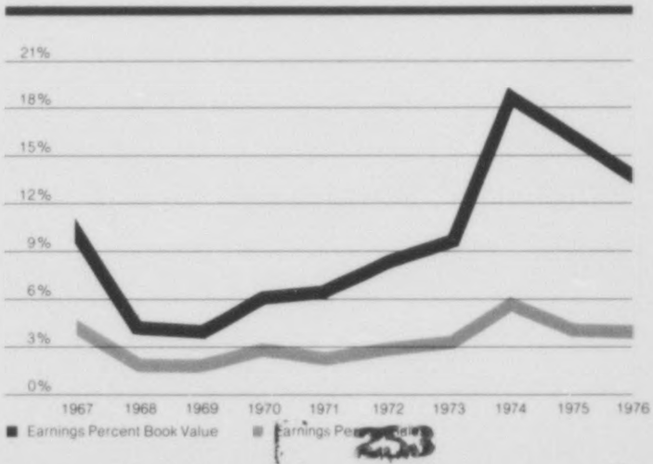
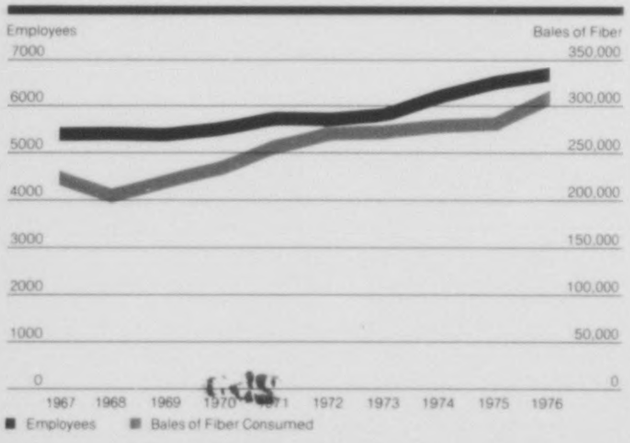
| | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 |
|---|---|---|---|---|---|---|---|
| | $ 1,557,186 | $ 3,298,385 | $ 2,615,318 | $ 2,299,844 | $ 3,116,349 | $ 2,272,789 | $ 3,756,575 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 33,245,678 | 28,415,154 | 21,019,900 | 21,128,462 | 17,059,088 | 14,255,848 | 15,295,920 |
| | 22,132,541 | 21,350,913 | 24,574,637 | 22,135,854 | 20,767,906 | 21,426,559 | 20,038,615 |
| | 162,399 | 165,620 | 126,637 | 110,125 | 122,719 | 136,748 | 104,921 |
| | 142,746 | 1,066,271 | 1,317,176 | 259,707 | 280,742 | 322,384 | 188,329 |
| | 37,835,855 | 37,353,861 | 37,600,991 | 35,773,852 | 34,548,355 | 34,389,762 | 34,727,179 |
| | 549,258 | 1,305,706 | 1,304,873 | 0 | 0 | 0 | 0 |
| | 95,625,663 | 92,955,910 | 88,559,532 | 81,707,844 | 75,895,159 | 72,804,090 | 74,111,539 |
| | $ 7,000,000 | $ 9,000,000 | $ 10,000,000 | $ 6,000,000 | $ 5,750,000 | $ 3,750,000 | $ 2,750,000 |
| | 9,268,609 | 8,852,410 | 6,309,389 | 8,575,562 | 5,061,990 | 4,232,194 | 7,163,211 |
| | 5,198,013 | 4,625,916 | 4,352,850 | 4,129,723 | 3,821,422 | 3,359,881 | 2,759,724 |
| | 11,000,000 | 12,000,000 | 13,000,000 | 10,250,000 | 10,250,000 | 11,000,000 | 11,750,000 |
| | 10,595,760 | 8,218,915 | 8,179,245 | 8,157,730 | 8,157,730 | 8,013,730 | 8,000,000 |
| | 1,250,015 | 775,247 | 702,670 | 662,867 | 662,867 | 72,467 | 0 |
| | 51,313,266 | 49,483,422 | 46,015,378 | 43,931,962 | 42,191,150 | 42,375,818 | 41,688,604 |
| | 95,625,663 | 92,955,910 | 88,559,532 | 81,707,844 | 75,895,159 | 72,804,090 | 74,111,539 |
| | $ 63,159,041 | $ 58,477,584 | $ 54,897,293 | $ 52,752,559 | $ 51,011,747 | $ 50,462,015 | $ 49,688,604 |
| | 40,829,195 | 35,377,662 | 32,027,103 | 31,098,723 | 30,254,072 | 30,109,750 | 29,282,820 |
| | 5,451,533 | 3,350,559 | 928,380 | 844,651 | 144,322 | 826,930 | 4,619,703 |
| | 4,600,946 | 3,880,570 | 5,734,670 | 4,913,999 | 3,279,227 | 3,391,129 | 1,856,178 |
| | 4,096,728 | 4,087,724 | 3,714,561 | 3,622,575 | 3,573,069 | 3,470,365 | 3,405,890 |
| | 3,380,929 | 1,591,402 | 3,735,351 | 3,714,382 | 2,788,644 | 1,642,793 | 995,147 |
| | 4,222,206 | 4,099,442 | 4,083,536 | 4,078,866 | 4,063,676 | 4,002,700 | 4,000,000 |
| | $ 2,371,551 | $ 1,640,388 | $ 1,633,697 | $ 1,631,546 | $ 2,274,084 | $ 2,241,922 | $ 2,240,000 |
| | .56 | .40 | .40 | .40 | .56 | .56 | .56 |
| | .8896 | .8134 | .7380 | .6708 | .6323 | .6297 | .6353 |
| | 8.1 | 7.61 | 5.54 | 5.02 | 4.95 | 4.64 | 5.64 |
| | $ 1.50 | $ 1.25 | $ .91 | $ .83 | $ .52 | $ .56 | $ 1.35 |
| | 14.90 | 14.15 | 13.43 | 12.93 | 12.51 | 12.59 | 12.43 |
| | 10.00% | 8.74% | 6.77% | 6.39% | 4.10% | 4.45% | 10.88% |
| | $ 7.63 | $ 9.88 | $ 8.19 | $ 9.31 | $ 6.75 | $ 12.38 | $ 12.56 |

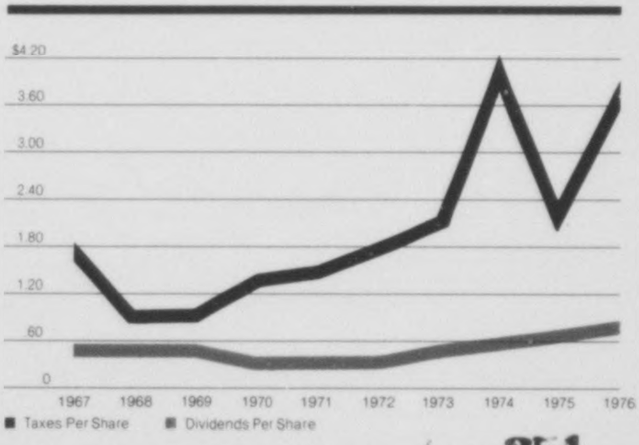


# Ten-Year Record (continued)

| | | 1976 | 1975 | 1974 |
|---|---|---|---|---|
| **Taxes** | Total Federal and State income (estimated) | $ 11,751,193 | $ 6,201,387 | $ 14,173,529 |
| | Total Payroll, Property and other business taxes | 5,076,564 | 4,020,750 | 3,875,719 |
| | Total | 16,827,757 | 10,222,137 | 18,049,248 |
| | Taxes per share of stock | 3.91 | 2.39 | 4.24 |
| | Taxes per employee | 2,473.58 | 1,542.73 | 2,842.40 |
| **Operating Statistics** | Productive equipment: | | | |
| | Cards | 773 | 773 | 761 |
| | Spindles | 258,824 | 256,820 | 245,440 |
| | Looms | 4,314 | 4,233 | 4,053 |
| | Raw materials consumed in bales | 316,832 | 287,299 | 285,279 |
| | Loom hours run | 29,069,453 | 26,614,081 | 27,752,709 |
| | Spindle hours run | 1,702,078,378 | 1,541,961,230 | 1,601,648,451 |
| | Hours run per spindle | 6,602 | 6,212 | 6,525 |
| | Industry's hours run per average active spindle—cotton | 6,200 | 5,500 | 5,945 |
| | Number of employees on payroll | 6,803 | 6,626 | 6,350 |
| | Man-hours worked—productive | 11,421,241 | 10,244,560 | 10,399,156 |
| | Wages and salaries paid | $ 67,934,985 | $ 55,892,235 | $ 53,133,865 |
| **Operating Statements** | Net sales | $ 294,310,520 | $ 211,768,748 | $ 226,333,316 |
| | Cost of sales | 269,793,224 | 196,348,863 | 198,484,160 |
| | Income before income taxes | 24,517,296 | 15,419,885 | 27,849,156 |
| | Income taxes (estimated) | 11,751,193 | 6,201,387 | 14,173,529 |
| | Income from continuing operations | 12,766,103 | 9,218,498 | 13,675,627 |
| | Loss on discontinued operations | | | |
| | Net income | 12,766,103 | 9,218,498 | 13,675,627 |
| | Percent of net income to sales | 4.34% | 4.35% | 6.04% |



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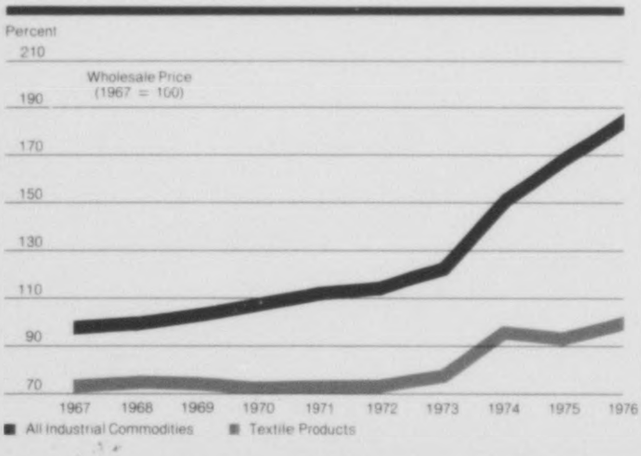
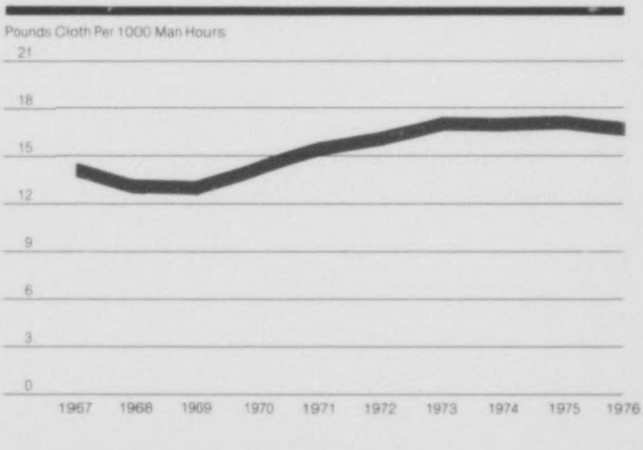
| 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 |
|---|---|---|---|---|---|---|
| $ 6,136,920 | $ 4,635,000 | $ 3,772,000 | $ 3,607,765 | $ 2,100,372 | $ 2,025,000 | $ 5,340,037 |
| 3,325,170 | 2,856,085 | 2,606,468 | 2,246,131 | 2,199,190 | 1,935,430 | 1,893,169 |
| 9,462,090 | 7,491,085 | 6,378,468 | 5,853,896 | 4,299,562 | 3,960,430 | 7,233,206 |
| 2.18 | 1.83 | 1.56 | 1.44 | 1.06 | .99 | 1.81 |
| 1,579.12 | 1,281.40 | 1,089.78 | 1,031.16 | 775.95 | 713.33 | 1,313.46 |
| 799 | 858 | 962 | 963 | 1,044 | 1,106 | 1,079 |
| 245,440 | 245,104 | 245,104 | 244,624 | 255,760 | 255,760 | 255,760 |
| 4,020 | 4,000 | 3,940 | 4,044 | 4,114 | 4,186 | 4,236 |
| 278,321 | 278,207 | 264,950 | 239,683 | 228,160 | 218,451 | 231,792 |
| 27,751,125 | 27,375,663 | 26,816,997 | 26,094,925 | 26,659,389 | 25,275,236 | 27,512,729 |
| 1,606,001,805 | 1,612,896,890 | 1,561,387,046 | 1,577,620,373 | 1,698,879,065 | 1,622,013,159 | 1,672,707,083 |
| 6,550 | 6,581 | 6,370 | 6,234 | 6,643 | 6,342 | 6,539 |
| 6,408 | 6,326 | 6,174 | 5,910 | 6,353 | 6,358 | 6,344 |
| 5,992 | 5,846 | 5,853 | 5,677 | 5,541 | 5,552 | 5,507 |
| 10,272,787 | 10,716,981 | 10,596,664 | 10,099,687 | 10,351,921 | 10,045,619 | 10,396,137 |
| $ 46,090,770 | $ 42,393,248 | $ 39,082,948 | $ 35,381,425 | $ 33,961,966 | $ 30,879,364 | $ 30,162,454 |
| $ 176,764,578 | $ 161,661,936 | $ 135,204,093 | $ 111,105,225 | $ 102,736,377 | $ 99,350,401 | $ 113,020,640 |
| 164,279,574 | 151,680,167 | 127,386,207 | 104,125,102 | 98,546,589 | 95,082,048 | 102,272,715 |
| 12,485,004 | 9,981,769 | 7,817,886 | 6,980,123 | 4,189,788 | 4,268,353 | 10,747,925 |
| 6,136,920 | 4,635,000 | 3,772,000 | 3,607,765 | 2,100,372 | 2,025,000 | 5,340,037 |
| 6,348,084 | 5,346,769 | 4,045,886 | 3,372,358 | 2,089,416 | 2,243,353 | 5,407,888 |
| (30,889) | (238,337) | (328,773) | | | | |
| 6,317,195 | 5,108,432 | 3,717,113 | 3,372,358 | 2,089,416 | 2,243,353 | 5,407,888 |
| 3.57% | 3.16% | 2.75% | 3.04% | 2.03% | 2.26% | 4.78% |



# Directors, Officers and Corporate Management

## Directors

•**George W. Aufderheide, Jr. – 1975**
President, McCampbell Sales Division

†**Bennett A. Brown – 1973**
Assistant President,
The Citizens and Southern
National Bank

°*†**Robert Carswell – 1969**
Partner, Shearman and Sterling,
Attorneys, New York

•**H. Tenison Deane – 1967**
Vice President, Sales
Chairman, McCampbell Sales Division

°*†**James F. Kane – 1974**
Dean, College of Business
Administration,
University of South Carolina

°*†**Buck Mickel – 1963**
Chairman of the Board,
Daniel International Corporation
(General Contractors)

**W. Thomas Rice – 1963**
Chairman of the Board,
Chief Executive Officer,
Seaboard Coast Line Industries, Inc.
(Railway Transportation)

•**Samuel H. Swint, Jr. – 1963**
Executive Vice President
McCampbell Sales Division

•**Robert P. Timmerman – 1967**
President

*Audit Committee
†Compensation and Stock Option Committee
°Employee Benefit Plans Committee
•Executive Committee

## Officers

**Robert P. Timmerman—1945**
President

**Joseph E. Bresnahan—1963**
Vice President, Dyeing
and Finishing

**John W. Cunningham—1972**
Vice President,
Finance and Treasurer

**H. Tenison Deane—1946**
Vice President, Sales

**Jerry R. Johnson—1950**
Vice President, Operations

**J. Ben Kyser—1948**
Vice President, Fibers

**John F. Livingston—1948**
Vice President, Manufacturing

**William C. Lott—1939**
Vice President, Administration

**Carl W. Littlejohn, Jr.—1964**
Secretary

**William E. Johnson—1963**
Assistant Vice President,
Administration

**Edwin C. Mertins, Jr.—1962**
Assistant Vice President, Finance

## Operating Executives

**Lucius Eubanks, Jr.—1949**
General Superintendent,
Manufacturing,
South Carolina

**George S. Pardue—1949**
General Superintendent,
Maintenance,
Power and Construction

**Frank B. Williams—1949**
General Superintendent,
Manufacturing, Georgia

**William R. Alexander—1951**
Superintendent, Swint

**Guy E. Ballard—1964**
Superintendent, Warren

**Robert M. Cook—1955**
Superintendent, Hickman

**Howard L. Fogle—1971**
Superintendent,
Sibley Yarn Dyeing and Finishing

**L. E. Harrigal—1934**
Superintendent, Vaucluse

**G. H. Momeier, Jr.—1947**
Superintendent, Gregg

**John W. Overstreet, Jr.—1951**
Superintendent, Enterprise

**David B. Perrin—1947**
Superintendent, Sibley

**A. J. Purvis—1930**
Superintendent, Townsend

**J. F. Sofge, Jr.—1951**
Superintendent, Granite

**R. A. Summerville—1941**
Superintendent, Sutherland

**Verley E. Swygert—1931**
Superintendent, Woodhead

**Francis A. Townsend, Jr.—1962**
Superintendent, Williston

## Administrative and Service Department Executives

**A. G. Blackmon—1965**
Quality Control

**W. Archie Dodgen—1937**
Cost

**Frank E. Harling—1953**
Employment

**E. Ronald Knight—1974**
Data Processing and Control

**Calvin M. McKeown—1947**
Environmental Engineering and
Energy Conservation

**Lenwood W. Melton—1949**
Product Manager

**Craig D. Musick—1966**
Training

**Richard W. Newsome—1949**
Industrial Engineering and
Standards

**Abbie R. Prince—1964**
Safety and Health

**E. C. Thomas, Jr.—1933**
Real Estate

**S. C. Thomas—1933**
Personnel

**Paul L. Weinle—1972**
Research and Development

**O. Ronald Wood—1956**
Purchasing and Traffic

**Henry A. Woodhead—1939**
Engineering

**Andrew T. Yaun—1959**
Office Services

Graniteville COMPANY

L 255

# McCampbell Sales Division

43 West 42nd Street, New York

## Officers

**H. Tenison Deane—1946**
Chairman

**George W. Aufderheide, Jr.—1946**
President

**Samuel H. Swint, Jr.—1959**
Executive Vice President

**Chester A. Braman, Jr.—1956**
Vice President

**Walter M. Brodie—1946**
Vice President

**John T. Colby—1947**
Vice President

**Anna H. Gleason—1933**
Vice President and Assistant Secretary

**Rea Hinson, Jr.—1965**
Vice President

**Bernard T. Lernihan—1971**
Vice President

**Bernard E. Librett—1967**
Vice President

**Clarence A. Timmerman—1934**
Vice President

**Albert W. Lutz—1958**
Secretary

## Operating and Administrative Executives

**George W. Aufderheide, Jr.—1946**
General Merchandise Manager

**Thomas W. Bolger, Jr.—1976**
Texturized Wovens and Knits

**Chester A. Braman, Jr.—1956**
Corporate Planning and Marketing

**Walter M. Brodie—1946**
Irregulars and Closeouts

**John T. Colby—1947**
Credit Manager

**Joseph C. Denmark—1957**
Flannels and Gregg Job Finishing

**Arthur C. Franco—1966**
Woven and Knit Fabric Design

**Rea Hinson, Jr.—1965**
Utility Wear

**Raymond C. Horncastle—1970**
Woodhead Apparel and Industrial Fabrics

**Bernard T. Lernihan—1971**
National Sales Manager

**Bernard E. Librett—1967**
International Sales Manager

**Joseph H. Long—1965**
Jeans and Sportswear

**Albert W. Lutz—1958**
Office Management

**Barry D. McCall—1967**
Advertising

**Samuel H. Swint, Jr.—1959**
Indigo Denims and Greige Control

**Clarence A. Timmerman—1934**
Ducks, Painted and Coated Fabrics

**Walter W. Wilson, Jr.—1961**
Colored Yarn Fabrics

## Branch Sales Offices

**Atlanta**
**H. C. Allen III—1955**

**Boston**
**Thomas J. Aimone—1971**

**Chicago**
**William Wiechert—1959**

**Dallas**
**David Smith—1971**

**Los Angeles**
**Kineon G. Walker—1968**

**St. Louis**
**John D. Clark—1939**

**San Francisco**
**Charles R. Pfeiffer—1968**

## Graniteville International Sales, Inc.

### Officers

**Robert P. Timmerman**
Chairman and Chief Executive Officer

**Bernard E. Librett**
President and Chief Operating Officer

**George W. Aufderheide, Jr.**
Vice President

**John W. Cunningham**
Vice President

**William C. Lott**
Vice President

**James R. Holley**
Secretary and Treasurer

**John T. Colby**
Assistant Treasurer

## C. H. Patrick & Co., Inc.

### Officers

**Robert P. Timmerman**
Chairman

**John K. Boykin**
President

**William M. Campbell**
Vice President, Sales

**R. Stanley Powell**
Vice President, Manufacturing

**Edwin C. Mertins, Jr.**
Secretary and Treasurer

**W. Jack Smith**
Controller

Note: Dates after names of directors indicate year first elected; after officers, operating executives, and administrative and service department executives, first year of continuous employment; after legal and professional counsel, first year in which firm rendered such service.

Graniteville
Company
Graniteville,
South Carolina 29829
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EXHIBIT III
5/4/77

STATE BUDGET AND CONTROL BOARD

POLL OF May 4, 1977 POLL ITEM NUMBER 5

Agency: Aeronautics Commission

Subject: Selection of Engineering Firm

No responses were received to an advertisement published 3/30/77 inviting engineering firms to submit resumes of qualifications for providing design services related to the installation of additional jet fuel storage tanks and the modification of the existing gas system for the Commission.

Upon the advice of Assistant Attorney General Elizabeth Crum, four firms then were contacted directly to determine interest in the project, two of which declined to be considered.

The firms selected in this manner, in order of preference, are:

(1) Durlach, O'Neal, Jenkins & Associates; and
(2) Enwright Associates.

Board Action Requested:

Approve selection of Durlach, O'Neal, Jenkins & Associates for the referenced project.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Hamilton 4/29/77 letter to McPherson

# South Carolina Aeronautics Commission

JOHN W. HAMILTON, DIRECTOR
JOHN F. BARRY, DEPUTY DIRECTOR

April 29, 1977

Mr. John McPherson, Jr.
Engineering Construction Section
P.O. Box 11333
Columbia, S.C. 29211

Reference: State Project 3-2, Aviation - Jet Fuel storage tanks

Dear Mr. McPherson:

In reference to the above project advertisement was placed in the State News Paper on March 30, 1977, for the solitation of resume of qualifications from interested firms. As of April 19, 1977 no firms had submitted a resume of qualifications. Based on approval of Ms. Elizabeth Crum, Assistant Attorney General. Four firms were contacted by us to obtain interest in the project. (See attached letter).

The committee for selection of the Engineering firm met April 26, 1977. They interviewed two firms. As a result of these interviews the committee recommended that the firm of Durlach, O'Neal, Jenkins & Assoc. be submitted for approval by the Budget and Control Board.

The Committee also interviewed the Enwright Assoc. and the committee feels they should be considered as an alternate.

The other two firms, Sirrine & Co. and Bruce Flemming & Assoc. declined prior to the interviews.

Durlach, O'Neal, Jenkins & Assoc. have not executed a contract with a State Agency within the last two years.

Very truly yours,

John W. Hamilton
Director

RECEIVED
APR 29 1977
S. C. BUDGET AND CONTROL BOARD

JWH/tr

COMMISSIONERS
JOE WILDER, CHAIRMAN, AT-LARGE
RICHARD J. SCHRIVER, VICE-CHAIRMAN, DISTRICT 1
E. MCLEOD SINGLETARY, DISTRICT 2
W. A. COWARD, DISTRICT 3
RALPH SCHMIDT, DISTRICT 4
DAVID S. HARTER, DISTRICT 5
WILSON BUIE, JR., DISTRICT 6

BOX 1769 COLUMBIA, SOUTH CAROLINA 29202 TELEPHONE 803 - 758-2766

DURLACH, O'NEAL, JENKINS & ASSOCIATES
*Consultant Engineers*
2119 SANTEE AVENUE — TELEPHONE (803) 765-2388
COLUMBIA, S. C. 29205

NEW PHONE
771-7000

April 28, 1977

RECEIVED
APR 29 1977
S. C. BUDGET AND
CONTROL BOARD

S. C. Aeronautics Commission
Metropolitan Airport
W. Columbia, S. C.

Att: Mr. John Hamilton, Director

Re: S. C. Aeronautics Comm.
Fuel Storage System
State Project No. 2-3
Our Comm. No. 3053

Gentlemen:

For a lump sum fee of seven thousand and eight dollars ($7,008.00) we propose to furnish engineering services for referenced project, outlined in your "Scope of Work" dated 25 April 1977. Our work will include the following services:

1. Pre-design conferences.
2. Site investigation.
3. Preparation of design drawings, specifications, budget cost estimate.
4. 20 sets of prints of plans and specifications.
5. Preparation of public advertisement. (Cost of advertising to be paid by State of S. C.)
6. Evaluation of bids.
7. Preparation of proposed construction contract.
8. Periodic inspection and reporting during construction period.
9. Approval of contractors' requests for payment.
10. Checking of shop drawings.
11. Witnessing of progress and final tests.

If this proposal meets with your approval, we would appreciate your signing the enclosed copy of this letter contract and returning it as our authority to proceed with the engineering work.

Yours very truly,

Marcus R. Durlach, Jr.

Marcus R. Durlach, Jr., P.E.

John Hamilton, Director
S. C. Aeronautics Commission

Date 28 APR 77



MRD/mk

mission, Post Office Box 1769, Columbia, South Carolina is accepting resumes of qualifications from engineering firms interested in providing design services for addition to existing jet fuel storage system and modification to existing gas fuel system at the Headquarters, Columbia Municipal Airport.
Each firm interested in submitting resume shall submit resume and qualification to the undersigned by April 14, 1977. Include in resume list of all architectural and/or engineering contracts the firm has executed on State work in the past two years.
Selection of firm for these engineering services will be in accordance with State guide lines governing such matter. A lump sum fee will be negotiated.
John Hamilton, Director
South Carolina
Aeronautics Commission

# COLUMBIA NEWSPAPERS, INC.

**Publishers of**

The State — *Mornings and Sunday* AND The Columbia Record — *Evenings*

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager of THE STATE, and makes oath that the advertisement,

Legal Notice - Resumes of Qualifications - Addition to Existing Jet Fuel Storage System

a clipping of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

March 30, 1977

Carl M. Regal

Subscribed and sworn to before me
this 30th day of March 1977.

Emma Lee Brundidge Notary Public

RECEIVED
APR 20 1977
S. C. BUDGET AND CONTROL BOARD

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR
P.O. BOX 11333
COLUMBIA
29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

April 21, 1977

MEC - approved

Ms. M. Elizabeth Crum
Assistant Attorney General
Attorney General's Office
Wade Hampton Office Building
Columbia, South Carolina

Re: State Project No. 2-3
Addition to Aviation and Jet Fuel Storage Tanks
State Aeronautics Commission

Dear Ms. Crum:

As we advised you on April 19, 1977, the S. C. Aeronautics Commission advertised in the State newspaper as required in Paragraph 1-453, 1-460 of the State Codes for resumes and qualifications from engineering firms interested in furnishing design services for the above project.

The legal advertisement was inserted in THE STATE newspaper on March 30, 1977 for resumes and qualifications from interested firms to be submitted to the Commission by April 17, 1977. As of April 19, 1977 no firm has submitted resumes and qualifications (see attached copy of affidavit of advertisement).

In view of the above, and with all legal requirements having been complied with at this time, and since no response has been received, we are, as per your recommendation, advising the Commission to proceed with selection of an engineering firm as follows.

a. This office will furnish to the Commission the names of three (3) or more firms qualified for this type of project. The commission will contact these firms as to their interest and schedule an interview.

b. From those firms showing interest, interviews will be scheduled and all further action and selection will be in accordance to Paragraph 1-457, 1-460 of the State Codes and other requirements of the Budget and Control Board.

Yours very truly,

John A. McPherson, Jr., P. E.
Chief Engineer - Finance Division
State Budget and Control Board

JAMcP/fmj

cc: Mr. John Hamilton
Mr. Charles B. Smoak

EXHIBIT IV
5/4/77

STATE BUDGET AND CONTROL BOARD

POSSIBLE ADDENDUM

MEETING OF May 4, 1977

AGENDA ITEM NUMBER 3-A

Agency:

Department of Corrections

carried over

Subject: Selection of A&E Firm

Commissioner Leeke requests approval of the selection of an A&E firm to provide the services required in connection with the design and construction of three prototype facilities (one medium security, one minimum security and one work-release/pre-release facility).

Firms selected by the Department after following the required selection procedure, in order of preference, are:

(1) Wilbur Smith and Associates/Hellmuth, Obata & Kassabaum, Inc.;
(2) Lucas & Stubbs/Gruzen & Partners; and
(3) J. E. Sirrine Company

Board Action Requested:

Commissioner Leeke requests approval of the selection of Wilbur Smith and Associates/Hellmuth, Obata and Kassabaum, Inc. for the referenced projects, pursuant to Code Sections 1-453 through 1-460.

Staff Comment:

This selection is extremely significant both in terms of the size of the A&E contract (it is probably the largest single A&E contract ever to be awarded by the State) and in terms of the future implications of the work to be done (developing the prototype designs for prison facilities).

Two features of the tentative contract negotiated with the preferred firm are being investigated further as these agenda materials are being prepared. First, the tentative contract does not state that the original plans and specifications will become the property of the Department as was stated in the invitation advertisement. Second, the nature and extent of the involvement of the Hellmuth, Obata and Kassabaum firm, which could be important to the success of the project, are not specified.

Attachments:

Leeke letter to Putnam plus attachments (received 4/28/77).

south carolina
department of corrections

P.O. BOX 766/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29202
TELEPHONE 758-6444

WILLIAM D. LEEKE, Commissioner

April 22, 1977

RECEIVED
APR 28 1977
S. C. BUDGET AND
CONTROL BOARD

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

The Department of Corrections has reviewed and analyzed the qualifications of architectural firms requesting consideration for providing required professional services for three (3) prototype correctional facilities. The qualifications were analyzed, by a selection committee, based upon information provided by and personal interviews with each of the architectural firms submitted for the project.

The selection committee has recommended and the Board of Corrections has approved the following firms, in preferential order, as being the most qualified to provide the required professional services.

1. Wilbur Smith and Associates/Hellmuth, Obata, & Kassabaum, Inc.
2. Lucas & Stubbs/Gruzen & Partners
3. J. E. Sirrine Company

The selection committee has given consideration to the number of State projects undertaken by the firms in making the above selection.

The following attachments are included as required:

1. List of all firms submitting
2. Certification of newspaper announcements
3. Construction projects - previous two (2) years
4. Tentative contract with the selected firm
5. List of State projects accomplished by selected firm - previous two (2) years

I would appreciate the approval of the above selection by the Budget and Control Board. Upon receipt of this approval, the Department will proceed immediately with the development of the three (3) prototype correctional facilities outlined in the Department's Ten Year Growth and Capital Improvement Plan.

Very truly yours,

William D. Leeke

WDL:yh

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BOARD OF CORRECTIONS
W. M. CROMLEY, JR. Chairman Saluda, S. C.
MRS. LOUIS E. CONDON Vice Chairman Mt. Pleasant, S. C.
CLARENCE E. WATKINS Secretary Camden, S. C.
NORMAN KIRKLAND Member Bamberg, S. C.
CHARLES C. MOORE Member Spartanburg, S. C.
E. N. ZEIGLER Member Florence, S. C.
GOV. JAMES B. EDWARDS, Member, Ex-Officio, Columbia, S. C.

THE AMERICAN INSTITUTE OF ARCHITECTS

*AIA Document B141*

# Standard Form of Agreement Between Owner and Architect

*THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION*

**AGREEMENT**

made this day of April in the year of Nineteen Hundred and Seventy-Seven

**BETWEEN** the Owner: South Carolina Department of Corrections

and the Architect: Wilbur Smith and Associates, Inc., in association with Hellmuth, Obata and Kassabaum, Associated Architects.

For the following Project:
(Include detailed description of Project location and scope)

A Medium Security Correctional Facility; A Minimum Security Correctional Facility; and A Work-Release/Pre-Release Facility; the Correctional Facilities shall be designed as far as practicable as Proto-Types with utilization of compatible building systems.

The Owner and the Architect agree as set forth below.

## PROFESSIONAL FEE PLUS EXPENSES

I. THE ARCHITECT shall provide professional services for the Project in accordance with the Terms and Conditions of this Agreement.

II. THE OWNER shall compensate the Architect, in accordance with the Terms and Conditions of this Agreement.

A. *FOR BASIC SERVICES*, as described in Paragraphs 1.1 and 14.1 Basic Compensation shall be computed on the basis of a PROFESSIONAL FEE PLUS EXPENSES, as follows:

(1) a Professional Fee of Two Hundred Ten Thousand dollars ($210,000.00 )

plus (2) expenses computed as follows:

~~Principals' time at the fixed rate of dollars ($ ) per hour.~~
~~For the purposes of this Agreement, the Principals are:~~

Employees' time (other than Principals) at a multiple of two and sixty-five one hundreths ( 2.65 ) times the employees' Direct Personnel Expenses as defined in Article 4.

Services of professional consultants at a multiple of one ( -1- ) times the amount billed to the Architect for such services.

B. *FOR ADDITIONAL SERVICES*, as described in Paragraph 1.3, compensation computed as follows:

~~1. Principals' time at the fixed rate of dollars ($ ) per hour.~~
~~For the purpose of this Agreement, the Principals are:~~

2. Employees' time (other than Principals) at a multiple of three ( -3- ) times the employees' Direct Personnel Expense as defined in Article 4.
3. Services of professional consultants at a multiple of one ( -1- ) times the amount billed to the Architect for such services.

C. *AN INITIAL PAYMENT* of NONE dollars ($ ) shall be made upon the execution of this Agreement and credited to the Owner's account.

D. *FOR REIMBURSABLE EXPENSES*, amounts expended as defined in Article 5.

III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:

A. *IF SCOPE* of the Project is changed materially, compensation shall be subject to renegotiation.

~~B. *IF THE SERVICES* covered by this Agreement have not been completed within ( ) months of the date hereof, the amounts of compensation, rates and multiples set forth in Paragraph II shall be subject to renegotiation.~~

IV. The Owner and Architect agree that the total compensation to be paid in accordance with Paragraphs II.A.(2) and II.D. shall not exceed One Million One Hundred Thousand Dollars ($1,100,000.).

V. The Architect shall assist the Owner in the re-use of the Proto-Type Construction Documents and the Owner shall compensate the Architect therefore as follows:

A.(1) A Lump Sum Professional Fee computed on the basis of 0.65 percent of the then Estimated Construction Cost of the Prison and Facilities; plus

(2) Expenses as setforth in Paragraphs II.A.(2) and II.D. hereof in a maximum amount which will be agreed upon at the time of said re-use.

# TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT

## ARTICLE 1

## ARCHITECT'S SERVICES

**1.1 BASIC SERVICES**

The Architect's Basic Services consist of the five phases described below and include normal structural, mechanical and electrical engineering services and any other services included in Article 14 as Basic Services.

**SCHEMATIC DESIGN PHASE**

**1.1.1** The Architect shall review the program furnished by the Owner to ascertain the requirements of the Project and shall confirm such requirements to the Owner.

**1.1.2** Based on the mutually agreed upon program, the Architect shall prepare Schematic Design Studies consisting of drawings and other documents illustrating the scale and relationship of Project components for approval by the Owner.

**1.1.3** The Architect shall submit to the Owner a Statement of Probable Construction Cost based on current area, volume or other unit costs.

**DESIGN DEVELOPMENT PHASE**

**1.1.4** The Architect shall prepare from the approved Schematic Design Studies, for approval by the Owner, the Design Development Documents consisting of drawings and other documents to fix and describe the size and character of the entire Project as to structural, mechanical and electrical systems, materials and such other essentials as may be appropriate.

**1.1.5** The Architect shall submit to the Owner a further Statement of Probable Construction Cost.

**CONSTRUCTION DOCUMENTS PHASE**

**1.1.6** The Architect shall prepare from the approved Design Development Documents, for approval by the Owner, Drawings and Specifications setting forth in detail the requirements for the construction of the entire Project including the necessary bidding information, and shall assist in the preparation of bidding forms, the Conditions of the Contract, and the form of Agreement between the Owner and the Contractor.

**1.1.7** The Architect shall advise the Owner of any adjustments to previous Statements of Probable Construction Cost indicated by changes in requirements or general market conditions.

**1.1.8** The Architect shall assist the Owner in filing the required documents for the approval of governmental authorities having jurisdiction over the Project.

**BIDDING OR NEGOTIATION PHASE**

**1.1.9** The Architect, following the Owner's approval of the Construction Documents and of the latest Statement of Probable Construction Cost, shall assist the Owner in obtaining bids or negotiated proposals, and in awarding and preparing construction contracts.

**CONSTRUCTION PHASE — ADMINISTRATION OF THE CONSTRUCTION CONTRACT**

**1.1.10** The Construction Phase will commence with the award of the Construction Contract and will terminate when the final Certificate for Payment is issued to the Owner.

**1.1.11** The Architect shall provide Administration of the Construction Contract as set forth in AIA Document A201, General Conditions of the Contract for Construction, and the extent of his duties and responsibilities and the limitations of his authority as assigned thereunder shall not be modified without his written consent.

**1.1.12** The Architect, as the representative of the Owner during the Construction Phase, shall advise and consult with the Owner and all of the Owner's instructions to the Contractor shall be issued through the Architect. The Architect shall have authority to act on behalf of the Owner to the extent provided in the General Conditions unless otherwise modified in writing.

**1.1.13** The Architect shall at all times have access to the Work wherever it is in preparation or progress.

**1.1.14** The Architect shall make periodic visits to the site to familiarize himself generally with the progress and quality of the Work and to determine in general if the Work is proceeding in accordance with the Contract Documents. On the basis of his on-site observations as an architect, he shall endeavor to guard the Owner against defects and deficiencies in the Work of the Contractor. The Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. The Architect shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, and he shall not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

**1.1.15** Based on such observations at the site and on the Contractor's Applications for Payment, the Architect shall determine the amount owing to the Contractor and shall issue Certificates for Payment in such amounts. The issuance of a Certificate for Payment shall constitute a representation by the Architect to the Owner, based on the Architect's observations at the site as provided in Subparagraph 1.1.14 and the data comprising the Application for Payment, that the Work has progressed to the point indicated; that to the best of the Architect's knowledge, information and belief, the quality of the Work is in accordance with the Contract Documents (subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to the results of any subsequent tests required by the Contract

Documents, to minor deviations from the Contract Documents correctable prior to completion, and to any specific qualifications stated in the Certificate for Payment); and that the Contractor is entitled to payment in the amount certified. By issuing a Certificate for Payment, the Architect shall not be deemed to represent that he has made any examination to ascertain how and for what purpose the Contractor has used the moneys paid on account of the Contract Sum.

**1.1.16** The Architect shall be, in the first instance, the interpreter of the requirements of the Contract Documents and the impartial judge of the performance thereunder by both the Owner and Contractor. The Architect shall make decisions on all claims of the Owner or Contractor relating to the execution and progress of the Work and on all other matters or questions related thereto. The Architect's decisions in matters relating to artistic effect shall be final if consistent with the intent of the Contract Documents.

**1.1.17** The Architect shall have authority to reject Work which does not conform to the Contract Documents. Whenever, in his reasonable opinion, he considers it necessary or advisable to insure the proper implementation of the intent of the Contract Documents, he will have authority to require special inspection or testing of any Work in accordance with the provisions of the Contract Documents whether or not such Work be then fabricated, installed or completed.

**1.1.18** The Architect shall review and approve shop drawings, samples, and other submissions of the Contractor only for conformance with the design concept of the Project and for compliance with the information given in the Contract Documents.

**1.1.19** The Architect shall prepare Change Orders.

**1.1.20** The Architect shall conduct inspections to determine the Dates of Substantial Completion and final completion, shall receive and review written guarantees and related documents assembled by the Contractor, and shall issue a final Certificate for Payment.

**1.1.21** The Architect shall not be responsible for the acts or omissions of the Contractor, or any Subcontractors, or any of the Contractor's or Subcontractors' agents or employees, or any other persons performing any of the Work.

### 1.2 PROJECT REPRESENTATION BEYOND BASIC SERVICES

**1.2.1** If more extensive representation at the site than is described under Subparagraphs 1.1.10 through 1.1.21 inclusive is required, and if the Owner and Architect agree, the Architect shall provide one or more Full-Time Project Representatives to assist the Architect.

**1.2.2** Such Full-Time Project Representatives shall be selected, employed and directed by the Architect, and the Architect shall be compensated therefor as mutually agreed between the Owner and the Architect as set forth in an exhibit appended to this Agreement.

**1.2.3** The duties, responsibilities and limitations of authority of such Full-Time Project Representatives shall be set forth in an exhibit appended to this Agreement.

**1.2.4** Through the on-site observations by Full-Time Project Representatives of the Work in progress, the Architect shall endeavor to provide further protection for the Owner against defects in the Work, but the furnishing of such project representation shall not make the Architect responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs, or for the Contractor's failure to perform the Work in accordance with the Contract Documents.

### 1.3 ADDITIONAL SERVICES

The following Services shall be provided when authorized in writing by the Owner, and they shall be paid for by the Owner as hereinbefore provided.

**1.3.1** Providing analyses of the Owner's needs, and programming the requirements of the Project.

**1.3.2** Providing financial feasibility or other special studies.

**1.3.3** Providing planning surveys, site evaluations, environmental studies or comparative studies of prospective sites.

**1.3.4** Providing design services relative to future facilities, systems and equipment which are not intended to be constructed as part of the Project.

**1.3.5** Providing services to investigate existing conditions or facilities or to make measured drawings thereof, or to verify the accuracy of drawings or other information furnished by the Owner.

**1.3.6** Preparing documents for alternate bids or out-of-sequence services requested by the Owner.

**1.3.7** Providing Detailed Estimates of Construction Cost or detailed quantity surveys or inventories of material, equipment and labor.

**1.3.8** Providing interior design and other services required for or in connection with the selection of furniture and furnishings.

**1.3.9** Providing services for planning tenant or rental spaces.

**1.3.10** Making revisions in Drawings, Specifications or other documents when such revisions are inconsistent with written approvals or instructions previously given and are due to causes beyond the control of the Architect.

**1.3.11** Preparing supporting data and other services in connection with Change Orders if the change in the Basic Compensation resulting from the adjusted Contract Sum is not commensurate with the services required of the Architect.

**1.3.12** Making investigations involving detailed appraisals and valuations of existing facilities, and surveys or inventories required in connection with construction performed by the Owner.

**1.3.13** Providing consultation concerning replacement of any Work damaged by fire or other cause during construction, and furnishing professional services of the type


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set forth in Paragraph 1.1 as may be required in connection with the replacement of such Work.

**1.3.14** Providing professional services made necessary by the default of the Contractor or by major defects in the Work of the Contractor in the performance of the Construction Contract.

**1.3.15** Preparing a set of reproducible record prints of drawings showing significant changes in the Work made during the construction process, based on marked-up prints, drawings and other data furnished by the Contractor to the Architect.

**1.3.16** Providing extensive assistance in the utilization of any equipment or system such as initial start-up or testing, adjusting and balancing, preparation of operation and maintenance manuals, training personnel for operation and maintenance, and consultation during operation.

**1.3.17** Providing services after issuance to the Owner of the final Certificate for Payment.

**1.3.18** Preparing to serve or serving as an expert witness in connection with any public hearing, arbitration proceeding or legal proceeding.

**1.3.19** Providing services of professional consultants for other than the normal structural, mechanical and electrical engineering services for the Project.

**1.3.20** Providing any other services not otherwise included in this Agreement or not customarily furnished in accordance with generally accepted architectural practice.

## ARTICLE 2

## THE OWNER'S RESPONSIBILITIES

**2.1** The Owner shall provide full information, including a complete program, regarding his requirements for the Project.

**2.2** The Owner shall designate, when necessary, a representative authorized to act in his behalf with respect to the Project. The Owner shall examine documents submitted by the Architect and shall render decisions pertaining thereto promptly, to avoid unreasonable delay in the progress of the Architect's services.

**2.3** The Owner shall furnish a certified land survey of the site giving, as applicable, grades and lines of streets, alleys, pavements and adjoining property; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and complete data pertaining to existing buildings, other improvements and trees; and full information concerning available service and utility lines both public and private, above and below grade, including inverts and depths.

**2.4** The Owner shall furnish the services of a soils engineer or other consultant when such services are deemed necessary by the Architect, including reports, test borings, test pits, soil bearing values, percolation tests, air and water pollution tests, ground corrosion and resistivity tests and other necessary operations for determining subsoil, air and water conditions, with appropriate professional recommendations.

**2.5** The Owner shall furnish structural, mechanical, chemical and other laboratory tests, inspections and reports as required by law or the Contract Documents.

**2.6** The Owner shall furnish such legal, accounting, and insurance counseling services as may be necessary for the Project, and such auditing services as he may require to ascertain how or for what purposes the Contractor has used the moneys paid to him under the Construction Contract.

**2.7** The services, information, surveys and reports required by Paragraphs 2.3 through 2.6 inclusive shall be furnished at the Owner's expense, and the Architect shall be entitled to rely upon the accuracy and completeness thereof.

**2.8** If the Owner becomes aware of any fault or defect in the Project or non-conformance with the Contract Documents, he shall give prompt written notice thereof to the Architect.

**2.9** The Owner shall furnish information required of him as expeditiously as necessary for the orderly progress of the Work.

## ARTICLE 3

## CONSTRUCTION COST

**3.1** If the Construction Cost is to be used as the basis for determining the Architect's Compensation for Basic Services, it shall be the total cost or estimated cost to the Owner of all Work designed or specified by the Architect. The Construction Cost shall be determined as follows, with precedence in the order listed:

**3.1.1** For completed construction, the cost of all such Work, including costs of managing construction;

**3.1.2** For Work not constructed, (1) the lowest bona fide bid received from a qualified bidder for any or all of such Work, or (2) if the Work is not bid, the bona fide negotiated proposal submitted for any or all of such Work; or

**3.1.3** For Work for which no such bid or proposal is received, (1) the latest Detailed Estimate of Construction Cost if one is available, or (2) the latest Statement of Probable Construction Cost.

**3.2** Construction Cost does not include the compensation of the Architect and his consultants, the cost of the land, rights-of-way, or other costs which are the responsibility of the Owner as provided in Paragraphs 2.3 through 2.6 inclusive.

**3.3** The cost of labor, materials and equipment furnished by the Owner for the Project shall be included in the Construction Cost at current market rates including a reasonable allowance for overhead and profit.

**3.4** Statements of Probable Construction Cost and Detailed Cost Estimates prepared by the Architect represent his best judgment as a design professional familiar with the construction industry. It is recognized, however, that neither the Architect nor the Owner has any control over the cost of labor, materials or equipment, over the contractors' methods of determining bid prices, or over competitive bidding or market conditions. Accordingly, the

Architect cannot and does not guarantee that bids will not vary from any Statement of Probable Construction Cost or other cost estimate prepared by him.

**3.5** When a fixed limit of Construction Cost is established as a condition of this Agreement, it shall be in writing signed by the parties and shall include a bidding contingency of ten percent unless another amount is agreed upon in writing. When such a fixed limit is established, the Architect shall be permitted to determine what materials, equipment, component systems and types of construction are to be included in the Contract Documents, and to make reasonable adjustments in the scope of the Project to bring it within the fixed limit. The architect may also include in the Contract Documents alternate bids to adjust the Construction Cost to the fixed limit.

**3.5.1** If the Bidding or Negotiating Phase has not commenced within six months after the Architect submits the Construction Documents to the Owner, any fixed limit of Construction Cost established as a condition of this Agreement shall be adjusted to reflect any change in the general level of prices which may have occurred in the construction industry for the area in which the Project is located. The adjustment shall reflect changes between the date of submission of the Construction Documents to the Owner and the date on which proposals are sought.

**3.5.2** When a fixed limit of Construction Cost, including the Bidding contingency (adjusted as provided in Subparagraph 3.5.1, if applicable), is established as a condition of this Agreement and is exceeded by the lowest bona fide bid or negotiated proposal, the Detailed Estimate of Construction Cost or the Statement of Probable Construction cost, the Owner shall (1) give written approval of an increase in such fixed limit, (2) authorize rebidding the Project within a reasonable time, or (3) cooperate in revising the Project scope and quality as required to reduce the Probable Construction Cost. In the case of (3) the Architect, without additional charge, shall modify the Drawings and Specifications as necessary to bring the Construction Cost within the fixed limit. The providing of such service shall be the limit of the Architect's responsibility in this regard, and having done so, the Architect shall be entitled to compensation in accordance with this Agreement.

## ARTICLE 4

## DIRECT PERSONNEL EXPENSE

Direct Personnel Expense is defined as the salaries of professional, technical and clerical employees engaged on the Project by the Architect, and the cost of their mandatory and customary benefits such as statutory employee benefits, insurance, sick leave, holidays, vacations, pensions and similar benefits.

## ARTICLE 5

## REIMBURSABLE EXPENSES

**5.1** Reimbursable Expenses are in addition to the Compensation for Basic and Additional Services and include actual expenditures made by the Architect, his employees, or his professional consultants in the interest of the Project for the expenses listed in the following Subparagraphs:

**5.1.1** Expense of transportation and living when traveling in connection with the Project; long distance calls and telegrams; and fees paid for securing approval of authorities having jurisdiction over the Project.

**5.1.2** Expense of reproductions, postage and handling of Drawings and Specifications excluding duplicate sets at the completion of each Phase for the Owner's review and approval.

**5.1.3** If authorized in advance by the Owner, expense of overtime work requiring higher than regular rates and expense of renderings or models for the Owner's use.

**5.1.4** Expense of computer time for professional services when included in Paragraph II.

**5.1.5** Expense of computer time when used in connection with Additional Services.

## ARTICLE 6

## PAYMENTS TO THE ARCHITECT

**6.1** Payments on account of the Architect's Basic Services shall be made as follows:

**6.1.1** An initial payment as set forth in Paragraph II is the minimum payment under this Agreement.

**6.1.2** Subsequent payments for Basic Services shall be made monthly in proportion to services performed so that the compensation at the completion of each Phase, ~~except when the compensation is on the basis of a Multiple of Direct Personnel Expense~~, shall equal the following percentages of the total Basic Compensation:

| | | |
|---|---|---|
| Program Analysis | | 3% |
| Schematic Design Phase ..... | ~~45%~~ | 18% |
| Design Development Phase ..... | ~~55%~~ | 38% |
| Construction Documents Phase ... | ~~75%~~ | 78% |
| Bidding or Negotiation Phase .... | ~~80%~~ | 83% |
| Construction Phase ..... | 100% | |

**6.1.3** If the Contract Time initially established in the Construction Contract is exceeded by more than thirty days through no fault of the Architect, compensation for Basic Services performed by Principals, employees and professional consultants required to complete the Administration of the Construction Contract beyond the thirtieth day shall be computed as set forth in Paragraph II for Additional Services.

**6.2** Payments for Additional Services of the Architect as defined in Paragraph 1.3, and for Reimbursable Expenses as defined in Article 5, shall be made monthly upon presentation of the Architect's statement of services rendered.

**6.3** No deductions shall be made from the Architect's compensation on account of penalty, liquidated damages, or other sums withheld from payments to contractors.

**6.4** If the Project is suspended for more than three months or abandoned in whole or in part, the Architect


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shall be paid his compensation for services performed prior to receipt of written notice from the Owner of such suspension or abandonment, together with Reimbursable Expenses then due and all termination expenses as defined in Paragraph 8.3 resulting from such suspension or abandonment. If the Project is resumed after being suspended for more than three months, the Architect's compensation shall be subject to renegotiation.

**6.5** Payments due the Architect under this Agreement shall bear interest at the legal rate commencing sixty days after the date of billing.

## ARTICLE 7

## ARCHITECT'S ACCOUNTING RECORDS

Records of Reimbursable Expenses and expenses pertaining to Additional Services on the Project and for services performed on the basis of a Multiple of Direct Personnel Expense shall be kept on a generally recognized accounting basis and shall be available to the Owner or his authorized representative at mutually convenient times.

## ARTICLE 8

## TERMINATION OF AGREEMENT

**8.1** This Agreement may be terminated by either party upon seven days' written notice should the other party fail substantially to perform in accordance with its terms through no fault of the party initiating the termination.

**8.2** In the event of termination due to the fault of parties other than the Architect, the Architect shall be paid his compensation for services performed to termination date, including Reimbursable Expenses then due and all termination expenses.

**8.3** Termination Expenses are defined as Reimbursable Expenses directly attributable to termination, plus an amount computed as a percentage of the total compensation earned to the time of termination, ~~as follows:~~

~~20 percent if termination occurs during the Schematic Design Phase; or~~

~~10 percent if termination occurs during the Design Development Phase; or~~

~~5 percent if termination occurs during any subsequent phase.~~

## ARTICLE 9

## OWNERSHIP OF DOCUMENTS

Drawings and Specifications as instruments of service are and shall remain the property of the Architect whether the Project for which they are made is executed or not. They are not to be used by the Owner on other projects or extensions to this Project except by agreement in writing and with appropriate compensation to the Architect.

## ARTICLE 10

## SUCCESSORS AND ASSIGNS

The Owner and the Architect each binds himself, his partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither the Owner nor the Architect shall assign, sublet or transfer his interest in this Agreement without the written consent of the other.

## ARTICLE 11

## ARBITRATION

**11.1** All claims, disputes and other matters in question between the parties to this Agreement, arising out of or relating to this Agreement or the breach thereof, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then obtaining unless the parties mutually agree otherwise. No arbitration, arising out of or relating to this Agreement, shall include, by consolidation, joinder or in any other manner, any additional party not a party to this Agreement except by written consent containing a specific reference to this Agreement and signed by all the parties hereto. Any consent to arbitration involving an additional party or parties shall not constitute consent to arbitration of any dispute not described therein or with any party not named or described therein. This Agreement to arbitrate and any agreement to arbitrate with an additional party or parties duly consented to by the parties hereto shall be specifically enforceable under the prevailing arbitration law.

**11.2** Notice of the demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. The demand shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations.

**11.3** The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

## ARTICLE 12

## EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Owner and the Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Architect.

## ARTICLE 13

## GOVERNING LAW

Unless otherwise specified, this Agreement shall be governed by the law of ~~the principal place of business of the Architect.~~ South Carolina.

## ARTICLE 14

### OTHER CONDITIONS OR SERVICES

| | |
|---|---|
| 14.1 | Basic services shall also include the following: |
| 14.1.1 | Program analysis: |
| 14.1.1.1 | Investigate building systems |
| 14.1.1.2 | Consult with Owner during program development |
| 14.1.1.3 | Investigate available energy sources for sites under consideration. |
| 14.1.1.4 | Prepare site selection criteria manual and assist in site evaluation. |
| 14.1.1.5 | Visit other Correctional Institutions deemed appropriate by Owner. |
| 14.1.1.6 | Consult and assist as requested at public hearings and presentations. |
| 14.1.2 | Multiple Contracts: |
| 14.1.2.1 | Prepare separate bid documents for various segments of the Project to be bid with multiple contracts. |
| 14.1.2.2 | Assist Owner's Construction Manager |
| 14.1.2.3 | Prepare documents for construction of mock-ups of portions of the Project. |
| 14.1.3 | Cost Analysis: |
| 14.1.3.1 | Prepare Value Engineering Study |
| 14.1.3.2 | Prepare Life Cycle Costing Study |
| 14.1.3.3 | Compile Materials' List Manual |
| 14.1.4 | Prepare a Concept Manual for use in training staff in proper use of Project. |

This Agreement executed the day and year first written above.

OWNER

ARCHITECT

Robert T. Lyles
WILBUR SMITH AND ASSOCIATES



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LIST OF FIRMS SUBMITTING

1. PRATHER-THOMAS-CAMPBELL-PRIDGEN
   Spartanburg, South Carolina

2. ALEXANDER-MOORMAN & ASSOCIATES
   Aiken, South Carolina

3. *READ, BARNES & ASSOCIATES
   Charleston, South Carolina

4. EHNI ASSOCIATES
   Charleston, South Carolina

5. FREEMAN, WELLS & MAJOR
   Greenville, South Carolina

6. J. HARRELL GANDY, ARCHITECT
   Charleston, South Carolina

7. GEIGER, McELVEEN & KENNEDY
   Columbia, South Carolina

8. R. S. NOONAN, INC.
   Greenville, South Carolina

9. BLUME, CANNON & OTT, ARCHITECTS
   Columbia, South Carolina

10. *BULTMAN/COULTER/GASQUE ASSOCIATES
    Columbia, South Carolina

11. CARLISLE ASSOCIATES
    Columbia, South Carolina

12. COLUMBIA ARCHITECTURAL GROUP
    Columbia, South Carolina

13. CRAIG & GAULDEN, ARCHITECTS
    Greenwood, South Carolina 29601

14. DESIGN COLLABORATIVE, INC.
    Columbia, South Carolina

15. GILL-WILKINS-WOOD
    Florence, South Carolina

16. GILLILAND-BELL ASSOCIATES, INC.
    Greenwood, South Carolina

17. MR. W. B. KAURIC, ARCHITECT
    Columbia, South Carolina

18. LOCKWOOD-GREENE, ARCHITECTS
    Spartanburg, South Carolina

19. LUCAS & STUBBS
Charleston, South Carolina

20. McMILLIAN, BUNES, TOWNSEND & BOWEN
Greenville, South Carolina

21. McNAIR, GORDON, JOHNSON & KARASIEWICZ
Columbia, South Carolina

22. ODELL ASSOCIATES, INC.
Greenville, South Carolina

23. RUSSELL & AXON ENGINEERS
Anderson, South Carolina

24. J. E. SIRRINE COMPANY
Greenville, South Carolina

25. SMITH-FULLER ARCHITECTS
Florence, South Carolina

26. WILBUR SMITH & ASSOCIATES
Columbia, South Carolina

27. PROFESSIONAL DESIGN PARTNERSHIP
Greenwood, South Carolina 29646

28. GRIER-FRIPP ASSOC., INC.
Charlotte, North Carolina

*Requested to withdraw from consideration prior to interviews

The South Carolina Department of Corrections, 444 Broad River Road, Columbia, South Carolina, is accepting resumes of qualifications from architectural/engineering firms interested in providing design services for three (3) prototype correctional facilities. The prototype facilities will include a medium/maximum security facility, a minimum security facility, and a pre-release/work release facility. It is intended that the prototype facility designs will be utilized for construction of future correctional facilities. In addition to the design of the prototype facilities, complete architectural/engineering services through the construction phase will be required for the first constructed facility of each prototype.

In negotiating an architectural/engineering contract and under the contract, the Department of Corrections will have the following rights:

a. The Department will own all plans (original), specifications, notes, and design calculations for current and future use.

b. The Department will have the right to re-site the prototype at other locations, in whole or in part, without further compensation under the initial contract.

The Department will negotiate and the contract will be a lump sum contract. Those submitting resumes of qualification shall so state in their submittal the name and qualifications of any consultants they propose to use, such as mechanical, electrical, structural, civil, site, landscape, etc.

Each firm interested in providing architectural/engineering services shall submit a resume of experience on the standard form provided by the Department. Standard forms are available in the office of the Facilities Planner at the address indicated below.

Design services required are those necessary for the completion of the schematic design phase, the design development phase, and the construction documents phase. Principal facilities for each prototype include administrative, dormitories, kitchen/dining, educational, recreational, visiting and industry facilities. Resumes will be received in the office of the Facilities Planner at P.O. Box 766, Columbia, S.C. 29201, no later than close of business March 11, 1977. All inquiries should be directed to the Facilities Planner, phone 758-6207.

William D. Leeke,
Commissioner
South Carolina Department
of Corrections

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MAR 9 1977
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**COLUMBIA NEWSPAPERS, INC.**

**Publishers of**

The State — *Mornings and Sunday* — AND — The Columbia Record — *Evenings*

SOUTH CAROLINA
OF RICHLAND

appeared before me Carl M. Regal, Retail Advertising Manager

ATE, and makes oath that the advertisement,

- Architectural/engineering resumes

of which is attached hereto, was printed in THE STATE, a daily newspaper of general circulation published in the City of Columbia, State and County aforesaid, in the issues of

February 20, 25, 1977 and March 5, 1977

Carl M. Regal

Subscribed and sworn to before me
this 7th day of March 19 77.

Emma Lee Sandlin Notary Public

277

# The News and Courier

State of South Carolina
COUNTY OF CHARLESTON

Personally appeared before me

J. Altine ..... advertising Clerk

of The News and Courier, a newspaper published in the City of Charleston, County and State aforesaid, who, being duly sworn, says that the advertisement of

Copy Attached

appeared in the issues of said newspaper on the following

day(s): February 20, 25; March 5, 1977

Subscribed and sworn to before me this 25th day of April A. D. 19 77.

J. Altine

Dorothy W Gibbs
NOTARY PUBLIC, S. C.
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

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APR 27 1977
ENGINEERING

L- 278

Form No. 3020

NOTICE

The South Carolina Department of Corrections, 4444 Broad River Road, Columbia, South Carolina, is accepting resumes of qualifications from architectural/engineering firms interested in providing design services for three (3) prototype correctional facilities. The prototype facilities will include a medium/maximum security facility, a minimum security facility, and a pre-release/work release facility. It is intended that the prototype facility designs will be utilized for construction of future correctional facilities. In addition to the design of the prototype facilities, complete architectural/engineering services through the construction phase will be required for the first constructed facility of each prototype.

In negotiating an architectural/engineering contract and under the contract, the Department of Corrections will have the following rights:

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b. The Department will have the right to re-site the prototype at other locations, in whole or in part, without further compensation under the initial contract.

The Department will negotiate and the contract will be a lump sum contract. Those submitting resumes of qualification shall so state in their submittal the name and qualifications of any consultants they propose to use, such as mechanical, electrical, structural, civil, site, landscape, etc.

Each firm interested in providing architectural/engineering services shall submit a resume of experience on the standard form provided by the Department. Standard forms are available in the office of the Facilities Planner at the address indicated below.

Design services required are those necessary for the completion of the schematic design phase, the design development phase, and the construction documents phase. Principal facilities for each prototype include administrative, dormitories, kitchen/dining, educational, recreational, visiting and industry facilities. Resumes will be received in the office of the Facilities Planner at P. O. Box 766, Columbia, S. C., 29201, no later than close of business March 11, 1977. All inquires should be directed to the Facilities Planner, phone 758-6207.

William D. Leeke, Commissioner
South Carolina Department of Corrections

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ENGINEERING

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**THE GREENVILLE NEWS-PIEDMONT COMPANY**

POST OFFICE BOX 1688
GREENVILLE, SOUTH CAROLINA 29602

AFFIDAVIT

Allen Dedwyler, being duly sworn, says that he is the legal representative

of { ~~THE GREENVILLE NEWS~~ / GREENVILLE PIEDMONT a newspaper printed and published in the

City of Greenville, in the State of South Carolina. That the attached advertisement appeared in 13¼ inches in the issue

of February 23, 25, March 4, 1977

Allen Dedwyler

Sworn to and subscribed before me

this 8th day of March 19 77 .

Robert P Hoff

Notary Public for State of S.C.

Total Due $

The South Carolina Department of Corrections, 4444 Broad River Road, Columbia, South Carolina, is accepting resumes of qualifications from architectural/engineering firms interested in providing design services for three (3) prototype correctional facilities. The prototype facility will include a medium/maximum security facility, a minimum security facility and a pre-release/work release facility. It is intended that the prototype facility designs will be utilized for construction of future correctional facilities. In addition to the design of the prototype facilities, complete architectural/engineering services through the construction phase will be required for the first constructed facility of each prototype.

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a. The Department will own all plans (original), specifications, notes, and design calculations for current and future use.

b. The Department will have the right to resite the prototype at other locations, in whole or in part, without further compensation under the initial contract.

The Department will negotiate and the contract will be a lump sum contract. Those submitting resumes of qualifications shall so state in their submittal the name and qualifications of any consultants they propose to use, such as mechanical, electrical, structural, civil, site, landscape, etc.

Each firm interested in providing architectural/engineering services shall submit a resume of experience on the standard form provided by the Department. Standard forms are available in the office of the Facilities Planner at the address indicated below.

Design services required are those necessary for the completion of the schematic design phase, the design development phase, and the construction documents phase. Principal facilities for each prototype include administrative, dormitories, kitchen/dining, educational, recreational, visiting and industry facilities. Resumes will be received in the office of the Facilities Planner at P. O. Box 766, Columbia, S. C., 29201, no later than close of business March 11, 1977. All inquiries should be directed to the Facilities Planner, phone 758-6207.

William D. Leeke,
Commissioner, South Carolina Department of Corrections. 181588

4

ATTACHMENT #3

CONSTRUCTION PROJECTS
PREVIOUS TWO (2) YEARS

| | Architectural/Engineering Firm | Nature of Project | | Construction Contract Amount |
|---|---|---|---|---|
| 1. | Player & Associates | Addition to Supply Complex (21-59) | | 200,000.00 |
| 2. | Geiger McElveen & Kennedy | Construct Administration Building Annex (21-60) | | 1,626,002.00 |
| 3. | Department of Corrections | Roof repair, dormitory & kitchen, MacDougall Youth Correction Center (21-63) | | 101,134.60 |
| 4. | Department of Corrections | Construct Commissary Warehouse (21-64) | | 12,000.00 |
| 5. | Lucas & Stubbs | Upper Savannah Regional Correctional Center (21-68) | | Project Canceled |
| 6. | Freeman, Wells & Major | Appalachian Regional Correctional Center - Greenville (21-69) | | Project Canceled |
| 7. | Lockwood Greene, Engineers, Inc. | Appalachian Regional Correctional Center - Spartanburg (21-70) | | Project Canceled |
| 8. | Department of Corrections Bruce Fleming & Associates | Goodman Dormitory Additions (21-71) | ** | 409,586.00 |
| 9. | Geiger McElveen & Kennedy | Hospital Complex (21-72) | | Project Canceled |
| 10. | Player & Associates | Supply Complex Addition (21-74) | * | 125,000.00 |
| 11. | Greenwood Associates, Inc. | Renovation, Greenwood Correctional Center (21-75) | | Project Canceled |
| 12. | Greenwood Associates, Inc. | Renovation, Laurens Correctional Center (21-76) | | Project Canceled |
| 13. | Department of Corrections | Paint Spray Booth, MacDougall Youth Correction Center (21-77) | | 49,368.36 |

| | | | | |
|---|---|---|---|---|
| 14. | Carson & Williams | Campbell Pre-Release Center (21-78) | | 721,300.00 |
| 15. | Department of Corrections | Renovation, Savannah River Pre-Release Center (21-79) | | |
| 16. | Samuel Harper | Palmer Pre-Release Center (21-80) | | 607,299.00 |
| 17. | Department of Corrections | Renovation, Duncan Pre-Release Center (21-78) | | 21,500.00 |
| 18. | Department of Corrections | Renovation, Northside Pre-Release Center (21-82) | | 28,000.00 |
| 19. | McMillian Bunes Townsend & Bowen | Relocation of Facilities, Hampton Street Extension CCI (21-83) | ** | 273,390.00 |
| 20. | Geiger McElveen & Kennedy | Dormitories and Multipurpose Building Women's Correctional Center (21-84) | | 1,306.200.00 |
| 21. | Leon Campbell & Associates | Traffic Facilities, Broad River Road Complex (21-85) | | 395,000.00 |
| 22. | Department of Corrections | Private Visitation Center, Wateree River Correctional Institution (21-87) | ** | 42,666.00 |
| 23. | Department of Corrections | Retube Boiler #1, CCI (21-88) | | 45,000.00 |
| 24. | Department of Corrections | Renovate Guard Towers & Cells MDRC (21-89) | | 19,086.00 |
| 25. | Department of Corrections | Construct Toilets - Manning Correctional Institution (21-90) | | 2,000.00 |
| 26. | Department of Corrections | Water Treatment System, Wateree River Correctional Institution (21-92) | * | 13,000.00 |
| 27. | Department of Corrections | Construct Boiler Room & Install New Boiler North Sumter Correctional Center (21-93) | * | 9,000.00 |
| 28. | Department of Corrections | Addition, Reception & Evaluation Center (21-94) | ** | 7,292.00 |

| | | | | |
|---|---|---|---|---|
| 29. | Department of Corrections | Install Ventilation Equipment, Reception & Evaluation Center (21-95) | | 12,000.00 |
| 30. | Department of Corrections | Renovate Guards Quarters CCI (21-96) | | 8,000.00 |
| 31. | Department of Corrections | Construct Greenhouse, Kirkland Correctional Institution (21-97) | | 5,000.00 |
| 32. | Department of Corrections | Construct Greenhouse, Women's Correctional Center (21-98) | | 6,064.00 |
| 33. | Department of Corrections | Sewer Trunk Line, Greenwood Correctional Center (21-100) | * | 45,000.00 |
| 34. | Department of Corrections | Toilet Renovations, Watkins Pre-Release Center (21-101) | | 2,200.00 |
| 35. | Department of Corrections | Toilet Renovations, Aiken Youth Center (21-102) | | 2,000.00 |
| 36. | J. E. Sirrine Co. | Comprehensive Sewer Improvements (21-108) | | 362,794.88 |

*Under Design

**Under Construction - Inmate Labor

Wilbur Smith and Associates, Jobs with the State of South Carolina for the past 24 months using the current date of April, 1977, as the ending of this term.

South Carolina Ports Authority, South Carolina Ports Access--$7,462.32

South Carolina Public Railways Commission, South Carolina Railroad Study--$35,000.00

South Carolina Highway Department, SCHD Signs Review,--$4,640.00

Office of Community Development, South Carolina Legislation Review--$23,000.00

South Carolina Public Railways Commission, EC&B Railroad Design--$275,000.00

Division of Administration (Office of the Governor), South Carolina Retiree Study--$9,500.00

South Carolina Aeronautics Commission, Land Use Study Around South Carolina Airports--$6,000.00

Office of the Governor, South Carolina State Transportation Model--$60,000.00

South Carolina Public Railways Commission, EC&B Railroad Surveys--$18,000.00

South Carolina Public Railways Commission, EC&B Railroad Redesign--$103,000.00

State of South Carolina, Office of the Governor, Arsenal Hill Master Plan--$10,329.00

State of South Carolina (Office of the Governor), Charleston Inner Belt Study--$20,000.00

South Carolina State Highway Department, James Island Expressway-Phase I--$227,800.00

South Carolina Public Railways Commission, EC&B Railroad Survey--$4,500.00

State of South Carolina (Att. Gen. Off) Expert Testimony-Widen Rosewood Drive--$2,500.00

EXHIBIT V
5/4/77

STATE BUDGET AND CONTROL BOARD

MEETING OF May 4, 1977 AGENDA ITEM NUMBER 2

Agency:

State Housing Authority

Subject: Authorization to Advertise for Construction Bids

The State Housing Authority has requested Board authorization to advertise for bids on the following housing developments:

| | | | |
|---|---|---|---|
| (1) Walterboro; | 68 units; | estimated total development cost: | $ 1,176,760; |
| (2) Ridgeland; | 40 units; | estimated total development cost: | 682,400; |
| (3) Loris; | 24 units; | estimated total development cost: | 463,400; |
| (4) Cowpens; | 24 units; | estimated total development cost: | 350,000 |
| Total | 156 units | | $ 2,672,500 |

HUD Section 8 subsidies in the amount of $474,400 annually are indicated for these projects for a total 40-year Federal subsidy of $18,976,000.

Board Action Requested:

State Housing Authority requests permission to advertise for construction bids on the referenced projects.

Staff Comment:

Attachments:

Housing Authority memorandum dated 4/29/77

COMMISSIONERS

Hugh C. Lane, Chairman
Hemphill Pride II, V. Chmn.
Gov. James B. Edwards
Sen. John A. Lindsay
Rep. Nick A. Theodore
Dr. E. Kenneth Aycock
Hon. William T. Putnam
Walter Fraser
John Hardin
R. V. Mathison
Sheddie Tetterton

EXECUTIVE DIRECTOR
L. Steve Mayfield

Suite 1101
1122 Lady Street
Columbia, S. C. 29201
(803) 758-2844

# SOUTH CAROLINA STATE HOUSING AUTHORITY

April 29, 1977

MEMO TO: State Budget and Control Board

FROM: South Carolina State Housing Authority

SUBJECT: Budget and Control Board Approval to Authorize the State Housing Authority to Advertise for Bids on Four Multifamily Residential Developments

The South Carolina State Housing Authority's governing body, the Commissioners, in compliance with the specifications set forth in the "Manual for Planning and Execution of State Permanent Improvements," hereby requests that the State Budget and Control Board authorize the Authority to proceed to "advertise for bids" on the following enumerated housing developments:

| *Location* | *# Units* | *Unit Mix* | *Estimated Total Development Cost* | *HUD Annual Sec. 8 Subsidy* | *Total Federal Subsidy* |
|---|---|---|---|---|---|
| Walterboro | 68 | ( 16 1-BR Family<br>( 34 2-BR Family<br>( 16 3-BR Family<br>( 2 4-BR Family | $1,176,700 | $213,792 x 40/yrs = | $ 8,551,680 |
| Ridgeland | 40 | ( 12 1-BR Elderly<br>( 18 2-BR Family<br>( 8 3-BR Family<br>( 2 4-BR Family | 682,400 | 119,376 x 40/yrs = | 4,775,040 |
| Loris | 24 | ( 16 2-BR Family<br>( 8 3-BR Family | 463,400 | 79,600 x 40/yrs = | 3,184,000 |
| Cowpens | 24 | 24 1-BR Elderly | 350,000 | 61,632 x 40/yrs = | 2,465,280 |
| | 156 | | $2,672,500 | $474,400 | $18,976,000 |

The Board must still review the bids received and advise the Authority as to the awarding of the contract after the construction bids are received.

On July 6, 1976, the Budget and Control Board authorized the Authority to advertise for architectural services in connection with these developments. On September 29, 1976, the Board approved the selection of the architectural firms and authorized the Authority to proceed on a contingency basis to complete architectural work on the developments. That architectural work has now been completed and approved by the Board's engineer.

These four residential rental developments for the low and moderate income shown on the preceding page are totally funded by two sources of Federal funds: the Farmers Home Administration Section 515 and the Department of Housing and Urban Development Section 8. The Section 515 program is a 40-year, 8% loan. The Section 8 funds are a rent subsidy program which guarantees that a low income family or elderly or handicapped persons can afford to live in these minimally designed apartments.

Because of the Authority's current legislation and the regulations controlling Federal set-aside funds to the Authority, it is necessary that the Authority itself sponsor, own, and manage these developments. The Authority's role will not, under any circumstances, require construction, mortgage, or subsidy monies of any kind from State sources, since these funds will be provided by the Farmers Home Administration and the Department of Housing and Urban Development.

LSM:vpd

cc: Hugh C. Lane

STATE BUDGET AND CONTROL BOARD

EXHIBIT VI

MEETING OF May 4, 1977 AGENDA ITEM NUMBER 4 5/4/77

Agency:

State Personnel Division

Subject:

Piedmont Health Care, located in Greenville, has petitioned the State to approve their marketing their Health Maintenance Organization program to State employees in the Greenville area. Under this approach, sanctioned under Public Law 93-222, a state is required to participate by offering HMO's as alternative health care programs to their employees and by paying to the HMO the employers' share of the health insurance premium for those employees who elect this option. PL93-222 has strict penalties for non-compliance.

Board Action Requested:

Consideration of the request of Piedmont Health Care request.

Staff Comment:

Mr. Martin A. Hadelman, President of Piedmont Health Care, has requested an opportunity to explain the program to the Board. Mr. Steve Savitz, Assistant Attorney General, will be present to discuss legal issues. Draft guidelines have been developed for consideration by the Board if the Board approves the Piedmont Health Care request.

Attachments:

1. DHEW letter of 11/2/76
2. Martin A. Hadelman letter of 10/18/76
3. Draft guidelines for administering this program if the Board approves the request.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
REGION IV
50 7TH STREET N.E. -829
ATLANTA, GEORGIA 30323

November 2, 1976

PUBLIC HEALTH SERVICE

RECEIVED
NOV 4 1976
PERSONNEL DIVISION
INSURANCE UNIT

Phyllis B. Beighley
Insurance Benefits Manager
State of South Carolina
Budget and Control Board Personnel Division
1205 Pendleton Street
Columbia, SC 29201

Dear Ms. Beighley:

In response to your October 22, 1976 request, you will find enclosed a summary of the HMO amendments, Public Law 94-460, signed by President Ford on October 8, 1976.

States are required to comply with the HMO "dual choice" provisions as a condition of accepting Public Health Service funds, see page four, section 110 of the summary. Failure to comply are grounds for the Secretary to withhold PHS funds. Public Health Service funds which determine state's participation are as follows:

| | |
|---|---|
| 314(d) | Grants to State Health and Mental Health authorities in meeting costs of providing comprehensive public health services. |
| 317 | Grants to States in meeting costs of communicable disease control programs. |
| 318 | Grants to States for prevention and control of venereal disease. |
| 1002 | Formula grants to States for family planning services. |
| 1525 | Grants to State Health Planning development agencies. |
| 1613 | Allotments to States for medical facilities projects |

1) modernization of medical facilities;
2) construction of new outpatient medical facilities;
3) construction of new inpatient medical facilities; and
4) conversion of existing medical facilities.

If I can be of future assistance, please advise.

Sincerely yours,

William R. Lyons

William R. Lyons
Public Health Advisor
DFHE/HMO

Attachment II

RECEIVED
OCT 20 1976
PERSONNEL DIVISION
INSURANCE UNIT

PIEDMONT
HEALTH CARE

P. O. Box 6967
Greenville, SC 29606
Ph. (803) 233-7437

EXECUTIVE OFFICES
2320 East North St.
Greenville, SC

MEDICAL OFFICES

Carolina
Medical Center
Greenville, SC
Ph. (803) 232-1517

Blue Ridge
Medical Center
Marietta, SC
Ph. (803) 836-6363

Tri-Cities
Medical Center
Pelzer, SC
PH. (803) 845-6955
or 947-9804

October 18, 1976

Phyllis Beighley
Perssonel Division
Budget and Control Board
State of South Carolina
1205 Pendleton Street
Columbia, S. C. 29201

Dear Phyllis:

Pursuant to our conversation today, enclosed is a copy of the HMO Amendments of 1976 providing for mandatory offering of the HMO option to state employees. A summary of the amendments is also enclosed, outlining the offering and the penalties involved as well. These amendments were passed and signed into law by President Ford on October 9, 1976. Also enclosed is a listing of other states that have offered the HMO option voluntarily to their employees over the past five and (in some cases) ten years.

Hopefully, the Budget and Control Board will reconsider their position taken on April 6, 1976, in light of these new amendments. In addition, I would hope to meet Dr. Mullins and discuss our program with him prior to another presentation to the Budget and Control Board.

In respect to your request for an update, we have just exceeded our enrollment goal by 200 members as of October 1, 1976. We have now approximately 2200 members and are growing at the rate of 200 - 400 a month. More than forty companies in the Greenville area already offer our plan, including such well know companies as Daniel International, Cryovac, Division of W. R. Grace Company, Multimedia Corporation, Stone Manufacturing, and so forth.

As of October 1, 1976, we are on our own. We do not receive any federal funds to assist in our operations. Our auditors are presently completing the annual audit through September 30, 1976. This will be forwarded once the Board of Directors has approved the audit.

I'll be looking forward to hearing from you within the next couple of weeks. Possibly we can then sit down and discuss this further. I'll look forward to working with you in the implementation of the HMO option for state employees.

Cordially,

Martin A. Hadelman
President

MAH:ct
cc: Jack S. Mullins

# STATE GUIDELINES ON HEALTH MAINTENANCE ORGANIZATIONS

## I. STATEMENT OF POLICY

It is the policy of the State Budget and Control Board to allow State and Public School District employees to enroll in fully-qualified H. M. O.'s in accordance with the provisions of State and Federal law and to pay to the H. M. O. an amount equal to that paid by the State for the employee's basic health insurance coverage.

## II. ELIGIBILITY OF A HEALTH MAINTENANCE ORGANIZATION

Any operating Health Maintenance Organization that has been duly reviewed and holds a current license from the State of South Carolina or that has been officially designated a fully-qualified H. M. O. by the Federal government shall be eligible to receive that portion of the State's insurance contribution that is paid for basic health insurance only.

## III. ADMINISTRATION

A. The State Personnel Division of the Budget and Control Board shall administer and issue the policy, guidelines, rules, or regulations established by the Budget and Control Board regarding State and Public School District employees' enrollment in a H. M. O. The State Personnel Division shall issue all reports and forms necessary for the proper accounting of State contributions for employees enrolled in eligible H. M. O.'s.

B. State agencies and Public School Districts shall be responsible for reporting all employee requests for enrollment in a H. M. O. to the H. M. O., which shall provide evidence of enrollment to the State Personnel Division. Further, the State agencies and Public School Districts shall be solely reponsible for any payroll deductions allowed for employee H. M. O. contributions.

C. The H. M. O. shall be responsible for billing the State Personnel Division in the manner specified by the Division for those employees who elect to join the H. M. O. The State Personnel Division shall verify, as deemed necessary, the membership of employees in the H. M. O.

D. The State Personnel Division shall remit the State contribution to the

EXHIBIT VII
5/4/77

STATE BUDGET AND CONTROL BOARD

MEETING OF May 4, 1977 AGENDA ITEM NUMBER 5

Agency: Board of Examiners in Psychology

Subject: Civil Contingent Fund Request

Dr. James A. Keith, Secretary-Treasurer of the Board, requests that, pending the passage of the Supplemental Appropriation Bill (in which $2,270 is requested), an advance of operating funds be made. This Board was appropriated $1,950 for the current fiscal year and has exhausted these funds. Fees in excess of the amount appropriated are being collected and deposited in the General Fund.

Board Action Requested:

Approve transfer of up to $2,270 from Civil Contingent Fund as an advance.

Staff Comment:

Attachments:

Keith 4/19/77 letter to Putnam

H. M. O. on a monthly basis for those employees who are eligible to participate in the State insurance program and who have been enrolled properly into the eligible H. M. O.

E. Employees who have enrolled in an eligible H. M. O. will continue to be enrolled in the basic State Life, AD&D, and LTD insurance program.

STATE OF SOUTH CAROLINA

**BOARD OF EXAMINERS IN PSYCHOLOGY**

April 19, 1977

IN REPLY ADDRESS:
DEPT. OF FAMILY PRACTICE
COLLEGE OF MEDICINE
MEDICAL UNIVERSITY OF S. C.
80 BARRE STREET
CHARLESTON, S. C. 29401

Mr. William T. Putnam
Secretary
South Carolina State Budget
and Control Board
Post Office Box 11333
Columbia, South Carolina

Dear Mr. Putnam:

I am writing to you to request your assistance regarding the operation of the South Carolina Board of Examiners in Psychology. The Board of Examiners received an appropriation of $1950.00 for fiscal year 1976-77. The Board, by law, generates sufficient funds from application fees, examination fees and license renewals to cover its appropriation. The volume of applications and price increases for 1976-77 exceeded our projections and it became apparent that our 1976-77 appropriation was insufficient for the year's operation. The Board applied for a supplemental appropriation in the amount of $2255.00 for the remainder of the year. This request is presently being considered; however, we are told that we may not receive any further funds until late June.

As of the 15th of April the Board has completely depleted its appropriation. I am requesting your assistance in requesting funds from the Civil Contingency Fund to provide a source of funds for operation of the Board for the remainder of the fiscal year.

At present I am, as stipulated by law, collecting fees from applicants who seek licensure and depositing these monies in the General Fund. I am further collecting renewal fees from already licensed psychologists and depositing these monies in the General Fund. In either case, I cannot renew the licenses for which the applicants are paying nor can I process applications or test those who are applying. In effect, I am taking money from these individuals and depositing in the General Fund under false pretences since our deposits already exceed our appropriation and I am simply collecting money and depositing it to the benefit of the State. To make matters worse, the Board increased the application and renewal fees at the last Board meeting so that people are paying even more for what they are not getting.

Since the Board cannot spend money retrospectively, the supplemental appropriation will not be needed if received in May or June, and the monies I have received and deposited in the General Fund, I suppose, cannot be refunded, nor will the services be provided. Your assistance in this matter will be greatly appreciated. Our next Board meeting is to be held on April 30th and, if possible, I would like to be able to inform the Board as to its status, fiscally, legally and professionally, and to be able to inform those who have paid the status of their applications and fees.

Yours truly,

James A. Keith

James A. Keith, Ph.D.
Secretary-Treasurer
State Board of Examiners
in Psychology

JAK/mdp

P.S. The Board's 1977-78 budget application was limited to a request of $2057.00. A supplemental request for $4511.00, making a total of $6568.00 was submitted at the same time as the budget request. I sincerely hope that next year's budget does not experience the same complications as did this year's.