MINUTES OF

BUDGET AND CONTROL BOARD

MEETING

May 12, 1998

007426

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

May 12, 1998

MEMORANDUM

TO: Budget and Control Board Office Directors

FROM: Delbert H. Singleton, Jr.

SUBJECT: Summary of Board Actions at May 12, 1998, Meeting

This listing of actions is an unofficial **summary** of the Board actions taken at the referenced meeting. The minutes of the meeting are presented in a separate, more detailed document which becomes official when approved by the Board at a subsequent meeting.

1. Acting as the Education Assistance Authority adopted a resolution authorizing the State Treasurer to make arrangements necessary for the offering and sale of State Education Assistance Authority Guaranteed Student Loan Revenue and Refunding Bonds in an amount of approximately $49,870,000, Series 1998;

2. Acting as the Educational Facilities Authority for Private, Nonprofit Institutions of Higher Learning, adopted a resolution authorizing a hearing to be held, in accordance with Section 147(f) of the Internal Revenue Code, by the Authority with respect to the issuance of not to exceed $12,500,000 revenue bonds, Series 1998, for the Presbyterian College Project;

3. Adopted the agenda as proposed;

4. Approved the minutes of the April 14, 1998, Budget and Control Board meeting;

5. Approved the following assignment of issuer's counsel for a South Carolina Educational Facilities Authority bond issue: $11,500,000 revenue bonds, Presbyterian College, Sinkler & Boyd, P.A., bond counsel; Nexsen Pruet Jacobs & Pollard, issuer's counsel;

6. Approved the following assignment of bond counsel for non-general obligation borrowing: University of South Carolina, $19,800,000 revenue bonds, Nexsen Pruet Jacobs & Pollard;

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FAX (803) 734-2117

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7. Approved the following special assignment of bond counsel: Office of Local Government, no debt issue-SRF and SIRF loans provided to local governments, Nexsen Pruet Jacobs & Pollard;

8. Approved the following easement in accord with Code Sections 1-11-80, 1-11-90 and 1-11-100:

County Location:	Chester
From:	Budget and Control Board
To:	Carolawn Steering Committee
Description/Purpose:	To install an effluent diffuser beneath Fishing Creek
Consideration:	$200

9. Concurred and acquiesced in the granting of the following easements in accord with Code Section 10-1-130:

a.

County Location:	Lexington
From:	Midlands Technical College Commission
To:	City of Cayce
Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
Consideration:	$5

b.

County Location:	Richland
From:	Department of Corrections
To:	City of Columbia
Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
Consideration:	No consideration recited

c.

County Location:	Anderson
From:	Clemson University
To:	Duke Power Company
Description/Purpose:	To grant right-of-way for the construction, operation and maintenance of electrical facilities (distribution line, etc.)
Consideration:	$1

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10. In accord with Section 11-35-1210, granted procurement certification to the following agencies within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single- or multi-year contracts are used):

    a. Department of Labor, Licensing and Regulation, for a period of three years: goods and services, $25,000; consultants services, $25,000; and information technology, $25,000;

    b. Office of the Comptroller General, for a period of three years: goods and services, $10,000; and information technology, $10,000; and

    c. School for the Deaf and the Blind for a period of three years: goods and services, $25,000; information technology, $25,000; and consultants services, $25,000;

11. Approved the following permanent improvement project establishment request and budget revision which has been reviewed favorably by the Joint Bond Review Committee:

    Summary 12-98: Item 4: Department of Corrections
    Project: 9603, Underground Tanks Removal/Replacement
    Request: Establish project and budget ($500,000 Appropriated State funds) to remove and replace 64 underground fuel oil tanks at 27 correctional institutions statewide to comply with the EPA 1998 Underground Fuel Oil Tank Standards by December 27, 1998. (See Attachment 1 for additional annual operating costs.)

12. Adopted resolutions approving the following proposals to issue revenue bonds:

    a.
    Issuing Authority: Jobs-Economic Development Authority
    Amount of Issue: $8,900,000 Industrial Development Bond
    Allocation Needed: -0-
    Name of Project: Virtual Image Technology, L.L.C. **(assigned by Queensdale/Microview in accord with Section 4.05 of Inducement Agreement)**
    Employment Impact: 135 within 12 months, 200 within 24 months
    Project Description: facility in Lancaster County for creation of microfilm, microfiche, and compact discs
    Note: *private placement*
    Bond Counsel: Edward G. Kluiters, Haynsworth Marion McKay & Guérard

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b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: $47,500,000 First Mortgage Health Facilities Revenue Bonds
Allocation Needed: -0-
Name of Project: The Lutheran Homes of South Carolina, Inc.
Employment Impact: 530
Project Description: 4 continuing care retirement facilities
Note: *private placement for public distribution thereafter*
Bond Counsel: F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.

c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: $32,000,000 Solid Waste Disposal Facilities Bonds
Allocation Needed: -0-
Name of Project: Santee River Rubber Company
Employment Impact: Creation 40; Maintenance 133
Project Description: a waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. and to be located in Berkeley County, South Carolina
Note: *public or private placement*
Bond Counsel: F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.

13. Received as information a report of a potential budget deficit at South Carolina State University and directed the Budget Office to assist SCSU in identifying other potential sources of revenues to reduce or eliminate the potential deficit in this fiscal year, to monitor the University's fiscal management plan to eliminate any deficit in FY 1998-99, and to report back to the Board at the June 1998 meeting;

14. In accord with Sections 1-11-57 and 1-11-65, issued Certificates of Acceptance for the two acquisitions made by the Myrtle Beach Air Force Base Redevelopment Authority and approved an exemption for the Authority from the provisions of Sections 1-11-57 and 1-11-65 for future real property transactions, provided that such transactions are approved by the Office of General Services after ascertaining whether any Board member has an objection to the transactions and that the transactions are recorded at subsequent Board meetings on the blue agenda;

15. In accord with Regulation 19-445.2121 and contingent upon JBRC approval, authorized the South Carolina Public Service Commission to lease office space in the Saluda Building at the Koger Office Park;

16. Agreed to meet at 10:00 a.m. on Monday, June 15, 1998, in the Governor's conference room in the Wade Hampton Office Building;

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17. In accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, granted the following tentative ceiling allocations from the local pool and deferred the remaining allocations until later in the calendar year.

    a. JEDA, Brown Packing Co., Inc. (Cherokee County), $3,300,000
    b. JEDA, National Electrical Carbon (Greenville County), $5,000,000
    c. JEDA, NTM, Inc. (Greenville County), $3,600,000
    d. JEDA, Spartan Iron & Metal Corp. (Spartanburg County), $2,200,000
    e. JEDA, Synalloy Corp. (Spartanburg County), $6,000,000
    f. JEDA, Tate Metalworks, Inc. (Spartanburg County), $2,885,000

18. In accord with Section 19-713.03(3) authorized a salary of $86,500 for Dr. Susan A. Graham as the Associate Executive Director for Academic Affairs and Technology at the State Board for Technical and Comprehensive Education;

19. Received as information a legal briefing concerning the Circuit Court Order in Harvey et al. v. SCDC et al., CA No. 93-CP-40-3096; and

20. Received as information a briefing concerning an investment consultant.

225 1405

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

May 12, 1998 9:30 A. M.

The Budget and Control Board met at 9:38 a.m. on Tuesday, May 12, 1998, in the Governor's conference room in the Wade Hampton Office Building, with the following members in attendance:

Governor David M. Beasley, Chairman;
Mr. Richard A. Eckstrom, State Treasurer;
Mr. Earle E. Morris, Jr., Comptroller General;
Senator John Drummond, Chairman, Senate Finance Committee;
Representative Henry E. Brown, Jr., Chairman, Ways and Means Committee.

Also attending were Executive Director Luther F. Carter; Division Directors Richard W. Kelly, Robert C. Toomey, Stephen C. Osborne, and Michael L. Shealy; General Counsel Joseph D. Shine; Governor's Senior Executive Assistant Nancy Wrenn; State Treasurer's Chief of Staff James Holly; Assistant Comptroller General Michael Horton; Finance Committee Chief of Staff Robert Merritt; Ways and Means Committee Director of Research Frank Fusco; Board Secretary Delbert H. Singleton, Jr.; and other Board staff.

Adoption of Agenda

Upon a motion by Mr. Eckstrom, seconded by Mr. Brown, the Board adopted the agenda as proposed.

Minutes of Previous Meeting

Board members previously had been furnished a draft version of the minutes of the April 14, 1998, Budget and Control Board meeting.

Upon a motion by Mr. Eckstrom, seconded by Mr. Morris, the Board approved the referenced minutes as written.

Blue Agenda

Upon a motion by Mr. Eckstrom, seconded by Mr. Morris, the Board approved all items included on the blue agenda. Blue agenda items are identified as such in these minutes.

State Treasurer: Bond Counsel Selection (Blue Agenda Item #1)

The Board approved the following assignment of issuer's counsel: SC State Educational Facilities Authority, $11,500,000 revenue bonds, Presbyterian College, Sinkler & Boyd, P.A., bond counsel; Nexsen Pruet Jacobs & Pollard, issuer's counsel.

The Board approved the following assignment of bond counsel for non-general obligation borrowing: University of South Carolina, $19,800,000 revenue bonds, Nexsen Pruet Jacobs & Pollard.

The Board approved the following special assignment of bond counsel: Office of Local Government, no debt issue-SRF and SIRF loans provided to local governments, Nexsen Pruet Jacobs & Pollard.

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

General Services: Easements (Blue Agenda Item #2)

The Board approved the following easement in accord with Code Sections 1-11-80, 1-11-90, and 1-11-100:

County Location:	Chester
From:	Budget and Control Board
To:	Carolawn Steering Committee
Description/Purpose:	To install an effluent diffuser beneath Fishing Creek
Consideration:	$200

The Board concurred and acquiesced in the granting of the following easements in accord with Code Section 10-1-130:

a.

County Location:	Lexington
From:	Midlands Technical College Commission
To:	City of Cayce
Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
Consideration:	$5

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b.	County Location:	Richland
	From:	Department of Corrections
	To:	City of Columbia
	Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
	Consideration:	No consideration recited
c.	County Location:	Anderson
	From:	Clemson University
	To:	Duke Power Company
	Description/Purpose:	To grant right-of-way for the construction, operation and maintenance of electrical facilities (distribution line, etc.)
	Consideration:	$1

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

General Services: Procurement Certifications (Blue Agenda Item #3)

The Board, in accord with Section 11-35-1210, granted procurement certification to the following agencies within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single- or multi-year contracts are used):

a. Department of Labor, Licensing and Regulation, for a period of three years: goods and services, $25,000; consultants services, $25,000; and information technology, $25,000;

b. Office of the Comptroller General, for a period of three years: goods and services, $10,000; and information technology, $10,000; and

c. School for the Deaf and the Blind for a period of three years: goods and services, $25,000; information technology, $25,000; and consultants services, $25,000.

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

General Services: Permanent Improvement Project (Blue Agenda Item #4)

The Board approved the following permanent improvement project establishment request and budget revision which has been reviewed favorably by the Joint Bond Review Committee:

a. Summary 12-98: Item 4: Department of Corrections
Project: 9603, Underground Tanks Removal/Replacement
Request: Establish project and budget ($500,000 Appropriated State funds) to remove and replace 64 underground fuel oil tanks at 27 correctional institutions statewide to comply with the EPA 1998 Underground Fuel Oil Tank Standards by December 27, 1998. (See Attachment 1 for additional annual operating costs.)

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

Executive Director: Revenue Bond Issues (Blue Agenda Item #5)

The Board adopted resolutions approving the following proposals to issue revenue bonds:

a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: $8,900,000 Industrial Development Bond
Allocation Needed: -0-
Name of Project: Virtual Image Technology, L.L.C. **(assigned by Queensdale/Microview in accord with Section 4.05 of Inducement Agreement)**
Employment Impact: 135 within 12 months, 200 within 24 months
Project Description: facility in Lancaster County for creation of microfilm, microfiche, and compact discs
Note: *private placement*
Bond Counsel: Edward G. Kluiters, Haynsworth Marion McKay & Guérard

(Exhibit 5)

b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: $47,500,000 First Mortgage Health Facilities Revenue Bonds
Allocation Needed: -0-
Name of Project: The Lutheran Homes of South Carolina, Inc.
Employment Impact: 530
Project Description: 4 continuing care retirement facilities

	Note:	*private placement for public distribution thereafter*
	Bond Counsel: (Exhibit 6)	F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.
c.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	$32,000,000 Solid Waste Disposal Facilities Bonds
	Allocation Needed:	-0-
	Name of Project:	Santee River Rubber Company
	Employment Impact:	Creation 40; Maintenance 133
	Project Description:	a waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. and to be located in Berkeley County, South Carolina
	Note:	*public or private placement*
	Bond Counsel: (Exhibit 7)	F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.

Information relating to this matter has been retained in these files and is identified as Exhibits 5 through 7, respectively.

Office of State Budget: S. C. State University Budget Deficit (Regular Session Item #1)

The Office of State Budget (Budget Office) advised the Board that South Carolina State University (the University) notified the Budget Office of a potential FY 1997-98 operating deficit of $2,857,042. The University indicated that the majority of this potential deficit was a result of a $3,501,811 bank overdraft which occurred in FY 1996-97 and was paid with FY 1997-98 funds.

The Budget Office, with assistance from the State Auditor's Office, met with University financial staff to determine the underlying causes of the University's operating deficit. Educational and General (E&G) and Auxiliary Enterprise revenues and expenditures over a four year period were examined. The FY 1997-98 E&G budget, which consists of state appropriations along with student tuition and fees, has been experiencing problems due to lower than expected enrollment resulting in lower than expected tuition and fee revenue (other funds). In addition, Auxiliary Enterprise revenue (other funds) has fallen short of expected expenditures.

007436

The University has identified cash that can be used to offset these operating deficits and help reduce the burden of the bank overdraft carried into this fiscal year.

Proviso 17C.9 of the FY 1997-98 Appropriations Act sets forth a procedure for addressing agencies with potential ***general fund*** deficits. However, the University's operating deficit is due to revenue shortfalls in "other funds". The Budget Office's analysis has concluded that the primary cause of the current operating deficit has been due to recurring shortfalls in Auxiliary Enterprise revenues (other funds) that have occurred over the last several years depleting E&G cash reserves. The result has been the bank overdraft in FY 1996-97 and the cash shortfall in FY 1997-98.

The University has implemented a management action plan to reduce the current projected deficit and to address and correct the issues causing the operating deficit. These actions have resulted in reducing the estimated deficit from $2,857,042 to $2,343,425. Notwithstanding the current operating deficit of $2.3 million, the University expects these actions to result in a balanced budget in FY 1998-99. These actions include: organizational restructuring and reduction in staffing, strict controls on discretionary spending, increase in tuition and fees, reduced athletic scholarships, increase in Auxiliary Enterprise fees, and strict enforcement of policies relating to student accounts receivable.

Following a brief discussion, the Board received as information the report of the potential budget deficit at the University and directed the Budget Office to assist the University in identifying other potential sources of revenues to reduce or eliminate the potential deficit in this fiscal year, to monitor the University's fiscal management plan to eliminate any deficit in FY 1998-99, and to report back to the Board at the June 1998 meeting with regard to the status of the potential deficit.

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

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General Services: Myrtle Beach Air Force Base Redevelopment Authority Certificates of Acceptance and Exemption Request (Regular Session Item #2)

The Board, in accord with Sections 1-11-57 and 1-11-65, was asked to issue Certificates of Acceptance for two acquisitions of real property made by the Myrtle Beach Air Force Base Redevelopment Authority (the Authority) and approve an exemption for the Authority from the provisions of Sections 1-11-57 and 1-11-65 for future real property transactions.

The Authority has acquired title to two tracts of land on the site of the former Air Base previously leased from the Air Force. One tract which was purchased in May 1997 for $5,050,000, contains approximately 260 acres and 777 housing units. The other tract, purchased in September 1997 for $8,500,000, contains 430 acres with various types of non-residential buildings. The Authority acquired title to the two tracts not realizing that Budget and Control Board approval was required to perfect the title. The Authority requested issuance of Certificates of Acceptance in accordance with Code Sections 1-11-57 and 1-11-65 for the two acquisitions.

The Authority also requested that the Board grant an exemption for future real property transactions from the provisions of Code Sections 1-11-57 and 1-11-65. The Authority was created by the General Assembly to acquire and redevelop the former Myrtle Beach Air Force Base pursuant to the powers and authority contained in Section 31-12-10 et seq., the Military Facilities Redevelopment Act. Section 31-12-70 grants the Authority the power to purchase, sell, exchange and transfer real property. Some uncertainty exists on whether Board approval for these real property transactions is required. Further, without an exemption, the Authority believes the processes for redeveloping the former Air Base property are lengthened to a point where some developers may withdraw from consideration rather than be delayed pending approval of transactions by the Board. An exemption from the provisions of Sections 1-11-57 and 1-11-65 will prevent this from occurring and facilitate the redevelopment efforts of the Authority.

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Mr. Morris questioned the state's involvement in the matter since the property does not belong to the State. In response, Dr. Carter said that the state law creating the Authority provides for the treatment of property transactions as would occur with an ordinary state agency.

Mr. Brown inquired whether there were any other authorities that came under this same jurisdiction. Governor Beasley said that technically there are no other authorities that fall under the law regarding the redevelopment authorities, but that all authorities fall under the law relating to real property transactions, unless excepted and exempted by the Board.

Dr. Carter advised the Board that although the Board has the authority to exempt the Authority from real property sales and purchases, the Board does not have the authority to exempt the Authority from the requirements of the leasing review.

Governor Beasley further whether the basis of the exemption request was to expedite the handling of transactions and to not be slowed down by the process of coming to the Board when marketing a piece of property or closing a transaction. Dr. Carter advised that with the meeting schedule of the Board, there is frequently a delay of a month or more before gaining approval on the transactions.

Governor Beasley asked if some middle ground could be reached without slowing down progress of the transactions. Governor Beasley said that because the State has some exposure, there needs to be some oversight that is not too tedious.

Dr. Carter suggested that the Board could handle the matter as it does with interagency transfers by delegating to Ms. Zeigler the authority to effect the approval of the transactions only after notifying each Board member, ascertaining whether there are any objections to the transactions, and recording the transactions at subsequent Board meetings on the blue agenda.

Thomas C. Styers, Executive Director for the Authority, appeared before the Board on this matter and explained that with regard to these transactions time is of the essence. He said that the Authority already has oversight in place to handle the terms and conditions for the sales.

Governor Beasley expressed concern about giving the Authority a *carte blanche* exemption. He said the suggestion made by Dr. Carter is a middle ground that will limit exposure and will not tediously interfere with the Authority.

Upon a motion by Mr. Morris, seconded by Senator Drummond, the Board, in accord with Sections 1-11-57 and 1-11-65, issued Certificates of Acceptance for the two acquisitions made by the Authority and approved an exemption for the Authority from the provisions of Sections 1-11-57 and 1-11-65 for future real property transactions, provided that such transactions are approved by the Office of General Services after ascertaining whether any Board member has an objection to the transactions and that the transactions are recorded at subsequent Board meetings on the blue agenda.

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

General Services: Public Service Commission Lease (Regular Session Item #3)

The Board was advised that Regulation 19-445.2121 requires that leases which commit $1 million or more in a five year period be approved by the Budget and Control Board and reviewed by the JBRC.

The South Carolina Public Service Commission currently leases 35,876 square feet of office space at 111 Doctor's Circle in Columbia to house its staff of approximately 80. This lease expires on August 31 of this year and the property is not available for lease after this date. The Commission wishes to lease 31,707 square feet of office space in the Saluda Building at the Koger Office Park near Columbia. This space will provide offices for all of the agency. The proposed lease, to begin September 1, 1998, is for five (5) years with an expiration date of August 31, 2003. The rental rate begins at $14.75 in the first year and averages $15.82 over the term of the lease. This rate includes all property operating expenses. Total rent over the five year period is $2,507,707.

The agency has secured this property through coordination with the Office of General Services' Property Services to obtain competitive rates, terms and conditions. The state's process is designed to meet the requirements of Regulation 19-445.2121 and the proposed lease terms and conditions match the state standard lease. Adequate funds are available and a financial

plan has been submitted. The proposed lease was approved for the Commission on April 28 and is scheduled to be presented to the Joint Bond Review Committee on May 19.

The purchasers of Doctor's Circle require possession upon lease expiration and the Commission is required to move by the end of August. To secure this lease, much remains to be accomplished. Floor plans must be designed and interior construction completed. This will require about two and one-half months. In addition, to begin interior construction, approvals by both JBRC and the Board are required. To be able to meet these deadlines, the Board was asked to approve this lease contingent upon the approval of the JBRC.

Dr. Carter advised the Board that the chairman of the JBRC had been notified of this request and that the chairman had no objection to the Board approving this matter.

Upon a motion by Senator Drummond, seconded by Mr. Eckstrom, the Board, in accord with Regulation 19-445.2121 and contingent upon JBRC approval, authorized the South Carolina Public Service Commission to lease office space in the Saluda Building at the Koger Office Park.

Information relating to this matter has been retained in these files and is identified as Exhibit 10.

Future Meeting

The Board agreed to meet at 10:00 a.m. on Monday, June 15, 1998, in the Governor's Conference Room in the Wade Hampton Office Building.

Executive Session

[***Secretary's Note***: Prior to convening in executive session, Senator Drummond expressed concern about the accuracy of recent news media comments, which reported that failure to act upon legislation pertaining to equity investment of the retirement system funds was costing the state $5 million per day. Mr. Morris also expressed concern about the accuracy of the comments and the effect the comments could have on the state's bond rating.

Mr. Eckstrom queried Mr. Morris and Senator Drummond as to the reason for the delay in addressing equity investment legislation.

225 1615

Governor Beasley stated that the Board members must work together in a non-partisan manner for the good of the state.

This matter was not listed on the agenda for consideration by the Board and is noted here only to reflect that the news media comments were briefly discussed.]

Upon a motion by Senator Drummond, seconded by Mr. Morris, the Board agreed to consider the following items, which had been published previously, in executive session, whereupon Governor Beasley declared the meeting to be in executive session:

1.	Executive Director	Economic Development (1998 Ceiling Allocations)
2.	Human Resources	Compensation (Appointment Above Midpoint, State Board for Technical and Comprehensive Education)
3.	Retirement Division	Legal Matter (Harvey et al. v. SCDC et al.)
4.	Retirement Division	Contractual Matter (Investment Consultant)

Report on Matters Discussed in Executive Session

[***Secretary's Note***: Senator Drummond was absent during the report on matters discussed by the Board in executive session because he had to leave the meeting to attend to legislative business.]

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

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(a) ***Executive Director: Economic Development (Ceiling Allocations) (Executive Session Item #1)***

In accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, the Board, upon a motion by Mr. Brown, seconded by Mr. Eckstrom, granted the following tentative ceiling allocations from the local pool and deferred the remaining allocations until later in the calendar year:

a. JEDA, Brown Packing Co., Inc. (Cherokee County), $3,300,000
b. JEDA, National Electrical Carbon (Greenville County), $5,000,000
c. JEDA, NTM, Inc. (Greenville County), $3,600,000
d. JEDA, Spartan Iron & Metal Corp. (Spartanburg County), $2,200,000
e. JEDA, Synalloy Corp. (Spartanburg County), $6,000,000
f. JEDA, Tate Metalworks, Inc. (Spartanburg County), $2,885,000

(b) ***Human Resources: Appointment Above Midpoint, State Board for Technical and Comprehensive Education) (Executive Session Item #2)***

Upon a motion by Mr. Brown, seconded by Governor Beasley, the Board authorized a salary of $86,500 for Dr. Susan A. Graham as the Associate Executive Director for Academic Affairs and Technology at the State Board for Technical and Comprehensive Education.

(c) ***Retirement Division: Legal Matter (Harvey et al. v. SCDC et al.) (Executive Session Item #3)***

The Board received as information a legal briefing concerning the Circuit Court Order in Harvey et al. v. SCDC et al., CA No. 93-CP-40-3096.

(d) ***Retirement Division: Contractual Matter (Investment Consultant) (Executive Session Item #4)***

The Board received information concerning an investment consultant.

C07443

Adjournment

The meeting was adjourned at 10:45 a.m.

[***Secretary's Note***: In compliance with Code §30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 1:45 p.m. on Thursday, May 7, 1998.]

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EXHIBIT

MAY 12 1998 1

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD BLUE AGENDA

MEETING OF May 12, 1998 ITEM NUMBER 1

AGENCY: State Treasurer

SUBJECT: Bond Counsel Selection

Board approval of the following bond counsel is requested:

A. The State Treasurer's Office advises of the following notification of assignment of issuer's counsel: SC State Educational Facilities Authority, $11,500,000 revenue bonds, Presbyterian College, Sinkler & Boyd, P.A., bond counsel; Nexsen Pruet Jacobs & Pollard, issuer's counsel.

B. The State Treasurer's Office advises of the following request for assignment of bond counsel for non-general obligation borrowing: University of South Carolina, $19,800,000 revenue bonds, Nexsen Pruet Jacobs & Pollard.

C. The State Treasurer's Office advises of the following notification of special assignment of bond counsel: Office of Local Government, no debt issue-SRF and SIRF loans provided to local governments, Nexsen Pruet Jacobs & Pollard.

BOARD ACTION REQUESTED:

Approve the referenced issuer's counsel and bond counsel assignments.

ATTACHMENTS:

Notification of Assignment of Issuer's Counsel; Request for Assignment of Bond Counsel; Request for Special Assignment of Bond Counsel w/attachments

C07445

225 1419

EXHIBIT

MAY 12 1998 1

STATE OF SOUTH CAROLINA

State Budget and Control Board

BUDGET & CONTROL BOARD

OFFICE OF LOCAL GOVERNMENT

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

STATE REVOLVING FUND
1201 MAIN STREET, SUITE 910
COLUMBIA, SOUTH CAROLINA 29201
Tel: (803) 737-3800
Fax: (803) 737-3807
MICHAEL S. GULLEDGE
DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

RECEIVED
APR 27 1998

April 27, 1998

Mr. James M. Holly
Chief of Staff
Office of the State Treasurer
118 Wade Hampton Office Building
Columbia, South Carolina 29201

Re: Request for Bond Counsel Authorization for 1998 SRF and SIRF Loans (No Debt Issue)

Dear Jim:

Although we still have three 1997 loans that have not yet been closed, we are already processing applications for 1998 loans. Therefore, a new authorization for bond counsel services to the SRFs (Clean Water and Drinking Water) and SIRF for the 1998 loans is requested for submission by the State Treasurer's Office to the May 12, 1998 meeting of the State Budget and Control Board. Additional information concerning these loan programs and the need for bond counsel representation accompanies the enclosed form.

We are requesting that Nexsen, Pruet, Jacobs & Pollard, the firm authorized on May 20, 1997 for the 1997 SRF and SIRF loans, serve as bond counsel to the SRFs and SIRF for the 1998 loans and other legal matters related to the loan programs at a rate of $100 per hour, not to exceed $15,000, consistent with provisions approved by the Board in prior years for our loan programs. Continuing with this firm for another full year of loans is requested based on the cost efficiency achieved by using a firm already familiar with the programs and documents, and the need to avoid conflict of interest issues created when borrower's counsel is the same as the SRF or SIRF. Since the closing process sometimes incurs unpredictable delays, it is also requested that the authorization continue until all 1998 loans are closed rather than by specific date, as has been granted in prior years.

If there are any questions on this request or if additional information is needed, please contact me at 737-3808. Thank you for your assistance on this matter.

Sincerely,

Trish

Patricia A. Comp
Loan Programs Manager

cc: Mr. Michael S. Gulledge

C07446

Attachment to Request for Special Assignment of Bond Counsel

Background

The State Budget and Control Board, Office of Local Government is now involved in making low-interest loans for environmental infrastructure facilities under three programs. The State Water Pollution Control Revolving Fund (CW-SRF), which has been federally capitalized since 1989, provides low-interest loans for wastewater facilities pursuant to Title 48, Chapter 5 of the 1976 Code, as amended. The State Drinking Water Revolving Fund (DW-SRF), which is a new federally capitalized low-interest loan program for drinking water facilities is authorized under the same State Statute and will begin loan activity in FY 1998. The South Carolina Infrastructure Revolving Fund (SIRF) which began in FY 1997 under authority of Title 11, Chapter 40 of the 1976 Code, as amended, provides low-interest loans for water and sewer facilities, particularly where access to private financing may not be readily available or affordable and where a project is not feasible or eligible under the federally capitalized SRF programs.

While revenue bonds are not currently being issued in either of these programs, the expertise of bond counsel is essential to protect the interests of the State in matters related to the legal documents, debt instruments, closing opinions, security and other legal issued involved in the conduct of these programs. Use of bond counsel has also been recommended by the Attorney General's Office.

Request

It is requested that Nexsen, Pruet, Jacobs and Pollard continue to be retained to serve as bond counsel to the CW-SRF, DW-SRF and SIRF for the FY 1998 loans and other legal matters involving the programs at a rate of $100 per hour, not to exceed $15,000, consistent with provisions approved by the Board in prior years.

C07447

EXHIBIT

REQUEST FOR ASSIGNMENT OF BOND COUNSEL FOR NON-GENERAL OBLIGATION BORROWING

MAY 12 1998

1

STATE BUDGET & CONTROL BOARD

TO: Richard Eckstrom, State Treasurer

FROM: Agency # H27- Name: University of South Carolina

SUBMITTED BY: John L. Finan
Signature

John L. Finan
VP for Business and Finance 777-7478
Title Phone

Estimated Amount to be Borrowed/Issued $ 19,800,000 ; Fall 98
Anticipated Date Funds Required

Type of Bonds/Notes to be Issued Revenue Bonds (Housing)

Purpose of Borrowing/Issue provide funds to construct the South Campus Housing - East Quad

Bond Counsel (Firm) Tentatively Identified by the State Treasurer's Office from Rotation:
Nexsen Pruet Jacobs & Pollard 4/22/98
Date

FOR STATE TREASURER'S OFFICE USE ONLY:

Request Received by State Treasurer's Office on: 4/27/98
Date

Reviewed by Chief of Staff or Designee _____ 4/28/98
Initial Date

Bond Counsel Notified of Tentative Selection on: 4/30/98
Date

Forwarded to The Secretary of the Budget & Control Board on: 4/30/98
Date

For Approval by the Budget & Control Board at its Meeting on: 5/12/98
Date

Notification of Budget & Control Board action given to Requesting Agency on: _____
Date

Notification of Budget & Control Board action given to Selected Bond Counsel on: _____
Date

FOR BUDGET & CONTROL BOARD USE ONLY:

Name of Bond Counsel (Firm) Approved: Nexsen Pruet Jacobs & Pollard

_____ 5/12/98
Budget & Control Board Authorized Signature Date

STO/BC-4

C07448

NOTIFICATION OF ASSIGNMENT OF ISSUER'S COUNSEL
SOUTH CAROLINA STATE EDUCATIONAL FACILITIES AUTHORITY BOND ISSUES

Approximate Size of Issue	Borrower	Bond Counsel Selected by Institution	Issuer's Counsel from Rotation Firm
$11,500,000	PRESBYTERIAN COLLEGE	SINKLER + BOYD	NEXSEN, PRUET

007449

FOR STATE TREASURER'S OFFICE USE ONLY:

Reviewed by Chief of Staff or Designee — 4/28/98 (Date) — (Initial)

Forwarded to The Secretary of the Budget & Control Board on: 4/30/98 (Date)

For Approval by the Budget & Control Board at its Meeting on: 5/12/98 (Date)

FOR BUDGET & CONTROL BOARD USE ONLY:

Approval of Issuer's Counsel Firm Listed Above:

Budget & Control Board Authorized Signature — 5/12/98 (Date)

STO/BC6

EXHIBIT

MAY 12 1998 1

STATE BUDGET & CONTROL BOARD

EXHIBIT

REQUEST FOR SPECIAL ASSIGNMENT OF BOND COUNSEL

MAY 12 1998

1

STATE BUDGET & CONTROL BOARD

TO: Richard Eckstrom, State Treasurer

FROM: Agency # F11 Name: B & C Board, Office of Local Government

SUBMITTED BY: Marion D. Kelly
Signature

Director 734-2382
Title Phone

Estimated Amount to be Borrowed/Issued $ N/A ; N/A
Anticipated Date Funds Required

Type of Debt to be Issued No debt issue - SRF and SIRF loans provided to local governments

Types and Dates of Legal Services and Justification Advise the Office of Local Government on 1998 loans under the State Water Pollution Control Revolving Fund (CW-SRF), the State Drinking Water Revolving Fund (DW-SRF) and SC Infrastructure Revolving Loan Fund (SIRF). Request to continue firm authorized on May 20, 1997 for 1997 loans for another full year of loans due to familiarity with the programs and documents and to avoid conflict of interest issues with borrower's bond counsel. Authorization requested through closure of all 1998 loans.

Bond Counsel (Firm) Tentatively Identified by the State Treasurer's Office per request:
Nexsen, Pruet, Jacobs and Pollard 4-27-98
Date

FOR STATE TREASURER'S OFFICE USE ONLY:

Request Received by State Treasurer's Office on: 4/27/98
Date

Reviewed by Chief of Staff or Designee MCD 5/1/98
Initial Date

Bond Counsel Notified of Tentative Selection on:
Date

Forwarded to The Secretary of the Board & Control Board on:
Date

For Approval by the Budget & Control Board at its Meeting on:
Date

Notification of Budget & Control Board action given to Requesting Agency on:
Date

Notification of Budget & Control Board action given to Selected Bond Counsel on:
Date

FOR BUDGET & CONTROL BOARD USE ONLY:

Name of Bond Counsel (Firm) Approved: Nexsen Pruet Jacobs & Pollard

Albert H. Simpson Jr 5/12/98
Budget & Control Board Authorized Signature Date

007450

STATE BUDGET AND CONTROL BOARD

MEETING OF May 12, 1998

BLUE AGENDA

ITEM NUMBER 2

AGENCY: General Services

SUBJECT: Easements

A. General Services recommends approval of the following easement in accord with Code Sections 1-11-80, 1-11-90 and 1-11-100:

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

County Location:	Chester
From:	Budget and Control Board
To:	Carolawn Steering Committee
Description/Purpose:	To install an effluent diffuser beneath Fishing Creek
Consideration:	$200

B. General Services recommends that the Board concur and acquiesce in the granting of the following easements in accord with Code Section 10-1-130:

1.

County Location:	Lexington
From:	Midlands Technical College Commission
To:	City of Cayce
Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
Consideration:	$5

2.

County Location:	Richland
From:	Department of Corrections
To:	City of Columbia
Description/Purpose:	To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance
Consideration:	No consideration recited

3

County Location:	Anderson
From:	Clemson University
To:	Duke Power Company
Description/Purpose:	To grant right-of-way for the construction, operation and maintenance of electrical facilities (distribution line, etc.)
Consideration:	$1

BOARD ACTION REQUESTED:

A. Approve the referenced easement as recommended by General Services.

B. Concur and acquiesce in the referenced easements.

ATTACHMENTS:

007451

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 12, 1998 **Blue Agenda**

1. Submitted by:

(a) Agency: Office of General Services
(b) Authorized Official Signature: Helen T. Zeigler, Director

2. Subject: **EASEMENTS**

3. Summary Background Information:

(a) The Office of General Services requests approval of the following easements in accordance with Code Sections 1-11-80, 1-11-90, and 1-11-100:

1. County Location: Chester
   From: Budget and Control Board
   To: Carolawn Steering Committee
   Consideration: $200.00
   Description/Purpose: To install an effluent diffuser beneath Fishing Creek.

(b) The Office requests that the Board concur and acquiesce in granting the following easements in accordance with Code Section 10-1-130:

1. County Location: Lexington
   From: Midlands Technical College Commission
   To: City of Cayce
   Consideration: $5.00
   Description/Purpose: To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance.

2. County Location: Richland
   From: Department of Corrections
   To: City of Columbia
   Consideration: No consideration recited
   Description/Purpose: To transfer deed to water lines together with an easement for the purpose of ingress, egress, operation and maintenance.

007452

3. County Location: Anderson
   From: Clemson University
   To: Duke Power Company
   Consideration: $1.00
   Description/Purpose: To grant right-of-way for the construction, operation and maintenance of electrical facilities (distribution line, etc.).

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4. What is Board asked to do?

Approve or concur and acquiesce the referenced easements.

---

5. What is recommendation of Board Division involved?

Recommend approval or concurrence and acquiescence of the referenced easements.

---

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

(a) Authorized Signature: _____
(b) Division/Agency Name: _____

---

7. List of Supporting Documents:

1. Code Section 1-11-80
2. Code Section 1-11-90
3. Code Section 1-11-100
4. Code Section 10-1-130

C07453

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

§ 1–11–80. Board authorized to grant easements for public utilities on vacant State lands.

The State Budget and Control Board is authorized to grant easements and rights of way to any person for construction and maintenance of power lines, pipe lines, water and sewer lines and railroad facilities over, on or under such vacant lands or marshland as are owned by the State, upon payment of the reasonable value thereof.

HISTORY: 1962 Code § 1-357.1; 1963 (53) 177.

Cross references—

As to sale or donation of, or rights of way over, public lands, see SC Const, Art 3, § 31.

§ 1–11–90. Board authorized to grant rights of way over State marshlands for roads or power or pipe lines to State agencies or political subdivisions.

The State Budget and Control Board may grant to agencies or political subdivisions of the State, without compensation, rights of way through and over such marshlands as are owned by the State for the construction and maintenance of roads, streets and highways or power or pipe lines, if, in the judgment of the Budget and Control Board, the interests of the State will not be adversely affected thereby.

HISTORY: 1962 Code § 1-357.2; 1963 (53) 177.

Cross references—

As to sale or donation of, or rights of way over, public lands, see SC Const, Art 3, § 31.

C07455

225 1429

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

§ 1–11–100. Execution of instruments conveying rights of way or easements over marshlands or vacant lands.

Deeds or other instruments conveying such rights of way or easements over such marshlands or vacant lands as are owned by the State shall be executed by the Governor in the name of the State, when authorized by resolution of the Budget and Control Board, duly recorded in the minutes and records of such Board and when duly approved by the office of the Attorney General; deeds or other instruments conveying such easements over property in the name of or under the control of State agencies, institutions, commissions or other bodies shall be executed by the majority of the governing body thereof, shall name both the State of South Carolina and the institution, agency, commission or governing body as grantors, and shall show the written approval of the majority of the members of the State Budget and Control Board.

HISTORY: 1962 Code § 1-357.3; 1963 (53) 177.

Cross References—

As to authority of State institutions and agencies to grant easements and rights of way, see § 10–1–130.

Research and Practice References—

63A Am Jur 2d, Public Lands § 115.

73B CJS, Public Lands §§ 178, 180.

17 Am Jur Legal Forms 2d, States, Territories, and Dependencies § 239:21 (agricultural lease-provision-reservation of right to grant easements).

C07456

§ 10–1–130. State institutions and agencies may grant easements and rights of way on consent of Budget and Control Board.

The trustees or governing bodies of State institutions and agencies may grant easements and rights of way over any property under their control, upon the concurrence and acquiescence of the State Budget and Control Board, whenever it appears that such easements will not materially impair the utility of the property or damage it and, when a consideration is paid therefor, any such amounts shall be placed in the State Treasury to the credit of the institution or agency having control of the property involved.

HISTORY: 1962 Code § 1-49.3; 1963 (53) 177.

Cross references—

As to composition, powers and duties of State Budget and Control Board generally, see Chapter 11 of Title 1.

As to the State Budget and Control Board, generally, see §§ 1–11–10 et seq.

As to execution of conveyances of such easements, see § 1–11–100.

007457

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA)
)
COUNTY OF LEXINGTON)

DEED TO WATER SYSTEM
AND EASEMENT RIGHTS

Whereas, THE STATE OF SOUTH CAROLINA and MIDLANDS TECHNICAL COLLEGE COMMISSION, hereinafter the Grantor, is the owner of real property known as Student Support Facility, Airport Campus, as shown on a plat entitled "AS-BUILT" Plumbing Site Plan, prepared for Midlands Technical College by GMK Associates, dated September 1, 1994, attached hereto as Exhibit A (the "Plat"); and

Whereas, the Grantor desires to convey the water lines shown on the said Plat to the City of Cayce, and the City of Cayce is willing to accept the conveyance of the water lines for the purpose of ownership, operation, and maintenance said water lines.

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that Grantor, in the State aforesaid, in consideration of $5.00 and no other valuable consideration, the receipt of which is hereby acknowledged, has granted, bargained, sold and released and by these presents does grant bargain, sell and release unto the CITY OF CAYCE, SOUTH CAROLINA, ITS SUCCESSORS AND/OR ASSIGNS:

All those certain water lines, together with all valves and all other components necessary to complete and operate the system, as shown on the Plat aforementioned, together with a five (5') foot easement on either side of said water lines for the purpose of ingress, egress, operation and maintenance of said water lines, valves and components (the lines and the easement collectively the "Water System").

This being a portion of the property heretofore conveyed to the State of South Carolina by deed of the United States of America, dated September 3, 1947, recorded in the Lexington County RMC office in Deed Book 6-O, page 1, Deed Book 8-P, page 399, and Deed Book 10-0, page 220.

TMS#:

GRANTEE ADDRESS: P.O. Box 2004; Cayce, South Carolina 29171

TO HAVE AND TO HOLD the said Water System unto the CITY OF CAYCE, SOUTH CAROLINA, ITS SUCCESSORS AND/OR ASSIGNS.

Together with all singular the rights, members, hereditaments and appurtenances to the said premises before mentioned unto the Grantee and the Grantee's successors and assigns forever. And Grantor does hereby bind Grantor and Grantor's successors and assigns to warrant and forever defend all and singular said premises unto the Grantee and the Grantee's successors and assigns ~~and against every person whomsoever lawfully claiming or to claim the same or any part thereof.~~

007458

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

In Witness Whereof, Grantor has caused these presents to be executed this 12th day of May in the year of our Lord one thousand nine hundred and ninety-eight and in the two hundred and twenty second (222th) year of the Sovereignty and Independence of the United States of America.

Signed and Sealed and
Delivered in the Presence of:

Mary C. McGee

Laurie A. Fuller

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD

By: Hubert H. Singletary

Its: Secretary

James L. Hudgens

Bridget S. McCormick

MIDLANDS TECHNICAL COLLEGE
COMMISSION

By: E. H. Knotts, Jr.

Its: Chairman

James L Hudgens

Bridget S. McCormick

By: James Smith

Its: Secretary

007459

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA)
) PROBATE
COUNTY OF LEXINGTON)

PERSONALLY appeared before me the undersigned witness, who being duly sworn, says that (s)he saw the within-named State of South Carolina Budget and Control Board by _____ Delbert H. Singleton, Jr.; its Secretary sign, seal and deliver the within Deed; and that (s)he with the other witness who signature appears above witnessed the execution thereof.

Lynne A. Queen

SWORN TO BEFORE ME this
12th day of May, 1998.

Neil S. Coulter (L.S.)
Notary Public of South Carolina
My Commission Expires: March 9, 2004

C07460

STATE OF SOUTH CAROLINA)
)
COUNTY OF LEXINGTON)

PROBATE

PERSONALLY appeared before me the undersigned witness, who being duly sworn, says that (s)he saw the within-named Midlands Technical College Commission by Ellie H. Heustess, Jr., its Chairman and James Smith, its Secretary sign, seal and deliver the within Deed; and that (s)he with the other witness who signature appears above witnessed the execution thereof.

James L Hudgens

SWORN TO BEFORE ME this
15 day of April, 1998.

Nancy M. Pedersen (L.S.)
Notary Public of South Carolina
My Commission Expires: June 6, 2000

007461

Project No. 464112127
Drawn By Alan Garrison

STATE OF SOUTH CAROLINA)
)
COUNTY OF ANDERSON)

EASEMENT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, That Clemson University hereinafter called "Grantor" (whether one or more), in consideration of the sum of One Dollar ($1.00) and other good and valuable considerations, does hereby grant unto DUKE POWER COMPANY, its successors and assigns, hereinafter called "Grantee," the right, privilege, and easement to go in and upon that certain land of Grantor (hereinafter "premises") situated in said County and State, bounded by lands of:

North - Milliken & Co. Inc. TMS 040-00-01-001
East - Seabreeze Development Inc. TMS 040-00-04-001
South - SC 28 and US 76 TMS -40-00
West - Lake Hartwell TMS-22

and over and across said premises within a right-of-way strip having a width of 15 feet on each side of a centerline determined by the centerline of the electrical facilities as installed as shown on a plat prepared by Hugh F. Isbell, RLS#14528, dated July 5, 1997, attached hereto as Attachment A, to construct, maintain and operate with poles, crossarms, wires, guys, anchors, cables, transformers and other necessary apparatus and appliances, overhead lines for the purpose of transporting electricity and for the communications purposes of Grantee and regulated telephone utilities. The following rights are also granted to Grantee: to enter said premises to inspect said lines, to perform necessary maintenance and repairs, and to make alterations and additions thereto; to remove from the right-of-way strip, now or at any time in the future, trees, structures or other obstructions that may endanger the proper maintenance and operation of said lines and trees of any species that Grantee determines will grow at maturity to a height that will endanger the proper maintenance and operation of said lines; to trim or remove and to keep trimmed or removed dead, diseased, weak or leaning trees or limbs outside of the right-of-way strip which, in the opinion of Grantee, might interfere with or fall upon the electric or communication facilities within the right-of-way strip; and to install guy wires and anchors extending beyond the limits of the right-of-way strip when determined necessary by Grantee.

This right-of-way is given to permit the construction of electrical facilities presently proposed. Facilities at other locations and future extensions of presently constructed facilities are not permitted by this agreement. The foregoing notwithstanding, Grantee may relocate its electrical facilities and right-of-way strip over the premises to conform to any future highway or street relocation, widening or improvement.

C07462

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

Line to be constructed per attachment "A"

Grantee agrees that the location of the line and poles will not interfere with Grantor's access roads to agricultural field and forestry operations.

In the event the property ceases to be used for the purpose stated herein, the easement is extinguished.

IN WITNESS WHEREOF, the Grantor has hereunto set his hand and seal, or if corporate, has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, this day 1st of April, 1998.

Witnesses:

Gerald C. Timmons

Sharon H. Slice

Clemson University (Grantor)

By: Lawrence M. Gressette, Jr.

Lawrence M. Gressette, Jr.
Its: Chairman, Board of Trustees

Witnesses:

Stephen R. Goza

Alan Stevens

Duke Power Company (Grantee)

By: Barbara B. Orr

In accordance with provision of 1-11-65 and 10-1-130 Code of Laws of South Carolina, as amended at its meeting held on May 12, 1998, approval is given by the STATE BUDGET AND CONTROL BOARD to the easement herein.

S/

Delbert H. Singleton, Jr., Secretary for the Board

C07463

STATE OF SOUTH CAROLINA)
) **PROBATE**
COUNTY OF Richland **)**

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the above-named Clemson University by its duly authorized officer(s) sign, seal with its corporate seal and as the act and deed of said University deliver the within written lease, and that (s)he, with the other witness whose name is subscribed above, witnessed the execution thereof.

s/Gerald C. Timmerman

Sworn to before me this 7th day of April, 1998.

Frances N. Shirey (SEAL)
Notary Public for South Carolina
My Commission expires: March 9, 2008

STATE OF SOUTH CAROLINA)
) **PROBATE**
COUNTY OF Anderson **)**

PERSONALLY appeared before me the undersigned witness and made oath that (s)he saw the above-named Duke Power Company by its duly authorized officer(s) sign, seal with its corporate seal and as the act and deed of said Agency deliver the within written lease, and that (s)he, with the other witness whose name is subscribed above, witnessed the execution thereof.

Stephen R. Goza

Sworn to before me this 2 day of April, 1998.

Albert A. Atkin (SEAL)
Notary Public for South Carolina
My Commission expires: May 20, 2004

C07464

STATE OF SOUTH CAROLINA)

:

COUNTY OF RICHLAND)

DEED TO WATER LINES FOR THE DEPARTMENT OF CORRECTIONS TRANSPORTATION FACILITY, RICHLAND COUNTY TMS #06200-03-02

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

TO

THE CITY OF COLUMBIA

FOR VALUE RECEIVED, It, South Carolina Department of Corrections, of Columbia, South Carolina, does hereby bargain, sell, transfer and convey unto The City of Columbia, its successors or assigns, all its right, title and interest in and to the below described water lines:

All those certain water lines, the same being 2" and 6" in diameter including valves, valve boxes, fire hydrants, meter boxes, service lines to fire hydrants and meter boxes and all components to complete the system.

All metes, courses, bounds and measured distances described herein are approximate. The precise metes, courses, bounds and measured distances are more particularly described and shown on City File #224-01, which is incorporated herein by specific reference thereto.

A 6" water line beginning with a tie to an existing City of Columbia water line, located approximately sixty-eight (68) feet northeast of the northeastern corner of a structure depicted as "Recycling Center Building" on the herein referenced drawings and approximately one hundred ten (110) feet southeast of the southeastern corner of a structure depicted as "Existing Support Services Building Canteen Warehouse" on the herein referenced drawings; thence extending in a southerly direction for a distance of sixty-one (61) feet to a 45° bend, located seventy and eight tenths (70.8) feet northeast of the southeastern corner of the aforesaid "Recycling Center Building"; thence turning and extending in a southeasternly direction for a distance of one hundred thirty-one (131) feet to a 22 1/2° bend located one hundred ninety-three (193) feet southeast of the southernmost southeastern corner of the aforesaid "Recycling Center Building"; thence turning and extending in a more southerly direction for a distance of thirty (30) feet to a 45° bend, located approximately two hundred ten (210) feet southeast of the aforesaid southernmost southeastern corner of "Recycling Center Building"; thence turning and extending in a southeasterly direction for a distance of three hundred forty-two (342) feet to a 22 1/2° bend, located approximately one hundred sixty-eight (168) feet northwest of the northwesternmost corner of the "Proposed Transportation Building" as depicted on the herein referenced drawings; thence turning and extending in a northeasterly direction for a distance of thirty (30) feet to a 22 1/2° bend, located approximately one hundred forty-two (142) feet northwest of the northwesternmost corner of the aforesaid "Proposed Transportation Building"; thence turning and extending in an easterly direction for a distance of two hundred eight (208) feet to a fire hydrant, located fifty-five (55) feet northeast of the northeastern corner of the aforesaid "Proposed Transportation Building"; thence terminating.

ALSO, a 2" water line beginning at the aforesaid 22 1/2° bend, located approximately one hundred sixty-eight (168) feet northwest of the northwesternmost corner of the aforesaid "Proposed Transportation Building"; thence extending a southeasterly direction for a distance of thirty and six tenths (30.6) feet to a 22 1/2° bend; thence turning and extending in a more southerly direction for a distance of twenty-seven (27) feet to a meter, located approximately one hundred twelve (112) feet northwest of the northwesternmost corner of the aforesaid "Proposed Transportation Building"; thence terminating.

C07465

The Grantor hereby agrees to be responsible for repairs of all damage to water lines, sewer lines, curb cocks, meter boxes, all fittings and fire hydrants hereby conveyed which arise out of the operation of any equipment or vehicles under control of the Grantor in connection with the initial installation of streets, paving, curbs and gutters, drainage, sewer, utility lines, final grading or improvements in development of property served by said lines, and the Grantor shall either effect necessary repairs or reimburse the City for the cost of repairs at the option of the City.

This conveyance also includes a non-exclusive easement on all water lines and appurtenances heretofore described for the purpose of ingress, egress, operation and maintenance of said water lines. The grantor hereby agrees that no construction (including, but not limited to, buildings, paving, pipe lines or other utilities) will be allowed within the limits of this easement without prior approval of the City Engineer, which approval will not be unreasonably withheld.

This conveyance also includes all water line easements shown on a set of record drawings prepared for Department of Corrections Transportation Facility, in Richland County, near the City of Columbia, South Carolina, dated March 21, 1996, last revised May 10, 1996, sheet 2 of 3, prepared for South Carolina Department of Corrections, by David A. Corbett, S.C.P.E. #12159, and being on file in the office of the City's Director of Utilities and Engineering, Columbia, South Carolina under file reference #224-01.

These water lines are more clearly delineated on a set of record drawings for Department of Corrections Transportation Facility, in Richland County, near the City of Columbia, South Carolina, dated March 21, 1996, last revised May 10, 1996, sheet 2 of 3, prepared for South Carolina Department of Corrections, by David A. Corbett, S.C.P.E. #12159, and being on file in the office of the City's Director of Utilities and Engineering, Columbia, South Carolina under file reference #224-01.

LS: jb D-3

C07466

EXHIBIT

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

TO HAVE AND TO HOLD the said property unto the State of Columbia, its successors and assigns.

And the Grantor(s) agree(s) to warrant and forever defend the above grantee rights against himself or his heirs. ~~and against any other person lawfully claiming or to claim the same or any part thereof.~~

And It, South Carolina Department of Corrections warrant(s) that it is the lawful owner of said property and has the right to convey same; and that the property is free and clear of any and all liens and encumbrances of whatsoever kind or nature, except those set forth hereinabove.

WITNESS my hand and seal this 25th day of September, 1996,

by: _____

Title: Director

WITNESSES

Sandra S. Jeffcoat

Alice Brown

APPROVED AS TO FORM
South Carolina Department of Corrections
OFFICE OF GENERAL COUNSEL
DATE: 25 Sept 96

STATE OF SOUTH CAROLINA)

COUNTY OF RICHLAND)

PERSONALLY APPEARED before me ~~Sandra S. Jeffcoat~~ and made oath that he saw the within named South Carolina Department of Corrections sign, seal and as its act and deed deliver the written instrument for the uses and purposes therein mentioned and that he with Alice Brown witnessed the execution thereof.

Sandra S. Jeffcoat

SWORN to before me this 25th day of September, 1996.

Linda S. Gable (L.S.)
Notary Public for South Carolina

My Commission Expires 10-10-98

C07467

In accordance with provision of 1-11-65 and 10-1-130 Code of Laws of South Carolina, as amended at its meeting held on _____, 1998, approval is given by the STATE BUDGET AND CONTROL BOARD to the easement herein.

S/ _____
Delbert H. Singleton, Jr., Secretary for the Board

EXHIBIT

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

MORTGAGE RELEASE

MAY 12 1998 2

STATE BUDGET & CONTROL BOARD

Know all men by these presents that _____ _____ for certain valuable consideration do/does hereby release from the lien and operation of a mortgage recorded in the office of the Clerk of Court for _____County in Mortgage Book _____ at Page _____ the sewer lines, water lines and storm drainage lines, including valves, valve boxes, hydrants, manholes, catch basins, junction boxes, head walls, service lines running from main lines to property lines and all fittings, also including the easements and rights of way conveyed by the within deed so that the said lines, appurtenances and rights-of-way shall be free from and unaffected by said mortgage.

WITNESS _____ hand and seal this _____ day of _____, 19____.

In the presence of

_____ _____

_____ _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

PERSONALLY APPEARED before me _____ and made oath that he saw the within named _____ sign, seal and as _____ act and deed deliver the within written instrument for the uses and purposes therein mentioned and that he with _____ _____ witnessed the execution thereof.

_____

SWORN to before me this

_____ day of _____, _____.

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

_____
My Commission Expires

_____
Original Mortgagor

NO EXISTING MORTGAGE

_____
Michael W. Moore, Director

C07468

EXHIBIT

MAY 12 1998 2

STATE OF SOUTH CAROLINA)
)
COUNTY OF CHESTER)

STATE BUDGET & CONTROL BOARD
EASEMENT NO. 510

THIS EASEMENT, made and entered into this 12th day of May, 1998, by and between the State of South Carolina, Budget and Control Board, as Grantor (hereinafter "STATE"), and Carolawn Steering Committee as Grantee (hereinafter "GRANTEE").

WITNESSETH

WHEREAS, GRANTEE is an unincorporated association of companies, and GRANTEE's mailing address is c/o Ms. Amelia S. Magee, King & Spalding, 191 Peachtree Street, Atlanta, Georgia 30303; and

WHEREAS, GRANTEE proposes to install an effluent diffuser beneath the streambed of Fishing Creek in Chester County, South Carolina. The effluent diffuser and easement are more particularly shown and delineated on a drawing prepared by James C. Godsey, Jr., Professional Engineer and Land Surveyor, dated February 26, 1998, attached hereto and incorporated herein.

WHEREAS, pursuant to 1-11-80 of the South Carolina Code of Laws, 1976, as amended, the STATE is empowered to grant certain rights-of-way or easements through and over riverbeds and marshlands for construction, operation, and maintenance of power lines, pipe lines, water and sewer lines over, on or under such vacant lands or marshlands as are owned by the STATE; and

WHEREAS, GRANTEE is desirous of obtaining the hereinafter described easement through and over riverbeds and marshlands in Chester County, and the STATE considers the granting of such an easement to be in the public interest.

NOW, THEREFORE, the STATE as Grantor, in consideration of the sum of TWO HUNDRED DOLLARS ($200.00), receipt of which is hereby acknowledged, does hereby grant, remise, and release unto GRANTEE its successors and assigns, a right-of-way easement in, to, upon and over the below described portion of riverbed and marshland; such riverbed and marshland situate in Chester County and lying below the mean high water line.

C07469

This easement of right-of-way shall be used solely for the purposes incidental with the installation, operation and maintenance of the effluent diffuser. The easement area is more particularly described as follows:

A utility easement twenty (20) feet wide running from the normal high water line on the west bank of Fishing Creek N60°-30'-22"E for a distance of 34.88 feet; thence S29°-29'-38"E for a distance of 20.00 feet; thence S60°-30'-22"W for a distance of 35.46 feet to the normal high water line on the west bank of Fishing Creek.

The easement area is more particularly shown and delineated on a drawing prepared by James C. Godsey, Jr., Professional Engineer and Land Surveyor, dated February 26, 1998, attached hereto and incorporated herein.

This easement of right-of-way is subject to all easements and rights-of-way of record or which may be revealed by inspection of the property and extends only to the STATE's prima facie ownership.

The vertical clearance of all electrical wire, conductors, cables and live parts of equipment across all navigable waters and/or waters of the State of South Carolina shall be constructed in accordance with National Electric Safety Code (ANSI-C2-1981) Part 2, Section 23, as amended.

GRANTEE hereby agrees and covenants with the STATE that GRANTEE, its successors and assigns, shall not block or obstruct navigable waters or cause unreasonable adverse impact on fish, wildlife, or water quality in its use of the easement area. GRANTEE shall use the easement area solely for the purpose incidental with the construction, operation, and maintenance of said effluent diffuser and shall maintain such easement area and effluent diffuser in good condition.

GRANTEE further agrees and covenants that GRANTEE shall indemnify and hold harmless the STATE from and against any and all liabilities, claims, causes of action and expenses including, but not limited to, reasonable costs of attorney fees, resulting from bodily injury or death to any person or persons or damage to any property at any time that arises from or is incident to the construction, operation, maintenance, or use of the easement granted herein.

In the event of major maintenance, after construction, affecting the bed of the waterway, the South Carolina Department of Health and Environmental Control shall be notified in writing prior thereto.

GRANTEE will comply with and be bound by any and all applicable State statutes, regulations, and terms and conditions of any permits or agreements concerning this project and any and all lands and waters involved therewith.

007470

This easement may be terminated by the STATE, in its discretion and such interests as the STATE may have shall revert to the STATE if GRANTEE, its successors and assigns: (1) quits and abandons all use of such effluent diffuser in which case this easement of right-of-way shall terminate thirty (30) days after the date of such abandonment; or (2) continues an uncorrected violation or breech of any of the terms and conditions herein.

It is further understood and agreed that this easement is not to be construed as an easement granted to the exclusion of the STATE or to others later granted a similar right. This easement is subject to all easements, permits, restrictions and covenants of record, or of plats of record, or which may be revealed upon inspection of the property.

C07471

225 1445

IN WITNESS WHEREOF, this instrument is being executed in accordance with the action of the South Carolina Budget and Control Board at its meeting held on the 12th day of May, 1998.

WITNESSES

Nancy B Hkens

Melba C. Miller

STATE OF SOUTH CAROLINA
BUDGET & CONTROL BOARD

BY: David M. Beasley

Governor David M. Beasley
Chairman, Budget and Control Board

WITNESSES

Mark F. Citrano

Bonnie A. Andrews

CAROLAWN STEERING COMMITTEE

BY: H. Rick Meyer

H. RICK MEYER
(Print Name)

TITLE: TECHNICAL COMMITTEE MEMBER FOR INMONT/UTC

S.C. ATTORNEY GENERAL'S APPROVAL

BY: /Kenneth P. Woodington

Kenneth P. Woodington
Senior Assistant Attorney General

DATE: 3/30/98

C07472

325 1446

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

PERSONALLY appeared before me Nancy B. Wrenn and made oath that he/she saw the within named State of South Carolina, Budget and Control Board, by its Chairman, Governor David M. Beasley, sign, seal, and as its act and deed deliver the within written Easement, and that he/she, along with Melba Willis, witnessed the execution thereof.

Nancy B. Wrenn

SWORN to before me this 12th
day of May, 1998
Lina C. Martin (L.S.)
Notary Public for South Carolina

My Commission expires: 4/4/2000

◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆◆

STATE OF CONNECTICUT)
)
COUNTY OF HARTFORD)

PERSONALLY appeared before me MARK L. CITRONI and made oath that he/she saw the within named Carolawn Steering Committee, by H. RICK MEYER, its TECHNICAL COMMITTEE MEMBER FOR INMONT/UTC sign, seal, and as its act and deed deliver the within written Easement, and that he/she, along with MERWIN A. ANDREW, witnessed the execution thereof.

Mark L. Citroni

SWORN to before me this 15th
day of April, 1998
Laura-Lee Carroll (L.S.)
Notary Public for Connecticut

My Commission expires: My Commission Exp. June 30, 1999

C07473

CAROLAWN
STEERING
COMMITTEE

GRAPHIC SCALE

(IN FEET)
1 inch = 20 ft.

A UTILITY EASEMENT 20 FEET WIDE RUNNING FROM THE NORMAL HIGH WATER LINE ON THE WEST BANK OF FISHING CREEK, N60°-30'-22"E, 34.88'; THENCE S29°-29'-38"E, 20.00'; THENCE S60°-30'-22"W, 35.46' TO THE NORMAL HIGH WATER LINE ON THE WEST SIDE OF FISHING CREEK.

SOUTH CAROLINA
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR
5259
JAMES C. GODSEY, JR.

CC7474

CHESTER COUNTY, SC

A PLAT SHOWING AN
EFFLUENT DIFFUSER EASEMENT
IN FISHING CREEK
PREPARED FOR THE
CAROLAWN STEERING COMMITTEE

FEBRUARY 26,1998

225 1220

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

MEETING OF May 12, 1998

BLUE AGENDA

ITEM NUMBER 3

AGENCY: General Services

SUBJECT: Procurement Certifications

The Office of General Services, in accord with Section 11-35-1210, has audited the following agencies and recommends their certification within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single- or multi-year contracts are used) for the period indicated:

a. Department of Labor, Licensing and Regulation, for a period of three years: goods and services, $25,000; consultants services, and $25,000; information technology, $25,000;

b. Office of the Comptroller General, for a period of three years: goods and services, $10,000; and information technology, $10,000; and

c. School for the Deaf and the Blind for a period of three years: goods and services, $25,000; information technology, $25,000; and consultants services, $25,000.

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

BOARD ACTION REQUESTED:

In accord with Section 11-35-1210, grant procurement certification to the following agencies within the parameters described in the audit reports for the following limits (total potential purchase commitment whether single- or multi-year contracts are used):

a. Department of Labor, Licensing and Regulation, for a period of three years: goods and services, $25,000; consultants services, $25,000; and information technology, $25,000;

b. Office of the Comptroller General, for a period of three years: goods and services, $10,000; and information technology, $10,000; and

c. School for the Deaf and the Blind for a period of three years: goods and services, $25,000; information technology, $25,000; and consultants services, $25,000.

ATTACHMENTS:

Agenda item worksheets and attachments

007475

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (revised 9/91)

FOR MEETING SCHEDULED FOR:

MAY 12, 1998

X BLUE AGENDA
___ REGULAR SESSION
___ EXECUTIVE SESSION

1. Submitted by: (a) Agency: Office of General Services
   (b) Authorized Official Signature: Helen T. Zeigler, Director

2. Subject: Procurement Certification of the South Carolina Department of Labor, Licensing and Regulation

3. Summary Background Information:
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Office of General Services has audited the procurement system of the South Carolina Department of Labor, Licensing and Regulation and recommends its certification within the parameters described in the audit report for the following limits for a period of three years:

		Current Certification Per Purchase Commitment	Certification Recommendation Per Purchase Commitment
I.	Goods and Services	*$25,000	*$25,000
II.	Consultants Services	*$25,000	*$25,000
III.	Information Technology	*$25,000	*$25,000

*Total potential purchase commitment whether single year or multi-term contracts are used

4. What is Board asked to do?
   Grant procurement certification for the South Carolina Department of Labor, Licensing and Regulation by approval of the Blue Agenda

5. What is recommendation of Board division involved?

   Grant certification by approval of the Blue Agenda

6. Recommendation of other office (as required)?

Office Name_____ Authorized Signature_____

7. Supporting Documents:
   List those attached: List those not attached but available:

   -Section 11-35-1210 of the Consolidated Procurement Code

C07476

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (revised 9/91)

FOR MEETING SCHEDULED FOR:

MAY 12, 1998

X BLUE AGENDA
___ REGULAR SESSION
___ EXECUTIVE SESSION

1. Submitted by: (a) Agency: Office of General Services
   (b) Authorized Official Signature: Helen T. Zeigler, Director

2. Subject: Procurement Certification of the South Carolina Office of the Comptroller General

3. Summary Background Information:
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Office of General Services has audited the procurement system of the South Carolina Office of the Comptroller General and recommends its certification within the parameters described in the audit report for the following limits for a period of three years:

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

	Current Certification Per Purchase Commitment	Certification Recommendation Per Purchase Commitment
I. Goods and Services	*$10,000	*$10,000
II. Information Technology	*$10,000	*$10,000

*Total potential purchase commitment whether single year or multi-term contracts are used

4. What is Board asked to do?
   Grant procurement certification for the South Carolina Office of the Comptroller General by approval of the Blue Agenda

5. What is recommendation of Board division involved?

   Grant certification by approval of the Blue Agenda

6. Recommendation of other office (as required)?

Office Name_____ Authorized Signature_____

7. Supporting Documents:
   List those attached: List those not attached but available:

   -Section 11-35-1210 of the Consolidated Procurement Code

007477

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (revised 9/91)

FOR MEETING SCHEDULED FOR:

MAY 12, 1998

X BLUE AGENDA
___ REGULAR SESSION
___ EXECUTIVE SESSION

1. Submitted by: (a) Agency: Office of General Services
   (b) Authorized Official Signature: Helen T. Zeigler, Director

2. Subject: Procurement Certification of the South Carolina School for the Deaf and the Blind

3. Summary Background Information:
   In accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code, the Office of General Services has audited the procurement system of the South Carolina School for the Deaf and the Blind and recommends its certification within the parameters described in the audit report for the following limits for a period of three years:

		Current Certification Per Purchase Commitment	Certification Recommendation Per Purchase Commitment
I.	Goods and Services	*$25,000	*$25,000
II.	Information Technology	*$25,000	*$25,000
III.	Consultants Services	*$25,000	*$25,000

*Total potential purchase commitment whether single year or multi-term contracts are used

4. What is Board asked to do?
   Grant procurement certification for the South Carolina School for the Deaf and the Blind by approval of the Blue Agenda

5. What is recommendation of Board division involved?

   Grant certification by approval of the Blue Agenda

6. Recommendation of other office (as required)?

Office Name_____ Authorized Signature_____

7. Supporting Documents:
   List those attached: List those not attached but available:

   -Section 11-35-1210 of the Consolidated Procurement Code

C07478

Each agency of state government that has total management capability as defined and certified by the Office of General Services shall be allowed to oversee the administration of permanent improvement projects with the State Engineer's Office serving as an audit function. The State Engineer's Office shall assist those small agencies who do not have the necessary expertise in permanent improvements.

SUBARTICLE 7

Advisory Committees and Training

EXHIBIT
MAY 12 1998 3
STATE BUDGET & CONTROL BOARD

SECTION
11-35-1010. Relationship with Using Agencies.
11-35-1020. Advisory Groups.
11-35-1030. Procurement Training and Certification.

§ 11-35-1010. Relationship with Using Agencies.

The chief procurement officers shall maintain a close and cooperative relationship with the using agencies. The chief procurement officers shall afford each using agency reasonable opportunity to participate in and make recommendations with respect to procurement matters affecting the using agency.

§ 11-35-1020. Advisory Groups.

The chief procurement officers may appoint advisory groups such as user committees to assist with respect to specifications and procurement in specific areas and with respect to any other matters within the authority of the chief procurement officers. The chief procurement officers shall develop methods for obtaining necessary and relevant information from the affected agencies, whether through user committees or by surveys and other methods. The chief procurement officers shall make every reasonable effort to ensure that such contracts are developed as will best suit the interest of the State, giving due emphasis to user needs, total costs and open competitive methods of public purchasing.

§ 11-35-1030. Procurement Training and Certification.

The Office of General Services shall develop a system of training for procurement in accordance with regulations by the board. Such training shall encompass the latest techniques and methods of public procurement. If deemed appropriate by the Office of General Services, such training shall include a requirement for the certification of the procurement officer of each purchasing agency.

SUBARTICLE 9

Auditing and Fiscal Reporting

SECTION
11-35-1210. Certification.
11-25-1220. Collection of Data Concerning Public Procurement.
11-35-1230. Auditing and Fiscal Reporting.
11-35-1240. Administrative Penalties.
11-35-1250. Authority to Contract for Auditing Services.
11-35-1260. Authority to Contract for Legal Services.
11-35-1270. Authority to Contract for Certain Professional Services.

§ 11-35-1210. Certification.

(1) **Authority.** The board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it

C07479

225 1453

is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

(2) Policy. Authorizations granted by the board to a governmental body are subject to the following:

(a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

(b) responsiveness to user needs;

(c) obtaining of the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

§ 11-35-1220. Collection of Data Concerning Public Procurement.

The Office of General Services shall prepare statistical data concerning the procurement, use and disposition of all supplies, services and construction. All using agencies shall furnish such reports as the Office of General Services may require concerning use, needs and stocks on hand, and the chief procurement officers shall prescribe forms to be used by the using agencies in requisitioning, ordering and reporting supplies, services and construction. The chief procurement officers shall limit requests for information to those items necessary for the effective operation of the purchasing system, but using agencies shall be required to provide information as requested.

§ 11-35-1230. Auditing & Fiscal Reporting

(1) Auditing. The Office of General Services through consultation with the chief procurement officers shall develop written plans for the auditing of state procurements. In procurement audits of governmental bodies thereafter, the auditors from the Office of General Services shall review the adequacy of the system's internal controls in order to ensure compliance with the requirement of this code and the ensuing regulations. Any noncompliance discovered through audit must be transmitted in management letters to the audited governmental body, the Budget and Control Board. The auditors shall provide in writing proposed corrective action to governmental bodies. Based upon audit recommendations of the Office of General Services, the board may revoke certification as provided for in Section 11-35-1210 and require the governmental body to make all procurements through the office of materials management above a dollar limit set by the board until such time as the board is assured of compliance with this code and its regulations by that governmental body.

(2) Fiscal Reporting.

The Division of Budget Analysis, or other office or division within the Budget and Control Board, in consultation with the Comptroller General shall assume responsibility for operation and maintenance of the automated quarterly fiscal reporting procedures that have been developed under Section 1-1-930. The Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, shall assume responsibility for providing quarterly reports to the General Assembly regarding the status of personnel positions, budgets, transfers and expenditures in all state agencies, departments and institutions in a format developed in consultation with the Legislative Audit Council. The Legislative Audit Council shall periodically review the reporting system and coordinate legislative information needs with the Office of the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, as necessary. All agencies, departments and institutions of state government shall report to the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, any information required under Section 1-1-940.

§ 11-35-1240. Administrative Penalties.

The board shall prescribe administrative penalties for violation of the provisions of this code and of regulations promulgated thereunder, excluding those matters under the jurisdiction of the Ethics Commission as provided by law.

C07480

South Carolina
Office of General Services

EXHIBIT

MAY 1 2 1998 3

STATE BUDGET & CONTROL BOARD

PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA DEPARTMENT OF
LABOR, LICENSING AND REGULATION
AGENCY

APRIL 1, 1995 - DECEMBER 31, 1997
DATE

CC7481

225 1455

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 27, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the South Carolina Department of Labor, Licensing and Regulation's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Department a three year certification as noted in the audit report.

Sincerely,

Voight Shealy

R. Voight Shealy
Materials Management Officer

/tl

007482

225.1456

SOUTH CAROLINA
DEPARTMENT OF LABOR, LICENSING AND REGULATION
PROCUREMENT AUDIT REPORT
APRIL 1, 1995 - DECEMBER 31, 1997

007483

335.4/57

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EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

007481

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

March 17, 1998

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Department of Labor, Licensing and Regulation for the period April 1, 1995 through December 31, 1997. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to ensure adherence to the Consolidated Procurement Code and Department procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Department is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement process, that affected assets are safeguarded

007485

against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the South Carolina Department of Labor, Licensing and Regulation in compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

EXHIBIT
MAY 12 1998 3
STATE BUDGET & CONTROL BOARD

007486

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Department of Labor, Licensing and Regulation and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period July 1, 1995 through December 31, 1997 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

(1) All sole source, emergency and trade-in sale procurements for the period April 1, 1995 through December 31, 1997

(2) Procurement transactions from the period July 1, 1995 through December 31, 1997 as follows:

   a) Ninety-six judgmentally selected procurement and payment transactions exceeding $1,500
   b) Five written solicitations of written quotations from FY 97
   c) A block sample of five hundred numerical purchase orders reviewed for order splitting and favored vendors

(3) Surplus property disposition procedures

(4) Minority Business Enterprise Plan and reports

(5) Information technology plans and approvals for fiscal years 96 to 98

(6) Internal procurement procedures manual review

(7) Real Property Management Office approvals of leases

(8) File documentation and evidence of competition

C07487

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of the South Carolina Department of Labor, Licensing and Regulation (hereinafter referred to as the Department) for the period April 1, 1995 through December 31, 1997.

Our on-site review was conducted January 19, 1998 through February 2, 1998 and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was performed primarily because the three year certification granted the Department by the Budget and Control Board is to expire October 24, 1998. Current Department certification limits are as follows and no increase in certification was requested.

CATEGORY	LIMIT
Goods and Services	$25,000 per commitment
Consultants Services	$25,000 per commitment
Information Technology	$25,000 per commitment

Since our previous audit in May of 1995, the Department has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points that should be addressed by management.

INAPPROPRIATE SOLE SOURCES

We noted the following six sole source procurements that we believe were inappropriate.

Item	PO	DATE	DESCRIPTION	AMOUNT
1	971530	06/06/97	Miscellaneous modular furniture	$120,916
2	980014	07/16/97	Miscellaneous modular furniture	1,847
3	980015	07/16/97	Miscellaneous modular furniture	1,252
4	980746	09/22/97	Miscellaneous modular furniture	2,653
5	980748	09/23/97	Miscellaneous modular furniture	41,189
6	980797	10/08/97	Miscellaneous modular furniture	2,086

The Department's initial purchase for this type modular furniture was bid by the Materials

C07488

225 1463

Management Office in 1995. When the Department moved to the Koger Office Park in January of 1997, additional compatible modular furniture was required.

Regulation 19-445.2105(B) states "Sole source procurement is not permissible unless there is only a single source." Dealers in North and South Carolina can bid this furniture.

We recommend that procurements which do not meet the definition of a sole source be competed in accordance with the Code and regulations and the Department discontinue using sole source procurements where competition is available. The Department should contact the Materials Management Office about establishing an agency contract for their continuing modular furniture requirements.

UNAUTHORIZED PROCUREMENT

We noted one procurement that was unauthorized as the services were rendered to the Department prior to the Procurement Officer's approval. Purchase order 971003 for $3,234 dated December 9, 1996 was issued for consultant services furnished to the Fire Academy on November 1-3, 1996. The internal procurement procedures manual, page 6 under Procurement Authority, states "Procurement authority has been invested upon the Procurement Officer and Agents to administer this Department's procurement procedures." Therefore, the service is unauthorized since the commitment was made prior to being authorized.

A ratification request for the unauthorized procurement, per Regulation 19-445.2015, must be prepared and submitted to the Director since the dollar amount was within the Department's certification limit.

CREDIT CHECK SERVICES SHOULD BE BID OUT

Voucher 5882 dated December 18, 1997 for $2,676 was a payment on two invoices for credit check services for the Real Estate Commission. Other sections that use credit check services are the Real Estate Appraisers Board and the Residential Builders Commission. Usually each invoice for these services is for less than $1,500 and no competition is sought. However, since these sections are all part of the same agency and the need for these services is predictable, a contract should be established for these services through competitive bidding.

C07489

EXHIBIT

MAY 1 2 1998 3

STATE BUDGET & CONTROL BOARD

We recommend the Procurement Office monitor like services required by the different Commissions and Boards and establish agency contracts as appropriate.

DUPLICATE INVOICE PAID

The Accounts Payable Department paid duplicate invoices on voucher 10511 dated April 23, 1997 for printing services. The over payment was $5,262. Purchase order 971263 authorized the printing of certificates, curriculum guides, story books and workbooks. The vendor made partial shipments and invoiced accordingly. However, two line items were invoiced twice and paid on this voucher.

We recommend the Accounts Payable Department match the purchase order to the invoice prior to payment. Any discrepancies between the two documents should be routed to the Procurement Office for resolution prior to payment. Furthermore, we recommend the Department request a refund or credit for the over charge of $5,262.

EXEMPTED REAL PROPERTY LEASE NOT REPORTED

The Department failed to report a real property lease with an annual value less than $10,000 to the Office of General Services. Commercial leases which commit less than $10,000 in a single fiscal year are not subject to the lease procurement approval process. However, agencies must report all leases to the Office of General Services by copy of the executed lease document.

We recommend the Department report the Florence Fire Academy lease to the Office of General Services.

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EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the South Carolina Department of Labor, Licensing and Regulation in compliance with the Consolidated Procurement Code and ensuing regulations.

Under the authority described in section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the Department be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREA	RECOMMEND CERTIFICATION LEVELS
Goods and Services	*$25,000
Consultants Services	*$25,000
Information Technology	*$25,000

*Total potential purchase commitment whether single year or multi-term contracts are used.

James M. Stiles

James M. Stiles, CPPB
Audit Manager

Larry G. Sorrell

Larry G. Sorrell, Manager
Audit and Certification

CC7491

235 1465

LLR

SOUTH CAROLINA DEPARTMENT OF LABOR, LICENSING AND REGULATION

David M. Beasley
Governor
Lewis F. Gossett
Director

DIVISION OF ADMINISTRATION
Koger Office Park, Kingstree Building
110 Centerview Drive
Post Office Box 11329
Columbia, SC 29211-1329
(803) 896-4300
FAX: (803) 896-4310

April 20, 1998

Larry G. Sorrell
Audit and Certification
Material Management Office
1201 Main St., Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

The Department of Labor, Licensing and Regulation's response to your recent audit is as follows.

Inappropriate Sole Source determinations:	LLR now has a MMO contract #C800756001.
Unauthorized Procurement:	A ratification letter has been processed.
Credit Check Services should be bid out:	LLR has contacted the Materials Management Office and set up an agency contract. Bid #B800626
Duplicate Invoice paid:	LLR has received a credit for this over payment.
Exempted Real Property lease not reported:	Real Property Lease was reported to Delane Duckworth.

I appreciate your assistance in this matter.

Sincerely,

Lewis F. Gossett
Director

audit

007492

225 1466

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
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RICHARD A. ECKSTROM
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HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
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VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 27, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina Department of Labor, Licensing and Regulation to our audit report for the audit period of April 1, 1995 - December 31, 1997. Also we have followed the Department's corrective action during and subsequent to our field work. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina Department of Labor, Licensing and Regulation the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

Total Copies Printed - 30
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Total Cost - $10.80

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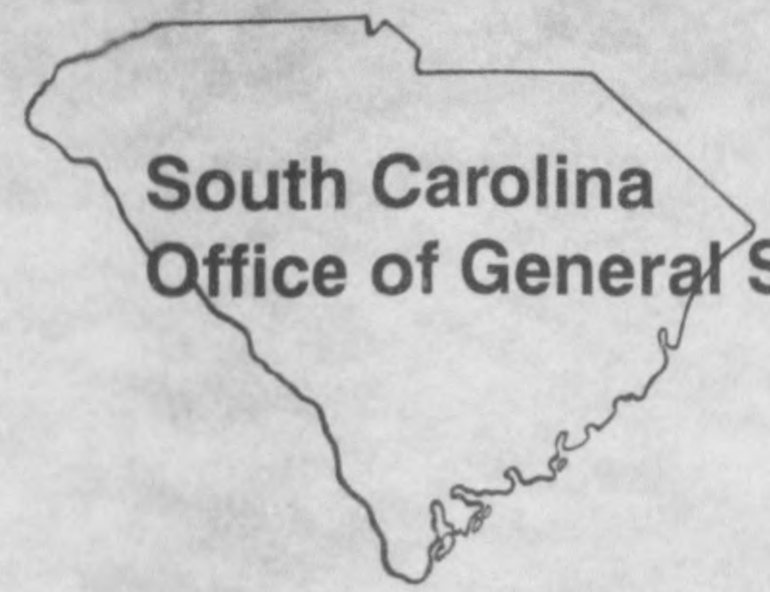

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

AGENCY

APRIL 1, 1995 - MARCH 31, 1998

DATE

067494

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STATE OF SOUTH CAROLINA

State Budget and Control Board

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CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

April 27, 1998

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the South Carolina Office of the Comptroller General's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the Office a three year certification as noted in the audit report.

Sincerely,

Voight Shealy

R. Voight Shealy
Materials Management Officer

/tl

C07495

Each agency of state government that has total management capability as defined and certified by the Office of General Services shall be allowed to oversee the administration of permanent improvement projects with the State Engineer's Office serving as an audit function. The State Engineer's Office shall assist those small agencies who do not have the necessary expertise in permanent improvements.

SUBARTICLE 7

Advisory Committees and Training

EXHIBIT
MAY 12 1998 3
STATE BUDGET & CONTROL BOARD

SECTION
11-35-1010. Relationship with Using Agencies.
11-35-1020. Advisory Groups.
11-35-1030. Procurement Training and Certification.

§ 11-35-1010. Relationship with Using Agencies.

The chief procurement officers shall maintain a close and cooperative relationship with the using agencies. The chief procurement officers shall afford each using agency reasonable opportunity to participate in and make recommendations with respect to procurement matters affecting the using agency.

§ 11-35-1020. Advisory Groups.

The chief procurement officers may appoint advisory groups such as user committees to assist with respect to specifications and procurement in specific areas and with respect to any other matters within the authority of the chief procurement officers. The chief procurement officers shall develop methods for obtaining necessary and relevant information from the affected agencies, whether through user committees or by surveys and other methods. The chief procurement officers shall make every reasonable effort to ensure that such contracts are developed as will best suit the interest of the State, giving due emphasis to user needs, total costs and open competitive methods of public purchasing.

§ 11-35-1030. Procurement Training and Certification.

The Office of General Services shall develop a system of training for procurement in accordance with regulations by the board. Such training shall encompass the latest techniques and methods of public procurement. If deemed appropriate by the Office of General Services, such training shall include a requirement for the certification of the procurement officer of each purchasing agency.

SUBARTICLE 9

Auditing and Fiscal Reporting

SECTION
11-35-1210. Certification.
11-25-1220. Collection of Data Concerning Public Procurement.
11-35-1230. Auditing and Fiscal Reporting.
11-35-1240. Administrative Penalties.
11-35-1250. Authority to Contract for Auditing Services.
11-35-1260. Authority to Contract for Legal Services.
11-35-1270. Authority to Contract for Certain Professional Services.

§ 11-35-1210. Certification.

(1) **Authority.** The board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it

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is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

(2) Policy. Authorizations granted by the board to a governmental body are subject to the following:

(a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

(b) responsiveness to user needs;

(c) obtaining of the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

§ 11-35-1220. Collection of Data Concerning Public Procurement.

The Office of General Services shall prepare statistical data concerning the procurement, use and disposition of all supplies, services and construction. All using agencies shall furnish such reports as the Office of General Services may require concerning use, needs and stocks on hand, and the chief procurement officers shall prescribe forms to be used by the using agencies in requisitioning, ordering and reporting supplies, services and construction. The chief procurement officers shall limit requests for information to those items necessary for the effective operation of the purchasing system, but using agencies shall be required to provide information as requested.

§ 11-35-1230. Auditing & Fiscal Reporting

(1) Auditing. The Office of General Services through consultation with the chief procurement officers shall develop written plans for the auditing of state procurements. In procurement audits of governmental bodies thereafter, the auditors from the Office of General Services shall review the adequacy of the system's internal controls in order to ensure compliance with the requirement of this code and the ensuing regulations. Any noncompliance discovered through audit must be transmitted in management letters to the audited governmental body, the Budget and Control Board. The auditors shall provide in writing proposed corrective action to governmental bodies. Based upon audit recommendations of the Office of General Services, the board may revoke certification as provided for in Section 11-35-1210 and require the governmental body to make all procurements through the office of materials management above a dollar limit set by the board until such time as the board is assured of compliance with this code and its regulations by that governmental body.

(2) Fiscal Reporting.

The Division of Budget Analysis, or other office or division within the Budget and Control Board, in consultation with the Comptroller General shall assume responsibility for operation and maintenance of the automated quarterly fiscal reporting procedures that have been developed under Section 1-1-930. The Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, shall assume responsibility for providing quarterly reports to the General Assembly regarding the status of personnel positions, budgets, transfers and expenditures in all state agencies, departments and institutions in a format developed in consultation with the Legislative Audit Council. The Legislative Audit Council shall periodically review the reporting system and coordinate legislative information needs with the Office of the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, as necessary. All agencies, departments and institutions of state government shall report to the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, any information required under Section 1-1-940.

§ 11-35-1240. Administrative Penalties.

The board shall prescribe administrative penalties for violation of the provisions of this code and of regulations promulgated thereunder, excluding those matters under the jurisdiction of the Ethics Commission as provided by law.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL
PROCUREMENT AUDIT REPORT

APRIL 1, 1995 - MARCH 31, 1998

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STATE OF SOUTH CAROLINA

State Budget and Control Board

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ASSISTANT DIRECTOR

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CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

March 30, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Office of the Comptroller General for the period April 1, 1995 through March 31, 1998. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Office of the Comptroller General is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to

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provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

007501

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Office of the Comptroller General and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1996 through February 27, 1998 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

(1) All sole source, emergency, and trade-in sale procurements for the period April 1, 1995 through March 31, 1998

(2) Procurement transactions for the period July 1, 1996 through February 28, 1998 as follows:

   a) Eight payments each exceeding $1,500
   b) All purchase orders issued from August 1, 1997 through September 30, 1997

(3) Surplus property disposition and procedures

(4) Minority Business Enterprise Plans and reports for the audit period

(5) Information technology plans for fiscal years 1995-98

(6) Internal procurement procedures manual

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RESULTS OF EXAMINATION

We conducted an examination of the internal procurement operating policies and procedures of the South Carolina Office of the Comptroller General. Our on-site review was conducted March 9 - 11, 1998, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations. The audit was performed primarily because the three year certification, as shown below, granted by the Budget and Control Board will expire on October 24, 1998.

Category	Limit
Goods and Services	$10,000
Information Technology in accordance with the approved Information Technology Plan	$10,000

The Office did not request any increases in certification.

We noted no material exceptions.

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225 1477

CERTIFICATION RECOMMENDATIONS

Under the authority described in Section 11-35-1210 of the Consolidated Procurement Code we recommend the South Carolina Office of the Comptroller General be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS	RECOMMENDED CERTIFICATION LIMITS
Goods and Services	*$10,000 per commitment
Information Technology	*$10,000 per commitment

*This means the total potential purchase commitment to the State whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification

EXHIBIT

MAY 1 2 1998 3

STATE BUDGET & CONTROL BOARD

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South Carolina
Office of General Services

EXHIBIT

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STATE BUDGET & CONTROL BOARD

PROCUREMENT AUDIT AND CERTIFICATION

SOUTH CAROLINA SCHOOL FOR THE DEAF AND THE BLIND

AGENCY

JANUARY 1, 1995 - DECEMBER 31, 1997

DATE

007505

225 1479

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

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HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
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VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 27, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Ms. Helen T. Zeigler, Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Helen:

I have attached the South Carolina School for the Deaf and the Blind's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the School a three year certification as noted in the audit report.

Sincerely,

Voight Shealy

R. Voight Shealy
Materials Management Officer

/tl

007506

225 1480

Each agency of state government that has total management capability as defined and certified by the Office of General Services shall be allowed to oversee the administration of permanent improvement projects with the State Engineer's Office serving as an audit function. The State Engineer's Office shall assist those small agencies who do not have the necessary expertise in permanent improvements.

SUBARTICLE 7

Advisory Committees and Training

SECTION
11-35-1010. Relationship with Using Agencies.
11-35-1020. Advisory Groups.
11-35-1030. Procurement Training and Certification.

EXHIBIT
MAY 12 1998 3
STATE BUDGET & CONTROL BOARD

§ 11-35-1010. Relationship with Using Agencies.

The chief procurement officers shall maintain a close and cooperative relationship with the using agencies. The chief procurement officers shall afford each using agency reasonable opportunity to participate in and make recommendations with respect to procurement matters affecting the using agency.

§ 11-35-1020. Advisory Groups.

The chief procurement officers may appoint advisory groups such as user committees to assist with respect to specifications and procurement in specific areas and with respect to any other matters within the authority of the chief procurement officers. The chief procurement officers shall develop methods for obtaining necessary and relevant information from the affected agencies, whether through user committees or by surveys and other methods. The chief procurement officers shall make every reasonable effort to ensure that such contracts are developed as will best suit the interest of the State, giving due emphasis to user needs, total costs and open competitive methods of public purchasing.

§ 11-35-1030. Procurement Training and Certification.

The Office of General Services shall develop a system of training for procurement in accordance with regulations by the board. Such training shall encompass the latest techniques and methods of public procurement. If deemed appropriate by the Office of General Services, such training shall include a requirement for the certification of the procurement officer of each purchasing agency.

SUBARTICLE 9

Auditing and Fiscal Reporting

SECTION
11-35-1210. Certification.
11-25-1220. Collection of Data Concerning Public Procurement.
11-35-1230. Auditing and Fiscal Reporting.
11-35-1240. Administrative Penalties.
11-35-1250. Authority to Contract for Auditing Services.
11-35-1260. Authority to Contract for Legal Services.
11-35-1270. Authority to Contract for Certain Professional Services.

§ 11-35-1210. Certification.

(1) **Authority.** The board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Office of General Services shall review the respective governmental body's internal procurement operation, shall certify in writing that it

007507

225 1681

is consistent with the provisions of this code and the ensuing regulations, and recommend to the board those dollar limits for the respective governmental body's procurement not under term contract.

(2) Policy. Authorizations granted by the board to a governmental body are subject to the following:

(a) adherence to the provisions of this code and the ensuing regulations, particularly concerning competitive procurement methods;

(b) responsiveness to user needs;

(c) obtaining of the best prices for value received.

(3) Adherence to Provisions of the Code. All procurements shall be subject to all the appropriate provisions of this code, especially regarding competitive procurement methods and nonrestrictive specifications.

§ 11-35-1220. Collection of Data Concerning Public Procurement.

The Office of General Services shall prepare statistical data concerning the procurement, use and disposition of all supplies, services and construction. All using agencies shall furnish such reports as the Office of General Services may require concerning use, needs and stocks on hand, and the chief procurement officers shall prescribe forms to be used by the using agencies in requisitioning, ordering and reporting supplies, services and construction. The chief procurement officers shall limit requests for information to those items necessary for the effective operation of the purchasing system, but using agencies shall be required to provide information as requested.

§ 11-35-1230. Auditing & Fiscal Reporting

(1) Auditing. The Office of General Services through consultation with the chief procurement officers shall develop written plans for the auditing of state procurements. In procurement audits of governmental bodies thereafter, the auditors from the Office of General Services shall review the adequacy of the system's internal controls in order to ensure compliance with the requirement of this code and the ensuing regulations. Any noncompliance discovered through audit must be transmitted in management letters to the audited governmental body, the Budget and Control Board. The auditors shall provide in writing proposed corrective action to governmental bodies. Based upon audit recommendations of the Office of General Services, the board may revoke certification as provided for in Section 11-35-1210 and require the governmental body to make all procurements through the office of materials management above a dollar limit set by the board until such time as the board is assured of compliance with this code and its regulations by that governmental body.

(2) Fiscal Reporting.

The Division of Budget Analysis, or other office or division within the Budget and Control Board, in consultation with the Comptroller General shall assume responsibility for operation and maintenance of the automated quarterly fiscal reporting procedures that have been developed under Section 1-1-930. The Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, shall assume responsibility for providing quarterly reports to the General Assembly regarding the status of personnel positions, budgets, transfers and expenditures in all state agencies, departments and institutions in a format developed in consultation with the Legislative Audit Council. The Legislative Audit Council shall periodically review the reporting system and coordinate legislative information needs with the Office of the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, as necessary. All agencies, departments and institutions of state government shall report to the Comptroller General and the Division of Budget Analysis, or other office or division within the Budget and Control Board, any information required under Section 1-1-940.

§ 11-35-1240. Administrative Penalties.

The board shall prescribe administrative penalties for violation of the provisions of this code and of regulations promulgated thereunder, excluding those matters under the jurisdiction of the Ethics Commission as provided by law.

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SOUTH CAROLINA SCHOOL FOR THE DEAF AND BLIND

PROCUREMENT AUDIT REPORT

JANUARY 1, 1995 - DECEMBER 31, 1997

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

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COMPTROLLER GENERAL

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VOIGHT SHEALY
ASSISTANT DIRECTOR

February 23, 1998

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina School for the Deaf and Blind for the period January 1, 1995 through December 31, 1997. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina School for the Deaf and Blind is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the

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STATE BUDGET & CONTROL BOARD

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disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the School for the Deaf and Blind in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

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SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina School for the Deaf and Blind and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected judgmental samples for the period July 1, 1995 through November 13, 1997 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, review of the following:

(1) All sole source, emergency and trade-in sale procurements for the period January 1, 1995 - December 31, 1997

(2) Procurement transactions for the period July 1, 1995 - November 13, 1997 as follows:
   a) Fifty-seven payments each exceeding $1,500
   b) A block sample of purchase orders from six areas of responsibility

(3) Two professional service contracts and three construction contracts for permanent improvement projects for compliance with the Manual for Planning and Execution of State Permanent Improvements

(4) Minority Business Enterprise Plans and reports

(5) Information technology plans

(6) Internal procurement procedures manual

(7) Surplus property procedures

(8) File documentation and evidence of competition

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

RESULTS OF EXAMINATION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures of the South Carolina School for the Deaf and Blind. Our on-site review was conducted January 12 - 16, 1998, and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

On June 20, 1995, the Budget and Control Board granted the South Carolina School for the Deaf and Blind, hereinafter referred to as the School, the following procurement certifications:

Category	Limit
Goods and Services	$25,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	$25,000 per commitment
Consultants Services	$25,000 per commitment

Our audit was performed primarily to determine if recertification is warranted.

While the School has maintained a professional and efficient procurement system since our last audit, we did note the following items which should be addressed by management.

Procurements Without Competition

Our testing revealed four procurements that were not supported by competition.

Item	PO Date	PO	Amount	Description
1	10/16/97	1185	$1,654	Lock sets, blank keys
2	10/25/96	1214	2,070	Grading standardized test
3	08/15/97	540	3,763	Consultant
4	09/09/97	750	5,439	Conference facilities

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Section 11-35-1510 of the Code lists the source selection methods. Small purchases are defined in Section 11-35-1550 and sole source procurements are defined in Section 11-35-1560. The Budget and Control Board granted an exemption on December 13, 1988, for in-state conference facilities. For the exemption to apply, the guidelines as established by the Office of General Services must be followed.

Based on information provided by School personnel, item 1 should have been competed in accordance with Section 11-35-1550, items 2 and 3 should have been sole sourced in accordance with Section 11-35-1560 and item 4 should have been procured in accordance with the guidelines per the exemption or competed in accordance with Section 11-35-710.

We recommend that the School comply with the Code for purchases in the future.

Unauthorized Procurements

The School repaired a HVAC system damaged by lightning on purchase order 2106 for $15,899. The purchase order was dated March 5, 1997 but the invoice was dated December 13, 1996. According to a note in the file, the procurement was unauthorized but no evidence of ratification was contained. Additionally, change order #2 for construction project H75-9520 was approved by the State Engineer's Office on October 13, 1997. The change order was included on the Application for Payment #3 for $15,495 dated September 12, 1997. The change order included a procurement for $7,885, which exceeds the School's construction certification of $5,000. The procurement of $7,885 required the approval of the State Engineer's Office prior to the work being performed.

Regulation 19-445.2015 defines an unauthorized procurement as "an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or

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delegation." Since the procurements were not approved by an authorized person prior to commitment, the procurements are unauthorized.

We recommend the School request ratification from the President for the repairs to the HVAC system as the procurement was below the School's certification of $25,000 for goods and services. A ratification request must be submitted by the President to the State Engineer for the construction procurement of $7,885. Each ratification request must include the requirements noted in Regulation 19-445.2015(A)(3).

Blanket Purchase Agreements

The School does not address all the terms and conditions required by Regulation 19-445.2100 B. (3) for blanket purchase agreements. The terms and conditions are:

- Description of Agreement
- Extent of Obligation
- Notice of Individuals Authorized to Place Calls
- Delivery Tickets which must include:
  - name of supplier
  - blanket purchase agreement number
  - date of call
  - call number
  - itemized list of supplies of services furnished
  - quantity, unit price, and extension
  - date of delivery or shipment
- Invoicing method

According to School personnel, the blanket purchase agreements had to be entered manually in the new system for the current fiscal year only. As a result, several of the terms and conditions were overlooked.

We recommend the School review the blanket purchase agreements to determine which terms and conditions need to be added and add them accordingly.

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EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the South Carolina School for the Deaf and Blind in compliance with the South Carolina Consolidated Procurement Code.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we will recommend the South Carolina School for the Deaf and Blind be recertified to make direct agency procurements for three years up to the limits as follows:

PROCUREMENT AREAS	RECOMMENDED CERTIFICATION LIMITS
Goods and Services	*$25,000 per commitment
Information Technology	*$25,000 per commitment
Consultants Services	*$25,000 per commitment

*The total potential purchase commitment to the State whether single year or multi-term contracts are used.

Melissa Rae Thurstin
Senior Auditor

Larry G. Sorrell, Manager
Audit and Certification

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SOUTH CAROLINA SCHOOL FOR THE DEAF AND THE BLIND

SHEILA S. BREITWEISER, ED.D.
PRESIDENT

April 27, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Mr. Larry G. Sorrell, Manager
Audit and Certification
Suite 600
1201 Main Street
Columbia, South Carolina 29201

Dear Larry:

In response to the Procurement Audit conducted for the period of January 1, 1995 - December 31, 1997. We have reviewed the audit report and concur wholly.

It is always our intent to comply with all applicable codes and regulations. Therefore, necessary corrective action plans have been implemented to address all areas outlined in the audit report.

Sincerely,

Valeria Williams

Valeria Williams
Fiscal Affairs Manager

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The South Carolina School for the Deaf and the Blind

Main Campus
355 Cedar Springs Road
Spartanburg, SC 29302-4699
(864) 585-7711, Voice/TTY
(864) 585-3555, Fax

Columbia
100 Executive Center Drive
Suite A-13, Santee Building
Columbia, SC 29210
(803) 731-4945, Voice
(803) 798-4936, TTY
(803) 731-5524, Fax

Conway
900 4th Avenue
Conway, SC 29526
(803) 248-8100, Voice
(803) 248-0937, TTY
(803) 248-0737, Fax

Charleston
1920-C Dunbar Street
Charleston, SC 29407
(803) 852-4160, Voice
(803) 852-4162, TTY
(803) 852-4163, Fax

Florence
Suite 208, Executive Park
300 Rainbow Drive
Florence, SC 29501
(803) 665-9705, Voice/TTY
(803) 665-1422, Fax

Rock Hill
241 Oakland Avenue
Rock Hill, SC 29730
(803) 366-2890, Voice
(803) 366-3120, TTY
(803) 366-3775, Fax

Postsecondary Cooperative Program with Spartanburg Technical College
PO Box 4386
Spartanburg, SC 29305-4386
(864) 591-3811, Voice/TTY
(864) 591-3609, Fax

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STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

HELEN T. ZEIGLER
DIRECTOR

MATERIALS MANAGEMENT OFFICE
1201 MAIN STREET, SUITE 600
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-0600
Fax (803) 737-0639

VOIGHT SHEALY
ASSISTANT DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 27, 1998

EXHIBIT

MAY 12 1998 3

STATE BUDGET & CONTROL BOARD

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from the South Carolina School for the Deaf and the Blind to our audit report for the audit period of January 1, 1995 - December 31, 1997. Also we have followed the School's corrective action during and subsequent to our field work. We are satisfied that the School has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend the Budget and Control Board grant the South Carolina School for the Deaf and the Blind the certification limits noted in our report for period of three years.

Sincerely,

Larry G. Sorrell, Manager
Audit and Certification

LGS/tl

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

MEETING OF May 12, 1998

BLUE AGENDA

ITEM NUMBER 4

AGENCY: General Services

SUBJECT: Permanent Improvement Project

Budget and Control Board approval is requested for the following permanent improvement project establishment request and budget revision which has been reviewed favorably by the Joint Bond Review Committee:

a. Summary 12-98: Item 4: Department of Corrections
Project: 9603, Underground Tanks Removal/Replacement
Request: Establish project and budget ($500,000 Appropriated State funds) to remove and replace 64 underground fuel oil tanks at 27 correctional institutions statewide to comply with the EPA 1998 Underground Fuel Oil Tank Standards by December 27, 1998. (See Attachment 1 for additional annual operating costs.)

BOARD ACTION REQUESTED:

Approve the referenced permanent improvement project establishment request and budget revision which has been reviewed favorably by the Joint Bond Review Committee.

ATTACHMENTS:

Additional annual operating costs

007521

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BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: **May 12, 1998** **Blue Agenda**

1. **Submitted By:**
   (a) Agency: Office of General Services
   (b) Authorized Official Signature: Helen T. Zeigler, Director

2. **Subject:**

   Permanent Improvement Projects

EXHIBIT

MAY 12 1998 4

STATE BUDGET & CONTROL BOARD

3. **Summary Background Information:**

(a) Summary 12-98: Item 4. Department of Corrections
Project: 9603, Underground Tanks Removal/Replacement
Request: Establish project and budget ($500,000 Appropriated State funds) to remove and replace 64 underground fuel oil tanks at 27 correctional institutions statewide to comply with the EPA 1998 Underground Fuel Oil Tank Standards by December 27, 1998. (See Attachment 1 for additional annual operating costs.)

4. **What is the Board asked to do?**

Approve permanent improvement project establishment request. This item has been reviewed favorably by the Joint Bond Review Committee.

5. **What is the recommendation of General Services?**

Recommend approval of permanent improvement establishment request.

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

(a) Authorized Signature: _____
(b) Division/Agency Name: _____

7. **List of Supporting Documents:**
Attached:
1. Department of Corrections Additional Annual Operating Costs.

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ATTACHMENT 1

EXHIBIT

MAY 12 1998

STATE BUDGET & CONTROL BOARD

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ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS - RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY
Code N04 Name South Carolina Department of Corrections

2. PROJECT
Project # 9603 Name Remove/Replace Underground Tanks

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS ☐ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) FY 98-99	$ 40,000	$	$	$ 40,000
2)	$	$	$	$
3)	$	$	$	$

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☒ YES ☐ NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

	COST FACTORS	AMOUNT
1.	Monitoring/Well Testing	$ 40,000
2.		
3.		
4.		
5.		
6.		
7.		
8.		
	TOTAL	$ 40,000

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8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: [signature] BUDGET-FINANCE DIRECTOR 3/18/98
Signature of Authorized Official and Title Date

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STATE BUDGET AND CONTROL BOARD

MEETING OF May 12, 1998

BLUE AGENDA

ITEM NUMBER 5

AGENCY: Executive Director

SUBJECT: Revenue Bond Issues

The required reviews on the following proposals to issue revenue bonds have been completed with satisfactory results. Each of the projects requires approval under State law. Ceiling allocation requests are addressed separately.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

a.

Issuing Authority:	Jobs-Economic Development Authority
Amount of Issue:	$8,900,000 Industrial Development Bond
Allocation Needed:	-0-
Name of Project:	Virtual Image Technology, L.L.C. **(assigned by Queensdale/Microview in accord with Section 4.05 of Inducement Agreement)**
Employment Impact:	135 within 12 months, 200 within 24 months
Project Description:	facility in Lancaster County for creation of microfilm, microfiche, and compact discs
Note:	*private placement*
Bond Counsel:	Edward G. Kluiters, Haynsworth Marion McKay & Guérard

b.

Issuing Authority:	Jobs-Economic Development Authority
Amount of Issue:	$47,500,000 First Mortgage Health Facilities Revenue Bonds
Allocation Needed:	-0-
Name of Project:	The Lutheran Homes of South Carolina, Inc.
Employment Impact:	530
Project Description:	4 continuing care retirement facilities
Note:	*private placement for public distribution thereafter*
Bond Counsel:	F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.

c.

Issuing Authority:	Jobs-Economic Development Authority
Amount of Issue:	$32,000,000 Solid Waste Disposal Facilities Bonds
Allocation Needed:	-0-
Name of Project:	Santee River Rubber Company
Employment Impact:	Creation 40; Maintenance 133
Project Description:	a waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. and to be located in Berkeley County, South Carolina
Note:	*public or private placement*
Bond Counsel:	F. Mitchell Johnson, Jr., Sinkler & Boyd, P.A.

BOARD ACTION REQUESTED:

Adopt resolutions approving the referenced proposals to issue revenue bonds.

ATTACHMENTS:

Resolutions

007524

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A RESOLUTION APPROVING THE ISSUANCE BY THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY THROUGH PRIVATE SALE OF NOT EXCEEDING $8,950,000 AGGREGATE PRINCIPAL AMOUNT ECONOMIC DEVELOPMENT REVENUE BONDS (VIRTUAL IMAGE TECHNOLOGY, L.L.C. PROJECT) SERIES 1998, PURSUANT TO THE PROVISIONS OF SECTION 41-43-110 OF SOUTH CAROLINA CODE ANNOTATED, TITLE 41, CHAPTER 43 (1976), AS AMENDED.

WHEREAS, the South Carolina Jobs-Economic Development Authority (the "Authority") has heretofore under and pursuant to the provisions of Section 41-43-110 of South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the "Act"), requested approval by the State Budget and Control Board of the issuance by the Authority pursuant to the Act of its Economic Development Revenue Bonds (Virtual Image Technology, L.L.C. Project) Series 1998, in the aggregate principal amount of not exceeding $8,950,000 (the "Bonds") through private sale, which the Authority has determined to be most advantageous; and

WHEREAS, the Authority represents to the State Budget and Control Board that the Bonds will be placed by a financial institution through a private placement acceptable to the Authority.

NOW, THEREFORE, BE IT RESOLVED, by the State Budget and Control Board of the State of South Carolina, as follows:

Section 1. It is hereby found, determined and declared by the Board that: the Petition filed by the Authority contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 41-43-110 of the Act.

Section 2. In consequence of the foregoing, the proposal of the Authority to issue the Bonds through private sale be and the same is hereby in all respects approved.

Section 3. This Resolution shall take effect immediately.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

A RESOLUTION

APPROVING THE UNDERTAKING OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY TO ISSUE NOT EXCEEDING $47,500,000 SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (the "*Act*").

WHEREAS, heretofore the South Carolina Jobs - Economic Development Authority (the "*Authority*"), did, pursuant to the Act, petition the State Budget and Control Board of South Carolina (the "*State Board*") seeking the approval of the State Board for an undertaking by the Authority pursuant to the Act; and

WHEREAS, the proposed undertaking (the "*Undertaking*") consists of the financing of the advance refunding of certain outstanding revenue bonds (collectively, the "*Prior Bonds*") initially issued to finance the acquisition, construction, furnishing, and equipping of certain health care facilities (collectively, the "*Projects*") in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "*Counties*"), by the issuance and delivery of health facilities refunding revenue bonds in an amount not exceeding $47,500,000 (the "*Bonds*") pursuant to the Act, to a resolution (the "*Bond Resolution*") adopted by the Board of Directors of the Authority, and to a Trust Indenture (the "*Indenture*") between the Authority and First Union National Bank, as Bond Trustee (the "*Bond Trustee*"); and

WHEREAS, the Authority proposes to enter into a Loan Agreement (the "*Loan Agreement*") with The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "*Institution*"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("*Lowman Home*"), The Franke Home, Inc., a South Carolina nonprofit corporation ("*Franke Home*"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("*Piedmont Lutheran*"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "*Foundation*") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "*Initial Members*") pursuant to which the Authority will lend the proceeds of the Bonds to the Initial Members to finance (i) a portion of the cost of advance refunding the Prior Bonds, and (ii) a portion of the costs incurred in connection with the issuance and delivery of the Bonds; and

WHEREAS, pursuant to the Loan Agreement, the Initial Members will agree to pay to the Authority amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, the Authority proposes to enter into the Bond Indenture prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made by the Initial Members pursuant to the Loan Agreement; and

WHEREAS, the Authority has heretofore determined that:

(a) the Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the Projects are located in the Counties,

(b) the Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of its revenue bonds will result in the creation/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such

businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities,

(c) the amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project, and

(d) the size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects; and

WHEREAS, the Authority has also determined that prior to the issuance of the Bonds it will find that:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved, and

(b) the public interest is adequately protected by the terms of such documents; and

WHEREAS, in order to finance the advance refunding of the Prior Bonds, the Authority proposes to provide for the issuance and delivery of the Bonds pursuant to the Act, to the Bond Resolution, and to the Bond Indenture, payable by the Authority from the amounts derived from the Loan Agreement and secured by the Bond Indenture pursuant to which the Authority will pledge substantially all of its right, title, and interest in and to the Loan Agreement to the Bond Trustee; and

WHEREAS, it is the intention of the Authority and the Initial Members that the Bonds be sold by the Authority to J.C. Bradford & Co., Nashville, Tennessee (the "***Underwriter***"), pursuant to a Bond Purchase Agreement by and among the Authority, the Initial Members, and the Underwriter for resale to the public,

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

1. It has been found and determined by the State Board that the Authority has filed a proper petition with the State Board in accordance with the provisions of the Act and that it has made the findings required by the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the Authority to finance (i) the advance refunding of the Prior Bonds, and (ii) a portion of the costs incurred in the issuance and delivery of the Bonds through the issuance of not exceeding $47,500,000 of the Authority's health facilities refunding revenue bonds through a negotiated private sale pursuant the Bond Resolution to be payable from the revenues to be derived by the Authority from the Loan Agreement and to be secured by the Bond Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking) be and the same are hereby approved.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD E

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

A RESOLUTION

APPROVING THE UNDERTAKING OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY TO ISSUE NOT EXCEEDING $32,000,000 SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, SOLID WASTE RECYCLING FACILITIES REVENUE BONDS, SERIES 1997 (the "*Bonds*") PURSUANT TO TITLE 43, CHAPTER 41, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (the "*Act*").

WHEREAS, heretofore the South Carolina Jobs - Economic Development Authority (the "*Issuer*"), did, pursuant to the Act, petition the State Budget and Control Board of South Carolina (the "*State Board*") seeking the approval of the State Board for an undertaking by the Issuer pursuant to the Act; and

WHEREAS, the proposed undertaking (the "*Undertaking*") consists of the financing of a portion of the cost of acquiring, constructing, furnishing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. (the "*Company*"), a South Carolina limited liability company, and to be located in Berkeley County, South Carolina (the "*County*") by the issuance and delivery of solid waste recycling facilities revenue bonds in two or more series and in an aggregate amount not exceeding $32,000,000 (the "*Bonds*") pursuant to the Act, to a resolution (the "*Bond Resolution*") to be adopted by the Board of Directors of the Issuer, and to an Indenture of Trust (the "*Indenture*") between the Issuer and The Bank of New York, as Trustee (the "*Trustee*"); and

WHEREAS, the Issuer proposes to enter into a Loan Agreement (the "*Loan Agreement*") with the Company pursuant to which the Issuer will lend the proceeds of the Bonds to the Company to finance a portion of the cost of the acquisition, construction, furnishing, and equipping of the Project; and

WHEREAS, pursuant to the Loan Agreement, the Company will agree to pay to the Issuer amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, the Issuer proposes to enter into the Indenture prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made by the Company pursuant to the Loan Agreement; and

WHEREAS, the Issuer has determined that prior to the issuance of the Bonds it will find that:

(a) the Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County,

(b) the Company has demonstrated to the Authority that the assistance of the Authority by the issuance of its revenue bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities,

(c) the amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project, and

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

(d) the size and scope of the Project is such that a definite benefit to the economy of the State and the County, in particular, is reasonably expected to result from the Project; and

WHEREAS, the Issuer has also determined that prior to the issuance of the Bonds it will find that:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved, and

(b) the public interest is adequately protected by the terms of such documents; and

WHEREAS, in order to finance the acquisition, construction, furnishing, and equipping of the Project, the Issuer proposes to provide for the issuance and delivery of the Bonds pursuant to the Act, to the Bond Resolution and to the Indenture, payable by the Issuer from the amounts derived from the Loan Agreement and secured by the Indenture pursuant to which the Issuer will pledge substantially all of its right, title and interest in and to the Loan Agreement to the Trustee; and

WHEREAS, it is the intention of the Issuer and the Company that the Bonds be sold by the Issuer to Smith Barney Inc. (the "*Underwriter*") for resale in denominations of at least one hundred thousand dollars to investors who or which customarily purchase debt securities in large denominations pursuant to a bond purchase agreement or purchase contract by and among the Issuer, the Company, and the Underwriter,

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

1. It has been found and determined by the State Board that the Issuer has filed a proper petition with the State Board in accordance with the provisions of the Act and that prior to the issuance of the Bonds it will find make the findings required by the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the Issuer to finance a portion of the cost of acquiring, constructing, furnishing, and equipping the Project through the issuance of the Authority's solid waste recycling facilities revenue bonds in two or more series in an aggregate amount not exceeding $32,000,000 in denominations of at least one hundred thousand dollars through a sale to investors who or which customarily purchase debt securities in large denominations pursuant the Bond Resolution to be payable from the revenues to be derived by the Issuer from the Loan Agreement and to be secured by the Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking) be and the same are hereby approved.

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

Virtual Image Technology

I, DELBERT H. SINGLETON, JR., SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, David M. Beasley, Governor and Chairman of the Board;
The Honorable Richard A. Eckstrom, State Treasurer;
The Honorable Earle E. Morris, Jr., Comptroller General;
The Honorable John Drummond, Chairman, Senate Finance Committee; and
The Honorable Henry E. Brown, Jr., Chairman, House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 9:30 a.m. on Tuesday, May 12, 1998, was given to all members in writing at least four days prior to the meeting and that, in compliance with the Freedom of Information Act, public notice of and the agenda index for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the Carolina Plaza, in the lobby of the Wade Hampton Office Building, and near the Board Secretary's Office on the Sixth Floor of the Wade Hampton Office Building at 1:45 p.m. on Thursday, May 7, 1998.

That all members of the Board were present at the meeting.

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

FOR MOTION	AGAINST MOTION
5	0

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

May 12, 1998

Delbert H. Singleton, Jr.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

007530

225.1504

A RESOLUTION APPROVING THE ISSUANCE BY THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY THROUGH PRIVATE SALE OF NOT EXCEEDING $8,950,000 AGGREGATE PRINCIPAL AMOUNT ECONOMIC DEVELOPMENT REVENUE BONDS (VIRTUAL IMAGE TECHNOLOGY, L.L.C. PROJECT) SERIES 1998, PURSUANT TO THE PROVISIONS OF SECTION 41-43-110 OF SOUTH CAROLINA CODE ANNOTATED, TITLE 41, CHAPTER 43 (1976), AS AMENDED.

WHEREAS, the South Carolina Jobs-Economic Development Authority (the "Authority") has heretofore under and pursuant to the provisions of Section 41-43-110 of South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the "Act"), requested approval by the State Budget and Control Board of the issuance by the Authority pursuant to the Act of its Economic Development Revenue Bonds (Virtual Image Technology, L.L.C. Project) Series 1998, in the aggregate principal amount of not exceeding $8,950,000 (the "Bonds") through private sale, which the Authority has determined to be most advantageous; and

WHEREAS, the Authority represents to the State Budget and Control Board that the Bonds will be placed by a financial institution through a private placement acceptable to the Authority.

NOW, THEREFORE, BE IT RESOLVED, by the State Budget and Control Board of the State of South Carolina, as follows:

Section 1. It is hereby found, determined and declared by the Board that: the Petition filed by the Authority contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 41-43-110 of the Act.

Section 2. In consequence of the foregoing, the proposal of the Authority to issue the Bonds through private sale be and the same is hereby in all respects approved.

Section 3. This Resolution shall take effect immediately.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

8050-2\B&C-RES

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EXHIBIT

4-27-98
4:41 pm

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

TRANSMITTAL FORM, REVENUE BONDS

TO: Grady L. Patterson, Jr., Executive Director
Jennifer Williams, Board Secretary
State Budget and Control Board
601 Wade Hampton Building
Columbia, SC 29201
OR *P. O. Box 12444, Columbia, SC 29211*

DATE: April 28, 1998

Submitted for BCB Meeting on:
May 12, 1998

FROM:

Haynsworth, Marion, McKay & Guerard, LLP
Name of Law Firm

1201 Main Street, Suite 2400
Street Address/ Box Number

Columbia, SC 29201
City, State, Zip Code

(803) 254-0265
Area Code/ Telephone Number

RE:

Not to Exceed $8,950,000
Amount of Issue

JEDA
Name of Issuing Authority

Industrial Revenue Bonds
Type of Bonds or Notes

July 13, 1998
Projected Issue Date

Project Name: Virtual Image Technology, L.L.C.

Project Description: Facility in Lancaster County for creation of microfilm, microfiche and compact discs.

Employment as a result of the project: 135 within 12 months, 200 within 24 months

Ceiling Allocation Required	**Refunding Involved**	**Project Approved Previously**
_Yes ($_____) ✓No	_Yes ($_____) ✓No	_Yes ($_____) ✓No
Amount	Amount	Amount

Documents enclosed (executed original and two copies of each):
(ALL documents required for state law approval; A and C only for ceiling allocation only.)

A. ✓ Petition

B. ✓ Resolution or Ordinance

C. ✓ Inducement Resolution or comparable preliminary approval

D. ___ Department of Health and Environmental Control Certificate *if required*

E. ✓ Budget and Control Board Resolution and Public Notice *(original)*
Plus 5 *copies for certification and return to bond counsel*

F. ✓ Draft bond counsel opinion letter

G. ___ Processing Fee
Amount: $_____ *Check No:* _____
Payor: _____

Bond Counsel: Edward G. Kluiters
Typed Name of Bond Counsel

By: Edward G. Kluiters
Signature

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EXHIBIT

STATE OF SOUTH CAROLINA

MAY 12 1998 5

State Budget and Control Board

STATE BUDGET & CONTROL BOARD

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880
(803) 737-0592 Fax

HELEN T. ZEIGLER
DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 4, 1998

The Honorable Delbert H. Singleton, Secretary
S.C. Budget and Control Board
601 Wade Hampton Office Building
Columbia, South Carolina 29201

RE: Jobs-Economic Development Authority
Not to Exceed $8,950,000 Industrial Revenue bonds
Virtual Image Technology, L.L.C. Project

Dear Mrs. Williams:

We have received the Revenue Bonds Transmittal form and other items regarding the referenced proposed bonds.

These documents have been submitted by Bond Counsel Haynsworth, Marion, McKay & Guerard, LLP and upon review of the Petition to the Budget and Control Board, the proposed Resolution of the Budget and Control Board and the draft of the Opinion of Bond Counsel appear to be in good order. Of course, we express no opinion as to the merits of the bond issue or the validity of the information recited in these documents as we have not acted in a capacity which would enable us to have knowledge adequate to form such an opinion. We have merely reviewed the documents form and they appear to meet the conditions imposed by State law that certain matters be addressed in the documentation.

Sincerely,

Wayne F. Rush

Wayne F. Rush
Assistant General Counsel

WFR/rwk

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

The State of South Carolina
OFFICE OF THE ATTORNEY GENERAL

CHARLES MOLONY CONDON
ATTORNEY GENERAL

May 1, 1998

Delbert H. Singleton, Jr., Esquire
State Budget and Control Board
612 Wade Hampton Office Building
P. O. Box 12444
Columbia, SC 29211

Re: Jobs-Economic Development Authority
Not to Exceed $8,950,000 Industrial Revenue Bonds
Virtual Image Technology, L.L.C. Project

Dear Mr. Singleton:

Regarding the above-referenced obligation, we have reviewed the Petition and other documents forwarded to us by the State Budget and Control Board. These represent a portion of the documents that have been submitted to the Board for its approval. The documents appear to comply with the requirements of the referenced Code sections in the submitted material that certain specific information be addressed in these documents.

This opinion addresses only the fact that the documents appear to meet the conditions imposed by State law that certain specific matters be included in the documentation. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Office of the Attorney General

By: _____
C. Havird Jones, Jr.
Senior Assistant Attorney General

CHJJr/rho

007534

HAYNSWORTH, MARION, McKAY & GUÉRARD, L.L.P.
ATTORNEYS AT LAW

75 Beattie Place, Eleventh Floor
Two Insignia Financial Plaza
Post Office Box 2048
Greenville, South Carolina 29602
(864) 240-3200
Facsimile (864) 240-3300

1201 Main Street, Suite 2400 (29201)
Post Office Drawer 7157
Columbia, South Carolina 29202
(803) 765-1818
Facsimile (803) 765-2399

134 Meeting Street
Fourth Floor
Post Office Box 1119
Charleston, South Carolina 29401
(803) 722-7606
Facsimile (803) 724-8015

April 27, 1998

EXHIBIT
MAY 12 1998 5
STATE BUDGET & CONTROL BOARD

Delbert H. Singleton, Jr., Esquire
Secretary to the South Carolina
State Budget and Control Board
Wade Hampton Office Building, 6th Floor
Columbia, SC 29201

RE: Not to Exceed $8,950,000 South Carolina Jobs-Economic Development Authority Tax Exempt Economic Development Revenue Bonds (Virtual Image Technology, L.L.C. Project), Series 1998
Our File No. 8050-2

Dear Mr. Singleton:

Enclosed please find the following items related to the above-referenced issue:

1. Transmittal Form, Revenue Bonds;
2. Amended Petition to the Budget and Control Board;
3. Resolution Adopted by JEDA;
4. Inducement Agreement;
5. Assignment of Inducement Agreement;
6. Original and five (5) copies of Budget and Control Board Resolution granting State law approval to the project; and
7. Draft Bond Counsel Opinion Letter.

We would appreciate this project being placed on the Budget and Control Board agenda for State law approval at its meeting to be held on May 12, 1998. Please note that this project was given volume cap in April in the name of Queensdale Properties, LLC. It has since been assigned by Queensdale to its parent company, Virtual Image Technology, L.L.C.

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If I may provide you with any further information regarding this matter, please do not hesitate to let me know.

Sincerely,

William G. Flowers

WGF/csh
Enclosures
cc: Mr. Mario Chang

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA	AMENDED PETITION OF SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

This Amended Petition of the South Carolina Jobs-Economic Development Authority (the "Authority"), pursuant to South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the "Act"), and specifically Section 41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (i) to acquire and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more business enterprises (as referred to in Section 41-43-160 of the Act) which shall be located within the jurisdiction of the State of South Carolina; (ii) to make available to any business enterprise located in South Carolina such projects for such payments and upon such terms and conditions as the Authority may deem advisable and as shall not conflict with the provisions of the Act; and (iii) subject to the approval of the State Budget and Control Board of the issuance of its bonds through public or private sale pursuant to Section 41-43-110 of the Act, to issue revenue bonds, as defined in the Act to include notes, for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project and to secure the payment of such bonds, all as in the Act provided.

2. The Authority has agreed to assist Queensdale Properties, LLC, a North Carolina limited liability company, or its assignee as provided in the Inducement Agreement dated December 10, 1997, which Inducement Agreement has been subsequently assigned to Virtual Image Technology, L.L.C. (the "Borrower"), by issuing its revenue bonds for the purpose of financing the acquisition and construction of certain facilities for the production of microfilm, microfiche, compact disks and optical disks (the "Project") to be located in Lancaster County, South Carolina.

3. The undersigned Executive Director of the Authority certifies that approval of this Project was not made in consideration of any bribe, gift, gratuity, or direct or indirect contribution to any political campaign.

4. The Authority has been advised by the Borrower that the estimated cost of financing the Project will be not exceeding $8,950,000, and the Borrower has requested the Authority to execute and deliver its Economic Development Revenue Bonds (Virtual Image

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Technology, L.L.C. Project) (the "Bonds") in the aggregate principal amount of not exceeding $8,950,000.

5. The Bonds will be placed by a financial institution acceptable to the Authority through a private placement, which arrangement the Authority has determined to be most advantageous.

6. Pursuant to Section 41-43-150 of the Act, the Authority has made the requisite findings that:

(a) Virtual Image Technology, L.L.C., a North Carolina limited liability company, is a responsible party engaged in the production of microfilm, microfiche, compact disks, and optical disks. Queensdale Properties, LLC is a subsidiary of Virtual Image Technology, L.L.C. The Project is to be located in Lancaster County, South Carolina.

(b) The Project constitutes a "business enterprise" as said term is referred to in Section 41-43-160 of the Act, and the issuance of the Bonds in the aggregate principal amount of not exceeding $8,950,000 to finance the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act.

(c) It is anticipated that the Project will benefit the general public welfare of the State of South Carolina, and Lancaster County in particular, by providing full-time employment for approximately 135 people within 12 months and 200 people within 24 months from Lancaster County and adjacent areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance authorized herein bears a reasonable relationship to the principal amount of the Bonds.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State of South Carolina, and Lancaster County in particular, is reasonably expected to result therefrom.

Prior to issuance of the Bonds, the Authority will, as part of its proceedings:

(e) Require a resolution from the governing body of Lancaster County containing the following findings: (1) that the Project will subserve the purposes of the Act; (2) that the Project is anticipated to benefit the general public welfare of Lancaster County by providing services, employment, or other public benefits not otherwise provided locally; (3) that the Project will give rise to no pecuniary liability of Lancaster County or a charge against its general credit or taxing power; and (4) the amount of bonds required to finance the Project;

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EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

(f) Hold a public hearing in Lancaster County in connection with such resolution;

(g) Make findings that the terms of the agreements to be entered into in connection with the Project are reasonable and proper as to the adequacy of protection for the public interest provided by such terms;

(h) Negotiate the terms of such agreements to the extent necessary to conclude that neither the Project, the Bonds proposed to be issued by the Authority to defray the cost of financing the Project, nor any documents or agreements entered into by the Authority in connection therewith will constitute or give rise to a pecuniary liability of the Authority or the State of South Carolina or a charge against the general credit or taxing power of either, and only program funds (as defined in the Act) will be made available to finance the cost of the Project;

(i) Undertake such review as is necessary to conclude that each Borrower is a responsible party with established credit; and

(j) Undertake such review as is necessary to conclude that the issuance of the Bonds by the Authority in the final principal amount requested by the Borrower will be required to defray the cost of financing the Project, and such principal amount bears a reasonable relationship to the amount of private funds also committed to the Project.

Upon the basis of the foregoing, the Authority respectfully prays that the State Budget and Control Board (i) accept the filing of this Amended Petition and the documents submitted herewith, (ii) make such review as it deems advisable, and (iii) approve the issuance of the Bonds by the Authority through private sale pursuant to the Act to defray the cost of financing the Project (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

By: _____
Elliott E. Franks, III,
Executive Director

Dated: April 27, 1998.

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EXHIBIT

MAY 12 1999 5

STATE BUDGET & CONTROL BOARD

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY AND QUEENSDALE PROPERTIES, LLC, WHEREBY UNDER CERTAIN CONDITIONS THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY WILL ISSUE APPROXIMATELY $8,950,000 OF ITS ECONOMIC DEVELOPMENT REVENUE BONDS PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs-Economic Development Authority (the "Authority"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43 of the Code of Laws of South Carolina 1976, as amended (the "Act"), to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in Section 41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina, encourage and assist in the location of new business enterprises in the State of South Carolina, and in the rehabilitation and assistance of existing business enterprises and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State of South Carolina, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State of South Carolina; and

WHEREAS, the Authority is further authorized by Section 41-43-110 of the Act to issue revenue bonds payable by the Authority solely from a revenue-producing source and secured by a pledge of revenues in order to provide funds for any program authorized by the Act; and

WHEREAS, Queensdale Properties, LLC, (the "Borrower"), has applied to the Authority to issue approximately $8,950,000 of its economic development revenue bonds in order to defray the cost of acquiring by construction or purchase certain land, a 90,000 square foot facility, and other improvements thereon, and certain machinery, apparatus, equipment, office facilities, and furnishings, to be installed therein for the purpose of producing microfilm, microfiche, compact disks and optical disks to facilitate information management for corporations, financial institutions and state and local governments (the "Project") to be located in Lancaster County, South Carolina, and the Authority wishes to induce the Borrower to acquire and construct the Project within the State of South Carolina; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that its Board of Directors provide preliminary approval of the issuance of economic development revenue bonds for the purposes described above; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina, in compliance with Section 41-43-110 of the Act, the Petition of the Authority requesting approval by the State Budget and Control Board for the issuance of the bonds at public or private sale upon receipt by the Authority from the Borrower of evidence satisfactory to the Director of the Authority of the economic feasibility of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. It is hereby found, determined, and declared as follows:

(a) The Borrower is a responsible party engaged in the business of producing microfilm, microfiche, compact disks and optical disks to facilitate information management for corporations, financial institutions, and state and local governments, and the Project is to be located in Lancaster County, South Carolina.

(b) The Borrower has demonstrated to the Authority that the assistance of the Authority by the issuance of its economic development revenue bonds will result in the creation or maintenance of employment for those engaged in construction of the Project, and by permanent employment for approximately one hundred thirty-five (135) people within 12 months of completion of the Project and approximately an additional sixty-five (65) from Lancaster County and adjacent areas within 24 months after the Project is placed in full operation, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of businesses not otherwise provided locally, and the number of jobs resulting from the assistance authorized herein bears a reasonable relationship to the principal amount of the Bonds (as described below).

(c) The principal amount of the Bonds bears a reasonable relationship to the amount of private funds committed to the Project.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State of South Carolina, and Lancaster County in particular, is reasonably expected to result therefrom.

Section 2. Subject to approval by the State Budget and Control Board and the governing board of Lancaster County, South Carolina as required by law, the Board of Directors of the Authority preliminarily approves the issuance and sale of economic development revenue bonds or notes of the Authority in a principal amount of not

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EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

exceeding $8,950,000 (the "Bonds") for the purpose of providing financing to the Borrower for the Project.

Section 3. The issuance and sale of the Bonds shall be upon the terms and conditions as may be mutually agreed upon by the Authority, the Borrower, and the purchaser of the Bonds, and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority. The provisions, terms, and conditions of the agreements to be entered into in connection with the issuance of the Bonds by the Authority, and the form, details, rate or rates of interest, maturity, and redemption provisions, if any, of the Bonds, other details of any loan agreement relating to the Bonds, and findings required by the Act shall be prescribed by subsequent resolution of the Authority and shall be reasonable and proper, taking into account such factors as the type of program involved, the principal amount of the Bonds, and the number and type of jobs involved; the public interest shall be adequately protected by the terms thereof.

Section 4. The Chairman of the Board of the Authority is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority, and the Director of the Authority is hereby authorized and directed to affix thereto the seal of the Authority and to attest the same, and the Director of the Authority is hereby further authorized and directed to deliver the executed Inducement Agreement to the Borrower.

Section 5. It is the intention of the Authority that this resolution shall constitute an official action on the part of the Authority within the meaning of the applicable regulations of the Treasury Department relating to the issuance of tax-exempt revenue bonds.

Section 6. The Bonds shall never constitute an indebtedness of the Authority or the State of South Carolina (the "State") within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the Authority or the State or a charge against the general credit of the Authority or the State or the taxing powers of the State.

Section 7. Upon receipt by the Authority from the Borrower of evidence, which shall be satisfactory to the Director, of the economic feasibility of the Project, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition requesting approval by the State Budget and Control Board of South Carolina pursuant to the provisions of Section 41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 8. The Chairman of the Board of Directors of the Authority shall be and is hereby authorized and directed to execute the Petition in the name and on behalf of the Authority, and the Director of the Authority shall be and is hereby authorized and directed to affix the seal of the Authority to the Petition and to attest the same and thereafter, upon

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the conditions set forth hereinabove, to submit an executed copy of this resolution to the State Budget and Control Board of South Carolina.

Section 9. All orders and resolutions and parts thereof in conflict herewith are to the extent of the conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved December 10, 1997.

SOUTH CAROLINA JOBS-ECONOMIC
DEVELOPMENT AUTHORITY

Clarence Davis, Chairman
Board of Directors

(SEAL)

ATTEST:

Elliott E. Franks, III
Executive Director

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EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

ASSIGNMENT OF INDUCEMENT AGREEMENT

In accordance with Section 4.05 of the foregoing Inducement Agreement, the undersigned Queensdale Properties, L.L.C hereby assigns all its rights in the foregoing Inducement Agreement to Virtual Image technology, L.L.C., such assignment to be effective as of April 27, 1998.

QUEENSDALE PROPERTIES, LLC

By: _____

Its: Treasurer

We consent to the above assignment.

VIRTUAL IMAGE TECHNOLOGY, L.L.C.
(A North Carolina Limited Liability Company)

By: _____

Its: Treasurer

8050-2\ASSIGNMENT

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EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

THIS AGREEMENT, to be effective as of December 10, 1997, is made and entered into by and between South Carolina Jobs-Economic Development Authority, a public body corporate and politic of the State of South Carolina (the "Authority"), and Queensdale Properties, LLC, a North Carolina limited liability company (the "Borrower").

WITNESSETH

ARTICLE I

RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43 of the Code of Laws of South Carolina 1976, as amended (the "Act"), to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in Section 41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina, encourage and assist in the location of new business enterprises in the State of South Carolina and in the rehabilitation and assistance of existing business enterprises and in the promotion of the export of goods, services, commodities and capital equipment produced within the State of South Carolina, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State of South Carolina.

Section 1.02. The Authority is further authorized by Section 41-43-110 of the Act to issue revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of revenues in order to provide funds for any program authorized by the Act.

Section 1.03. The Borrower has applied to the Authority to issue approximately $8,950,000 of its economic development revenue bonds in order to defray the cost of acquiring by construction or purchase certain land, a building or buildings, and other improvements thereon, and certain machinery, apparatus, equipment, office facilities, and furnishings to be installed therein for the purpose of producing microfilm, microfiche, compact disks and optical disks to facilitate information management for corporations, financial institutions and state and local governments (the "Project") to be located in

Lancaster County, South Carolina, and the Authority wishes to induce the Borrower to acquire and construct the Project within the State of South Carolina.

Section 1.04. (a) The Borrower is a responsible party engaged in the business of producing microfilm, microfiche, compact disks and optical disks to facilitate information management for corporations, financial institutions and state and local governments, and the Project is to be located in Lancaster County, South Carolina.

(b) The Borrower has demonstrated to the Authority that the assistance of the Authority by the issuance of its economic development revenue bonds will result in the creation or maintenance of employment for those engaged in construction of the Project, by providing additional permanent employment for approximately one hundred thirty-five (135) people within 12 months of completion of the Project and approximately an additional sixty-five (65) from Lancaster County and adjacent areas within 24 months after the Project is placed in full operation, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance authorized herein bears a reasonable relationship to the principal amount of the Bonds (as described below).

(c) The principal amount of the Bonds bears a reasonable relationship to the amount of private funds committed to the Project.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State of South Carolina, and Lancaster County in particular, is reasonably expected to result therefrom.

Section 1.05. The Authority has given due consideration to all the proposals and requests of the Borrower and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II

UNDERTAKING ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to approval by the State Budget and Control Board and the governing body of Lancaster County, South Carolina, as required by law and subject to the limitations set forth herein, authorize the issuance of not exceeding $8,950,000 Economic Development Revenue Bonds (Queensdale Properties, LLC Project) (the "Bonds"), at any time as the Borrower may request the Authority to do so.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 2.02. The Authority will permit the Borrower to arrange for the sale of the Bonds to defray certain costs of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt all proceedings and enter into all agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, the acquisition of the Project including land, buildings, necessary machinery and equipment, and other items permitted by the Act, and the repayment of any funds, advances, or loans incurred by the Borrower for these purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement with the Borrower and a security agreement with the trustee (to be requested by the Borrower and approved by the Authority and the State Treasurer) or with the purchasers of the Bonds, pursuant to which the Bonds will be secured and issued. The documents shall be substantially in the form used in connection with the issuance of other South Carolina industrial development revenue bonds and shall constitute a lien on the revenues derived from the Borrower with respect to the Project to secure the payment of the Bonds. Provisions, terms, and conditions of the agreements to be entered into in connection with the issuance of the Bonds by the Authority, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreement relating to the Bonds, shall be prescribed by subsequent resolution of the Authority and shall be reasonable and proper, taking into account such facts as type of program involved, the principal amount of the Bonds, and the number and type of jobs involved; the public interest shall be adequately protected by the terms thereof.

Section 2.05. The Authority will perform all other acts and adopt all further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Borrower providing the Authority with any further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations.

ARTICLE III

UNDERTAKINGS ON THE PART OF THE BORROWER

Section 3.01. The Borrower agrees that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of this Agreement is preliminary and is conditioned upon the Authority continuing to evaluate the

Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Borrower further agrees, if the plan proceeds as contemplated, as follows:

(a) to acquire the Project;

(b) to enter into a loan agreement with the Authority, under the terms of which the Borrower will obligate itself to pay to the Authority sums sufficient to pay the principal, interest and premium, if any, on the Bonds, as and when they become due and payable;

(c) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Agreement;

(d) to perform all further acts and adopt all further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing; and

(e) to covenant and agree in the loan agreement referred to above to install in the buildings which are to become a part of the Project all necessary equipment and machinery and initially to operate the Project in the manner described in Section 1.03 hereof.

ARTICLE IV

GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Agreement shall constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. The parties hereto agree that the Borrower may proceed with the Project including the acquisition of land, the construction of a building or buildings, and the acquisition and installation of the equipment and machinery, prior to the issuance of Bonds.

Section 4.03. All commitments of the Authority and the Borrower hereunder are subject to the condition that the Authority and the Borrower do agree on mutually acceptable terms and conditions of all documents, the execution and delivery of which are contemplated by the provisions hereof.

Section 4.04. The parties understand that the Borrower or the Authority may choose not to finance the Project as herein provided, in which event this Agreement shall become void.

Section 4.05. This Agreement may be assigned by the Borrower to any of its corporate affiliates, any partner or shareholder in the Borrower, or to any company in which the Borrower or one or more of its partners or shareholders has an interest (any of the foregoing being referred to hereinafter as a "Related Company"), or any person or company which is willing to lease the Project to the Borrower or any Related Company.

Section 4.06. It is the intention of the parties hereto that this Agreement shall constitute an official action on the part of the Authority within the meaning of the applicable regulations of the Treasury Department relating to the issuance of tax-exempt revenue bonds.

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

SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

Clarence Davis, Chairman
Board of Directors

(SEAL)

ATTEST:

Elliott E. Franks, III
Executive Director

Dated: _____

EXHIBIT
MAY 12 1998 5
STATE BUDGET & CONTROL BOARD

QUEENSDALE PROPERTIES, LLC

By: _____

Its: Pres.

(SEAL)

007549

ATTEST:

By: Mary Ann Dang

Its: Treasurer

Dated: 1/27/98

EXHIBIT

MAY 1 [illegible] 5

STATE BUDGET & CONTROL BOARD

_____, 1998

South Carolina Jobs-Economic
Development Authority
Columbia, South Carolina

Re: $_____ South Carolina Jobs-Economic Development Authority Tax-Exempt Economic Development Revenue Bonds (Virtual Image Technology, L.L.C. Project) Series 1998

Gentlemen:

We have served as Bond Counsel in connection with the issuance by the South Carolina Jobs-Economic Development Authority (the "Issuer") of its $_____ Tax-Exempt Economic Development Revenue Bonds (Virtual Image Technology, L.L.C. Project) Series 1998 (the "Bonds"). The Bonds have been issued pursuant to the terms of an Indenture of Trust dated as of _____, ____ (the "Indenture"), between the Issuer and _____, as trustee (the "Trustee"). The proceeds of the Bonds will be used to defray the cost of a certain project pursuant to a Loan Agreement dated as of _____ (the "Loan Agreement"), by and between the Issuer and Virtual Image Technology, L.L.C. (the "Borrower"). Pursuant to the Loan Agreement, the Borrower is obligated to make payments to or on behalf of the Issuer sufficient to pay the principal and purchase price of, premium, if any, and interest on the Bonds. Unless otherwise indicated, all capitalized terms as used in this opinion shall have the meanings set forth in the Indenture.

In connection with our opinion, we have examined the Constitution and laws of the State of South Carolina, particularly Title 41, Chapter 43, Code of Laws of South Carolina, 1976, as amended (the "Act"), the transcript of the proceedings with respect to the Bonds, certified copies of documents relating to the organization of the Issuer, and certified copies of proceedings and other papers relating to the issuance and sale by the Issuer of the Bonds, including the resolution adopted by the Issuer on _____, authorizing the issuance of the Bonds.

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

The Bonds will be issued as fully registered bonds and will bear a dated date of _____, 1998. The Bonds are payable by the Issuer solely from the funds provided pursuant to the Indenture. Under the terms of the Indenture and the Loan Agreement, the Borrower will provide initially a Letter of Credit to secure payment of the principal and purchase price of and interest on the Bonds, issued on behalf of the Borrower. _____ (the "Bank"), has, subject to the termination dates specified therein, issued its irrevocable direct-pay Letter of Credit with respect to the Bonds. We refer you to the Bonds, the Loan Agreement, and the Indenture for a further description of the Bonds, the purposes for which the Bonds are issued and the security therefor.

Reference is made to an opinion of even date of _____, counsel to the Borrower, with respect, among other matters, to the power of the Borrower to enter into and perform the Loan Agreement and the authorization, execution and delivery of the Loan Agreement by the Borrower and with respect to the Loan Agreement being binding and enforceable upon the Borrower.

With respect to the due authorization, execution and delivery of the Letter of Credit by the Bank, the validity thereof and enforceability thereof against the Bank, we refer you to the opinion of _____ of even date herewith addressed to you.

As to questions of fact material to our opinion, we have relied upon representations of and compliance with covenants by the Borrower and the Issuer contained in the Loan Agreement, the Indenture, certificates of public officials furnished to us, and certificates of representatives of the Borrower, the Trustee, the Issuer, the Bank, and other parties, including, without limitation, the use of the proceeds of the Bonds, certain capital expenditures of the Borrower and others, compliance with the arbitrage reporting and rebate requirements, the average reasonably expected economic life of the property being financed with the proceeds of the Bonds, and other factual matters which are relevant to the opinion expressed in paragraph 7, in each case without undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties thereto other than the Issuer, and we have further assumed the due organization, existence and powers of such other parties other than the Issuer.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a validly existing public body corporate and politic and an agency of the State of South Carolina, duly created by the Act, and is vested with the rights and powers conferred by the Act.

2. The Issuer has all requisite authority and power under the Act, particularly Section 41-43-110 thereof, to issue the Bonds and to enter into and perform its obligations under the Indenture and the Loan Agreement and to apply the proceeds from the issuance of the Bonds as contemplated by the Loan Agreement.

3. The Bonds have been duly authorized, executed, delivered and issued in accordance with the Act and the Indenture and, subject to paragraph 6 below, constitute valid, binding and enforceable limited obligations of the Issuer, payable by the Issuer solely from the revenues and receipts pledged to such purpose under the Indenture and from amounts drawn under the Letter of Credit. The Bonds do not create or constitute a pledge of the faith and credit or the taxing power of the Issuer or the State. The Issuer does not have taxing power. Neither the Issuer nor the State is obligated to make any payment with respect to the Bonds except from the special funds provided therefor and the property pledged thereto under the Indenture.

4. The Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer, and, subject to paragraph 6 below, constitute valid and binding agreements of the Issuer enforceable against the Issuer in accordance with their respective terms.

5. The Issuer's right, title and interest in the Loan Agreement (except the Issuer's right to indemnity, notices and payment of its expenses) have been assigned to the Trustee, and, subject to paragraph 6 below, such assignment constitutes a valid and binding assignment of the Issuer, enforceable against the Issuer in accordance with its terms.

6. It is to be understood that the rights of the Bondholders and the obligations of the parties under the Bonds, the Indenture and the Loan Agreement are subject to the exercise of judicial discretion in accordance with general principles of equity, the valid exercise of the

EXHIBIT

MAY 12 1998 5

STATE BUDGET & CONTROL BOARD

constitutional powers of the United States and the police powers of the State and to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.

7. Under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes, except that under Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), such federal exclusion from gross income shall not apply with respect to any particular Bond for any period during which held by a "substantial user" of the Project or a "related person" within the meaning of such Section. Also, such exclusion from gross income of interest for federal income tax purposes may become inapplicable with respect to all or part of the Bonds, in certain cases retroactive to the date of issuance, (i) in the event of the occurrence after the date hereof of certain contingencies relating to prior issues and capital expenditures by the Borrower or any principal user of the Project or any persons related to the Borrower or any principal user of the Project provided for in Section 144(a) of the Code, or (ii) in the event the Borrower or the Issuer fails to comply with certain covenants in the Indenture and Loan Agreement with respect to maintenance of the exclusion from gross income for federal income tax purposes for the interest on the Bonds, including use, investment and expenditure of Bond proceeds and use of the facilities financed with Bond proceeds. Interest on the Bonds must be included as an item of tax preference in the computation of the alternative minimum tax on corporations and on individuals imposed by Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations.

8. Under existing law, interest on the Bonds is exempt from all income taxation by the State. Certain taxes, however, specifically including the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina, 1976, as amended, are enforced as franchise taxes on some measure of assets or income, which may include the Bonds or income therefrom.

9. The Bonds constitute exempt securities under Section 3(a)(2) of the Securities Act of 1933, as amended to this date (the "Securities Act"), and under Section 3(a) of the Securities Exchange Act of 1934, as amended to this date, and the offer, sale and delivery of the Bonds do

not require registration of the Bonds under the Securities Act, nor is qualification of the Indenture required by the Trust Indenture Act of 1939, as amended to this date.

We have been retained solely for the purpose of examining the validity and legality of the Bonds and of rendering certain specific opinions hereinbefore stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representations or information concerning the business or financial condition of the Borrower or any other party made, prepared or issued by any party, or on behalf of any party, in connection with the sale of the Bonds. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representations or information.

Very truly yours,

HAYNSWORTH, MARION, McKAY &
& GUÉRARD, L.L.P.

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 28, 1998

EXHIBIT
MAY 12 1998 5
STATE BUDGET & CONTROL BOARD

MEMORANDUM

TO: C. H. Jones, Jr.; Wayne Rush

FROM: Delbert H. Singleton, Jr.

SUBJECT: Review of Revenue Bond Proposal

Enclosed is the following proposal for the issuance of bonds which has been submitted for the May 12, 1998, Budget and Control Board agenda:

Jobs-Economic Development Authority
Not to Exceed $8,950,000 Industrial Revenue bonds
Virtual Image Technology, L. L. C. project

For this proposal to be included on the May 12 agenda, I must have the written results of your review before ***9:00 a.m. on Monday, May 4, 1998.***

DHSj/laf
Enclosure

007556

FAX (803) 734-2117

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

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HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

July 7, 1998

C E R T I F I C A T E
STATE CEILING ON ISSUANCE OF PRIVATE ACTIVITY BONDS
(UNDER TAX REFORM ACT OF 1986)
FINAL ALLOCATION, CALENDAR YEAR 1998

TO: Jobs Economic Development Authority
Employer ID #57-600286
1201 Main Street, Suite 1750
Columbia, South Carolina 29201

c/o Edward G. Kluiters, Esq.
Haynsworth, Marion, McKay & Guérard, LLP
Post Office Drawer 7157
Columbia, SC 29202

RE: Issue of $8,000,000 Economic Development Revenue Bonds
(Virtual Image Technology, LLC Project)
Issue Date Projected By Issuing Authority: July 10, 1998
CUSIP Number: 837031GC1
Allocation Expiration Date: July 13, 1998
Issue Amount Certificate Date: July 7, 1998

Based upon my receipt of the issue amount certificate required of the issuing authority by Section 1-11-550 of the South Carolina Code of Laws, 1976, as amended, which certificate is dated not more than ten (10) business days prior to the projected date of issue which, as certified by the issuing authority, is within the time period during which the ceiling allocation approved previously on a tentative basis by the State Budget and Control Board for the referenced project is valid, I have determined that the allocation is now final in the amount indicated above.

I also have determined that the referenced issue when issued and combined with the amount of private activity bonds and notes certified to me previously by South Carolina issuing authorities as having been issued or which are to be issued in 1998 will not exceed the 1998 State Ceiling on the issuance of private activity bonds for the State of South Carolina and thus meets the requirements of Section 146 of the Internal Revenue Code of 1986, as amended.

/s/ Delbert H. Singleton, Jr. dbf
Delbert H. Singleton, Jr.
Secretary to the Board

007557

FAX (803) 734-2117

HAYNSWORTH, MARION, McKAY & GUÉRARD, L.L.P.
ATTORNEYS AT LAW

75 Beattie Place, Eleventh Floor
Two Insignia Financial Plaza
Post Office Box 2048
Greenville, South Carolina 29602
(864) 240-3200
Facsimile (864) 240-3300

1201 Main Street, Suite 2400 (29201)
Post Office Drawer 7157
Columbia, South Carolina 29202
(803) 765-1818
Facsimile (803) 765-2399

134 Meeting Street
Fourth Floor
Post Office Box 1119
Charleston, South Carolina 29401
(803) 722-7606
Facsimile (803) 724-8015

July 6, 1998

VIA HAND DELIVERY
Delbert H. Singleton, Jr., Esquire
Secretary to the South Carolina
State Budget and Control Board
Wade Hampton Office Building, 6th Floor
Columbia, SC 29201

RE: Not to Exceed $8,950,000 South Carolina Jobs-Economic Development Authority Tax Exempt Economic Development Revenue Bonds (Virtual Image Technology, LLC Project), Series 1998
Our File No. 8050-2

Dear Mr. Singleton:

By this letter, please be informed that South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds in the amount of $8,000,000 (the Virtual Image Technology, LLC Project) will close on July 10, 1998. I am enclosing a Form 8038 for the Issue. Please let me know when I may send a runner to pick up the Final Volume Cap Allocation Form.

If I can provide you with any further information in this regard, please do not hesitate to let me know.

Sincerely,

William G. Flowers

WGF/csh
Enclosure

007558

Form **8038**
(Rev. March 1995)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Private Activity Bond Issues

(Under Internal Revenue Code section 149(e))

▶ See separate instructions.

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: South Carolina Jobs-Economic Development Authority	2 Issuer's employer identification number: 57 ¦ 6000286
3 Number and street (or P.O. Box if mail is not delivered to street address): 1201 Main Street, Suite 1750 — Room/suite	4 Report number: 1998 - 11
5 City or town, state, and ZIP code: Columbia, South Carolina 29201	6 Date of issue: July 10, 1998
7 Name of issue: Economic Development Revenue Bonds (Virtual Image Technology, LLC Project) Series 1998	8 CUSIP number: 837031 GC 1

Part II Type of Issue (check applicable box(es) and enter the issue price for each)

				Issue Price
9		Exempt facility bond:		
a	☐	Airport (sections 142(a)(1) and 142(c))	9a	
b	☐	Docks and wharves (sections 142(a)(2) and 142(c))	9b	
c	☐	Mass commuting facilities (sections 142(a)(3) and 142(c))	9c	
d	☐	Water furnishing facilities (sections 142(a)(4) and 142(e))	9d	
e	☐	Sewage facilities (section 142(a)(5))	9e	
f	☐	Solid waste disposal facilities (section 142(a)(6))	9f	
g	☐	Qualified residential rental projects (sections 142(a)(7) and 14(d)), as follows:	9g	
		Meeting 20-50 test (section 142(d)(1)(A)) ☐		
		Meeting 40-60 test (section 142(d)(1)(B)) ☐		
		Meeting 25-60 test (NYC only) (section 142(d)(6)) ☐		
		Has an election been made for deep rent skewing (section 142(d)(4)(B))? ☐ Yes ☐ No		
h	☐	Facilities for the local furnishing of electric energy or gas (sections 142(a)(8) and 142(f))	9h	
i	☐	Local district heating or cooling facilities (sections 142(a)(9) and 142(g))	9i	
j	☐	Qualified hazardous waste facilities (sections 142(a)(10) and 142(h))	9j	
k	☐	High-speed intercity rail facilities (sections 142(a)(11), 142(c), and 142(i))	9k	
		Check box if the owner elected not to claim depreciation or any tax credit (see instructions) ▶ ☐		
l	☐	Environmental enhancements of hydroelectric generating facilities (sections 142(a)(12) and 142(j))	9l	
m	☐	Facilities allowed under a transitional rule of the Tax Reform Act of 1986 (see instructions)	9m	
		Facility type		
		1986 Act section		
n	☐	Qualified enterprise zone facility bonds (section 1394)	9n	
10	☐	Qualified mortgage bond (section 143(a)) (see instructions)	10	
		If you elect to rebate arbitrage profits to the United States, check box ▶ ☐		
11	☐	Qualified veterans' mortgage bond (section 143(b))	11	
		If you elect to rebate arbitrage profits to the United States, check box ▶ ☐		
12	☒	Qualified small issue bond (section 144(a)) (see instructions)	12	$8,000,000
		For $10 million small issue exemption, check box ▶ ☒		
13	☐	Qualified student loan bond (section 144(b))	13	
14	☐	Qualified redevelopment bond (section 144(c))	14	
15	☐	Qualified hospital bond (section 145(c)) (attach schedule-see instructions)	15	
16	☐	Qualified 501(c)(3) bond other than a qualified hospital bond (attach schedule-see instructions)	16	
17	☐	Nongovernmental output property bond (treated as private activity bond) (section 141(d))	17	
18	☐	Other. Describe (see instructions) ▶ 007559	18	

Part III Description of Bonds

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19 Final maturity	7-1-2016	VR %	$ 400,000	$ 400,000			
20 Entire issue			$ 8,000,000	$ 8,000,000	9.000 years	VR %	VR %

225 1533

Part IV	Uses of Original Proceeds of Issue (including underwriters' discount)				Amount
21	Proceeds used for accrued interest			21	0
22	Issue price of entire issue (enter amount from line 20, column(c))			22	8,000,000
23	Proceeds used for bond issuance costs (including underwriters' discount)	23	142,000		
24	Proceeds used for credit enhancement	24	14,500		
25	Proceeds allocated to reasonably required reserve or replacement fund	25	0		
26	Proceeds used to refund prior issues (complete Part VI)	26	0		
27	Total (add lines 23 through 26)			27	156,500
28	Nonrefunding proceeds of the issue (subtract line 27 from line 22 and enter amount here)			28	7,843,500

Part V Description of Property Financed by Nonrefunding Proceeds
(Do not complete for qualified student loan bonds, qualified mortgage bonds, or qualified veterans' mortgage bonds.)

29	Type of Property Financed by Nonrefunding Proceeds:		Amount
a	Land	29a	
b	Buildings and structures	29b	
c	Equipment with recovery period of more than 5 years	29c	
d	Equipment with recovery period of 5 years or less	29d	
e	Other (describe)	29e	

30 Standard industrial classification (SIC) of the projects financed by nonrefunding proceeds.

	SIC Code	Amount of nonrefunding proceeds		SIC Code	Amount of nonrefunding proceeds
a	7389	$7,843,500	c		$
b		$	d		$

Part VI Description of Refunded Bonds (Complete this part only for refunding bonds.)

31	Enter the remaining weighted average maturity of the bonds to be refunded ▶	years
32	Enter the last date on which the refunded bonds will be called ▶	
33	Enter the date(s) the refunded bonds were issued ▶	

Part VII Miscellaneous

34 Name of governmental unit(s) approving issue (see instructions) ▶ Governor of South Carolina gave public approval July 1, 1998, Public Hearing held May 26, 1998

35	Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) ▶	0
36	Check box if you have elected to pay a penalty in lieu of rebate ▶	☐
37	Check box if you have identified a hedge (see instructions) ▶	☐

Part VIII	Volume Cap		Amount
38	Amount of volume cap allocated to the issuer. **Attach copy of state certification**	38	8,000,000
39	Amount of issue subject to the unified state volume cap	39	8,000,000
40	Amount of issue not subject to the unified state volume cap or other volume limitations:		
a	Of bonds for governmentally owned solid waste facilities, airports, docks, wharves, environmental enhancements of hydroelectric generating facilities, or high-speed intercity rail facilities	40a	0
b	Under a carry forward election. Attach a copy of Form 8328 to this return	40b	0
c	Under transitional rules of the Tax Reform Act of 1986	40c	0
	Enter the Act section of the applicable transitional rule ▶		
d	Under the exception for current refunding (section 146(i) and section 1313(a) of the Tax Reform Act of 1986).	40d	0
41	Amount of issue of qualified 501(c)(3) bonds:		
a	Qualified hospital bonds	41a	0
b	Qualified nonhospital bonds	41b	0
c	Outstanding tax-exempt nonhospital bonds	41c	0
42a	Amount of issue of qualified veterans' mortgage bonds	42a	0
b	Enter the state limit on qualified veterans' mortgage bonds	42b	0

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ _____ Signature of officer

▶ July 10, 1998 Date

Elliott E. Franks, III
Name of above officer (type or print)

Executive Director
Title of officer (type or print)

EXHIBIT

MAY 12 1998 6

STATE BUDGET & CONTROL BOARD
The Lutheran Homes of South Carolina, Inc.

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

I, DELBERT H. SINGLETON, JR., SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, David M. Beasley, Governor and Chairman of the Board;
The Honorable Richard A. Eckstrom, State Treasurer;
The Honorable Earle E. Morris, Jr., Comptroller General;
The Honorable John Drummond, Chairman, Senate Finance Committee; and
The Honorable Henry E. Brown, Jr., Chairman, House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 9:30 a.m. on Tuesday, May 12, 1998, was given to all members in writing at least four days prior to the meeting and that, in compliance with the Freedom of Information Act, public notice of and the agenda index for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the Carolina Plaza, in the lobby of the Wade Hampton Office Building, and near the Board Secretary's Office on the Sixth Floor of the Wade Hampton Office Building at 1:45 p.m. on Thursday, May 7, 1998.

That all members of the Board were present at the meeting.

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

FOR MOTION	AGAINST MOTION
5	0

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

May 12, 1998

Delbert H. Singleton, Jr.

007560

225.1535

EXHIBIT

MAY 12 1998 6

STATE BUDGET & CONTROL BOARD C

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

A RESOLUTION

APPROVING THE UNDERTAKING OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY TO ISSUE NOT EXCEEDING $47,500,000 SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (the "*Act*").

WHEREAS, heretofore the South Carolina Jobs - Economic Development Authority (the "*Authority*"), did, pursuant to the Act, petition the State Budget and Control Board of South Carolina (the "*State Board*") seeking the approval of the State Board for an undertaking by the Authority pursuant to the Act; and

WHEREAS, the proposed undertaking (the "*Undertaking*") consists of the financing of the advance refunding of certain outstanding revenue bonds (collectively, the "*Prior Bonds*") initially issued to finance the acquisition, construction, furnishing, and equipping of certain health care facilities (collectively, the "*Projects*") in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "*Counties*"), by the issuance and delivery of health facilities refunding revenue bonds in an amount not exceeding $47,500,000 (the "*Bonds*") pursuant to the Act, to a resolution (the "*Bond Resolution*") adopted by the Board of Directors of the Authority, and to a Trust Indenture (the "*Indenture*") between the Authority and First Union National Bank, as Bond Trustee (the "*Bond Trustee*"); and

WHEREAS, the Authority proposes to enter into a Loan Agreement (the "*Loan Agreement*") with The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "*Institution*"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("*Lowman Home*"), The Franke Home, Inc., a South Carolina nonprofit corporation ("*Franke Home*"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("*Piedmont Lutheran*"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "*Foundation*") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "*Initial Members*") pursuant to which the Authority will lend the proceeds of the Bonds to the Initial Members to finance (i) a portion of the cost of advance refunding the Prior Bonds, and (ii) a portion of the costs incurred in connection with the issuance and delivery of the Bonds; and

WHEREAS, pursuant to the Loan Agreement, the Initial Members will agree to pay to the Authority amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, the Authority proposes to enter into the Bond Indenture prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made by the Initial Members pursuant to the Loan Agreement; and

WHEREAS, the Authority has heretofore determined that:

(a) the Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the Projects are located in the Counties,

(b) the Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of its revenue bonds will result in the creation/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such

EXHIBIT

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STATE BUDGET & CONTROL BOARD

businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities,

(c) the amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project, and

(d) the size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects; and

WHEREAS, the Authority has also determined that prior to the issuance of the Bonds it will find that:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved, and

(b) the public interest is adequately protected by the terms of such documents; and

WHEREAS, in order to finance the advance refunding of the Prior Bonds, the Authority proposes to provide for the issuance and delivery of the Bonds pursuant to the Act, to the Bond Resolution, and to the Bond Indenture, payable by the Authority from the amounts derived from the Loan Agreement and secured by the Bond Indenture pursuant to which the Authority will pledge substantially all of its right, title, and interest in and to the Loan Agreement to the Bond Trustee; and

WHEREAS, it is the intention of the Authority and the Initial Members that the Bonds be sold by the Authority to J.C. Bradford & Co., Nashville, Tennessee (the "*Underwriter*"), pursuant to a Bond Purchase Agreement by and among the Authority, the Initial Members, and the Underwriter for resale to the public,

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

1. It has been found and determined by the State Board that the Authority has filed a proper petition with the State Board in accordance with the provisions of the Act and that it has made the findings required by the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the Authority to finance (i) the advance refunding of the Prior Bonds, and (ii) a portion of the costs incurred in the issuance and delivery of the Bonds through the issuance of not exceeding $47,500,000 of the Authority's health facilities refunding revenue bonds through a negotiated private sale pursuant the Bond Resolution to be payable from the revenues to be derived by the Authority from the Loan Agreement and to be secured by the Bond Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking) be and the same are hereby approved.

EXHIBIT

4-28-98
10:38am

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STATE BUDGET & CONTROL BOARD

TRANSMITTAL FORM, REVENUE BONDS

TO: Donna Kaminer Williams, Board Secretary
State Budget and Control Board
601 Wade Hampton Building
Columbia, SC 29201
OR *P. O. Box 12444, Columbia, SC 29211*

DATE: April 28, 1996

Submitted for BCB Meeting on:
May 12, 1998

FROM: **F. Mitchell Johnson, Jr.**

Sinkler & Boyd, P.A.
Name of Law Firm

160 East Bay Street
Street Address/Box Number

Charleston, SC 29401
City, State, Zip Code

(803) 722-3366
Area Code/Telephone Number

RE:

$47,500,000.00
Amount of Issue

South Carolina Jobs - Economic Development Authority
Name of Issuing Authority

First Mortgage Health Facilities Refunding Revenue Bonds
Type of Bonds or Notes

July 12, 1998
Projected Issue Date

Project Name: (The Lutheran Homes of South Carolina, Inc.) Series 1998

Project Description: 4 continuing care retirement facilities

Employment as a result of the projects: 530

Ceiling Allocation Required	**Refunding Involved**	**Project Approved Previously**
__Yes ($_____) x No	x Yes ($47,500,000) x No	_Yes ($_____) x No
Amount	Amount	Amount

Documents enclosed (executed original and two copies of each):
(ALL documents required for state law approval; A and C only for ceiling allocation only.)

A. x Petition

B. x Resolution or Ordinance

C. x Inducement Resolution or comparable preliminary approval

D. n/a Department of Health and Environmental Control Certificate *if required*

E. x Budget and Control Board Resolution and Public Notice *(original)*
Plus 10 copies for certification and return to bond counsel

F. x Draft bond counsel opinion letter

G. n/a Processing Fee
Amount: $_____ *Check No:* _____
Payor: _____

Bond Counsel: F. Mitchell Johnson, Jr.
Typed Name of Bond Counsel

By: F. Mitchell Johnson, Jr.
Signature

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STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880
(803) 737-0592 Fax

HELEN T. ZEIGLER
DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 4, 1998

The Honorable Delbert H. Singleton, Secretary
S.C. Budget and Control Board
601 Wade Hampton Office Building
Columbia, South Carolina 29201

RE: Jobs-Economic Development Authority
$47,500,000 First Mortgage Health Facilities Refunding Revenue bonds
The Lutheran Homes of South Carolina, Inc. Project

Dear Mrs. Williams:

We have received the Revenue Bonds Transmittal form and other items regarding the referenced proposed bonds.

These documents have been submitted by Bond Counsel Sinkler and Boyd, P.A. and upon review of the Petition to the Budget and Control Board, the proposed Resolution of the Budget and Control Board and the draft of the Opinion of Bond Counsel appear to be in good order. Of course, we express no opinion as to the merits of the bond issue or the validity of the information recited in these documents as we have not acted in a capacity which would enable us to have knowledge adequate to form such an opinion. We have merely reviewed the documents form and they appear to meet the conditions imposed by State law that certain matters be addressed in the documentation.

Sincerely,

Wayne F. Rush

Wayne F. Rush
Assistant General Counsel

WFR/rwk

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STATE BUDGET & CONTROL BOARD

The State of South Carolina

OFFICE OF THE ATTORNEY GENERAL

CHARLES MOLONY CONDON
ATTORNEY GENERAL

May 1, 1998

Delbert H. Singleton, Jr., Esquire
State Budget and Control Board
612 Wade Hampton Office Building
P. O. Box 12444
Columbia, SC 29211

Re: Jobs-Economic Development Authority
$47,500,000 First Mortgage Health Facilities Refunding Revenue Bonds
The Lutheran Homes of South Carolina, Inc. Project

Dear Mr. Singleton:

Regarding the above-referenced obligation, we have reviewed the Petition and other documents forwarded to us by the State Budget and Control Board. These represent a portion of the documents that have been submitted to the Board for its approval. The documents appear to comply with the requirements of the referenced Code sections in the submitted material that certain specific information be addressed in these documents.

This opinion addresses only the fact that the documents appear to meet the conditions imposed by State law that certain specific matters be included in the documentation. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Office of the Attorney General

By: _____
C. Havird Jones, Jr.
Senior Assistant Attorney General

CHJJr/rho

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REMBERT C. DENNIS BUILDING • POST OFFICE BOX 11549 • COLUMBIA, S.C. 29211-1549 • TELEPHONE: 803-734-3970 • FACSIMILE: 803-253-6283

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***"), to issue (i) bonds in order to provide funds for any program authorized by the Act and to secure the payment of such bonds all as provided in the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

2. On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "***Series 1992 Bonds***") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof.

3. On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "***Series 1994 Bonds***") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof.

4. On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995A Bonds***") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof.

5. On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof.

6. On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***Series 1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof.

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7. The Authority has agreed to assist The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") by issuing its refunding revenue bonds for the purposes of (i) defraying a portion of the cost of advance refunding the Prior Bonds (the "***Refunding***"), and (ii) paying a portion of certain fees and expenses incurred in connection with the issuance of the Bonds.

8. The Authority has been advised by the Initial Members that the estimated cost of the Refunding will be approximately $48,250,000 and the Initial Members have requested the Authority to execute and deliver its first mortgage health facilities refunding revenue bonds (the "***Bonds***") in the principal amount of not exceeding $47,500,000 to defray these costs.

9. The Bonds will be sold to J.C. Bradford & Co., as underwriter, pursuant to a negotiated private sale, for subsequent public offering by the underwriter, which arrangement the Authority has determined to be most advantageous.

10. The Authority has made the following findings:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "***Projects***") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "***Counties***");

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects.

11. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale pursuant to the Act to defray a portion

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STATE BUDGET & CONTROL BOARD

of the cost of the Refunding (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By _____
Elliott E. Franks, III, Executive Director

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STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AN INDUCEMENT RESOLUTION

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*") AND THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., THE LOWMAN HOME, INC., THE FRANKE HOME, INC., PIEDMONT LUTHERAN HOME, INC., AND LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC., WHEREBY UNDER CERTAIN CONDITIONS THE AUTHORITY WILL ISSUE NOT EXCEEDING $47,500,000 OF ITS FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "*Authority*"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue (i) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, on March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "*1992 Bonds*") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "*1994 Bonds*") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "*1995A Bonds*") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "*1995B Bonds*") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "*1996 Bonds*") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "*Institution*"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("*Lowman Home*"), The Franke Home, Inc., a South Carolina nonprofit corporation ("*Franke Home*"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("*Piedmont Lutheran*"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "*Foundation*") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "*Initial Members*") have applied to the Authority to issue not exceeding $47,500,000 of its first mortgage health facilities refunding revenue bonds (the "*Bonds*") in order to defray a portion of (i) the cost of advance refunding the 1992 Bonds, the 1994 Bonds, the 1995A Bonds, the 1995B Bonds, and the 1996 Bonds (collectively, the "*Prior Bonds*"), and (ii) certain fees and expenses incurred in connection with the issuance of the Bonds; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that the Board of Directors of the Authority (the "*Board*") provide preliminary approval of the issuance of the Bonds for the aforesaid purposes; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina (the "*State Board*"), in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Borrower of evidence satisfactory to the Executive Director of the Authority (the "*Executive Director*") of the economic feasibility of the proposed advance refunding of the Prior Bonds (the "*Refunding*");

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. It is hereby found, determined, and declared as follows:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "*Projects*") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina;

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

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(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina, in particular, is reasonably expected to result from the Projects.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Initial Members, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. Subject to such approval by the State Board, the Board preliminarily approves the issuance and sale of the Bonds in a principal amount of not exceeding $47,500,000 for the purpose of providing financing to the Initial Members for the advance refunding of the Prior Bonds.

Section 4. The Executive Director is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority and to affix the seal of the Authority thereto, and the Executive Director is hereby further authorized and directed to deliver the executed Inducement Agreement to the Initial Members for execution by them.

Section 5. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 6. Upon receipt by the Authority from the Initial Members of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Projects, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "***Petition***") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 7. The Executive Director shall be and is hereby authorized and directed to execute the Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to said Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Petition to the State Board.

Section 8. All orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved April 30, 1998.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

Elliott E. Franks, III, Executive Director

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

This INDUCEMENT AGREEMENT is made and entered into by and between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*"), a public body corporate and politic and an agency and duly constituted authority of the State of South Carolina (the "*State*"), and THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., a South Carolina nonprofit corporation (the "*Institution*"), THE LOWMAN HOME, INC., a South Carolina nonprofit corporation ("*Lowman Home*"), THE FRANKE HOME, INC., a South Carolina nonprofit corporation ("*Franke Home*"), PIEDMONT LUTHERAN HOME, INC., a South Carolina nonprofit corporation ("*Piedmont Lutheran*") and LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC., a South Carolina nonprofit corporation (the "*Foundation*").

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State, encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State.

Section 1.02. The Authority is further authorized by §41-43-110 of the Act to issue (a) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (b) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

Section 1.03. §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation.

Section 1.04. The Initial Members have applied to the authority to issue not exceeding $47,500,000 of its first mortgage health facilities refunding revenue bonds (the "*Bonds*") in order (a) to defray a portion of the cost of advance refunding certain bonds (the "*Prior Bonds*") issued to finance the acquisition, construction, furnishing, and equipping of health care facilities (collectively, the "*Projects*") in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "*Counties*"), and (ii) to pay a portion of certain fees and expenses incurred in connection with the issuance of the Bonds, and the Authority wishes to assist the Initial Members in advance refunding the prior Bonds (the "*Refunding*").

Section 1.05. (a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the Projects are located in the Counties.

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects.

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State and the Counties, in particular, is reasonably expected to result from the Projects.

Section 1.06. The Authority has given due consideration to all the proposals and requests of the Initial Members and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II
UNDERTAKINGS ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to such approval by the State Budget and Control Board of South Carolina, as may be required by law and subject to the limitations set forth herein, authorize the issuance of the Bonds in an amount not exceeding $47,500,000 at such time as the Initial Members may request the Authority to do so.

Section 2.02. The Authority will permit the Initial Members to arrange for the sale of the Bonds to defray certain costs of the Refunding as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Refunding as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, and the repayment of any funds, advances, or loans incurred by the Initial Members for such purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement or loan agreements with the Initial Members, an indenture or indentures with a trustee to be requested by the Initial Members and approved by the Authority, and other security documents with the Initial Members or the trustee pursuant to which the Bonds will be secured and issued. Such documents shall be substantially in the form used in connection with the issuance of other South Carolina health facilities refunding revenue bonds. The provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreements or other security documents relating to the Bonds, shall be prescribed by subsequent resolution of the Authority. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

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Section 2.05. The Authority will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority's continuing to evaluate the Projects as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Initial Members providing the Authority with such further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations, including, without limitation, the Act.

ARTICLE III
UNDERTAKINGS ON THE PART OF THE INITIAL MEMBERS

Section 3.01. The Initial Members agree that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of the Projects and the refinancing thereof is preliminary and the Authority's obligation to proceed with the refinancing of the Projects is conditioned upon the Authority's continuing to evaluate the Projects as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Initial Members further agree, if the plan proceeds as contemplated, as follows:

(a) to enter into a loan agreement or loan agreements with the Authority, under the terms of which the Initial Members will obligate themselves to pay to the Authority sums sufficient to pay the principal, interest, and premium, if any, on the Bonds, as and when the same become due and payable;

(b) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Inducement Agreement; and

(c) to perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing.

ARTICLE IV
GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Inducement Agreement shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. All commitments of the Authority and the Initial Members hereunder are subject to the condition that the Authority and the Initial Members do agree on mutually acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

Section 4.03. The parties understand that the Initial Members or the Authority may choose not to refinance the Projects as herein provided, in which event this Inducement Agreement shall become void.

Section 4.04. This Inducement Agreement may be assigned by any of the Initial Members to any of it corporate affiliates (any of the foregoing being referred to hereinafter as a "*Related Company*") or any person or company which is willing to lease any of the Projects to any of the Initial Members or any Related Company.

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IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Inducement Agreement as of the 30th day of April, 1998.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By _____
Elliott E. Franks, III, Executive Director

THE LUTHERAN HOMES OF SOUTH CAROLINA, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

THE LOWMAN HOME, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

THE FRANKE HOME, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

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PIEDMONT LUTHERAN HOME, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

007576

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA	PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***"), to issue (i) bonds in order to provide funds for any program authorized by the Act and to secure the payment of such bonds all as provided in the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

2. On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "***Series 1992 Bonds***") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof.

3. On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "***Series 1994 Bonds***") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof.

4. On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995A Bonds***") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof.

5. On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof.

6. On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***Series 1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof.

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7. The Authority has agreed to assist The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") by issuing its refunding revenue bonds for the purposes of (i) defraying a portion of the cost of advance refunding the Prior Bonds (the "***Refunding***"), and (ii) paying a portion of certain fees and expenses incurred in connection with the issuance of the Bonds.

8. The Authority has been advised by the Initial Members that the estimated cost of the Refunding will be approximately $48,250,000 and the Initial Members have requested the Authority to execute and deliver its first mortgage health facilities refunding revenue bonds (the "***Bonds***") in the principal amount of not exceeding $47,500,000 to defray these costs.

9. The Bonds will be sold to J.C. Bradford & Co., as underwriter, pursuant to a negotiated private sale, for subsequent public offering by the underwriter, which arrangement the Authority has determined to be most advantageous.

10. The Authority has made the following findings:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "***Projects***") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "***Counties***");

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects.

11. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale pursuant to the Act to defray a portion

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of the cost of the Refunding (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By /s/ Elliott E. Franks, III
Elliott E. Franks, III, Executive Director

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SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

A BOND RESOLUTION

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NOT EXCEEDING $47,500,000 OF SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; APPROVING AND RATIFYING THE DISTRIBUTION AND USE OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION, DISTRIBUTION, AND USE OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF ALL INSTRUMENTS, AGREEMENTS, AND DOCUMENTS NECESSARY TO ACCOMPLISH THE FOREGOING; AUTHORIZING THE ESTABLISHMENT OF A LOAN PROGRAM FOR THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., THE LOWMAN HOME, INC., THE FRANKE HOME, INC., PIEDMONT LUTHERAN HOME, INC., AND LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC.; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY RELATING THERETO.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

ARTICLE I
FINDINGS OF FACT

Incident to the adoption of this Resolution, the Board of Directors (the "*Board*") of the South Carolina Jobs - Economic Development Authority (the "*Authority*") makes the following findings of facts:

Section 1.1.

The Authority is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*"), to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic welfare of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises and in the promotion of export of goods, services, commodities, and capital equipment produced within the State, and thus providing maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and enhancement of industrial, commercial, agricultural, and recreational development on the State.

Section 1.2.

The Authority is further authorized by §41-43-110 of the Act to issue (a) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (b) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

Section 1.3.

On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "*Series 1992 Bonds*") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof. The Series 1992 Bonds were issued pursuant to a Trust Indenture dated as of March 1, 1992, between

Richland County, South Carolina and NationsBank Trust Company (South Carolina), National Association, as trustee (now succeeded by The Bank of New York).

Section 1.4.

On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "*Series 1994 Bonds*") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof. The Series 1994 Bonds were issued pursuant to a Trust Indenture dated as of November 1, 1994, between Charleston County, South Carolina and NationsBank of South Carolina, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.5.

On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "*Series 1995A Bonds*") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof. The Series 1995A Bonds were issued pursuant to a Trust Indenture dated as of October 1, 1995, between the Authority and NationsBank, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.6.

On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "*Series 1995B Bonds*") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof. The Series 1995B Bonds were issued pursuant to a Trust Indenture dated as of October 1, 1995, between the Authority and NationsBank, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.7.

On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "*Series 1996 Bonds*") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof. The Series 1996 Bonds were issued pursuant to a Trust Indenture dated as of December 1, 1996, between the Authority and The Bank of New York.

Section 1.8.

The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "*Institution*"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("*Lowman Home*"), The Franke Home, Inc., a South Carolina nonprofit corporation ("*Franke Home*"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("*Piedmont Lutheran*"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "*Foundation*") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "*Initial Members*") propose that the Authority, through the issuance and delivery of health facilities refunding revenue bonds pursuant to the authorization of the Act, finance (a) a portion of the cost of advance refunding the Series 1992 Bonds, the Series 1994 Bonds, the Series 1995A Bonds, the Series 1995B Bonds, and the Series 1996 Bonds (collectively, the "*Prior Bonds*"), and (b) a portion of certain fees and expenses incurred in connection with the issuance of such bonds.

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Section 1.9.

The Authority has heretofore agreed to assist the Initial Members through the issuance and delivery of its first mortgage health facilities refunding revenue bonds in an aggregate principal amount of not exceeding $47,500,000 (the "*Bonds*") pursuant to the authorizations of the Act.

Section 1.10.

The cost of the advance refunding of the Prior Bonds (including the cost of the issuance of the Bonds) will not exceed $48,250,000. The Initial Members have now requested that the Authority proceed with the issuance of the Bonds pursuant to the Act.

Section 1.11.

The Authority has authorized a petition (the "*Petition*") to the State Budget and Control Board of South Carolina (the "*State Board*") seeking the State Board's approval of the sale of the Bonds as required by the Act. The Board adopts this Resolution for the purposes of (a) providing for the issuance, sale, and delivery of the Bonds, (b) approving and ratifying the distribution and use of a Preliminary Official Statement (the "*Preliminary Official Statement*") in connection with the offering of the Bonds, (c) authorizing the execution, distribution, and use of an Official Statement (the "*Official Statement*") in connection with the offering of the Bonds, (d) authorizing the execution and delivery of a Bond Purchase Agreement (the "*Bond Purchase Agreement*") among the Authority, the Initial Members, and J. C. Bradford & Co. (the "*Underwriter*") and an Indemnity Letter (the "*Indemnity Letter*") from the Initial Members to the Underwriter and the Authority, and (e) authorizing the execution and delivery of a Loan Agreement (the "*Loan Agreement*") between the Authority and the Initial Members, which provides for a loan of the proceeds of the Bonds by the Authority to the Initial Members and for the repayment of such loan by the Initial Members, a Bond Indenture (the "*Bond Indenture*") between the Authority and First Union National Bank, as Bond Trustee (the "*Bond Trustee*"), which prescribes the terms and conditions under which the Bonds will be issued and the security therefor, and a Tax Compliance Agreement (the "*Tax Compliance Agreement*") and an Arbitrage Compliance Agreement (the "*Arbitrage Compliance Agreement*"), both among the Authority, the Initial Members, and the Bond Trustee and both entered into to ensure that the interest on the Bonds is and remains excluded from the gross income of the owners of the Bonds for federal income taxation purposes (all agreements, instruments, and documents the execution and delivery of which by the Authority is herein authorized, whether described in this Section or not, are referred to collectively as the "*Authority Documents*").

Section 1.12.

The Initial Members are responsible parties engaged in the business of operating continuing care facilities.

Section 1.13.

The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

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Section 1.14.

The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "*Projects*").

Section 1.15.

The size and scope of the Projects are such that a definite benefit to the economy of the State of South Carolina (the "*State*") and the County, in particular, is reasonably expected to result therefrom.

Section 1.16.

The provisions, terms, and conditions of the Authority Documents are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved.

Section 1.17.

The public interest is adequately protected by the terms of the Authority Documents.

Section 1.18.

The Bonds do not constitute an indebtedness of the State or the Authority within the meaning of any constitutional provision or statutory limitation and do not give rise to any pecuniary liability of the State or the Authority or a charge against the general credit of the State or the Authority or taxing powers of the State, and these facts shall be plainly stated on the face of each Bond.

ARTICLE II
ESTABLISHMENT OF LOAN PROGRAM; EXECUTION OF THE AUTHORITY DOCUMENTS

Section 2.1.

In order to promote and develop the business and economic welfare of the State, encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State by assisting the Initial Members to refinance the Projects, the establishment of a Loan Program pursuant to the terms of the Loan Agreement, to be utilized by the Initial Members for the advance refunding of the Prior Bonds, is hereby authorized, ratified, and approved.

Section 2.2.

The execution and delivery on behalf of the Authority of the Bond Purchase Agreement and the Indemnity Letter, in substantially the forms presented at this meeting, with such changes as the executing officer(s) shall approve (his or their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Purchase Agreement and the Indemnity Letter shall be executed on behalf of the Authority by the Chairman, Vice Chairman, or Acting Chairman of the Board (the "*Chairman*") and/or the Executive Director of the Authority (the "*Executive Director*").

Section 2.3.

The execution and delivery on behalf of the Authority of the Loan Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to

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be conclusive evidence of such approval) is hereby authorized and directed. The Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.4.

The execution and delivery on behalf of the Authority of the Bond Indenture, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Indenture shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.5.

The execution and delivery on behalf of the Authority of the Tax Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Tax Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.6.

The execution and delivery on behalf of the Authority of the Arbitrage Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Arbitrage Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.7.

The execution and delivery on behalf of the Authority of all other instruments, agreements, and documents necessary in the opinion of the Chairman and/or the Executive Director upon advice of counsel to accomplish the foregoing is hereby authorized and directed.

ARTICLE III
ISSUANCE OF THE BONDS

Section 3.1.

The Bonds shall be designated "South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lutheran Homes of South Carolina, Inc.) Series 1998." Upon the execution and delivery of the Authority Documents, the Bonds in the principal amount of not exceeding $47,500,000 shall be issued and the proceeds thereof expended in the manner provided by the Authority Documents in order to defray a portion of the cost of advance refunding the Prior Bonds. The Bonds shall be in such principal amounts, be dated, mature, bear interest, and be subject to redemption approved by the Chairman and/or the Executive Director; provided that the principal amount thereof shall not exceed $47,500,000, the Bonds shall not bear rates of interest in excess of a net interest cost of 7.0% per annum; and the Bonds shall have final maturity of not later than September 1, 2028. The Bonds shall be sold to J. C. Bradford & Co. at a price of not less than 97% of the principal amount thereof, with an underwriting discount of not to exceed 3% of the principal amount thereof, all in accordance with the terms of the Bond Purchase Agreement.

Section 3.2.

The Bonds shall be in the forms substantially as set forth in the recitals to the Bond Indenture and shall be executed on behalf of the Authority in the manner provided in the Bond Indenture, and prior to delivery, shall be authenticated by the Bond Trustee as prescribed in the Bond Indenture.

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Section 3.3.

In order to implement the foregoing pledge, such other instruments of assignment as may be necessary to transfer to the Bond Trustee substantially all of the right, title, and interest of the Authority in and to the Loan Agreement and all revenues and receipts received or to be received pursuant to the Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE IV
SALE OF THE BONDS

Section 4.1.

Upon the advice of the Initial Members, the sale of the Bonds at negotiated private sale by the Authority to the Underwriter in accordance with the terms of the Bond Purchase Agreement has been determined to be most advantageous by the Board, and the sale is hereby approved, and the Chairman and the Executive Director are fully authorized and empowered to take such further action and to execute and deliver such other agreements and closing documents as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution, and the action of such officers or either of them in executing and delivering such other agreements and documents in such form as the executing officer or officers shall approve is hereby authorized. The Preliminary Official Statement as submitted herewith, and its distribution and use in the sale of Bonds, is hereby approved and ratified. Both the Chairman and the Executive Director, or either one of them, are hereby authorized and directed to execute and deliver the final Official Statement with any additional or modified information as the Chairman or Executive Director, with advise of counsel, deems necessary or advisable for the purposes thereof, the execution being conclusive evidence of approval.

ARTICLE V
DISPOSITION OF BOND PROCEEDS

Section 5.1.

When received, the proceeds of the Bonds shall be paid directly to the Bond Trustee and thereafter disposed of by the Bond Trustee in accordance with the terms and provisions of the Authority Documents, and not otherwise.

ARTICLE VI
MISCELLANEOUS

Section 6.1.

No Personal Liability. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Authority contained in this Resolution or the Bonds, against any member of the Authority, or any officer or employee of the Authority, in his or her individual capacity, past, present, or future, either directly or through the Authority, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Resolution and the Bonds are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any member, officer, or employee of the Authority, past, present or future, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Authority and the Bond Trustee or the bondholders or to be implied therefrom as being supplemental hereto or thereto; and that all personal liability of that character against every member, officer, and employee is, by the adoption of this Resolution and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of this Resolution and the execution of the Bonds, expressly waived and released. The immunity of members, officers, and employees of the Authority under the provisions contained in this Section 6.2 shall survive the termination of the Authority Documents.

Section 6.2

Law and Place of Enforcement of this Resolution. This Resolution shall be construed and interpreted in accordance with the laws of the State.

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Section 6.3

Effective Date. This Resolution shall become effective immediately upon its adoption by the Board.

Section 6.4

Severability. The provisions of this Resolution are hereby declared to be separable and if any section, phrase, or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, the declaration shall not affect the validity of the remainder of the sections, phrases, and provisions hereunder.

Section 6.5

Repeal of Inconsistent Resolutions, etc. All orders, resolutions, and parts thereof in conflict herewith are, to the extent of the conflict, hereby repealed and this Resolution shall take effect and be in full force from and after its passage and approval.

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, the undersigned, Executive Director of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), do hereby certify that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by Board of Directors of the Authority on April 30, 1998.

WITNESS MY HAND as of the 30th day of April, 1998.

Executive Director, South Carolina Jobs - Economic Development Authority

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[Closing Date], 1998

South Carolina Jobs - Economic
Development Authority
Columbia, South Carolina

Re: $[Amount of Bonds] South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Refunding Revenue Bonds (The Lutheran Homes of South Carolina, Inc.) Series 1998

Ladies and Gentlemen:

We have examined the Transcript of Proceedings filed with the Secretary of State of South Carolina and the Constitution and statutes of the State of South Carolina (the "***State***"), including specifically Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), all in connection with the issuance and delivery by the South Carolina Jobs - Economic Development Authority (the "***Authority***") of the above-referenced bonds (the "***Bonds***"), issued under a Bond Indenture (the "***Indenture***") dated as of May 1, 1998, by and between the Authority and First Union National Bank, as Bond Trustee (the "***Bond Trustee***") and under a resolution (the "***Bond Resolution***") adopted by the Board of Directors of the Authority, the governing body of the Authority, on April 30, 1998. The Bonds are being issued by the Authority to provide funds to the Authority to be loaned to The Lutheran Homes of South Carolina, Inc. (the "***Institution***"), The Lowman Home, Inc. ("***Lowman Home***"), The Franke Home, Inc. ("***Franke Home***"), Piedmont Lutheran Home, Inc. ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc. (the "***Foundation***"), each of which is a nonprofit corporation organized and existing under the laws of the State, for the purpose of financing, *inter alia*, a portion of the costs of advance refunding the Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 issued on March 6, 1992, in the aggregate principal amount of $12,625,000 of which $12,440,000 in aggregate principal amount are outstanding on the date hereof, the Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 issued on November 4, 1994 in the aggregate principal amount of $10,125,000 of which $10,125,000 in aggregate principal amount are outstanding on the date hereof, the South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 issued on October 26, 1995 in the aggregate principal amount of $3,080,000 of which $3,000,000 in aggregate principal amount are outstanding on the date hereof, the South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 issued on October 26, 1995, in the aggregate principal amount of $5,275,000 of which $5,275,000 in aggregate principal amount are outstanding on the date hereof, and the South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 issued on December 17, 1996, in the aggregate principal amount of $9,530,000 of which $9,530,000 in aggregate principal amount are outstanding on the date hereof. The proceeds of the Bonds are being loaned to the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation (collectively, the "***Initial Members***")] pursuant to a Loan Agreement (the "***Loan***

Agreement") dated as of May 1, 1998, by and between the Authority and the Initial Members. The Bonds have been sold to J.C. Bradford & Co. (the "*Underwriter*") pursuant to a Bond Purchase Agreement (the "*Bond Purchase Agreement*") dated [Date of BPA], 1998, by and among the Authority, the Initial Members, and the Underwriter. The Initial Members have agreed to indemnify the Authority and the Underwriter against certain expenses pursuant to an Indemnity Letter (the "*Indemnity Letter*") dated [Date of BPA], 1998, from the Initial Members to the Authority and the Underwriter. In order to insure that the interest on the Bonds be and remain excluded from the gross income of the recipients thereof for federal income tax purposes, the Authority, the Initial Members, and First Union National Bank, as Bond Trustee (the "*Bond Trustee*") have entered into a Tax Compliance Agreement (the "*Tax Compliance Agreement*") dated as of May 1, 1998, and an Arbitrage Compliance Agreement (the "*Arbitrage Compliance Agreement*") of even date herewith. As evidence of the obligations of the Initial Members under the Loan Agreement, the Initial Members have executed and delivered a promissory note (the "*Series 1 Note*") in the amount of $[Amount of Bonds] dated as of May 1, 1998, from the Initial Members to the order of the Bond Trustee. The Series 1 Note has been issued pursuant to the provisions of the Master Trust Indenture (the "*Master Indenture*") dated as of May 1, 1998, by and between the Initial Members and First Union National Bank, as Master Trustee (the "*Master Trustee*"), the Supplemental Master Trust Indenture No. 1 (the "*Series 1 Note Indenture*") dated as of May 1, 1998, by and between the Initial Members and the Master Trustee. In connection with the advance refunding of the Series 1992 Bonds, the Series 1994 Bonds, the Series 1995A Bonds, the Series 1995B Bonds, and the Series 1996 Bonds (collectively the "*Prior Bonds*"), the Initial Members and The Bank of New York, as Escrow Agent, have entered into an Escrow Deposit Agreement (the "*Escrow Agreement*") dated as of May 1, 1998. As security for the Bonds and for the performance of their covenants and agreements contained in the Loan Agreement, the Initial Members have executed and delivered a Mortgage, Security Agreement, and Assignment of Leases, Rents, and Profits (the "*Mortgage*") dated as of May 1, 1998, by the Initial Members in favor of the Master Trustee, and Lowman Home has executed and delivered a Collateral Assignment of Construction Contracts (the "*Assignment of Construction Contracts*") and a Collateral Assignment of Architects' Agreements (the "*Assignment of Architects' Agreements*"), both dated as of May 1, 1998, and both by Lowman Home in favor of the Master Trustee. Pursuant to a Continuing Disclosure Agreement (the "*Continuing Disclosure Agreement*") dated as of May 1, 1998, by and between the Initial Members and the Bond Trustee, the Initial Members have undertaken all responsibility for compliance with any continuing disclosure requirements with respect to SEC Rule 15c2-12.

In addition, we have examined the following:

1. A certified copy of the Bond Resolution authorizing, among other things, the following:

(a) the execution and delivery of the Loan Agreement, the Bond Indenture, the Tax Compliance Agreement, the Arbitrage Compliance Agreement, and the Bond Purchase Agreement, and the Indemnity Letter (collectively, the "*Authority Documents*"); and

(b) the issuance and delivery of the Bonds.

2. Executed counterparts of the Authority Documents, the Master Indenture, the Series 1 Note Indenture, the Escrow Agreement, the Mortgage, the Assignment of Construction Contracts, the Assignment of Architects' Agreements, and the Continuing Disclosure Agreement, and the executed Series 1 Note (collectively, the "*Bond Documents*").

3. The Bonds, as executed.

4. The opinion of Ellis, Lawhorne, Davidson & Sims, P.A., counsel for the Initial Members, dated the date hereof, as to the proceedings authorizing the execution and delivery of the Master Indenture, the Loan Agree-

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ment, the Series 1 Note Indenture, the Series 1 Note, the Tax Compliance Agreement, the Arbitrage Compliance Agreement, the Mortgage, the Assignment of Construction Contracts, and the Assignment of Architects' Agreements, the Bond Purchase Agreement, the Indemnity Letter, the Continuing Disclosure Agreement, and the Official Statement (the "***Official Statement***") dated [Date of OS], 1998 (collectively, the "***Initial Member Documents***) by each of the Initial Members, the procuring of all consents, approvals, and authorizations required in connection with the execution and delivery of the Initial Member Documents by the Initial Members; the absence of conflict between (a) the Initial Member Documents and (b) the Articles of Incorporation, the Bylaws, and the minute book of each of the Initial Members and any agreement, decree, or order by which each of the Initial Members is bound; and the status of each of the Initial Members as an organization described in §501(c)(3) of the Internal Revenue Code of 1986, as amended (the "***Code***"), and upon which opinion we rely, insofar as it relates to such matters, in rendering the opinion expressed in paragraph (ii) below.

In rendering this opinion, we have assumed, and have not verified, that the signatures on all documents which we have examined are genuine, that the Master Indenture, the Series 1 Note Indenture, and the Mortgage have been duly executed, and delivered by the Master Trustee; that the Bond Indenture, the Tax Compliance Agreement, the Arbitrage Compliance Agreement, and the Continuing Disclosure Agreement have been duly executed and delivered by the Bond Trustee; and that the Bond Purchase Agreement and the Indemnity Letter have been duly authorized, executed, and delivered by the Underwriter.

On the basis of the foregoing and an examination of such other documents and consideration of such matters of law as we have deemed appropriate to enable us to render this opinion, we are of the opinion that:

(i) the Authority is a public body corporate and politic and an agency of the State and has full power and authority to issue and deliver the Bonds, to finance a portion of the costs of advance refunding the Prior Bonds, and to execute and deliver, and to perform its obligations under, the Bonds and the Authority Documents;

(ii) the Bond Documents have been duly authorized, executed, and delivered and constitute legal, valid, and binding agreements or instruments, as the case may be, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by laws relating to bankruptcy, reorganization, insolvency, or other similar laws affecting the enforcement of creditors' rights generally or by usual limitations on the availability of equitable remedies and except as any indemnification provisions of the Bond Purchase Agreement and the Indemnity Letter may be limited by applicable securities laws or by public policy;

(iii) the execution and delivery of the Bond Documents and the performance by the Authority and the Initial Members of their respective obligations thereunder do not violate any provision of law of the State or any applicable judgment, order, or regulation of any court or of any public or governmental agency or authority of the State;

(iv) no additional or further approval, consent, or authorization of any governmental or public agency or authority is required by the Authority in connection with the issuance and delivery of the Bonds or the execution and delivery of the Authority Documents or the performance by the Authority of its obligations thereunder;

(v) the Bonds have been duly authorized, issued, and delivered by the Authority and constitute legal, valid, and binding obligations of the Authority, enforceable in accordance with their terms and the terms of the Bond Resolution, except as enforcement thereof may be limited by laws relating

to bankruptcy, reorganization, insolvency, or other similar laws affecting the enforcement of creditors' rights generally or by usual limitations on the availability of equitable remedies;

(vi) the Bonds are limited obligations of the Authority payable by the Authority solely from the sources described in the Loan Agreement and shall never constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to any pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or the taxing powers of the State, and neither the faith and credit nor the taxing power of the State, or any political subdivision or any agency thereof is pledged to the payment of the principal of, and the premium, if any, and interest on, the Bonds;

(vii) interest on the Bonds is excluded from the gross income of the recipients thereof for federal income tax purposes under existing statutes, regulations, and court decisions except with respect to a recipient of such interest who is a substantial user of the Project or a related person, within the meaning of §147(a)(1) of the Code;

(viii) income to be received by the Authority from the payments to be made by the Initial Members pursuant to the Loan Agreement and interest on the Bonds are exempt from all taxation in the State; and the principal of the Bonds is exempt from all taxation in the State except from such inheritance, estate, or transfer taxes as might be applicable in the case of residents of the State;

(ix) the Bonds constitute exempt securities under §3(a)(2) of the Securities Act of 1933, as amended to this date (the "***Securities Act***") and under §3(a) of the Securities Exchange Act of 1934, as amended to this date, and the offer, sale, and delivery of the Bonds do not require registration of the Bonds under the Securities Act nor is qualification of the Master Indenture, the Series 1 Note Indenture, or the Bond Indenture required by the Trust Indenture Act of 1939, as amended;

(x) the Bonds are "***qualified 501(c)(3) bonds***," within the meaning of §145 of the Code;

(xi) registration of the Series 1 Note under the Securities Act of 1933, as amended, is not required; and

(xii) the Master Indenture and the Series 1 Note are valid, binding, and enforceable obligations of the Members of the Obligated Group (as defined in the Master Indenture) in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, and other laws affecting creditors' rights generally and usual equity principles.

Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted net current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The Code establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. Non-compliance may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained.

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We express no opinion regarding the other federal tax consequences arising or which may arise with respect to the Bonds.

Very truly yours,

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

April 28, 1998

MEMORANDUM

TO: C. H. Jones, Jr.; Wayne Rush

FROM: Delbert H. Singleton, Jr.

SUBJECT: Review of Revenue Bond Proposal

Enclosed is the following proposal for the issuance of bonds which has been submitted for the May 12, 1998, Budget and Control Board agenda:

Jobs-Economic Development Authority
$47,500,000 First Mortgage Health Facilities Refunding Revenue bonds
The Lutheran Homes of South Carolina, Inc. project

For this proposal to be included on the May 12 agenda, I must have the written results of your review before ***9:00 a.m. on Monday, May 4, 1998.***

DHSj/laf
Enclosure

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FAX (803) 734-2117

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA	PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***"), to issue (i) bonds in order to provide funds for any program authorized by the Act and to secure the payment of such bonds all as provided in the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

2. On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "***Series 1992 Bonds***") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof.

3. On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "***Series 1994 Bonds***") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof.

4. On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995A Bonds***") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof.

5. On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof.

6. On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***Series 1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof.

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7. The Authority has agreed to assist The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") by issuing its refunding revenue bonds for the purposes of (i) defraying a portion of the cost of advance refunding the Prior Bonds (the "***Refunding***"), and (ii) paying a portion of certain fees and expenses incurred in connection with the issuance of the Bonds.

8. The Authority has been advised by the Initial Members that the estimated cost of the Refunding will be approximately $48,250,000 and the Initial Members have requested the Authority to execute and deliver its first mortgage health facilities refunding revenue bonds (the "***Bonds***") in the principal amount of not exceeding $47,500,000 to defray these costs.

9. The Bonds will be sold to J.C. Bradford & Co., as underwriter, pursuant to a negotiated private sale, for subsequent public offering by the underwriter, which arrangement the Authority has determined to be most advantageous.

10. The Authority has made the following findings:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "***Projects***") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "***Counties***");

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects.

11. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale pursuant to the Act to defray a portion

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of the cost of the Refunding (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AN INDUCEMENT RESOLUTION

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*") AND THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., THE LOWMAN HOME, INC., THE FRANKE HOME, INC., PIEDMONT LUTHERAN HOME, INC., AND LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC., WHEREBY UNDER CERTAIN CONDITIONS THE AUTHORITY WILL ISSUE NOT EXCEEDING $47,500,000 OF ITS FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "*Authority*"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue (i) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, on March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "*1992 Bonds*") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "*1994 Bonds*") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "*1995A Bonds*") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof; and

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WHEREAS, on October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, on December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof; and

WHEREAS, The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") have applied to the Authority to issue not exceeding $47,500,000 of its first mortgage health facilities refunding revenue bonds (the "***Bonds***") in order to defray a portion of (i) the cost of advance refunding the 1992 Bonds, the 1994 Bonds, the 1995A Bonds, the 1995B Bonds, and the 1996 Bonds (collectively, the "***Prior Bonds***"), and (ii) certain fees and expenses incurred in connection with the issuance of the Bonds; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that the Board of Directors of the Authority (the "***Board***") provide preliminary approval of the issuance of the Bonds for the aforesaid purposes; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina (the "***State Board***"), in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Borrower of evidence satisfactory to the Executive Director of the Authority (the "***Executive Director***") of the economic feasibility of the proposed advance refunding of the Prior Bonds (the "***Refunding***");

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. It is hereby found, determined, and declared as follows:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "***Projects***") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina;

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

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(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina, in particular, is reasonably expected to result from the Projects.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Initial Members, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. Subject to such approval by the State Board, the Board preliminarily approves the issuance and sale of the Bonds in a principal amount of not exceeding $47,500,000 for the purpose of providing financing to the Initial Members for the advance refunding of the Prior Bonds.

Section 4. The Executive Director is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority and to affix the seal of the Authority thereto, and the Executive Director is hereby further authorized and directed to deliver the executed Inducement Agreement to the Initial Members for execution by them.

Section 5. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 6. Upon receipt by the Authority from the Initial Members of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Projects, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "***Petition***") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 7. The Executive Director shall be and is hereby authorized and directed to execute the Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to said Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Petition to the State Board.

Section 8. All orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved April 30, 1998.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

_____

Elliott E. Franks, III, Executive Director

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

This INDUCEMENT AGREEMENT is made and entered into by and between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*"), a public body corporate and politic and an agency and duly constituted authority of the State of South Carolina (the "*State*"), and THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., a South Carolina nonprofit corporation (the "*Institution*"), THE LOWMAN HOME, INC., a South Carolina nonprofit corporation ("*Lowman Home*"), THE FRANKE HOME, INC., a South Carolina nonprofit corporation ("*Franke Home*"), PIEDMONT LUTHERAN HOME, INC., a South Carolina nonprofit corporation ("*Piedmont Lutheran*") and LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC., a South Carolina nonprofit corporation (the "*Foundation*").

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State, encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State.

Section 1.02. The Authority is further authorized by §41-43-110 of the Act to issue (a) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (b) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

Section 1.03. §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation.

Section 1.04. The Initial Members have applied to the authority to issue not exceeding $47,500,000 of its first mortgage health facilities refunding revenue bonds (the "*Bonds*") in order (a) to defray a portion of the cost of advance refunding certain bonds (the "*Prior Bonds*") issued to finance the acquisition, construction, furnishing, and equipping of health care facilities (collectively, the "*Projects*") in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "*Counties*"), and (ii) to pay a portion of certain fees and expenses incurred in connection with the issuance of the Bonds, and the Authority wishes to assist the Initial Members in advance refunding the prior Bonds (the "*Refunding*").

Section 1.05. (a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the Projects are located in the Counties.

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects.

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State and the Counties, in particular, is reasonably expected to result from the Projects.

Section 1.06. The Authority has given due consideration to all the proposals and requests of the Initial Members and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II
UNDERTAKINGS ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to such approval by the State Budget and Control Board of South Carolina, as may be required by law and subject to the limitations set forth herein, authorize the issuance of the Bonds in an amount not exceeding $47,500,000 at such time as the Initial Members may request the Authority to do so.

Section 2.02. The Authority will permit the Initial Members to arrange for the sale of the Bonds to defray certain costs of the Refunding as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Refunding as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, and the repayment of any funds, advances, or loans incurred by the Initial Members for such purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement or loan agreements with the Initial Members, an indenture or indentures with a trustee to be requested by the Initial Members and approved by the Authority, and other security documents with the Initial Members or the trustee pursuant to which the Bonds will be secured and issued. Such documents shall be substantially in the form used in connection with the issuance of other South Carolina health facilities refunding revenue bonds. The provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreements or other security documents relating to the Bonds, shall be prescribed by subsequent resolution of the Authority. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

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Section 2.05. The Authority will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority's continuing to evaluate the Projects as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Initial Members providing the Authority with such further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations, including, without limitation, the Act.

ARTICLE III
UNDERTAKINGS ON THE PART OF THE INITIAL MEMBERS

Section 3.01. The Initial Members agree that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of the Projects and the refinancing thereof is preliminary and the Authority's obligation to proceed with the refinancing of the Projects is conditioned upon the Authority's continuing to evaluate the Projects as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Initial Members further agree, if the plan proceeds as contemplated, as follows:

(a) to enter into a loan agreement or loan agreements with the Authority, under the terms of which the Initial Members will obligate themselves to pay to the Authority sums sufficient to pay the principal, interest, and premium, if any, on the Bonds, as and when the same become due and payable;

(b) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Inducement Agreement; and

(c) to perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing.

ARTICLE IV
GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Inducement Agreement shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. All commitments of the Authority and the Initial Members hereunder are subject to the condition that the Authority and the Initial Members do agree on mutually acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

Section 4.03. The parties understand that the Initial Members or the Authority may choose not to refinance the Projects as herein provided, in which event this Inducement Agreement shall become void.

Section 4.04. This Inducement Agreement may be assigned by any of the Initial Members to any of it corporate affiliates (any of the foregoing being referred to hereinafter as a "***Related Company***") or any person or company which is willing to lease any of the Projects to any of the Initial Members or any Related Company.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Inducement Agreement as of the 30th day of April, 1998.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

THE LUTHERAN HOMES OF SOUTH CAROLINA, INC.

[SEAL]

By_____
President

ATTEST:

By_____
Treasurer

THE LOWMAN HOME, INC.

[SEAL]

By_____
President

ATTEST:

By_____
Treasurer

THE FRANKE HOME, INC.

[SEAL]

By_____
President

ATTEST:

By_____
Treasurer

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PIEDMONT LUTHERAN HOME, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC.

[SEAL]

By _____
President

ATTEST:

By _____
Treasurer

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EXHIBIT

MAY 12 1998 6

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***"), to issue (i) bonds in order to provide funds for any program authorized by the Act and to secure the payment of such bonds all as provided in the Act, and (ii) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

2. On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "***Series 1992 Bonds***") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof.

3. On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "***Series 1994 Bonds***") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof.

4. On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995A Bonds***") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof.

5. On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof.

6. On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***Series 1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

7. The Authority has agreed to assist The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") by issuing its refunding revenue bonds for the purposes of (i) defraying a portion of the cost of advance refunding the Prior Bonds (the "***Refunding***"), and (ii) paying a portion of certain fees and expenses incurred in connection with the issuance of the Bonds.

8. The Authority has been advised by the Initial Members that the estimated cost of the Refunding will be approximately $48,250,000 and the Initial Members have requested the Authority to execute and deliver its first mortgage health facilities refunding revenue bonds (the "***Bonds***") in the principal amount of not exceeding $47,500,000 to defray these costs.

9. The Bonds will be sold to J.C. Bradford & Co., as underwriter, pursuant to a negotiated private sale, for subsequent public offering by the underwriter, which arrangement the Authority has determined to be most advantageous.

10. The Authority has made the following findings:

(a) The Initial Members are responsible parties engaged in the business of operating continuing care facilities, and the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "***Projects***") are located in Richland County, South Carolina, Charleston County, South Carolina, and Aiken County, South Carolina (collectively, the "***Counties***");

(b) The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Projects; and

(d) The size and scope of the Projects are such that a definite benefit to the economy of the State, and the Counties, in particular, is reasonably expected to result from the Projects.

11. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale pursuant to the Act to defray a portion

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of the cost of the Refunding (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By /s/ Elliott E. Franks, III
Elliott E. Franks, III, Executive Director

EXHIBIT

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STATE BUDGET & CONTROL BOARD D

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

A BOND RESOLUTION

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NOT EXCEEDING $47,500,000 OF SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY FIRST MORTGAGE HEALTH FACILITIES REFUNDING REVENUE BONDS (the "*Bonds*") PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; APPROVING AND RATIFYING THE DISTRIBUTION AND USE OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION, DISTRIBUTION, AND USE OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF ALL INSTRUMENTS, AGREEMENTS, AND DOCUMENTS NECESSARY TO ACCOMPLISH THE FOREGOING; AUTHORIZING THE ESTABLISHMENT OF A LOAN PROGRAM FOR THE LUTHERAN HOMES OF SOUTH CAROLINA, INC., THE LOWMAN HOME, INC., THE FRANKE HOME, INC., PIEDMONT LUTHERAN HOME, INC., AND LUTHERAN HOMES OF SOUTH CAROLINA FOUNDATION, INC.; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY RELATING THERETO.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

ARTICLE I
FINDINGS OF FACT

Incident to the adoption of this Resolution, the Board of Directors (the "*Board*") of the South Carolina Jobs - Economic Development Authority (the "*Authority*") makes the following findings of facts:

Section 1.1.

The Authority is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*"), to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic welfare of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises and in the promotion of export of goods, services, commodities, and capital equipment produced within the State, and thus providing maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and enhancement of industrial, commercial, agricultural, and recreational development on the State.

Section 1.2.

The Authority is further authorized by §41-43-110 of the Act to issue (a) revenue bonds payable by the Authority solely from a revenue producing source and secured by a pledge of said revenues in order to provide funds for any purpose authorized by the Act, and (b) refunding bonds to refund outstanding bonds in an amount as the Authority shall consider necessary but not to exceed an amount sufficient to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, and any premiums, expenses, and commissions necessary to be paid in connection with the refunding of the refunded bonds or the issuance and delivery of the refunding bonds.

Section 1.3.

On March 6, 1992, Richland County, South Carolina, issued its $12,625,000 Richland County, South Carolina, First Mortgage Health Facilities Revenue Bonds (Lutheran Homes of South Carolina, Inc. Project) Series 1992 (the "*Series 1992 Bonds*") of which $12,440,000 in aggregate principal amount are outstanding on the date hereof. The Series 1992 Bonds were issued pursuant to a Trust Indenture dated as of March 1, 1992, between

Richland County, South Carolina and NationsBank Trust Company (South Carolina), National Association, as trustee (now succeeded by The Bank of New York).

Section 1.4.

On November 4, 1994, Charleston County, South Carolina, issued its $10,125,000 Charleston County, South Carolina, First Mortgage Health Facilities Revenue Bonds (The Franke Home, Inc. Project - Lutheran Homes of South Carolina, Inc. Guarantor), Series 1994 (the "***Series 1994 Bonds***") of which $10,125,000 in aggregate principal amount are outstanding on the date hereof. The Series 1994 Bonds were issued pursuant to a Trust Indenture dated as of November 1, 1994, between Charleston County, South Carolina and NationsBank of South Carolina, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.5.

On October 26, 1995, the Authority issued its $3,080,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Alzheimer Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995A Bonds***") of which $3,000,000 in aggregate principal amount are outstanding on the date hereof. The Series 1995A Bonds were issued pursuant to a Trust Indenture dated as of October 1, 1995, between the Authority and NationsBank, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.6.

On October 26, 1995, the Authority issued its $5,275,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Trinity Lutheran Home Addition Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1995 (the "***Series 1995B Bonds***") of which $5,275,000 in aggregate principal amount are outstanding on the date hereof. The Series 1995B Bonds were issued pursuant to a Trust Indenture dated as of October 1, 1995, between the Authority and NationsBank, National Association, as trustee (now succeeded by The Bank of New York).

Section 1.7.

On December 17, 1996, the Authority issued its $9,530,000 South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lowman Home, Inc. Benzie T. Rice Home Project - The Lutheran Homes of South Carolina, Inc. Guarantor) Series 1996 (the "***Series 1996 Bonds***") of which $9,530,000 in aggregate principal amount are outstanding on the date hereof. The Series 1996 Bonds were issued pursuant to a Trust Indenture dated as of December 1, 1996, between the Authority and The Bank of New York.

Section 1.8.

The Lutheran Homes of South Carolina, Inc., a South Carolina nonprofit corporation (the "***Institution***"), The Lowman Home, Inc., a South Carolina nonprofit corporation ("***Lowman Home***"), The Franke Home, Inc., a South Carolina nonprofit corporation ("***Franke Home***"), Piedmont Lutheran Home, Inc., a South Carolina nonprofit corporation ("***Piedmont Lutheran***"), and Lutheran Homes of South Carolina Foundation, Inc., South Carolina nonprofit corporation (the "***Foundation***") (the Institution, Lowman Home, Franke Home, Piedmont Lutheran, and the Foundation are referred to collectively herein as the "***Initial Members***") propose that the Authority, through the issuance and delivery of health facilities refunding revenue bonds pursuant to the authorization of the Act, finance (a) a portion of the cost of advance refunding the Series 1992 Bonds, the Series 1994 Bonds, the Series 1995A Bonds, the Series 1995B Bonds, and the Series 1996 Bonds (collectively, the "***Prior Bonds***"), and (b) a portion of certain fees and expenses incurred in connection with the issuance of such bonds.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 1.9.

The Authority has heretofore agreed to assist the Initial Members through the issuance and delivery of its first mortgage health facilities refunding revenue bonds in an aggregate principal amount of not exceeding $47,500,000 (the "*Bonds*") pursuant to the authorizations of the Act.

Section 1.10.

The cost of the advance refunding of the Prior Bonds (including the cost of the issuance of the Bonds) will not exceed $48,250,000. The Initial Members have now requested that the Authority proceed with the issuance of the Bonds pursuant to the Act.

Section 1.11.

The Authority has authorized a petition (the "*Petition*") to the State Budget and Control Board of South Carolina (the "*State Board*") seeking the State Board's approval of the sale of the Bonds as required by the Act. The Board adopts this Resolution for the purposes of (a) providing for the issuance, sale, and delivery of the Bonds, (b) approving and ratifying the distribution and use of a Preliminary Official Statement (the "*Preliminary Official Statement*") in connection with the offering of the Bonds, (c) authorizing the execution, distribution, and use of an Official Statement (the "*Official Statement*") in connection with the offering of the Bonds, (d) authorizing the execution and delivery of a Bond Purchase Agreement (the "*Bond Purchase Agreement*") among the Authority, the Initial Members, and J. C. Bradford & Co. (the "*Underwriter*") and an Indemnity Letter (the "*Indemnity Letter*") from the Initial Members to the Underwriter and the Authority, and (e) authorizing the execution and delivery of a Loan Agreement (the "*Loan Agreement*") between the Authority and the Initial Members, which provides for a loan of the proceeds of the Bonds by the Authority to the Initial Members and for the repayment of such loan by the Initial Members, a Bond Indenture (the "*Bond Indenture*") between the Authority and First Union National Bank, as Bond Trustee (the "*Bond Trustee*"), which prescribes the terms and conditions under which the Bonds will be issued and the security therefor, and a Tax Compliance Agreement (the "*Tax Compliance Agreement*") and an Arbitrage Compliance Agreement (the "*Arbitrage Compliance Agreement*"), both among the Authority, the Initial Members, and the Bond Trustee and both entered into to ensure that the interest on the Bonds is and remains excluded from the gross income of the owners of the Bonds for federal income taxation purposes (all agreements, instruments, and documents the execution and delivery of which by the Authority is herein authorized, whether described in this Section or not, are referred to collectively as the "*Authority Documents*").

Section 1.12.

The Initial Members are responsible parties engaged in the business of operating continuing care facilities.

Section 1.13.

The Initial Members have demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation and/or maintenance of permanent employment (both direct and indirect) for approximately four hundred twenty (420) people from Richland County, South Carolina, and surrounding areas, for approximately seventy-five (75) people from Charleston County, South Carolina, and surrounding areas, and for approximately thirty-five (35) people from Aiken County, South Carolina, and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 1.14.

The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the projects the acquisition, construction, furnishing, and equipping of which was financed with the proceeds of the Prior Bonds (collectively, the "*Projects*").

Section 1.15.

The size and scope of the Projects are such that a definite benefit to the economy of the State of South Carolina (the "*State*") and the County, in particular, is reasonably expected to result therefrom.

Section 1.16.

The provisions, terms, and conditions of the Authority Documents are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved.

Section 1.17.

The public interest is adequately protected by the terms of the Authority Documents.

Section 1.18.

The Bonds do not constitute an indebtedness of the State or the Authority within the meaning of any constitutional provision or statutory limitation and do not give rise to any pecuniary liability of the State or the Authority or a charge against the general credit of the State or the Authority or taxing powers of the State, and these facts shall be plainly stated on the face of each Bond.

ARTICLE II
ESTABLISHMENT OF LOAN PROGRAM; EXECUTION OF THE AUTHORITY DOCUMENTS

Section 2.1.

In order to promote and develop the business and economic welfare of the State, encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State by assisting the Initial Members to refinance the Projects, the establishment of a Loan Program pursuant to the terms of the Loan Agreement, to be utilized by the Initial Members for the advance refunding of the Prior Bonds, is hereby authorized, ratified, and approved.

Section 2.2.

The execution and delivery on behalf of the Authority of the Bond Purchase Agreement and the Indemnity Letter, in substantially the forms presented at this meeting, with such changes as the executing officer(s) shall approve (his or their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Purchase Agreement and the Indemnity Letter shall be executed on behalf of the Authority by the Chairman, Vice Chairman, or Acting Chairman of the Board (the "*Chairman*") and/or the Executive Director of the Authority (the "*Executive Director*").

Section 2.3.

The execution and delivery on behalf of the Authority of the Loan Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to

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be conclusive evidence of such approval) is hereby authorized and directed. The Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.4.

The execution and delivery on behalf of the Authority of the Bond Indenture, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Indenture shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.5.

The execution and delivery on behalf of the Authority of the Tax Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Tax Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.6.

The execution and delivery on behalf of the Authority of the Arbitrage Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer(s) shall approve (their or his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Arbitrage Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.7.

The execution and delivery on behalf of the Authority of all other instruments, agreements, and documents necessary in the opinion of the Chairman and/or the Executive Director upon advice of counsel to accomplish the foregoing is hereby authorized and directed.

ARTICLE III
ISSUANCE OF THE BONDS

Section 3.1.

The Bonds shall be designated "South Carolina Jobs - Economic Development Authority, First Mortgage Health Facilities Revenue Bonds (The Lutheran Homes of South Carolina, Inc.) Series 1998." Upon the execution and delivery of the Authority Documents, the Bonds in the principal amount of not exceeding $47,500,000 shall be issued and the proceeds thereof expended in the manner provided by the Authority Documents in order to defray a portion of the cost of advance refunding the Prior Bonds. The Bonds shall be in such principal amounts, be dated, mature, bear interest, and be subject to redemption approved by the Chairman and/or the Executive Director; provided that the principal amount thereof shall not exceed $47,500,000, the Bonds shall not bear rates of interest in excess of a net interest cost of 7.0% per annum; and the Bonds shall have final maturity of not later than September 1, 2028. The Bonds shall be sold to J. C. Bradford & Co. at a price of not less than 97% of the principal amount thereof, with an underwriting discount of not to exceed 3% of the principal amount thereof, all in accordance with the terms of the Bond Purchase Agreement.

Section 3.2.

The Bonds shall be in the forms substantially as set forth in the recitals to the Bond Indenture and shall be executed on behalf of the Authority in the manner provided in the Bond Indenture, and prior to delivery, shall be authenticated by the Bond Trustee as prescribed in the Bond Indenture.

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Section 3.3.

In order to implement the foregoing pledge, such other instruments of assignment as may be necessary to transfer to the Bond Trustee substantially all of the right, title, and interest of the Authority in and to the Loan Agreement and all revenues and receipts received or to be received pursuant to the Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE IV
SALE OF THE BONDS

Section 4.1.

Upon the advice of the Initial Members, the sale of the Bonds at negotiated private sale by the Authority to the Underwriter in accordance with the terms of the Bond Purchase Agreement has been determined to be most advantageous by the Board, and the sale is hereby approved, and the Chairman and the Executive Director are fully authorized and empowered to take such further action and to execute and deliver such other agreements and closing documents as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution, and the action of such officers or either of them in executing and delivering such other agreements and documents in such form as the executing officer or officers shall approve is hereby authorized. The Preliminary Official Statement as submitted herewith, and its distribution and use in the sale of Bonds, is hereby approved and ratified. Both the Chairman and the Executive Director, or either one of them, are hereby authorized and directed to execute and deliver the final Official Statement with any additional or modified information as the Chairman or Executive Director, with advise of counsel, deems necessary or advisable for the purposes thereof, the execution being conclusive evidence of approval.

ARTICLE V
DISPOSITION OF BOND PROCEEDS

Section 5.1.

When received, the proceeds of the Bonds shall be paid directly to the Bond Trustee and thereafter disposed of by the Bond Trustee in accordance with the terms and provisions of the Authority Documents, and not otherwise.

ARTICLE VI
MISCELLANEOUS

Section 6.1.

No Personal Liability. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Authority contained in this Resolution or the Bonds, against any member of the Authority, or any officer or employee of the Authority, in his or her individual capacity, past, present, or future, either directly or through the Authority, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Resolution and the Bonds are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any member, officer, or employee of the Authority, past, present or future, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Authority and the Bond Trustee or the bondholders or to be implied therefrom as being supplemental hereto or thereto; and that all personal liability of that character against every member, officer, and employee is, by the adoption of this Resolution and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of this Resolution and the execution of the Bonds, expressly waived and released. The immunity of members, officers, and employees of the Authority under the provisions contained in this Section 6.2 shall survive the termination of the Authority Documents.

Section 6.2

Law and Place of Enforcement of this Resolution. This Resolution shall be construed and interpreted in accordance with the laws of the State.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 6.3

Effective Date. This Resolution shall become effective immediately upon its adoption by the Board.

Section 6.4

Severability. The provisions of this Resolution are hereby declared to be separable and if any section, phrase, or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, the declaration shall not affect the validity of the remainder of the sections, phrases, and provisions hereunder.

Section 6.5

Repeal of Inconsistent Resolutions, etc. All orders, resolutions, and parts thereof in conflict herewith are, to the extent of the conflict, hereby repealed and this Resolution shall take effect and be in full force from and after its passage and approval.

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EXHIBIT

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MAY 12 1998

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, the undersigned, Executive Director of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), do hereby certify that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by Board of Directors of the Authority on April 30, 1998.

WITNESS MY HAND as of the 30th day of April, 1998.

_____

Executive Director, South Carolina Jobs - Economic Development Authority

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

Santee River Rubber Company

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

I, DELBERT H. SINGLETON, JR., SECRETARY to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

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

His Excellency, David M. Beasley, Governor and Chairman of the Board;
The Honorable Richard A. Eckstrom, State Treasurer;
The Honorable Earle E. Morris, Jr., Comptroller General;
The Honorable John Drummond, Chairman, Senate Finance Committee; and
The Honorable Henry E. Brown, Jr., Chairman, House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina, at 9:30 a.m. on Tuesday, May 12, 1998, was given to all members in writing at least four days prior to the meeting and that, in compliance with the Freedom of Information Act, public notice of and the agenda index for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the Carolina Plaza, in the lobby of the Wade Hampton Office Building, and near the Board Secretary's Office on the Sixth Floor of the Wade Hampton Office Building at 1:45 p.m. on Thursday, May 7, 1998.

That all members of the Board were present at the meeting.

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

FOR MOTION	AGAINST MOTION
5	0

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

May 12, 1998

Delbert H. Singleton Jr.

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

A RESOLUTION

APPROVING THE UNDERTAKING OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY TO ISSUE NOT EXCEEDING $32,000,000 SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, SOLID WASTE RECYCLING FACILITIES REVENUE BONDS, SERIES 1997 (the "*Bonds*") PURSUANT TO TITLE 43, CHAPTER 41, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED (the "*Act*").

WHEREAS, heretofore the South Carolina Jobs - Economic Development Authority (the "*Issuer*"), did, pursuant to the Act, petition the State Budget and Control Board of South Carolina (the "*State Board*") seeking the approval of the State Board for an undertaking by the Issuer pursuant to the Act; and

WHEREAS, the proposed undertaking (the "*Undertaking*") consists of the financing of a portion of the cost of acquiring, constructing, furnishing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. (the "*Company*"), a South Carolina limited liability company, and to be located in Berkeley County, South Carolina (the "*County*") by the issuance and delivery of solid waste recycling facilities revenue bonds in two or more series and in an aggregate amount not exceeding $32,000,000 (the "*Bonds*") pursuant to the Act, to a resolution (the "*Bond Resolution*") to be adopted by the Board of Directors of the Issuer, and to an Indenture of Trust (the "*Indenture*") between the Issuer and The Bank of New York, as Trustee (the "*Trustee*"); and

WHEREAS, the Issuer proposes to enter into a Loan Agreement (the "*Loan Agreement*") with the Company pursuant to which the Issuer will lend the proceeds of the Bonds to the Company to finance a portion of the cost of the acquisition, construction, furnishing, and equipping of the Project; and

WHEREAS, pursuant to the Loan Agreement, the Company will agree to pay to the Issuer amounts sufficient to provide for the payment of the Bonds and the costs and expenses resulting from the issuance thereof; and

WHEREAS, the Issuer proposes to enter into the Indenture prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made by the Company pursuant to the Loan Agreement; and

WHEREAS, the Issuer has determined that prior to the issuance of the Bonds it will find that:

(a) the Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County,

(b) the Company has demonstrated to the Authority that the assistance of the Authority by the issuance of its revenue bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities,

(c) the amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project, and

EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

(d) the size and scope of the Project is such that a definite benefit to the economy of the State and the County, in particular, is reasonably expected to result from the Project; and

WHEREAS, the Issuer has also determined that prior to the issuance of the Bonds it will find that:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved, and

(b) the public interest is adequately protected by the terms of such documents; and

WHEREAS, in order to finance the acquisition, construction, furnishing, and equipping of the Project, the Issuer proposes to provide for the issuance and delivery of the Bonds pursuant to the Act, to the Bond Resolution and to the Indenture, payable by the Issuer from the amounts derived from the Loan Agreement and secured by the Indenture pursuant to which the Issuer will pledge substantially all of its right, title and interest in and to the Loan Agreement to the Trustee; and

WHEREAS, it is the intention of the Issuer and the Company that the Bonds be sold by the Issuer to Smith Barney Inc. (the "*Underwriter*") for resale in denominations of at least one hundred thousand dollars to investors who or which customarily purchase debt securities in large denominations pursuant to a bond purchase agreement or purchase contract by and among the Issuer, the Company, and the Underwriter,

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

1. It has been found and determined by the State Board that the Issuer has filed a proper petition with the State Board in accordance with the provisions of the Act and that prior to the issuance of the Bonds it will find make the findings required by the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the Issuer to finance a portion of the cost of acquiring, constructing, furnishing, and equipping the Project through the issuance of the Authority's solid waste recycling facilities revenue bonds in two or more series in an aggregate amount not exceeding $32,000,000 in denominations of at least one hundred thousand dollars through a sale to investors who or which customarily purchase debt securities in large denominations pursuant the Bond Resolution to be payable from the revenues to be derived by the Issuer from the Loan Agreement and to be secured by the Indenture, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking) be and the same are hereby approved.

EXHIBIT 4-28-98
10:39 am

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STATE BUDGET & CONTROL BOARD

TRANSMITTAL FORM, REVENUE BONDS

TO: Delbert H. Singleton, Jr., Board Secretary
State Budget and Control Board
601 Wade Hampton Building
Columbia, SC 29201
OR *P. O. Box 12444, Columbia, SC 29211*

DATE: April 28, 1998

Submitted for BCB Meeting on:
May 12, 1998

FROM: **F. Mitchell Johnson, Jr.**

Sinkler & Boyd, P.A.
Name of Law Firm

160 East Bay Street
Street Address/Box Number

Charleston, SC 29401
City, State, Zip Code

(803) 722-3366
Area Code/Telephone Number

RE:

$32,000,000.00
Amount of Issue

South Carolina Jobs - Economic Development Authority
Name of Issuing Authority

Solid Waste Disposal Facilities Revenue Bonds
Type of Bonds or Notes

July 12, 1998
Projected Issue Date

Project Name: (Santee River Rubber Company Project) Series 1998

Project Description: A waste rubber recycling facility to be owned and operated by Santee River Rubber Company, L.L.C. and to be located in Berkely County, South Carolina.

Employment as a result of the project: Creation - 40 Maintenance - 133

Ceiling Allocation Required	**Refunding Involved**	**Project Approved Previously**
__Yes ($_____) x No	x Yes ($16,000,000) x No	x Yes ($_____) _No
Amount	Amount	Amount

Documents enclosed (executed original and two copies of each):
(ALL documents required for state law approval; A and C only for ceiling allocation only.)

A. x Petition

B. x Resolution or Ordinance

C. x Inducement Resolution or comparable preliminary approval

D. n/a Department of Health and Environmental Control Certificate *if required*

E. x Budget and Control Board Resolution and Public Notice *(original)*
Plus 10 copies for certification and return to bond counsel

F. x Draft bond counsel opinion letter

G. n/a Processing Fee
Amount: $_____ *Check No:* _____
Payor: _____

Bond Counsel: F. Mitchell Johnson, Jr.
Typed Name of Bond Counsel

By: F. Mitchell Johnson, Jr.
Signature

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MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***") to issue bonds in order to provide funds for any program authorized by the Act, and to secure the payment of such bonds all as in the Act provided.

2. The Authority has agreed to assist Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, by issuing its revenue bonds for the purposes of defraying a portion of the cost of acquiring, constructing, installing, and equipping a waste rubber recycling facility (the "***Project***") to be owned and operated by the Company and to be located in Berkeley County, South Carolina (the "***County***").

3. The Authority has been advised by the Company that the estimated cost of the Project will be approximately $48,400,000 and the Company has requested the Authority to execute and deliver its solid waste recycling facilities revenue bonds (the "***Bonds***") in two or more series and in the principal amount of not exceeding $32,000,000 to defray a portion of these costs.

4. The Bonds will be sold to Smith Barney Inc., as underwriter, pursuant to a negotiated private sale, for subsequent limited public offering by the underwriter in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations, which arrangement the Authority has determined to be most advantageous.

5. The Authority has made the following findings:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County, in particular, is reasonably expected to result from the Project.

6. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale, for subsequent limited public offering in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations pursuant to the Act to defray a portion of the cost of the Project (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By _____
Elliott E. Franks, III, Executive Director

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

A BOND RESOLUTION

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NOT EXCEEDING $32,000,000 OF SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, SOLID WASTE RECYCLING FACILITIES REVENUE BONDS (the "*Bonds*") IN TWO OR MORE SERIES PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; APPROVING AND RATIFYING THE DISTRIBUTION AND USE OF A PRELIMINARY OFFICIAL STATEMENT, PRELIMINARY OFFERING MEMORANDUM, OR PRELIMINARY OFFERING CIRCULAR IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION, DISTRIBUTION, AND USE OF AN OFFICIAL STATEMENT, OFFERING MEMORANDUM, OR OFFERING CIRCULAR IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF ALL OTHER INSTRUMENTS, AGREEMENTS, AND DOCUMENTS NECESSARY TO ACCOMPLISH THE FOREGOING; AUTHORIZING THE ESTABLISHMENT OF A LOAN PROGRAM FOR SANTEE RIVER RUBBER COMPANY, L.L.C.; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY RELATING THERETO.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

ARTICLE I
FINDINGS OF FACT

Incident to the adoption of this Resolution, the Board of Directors (the "***Board***") of the South Carolina Jobs - Economic Development Authority (the "***Authority***") makes the following findings of facts:

Section 1.1.

Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, proposes that the Authority, through the issuance and delivery of Solid Waste Recycling Facilities Revenue Bonds in two or more series pursuant to the authorization of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), finance a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "***Project***") constituting a waste rubber recycling facility to be owned and operated by the Company and to be located in Berkeley County, South Carolina (the "***County***") and a portion of certain fees and expenses incurred in connection with the issuance of such bonds.

Section 1.2.

The Authority has heretofore agreed to assist the Company through the issuance and delivery of its Solid Waste Recycling Facilities Revenue Bonds (the "***Bonds***") in two or more series and in an aggregate principal amount of not exceeding $32,000,000 pursuant to the authorizations of the Act.

Section 1.3.

The cost of the acquisition, construction, installation, and equipping of the Project (including the cost of the issuance of the Bonds) will not exceed $48,400,000. The Company has now requested that the Authority proceed with the issuance of the Bonds pursuant to the Act. The proceeds derived from the sale of the Bonds will be loaned to the Company to be used to reimburse the Company for any expenditures previously made by it or indebtedness incurred by it in connection with the acquisition, construction, installation, and equipping of the Project in the manner and to the extent set forth in the Loan Agreement, the Indenture of Trust, the Tax Compliance Agreement, and the Arbitrage Compliance Agreement hereinafter mentioned.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 1.4.

The Authority has authorized a petition (the "*Petition*") to the State Budget and Control Board of South Carolina (the "*State Board*") seeking the State Board's approval of the sale of the Bonds as required by the Act. The Board adopts this Resolution for the purposes of (a) providing for the issuance, sale, and delivery of the Bonds, (b) approving and ratifying the distribution and use of a preliminary official statement, preliminary offering memorandum, or preliminary offering circular (the "*Preliminary Official Statement*") in connection with the offering of the Bonds, (c) authorizing the execution, distribution, and use of an official statement, offering memorandum, or offering circular (the "*Official Statement*") in connection with the offering of the Bonds, (d) authorizing the execution and delivery of a bond purchase agreement or purchase contract (the "*Bond Purchase Agreement*") among the Authority, the Company, and Smith Barney Inc., (the "*Underwriter*") and an Indemnity Letter (the "*Indemnity Letter*") from the Company to the Underwriter and the Authority, and (e) authorizing the execution and delivery of a Loan Agreement (the "*Loan Agreement*") between the Authority and the Company, which provides for a loan of the proceeds of the Bonds by the Authority to the Company and for the repayment of such loan by the Company, an Indenture of Trust (the "*Indenture*") between the Authority and a banking association, banking corporation, or trust company to be requested by the Company with the approval of the Authority and the State Treasurer of South Carolina (the "*Trustee*"), which prescribes the terms and conditions under which the Bonds will be issued and the security therefor, and a Tax Compliance Agreement (the "*Tax Compliance Agreement*") and an Arbitrage Compliance Agreement (the "*Arbitrage Compliance Agreement*"), both among the Authority, the Company, and the Trustee and both entered into to ensure that the interest on any portion of the Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for purposes of federal income taxation is and remains excluded from the gross income of the owners of the Bonds for federal income taxation purposes, an Endorsement (the "*Endorsement*") to the Trustee of the promissory note of the Company which evidences the Company's repayment obligations under the Loan Agreement, and a Mortgage, Security Agreement, and Assignment of Leases, Rents, and Profits (the "*Mortgage*") by the Company in favor of the Authority (all agreements, instruments, and documents the execution and delivery of which by the Authority is herein authorized, whether described in this Section or not, are referred to collectively as the "*Authority Documents*").

Section 1.5.

The Company is a responsible party engaged in the business of waste rubber recycling.

Section 1.6.

The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

Section 1.7.

The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project.

Section 1.8.

The size and scope of the Project is such that a definite benefit to the economy of the State of South Carolina (the "*State*"), and the County in particular, is reasonably expected to result from the Project.

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Section 1.9.

The provisions, terms, and conditions of the Authority Documents are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved.

Section 1.10.

The public interest is adequately protected by the terms of the Authority Documents.

Section 1.11.

The Bonds do not constitute an indebtedness of the State or the Authority within the meaning of any constitutional provision or statutory limitation and do not give rise to any pecuniary liability of the State or the Authority or a charge against the general credit of the State or the Authority or taxing powers of the State, and these facts shall be plainly stated on the face of each Bond.

ARTICLE II
ESTABLISHMENT OF LOAN PROGRAM; EXECUTION OF THE AUTHORITY DOCUMENTS

Section 2.1.

In order to promote and develop the business and economic welfare of the State, encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State by assisting the Company to finance the Project, the establishment of a Loan Program pursuant to the terms of the Loan Agreement, to be utilized by the Company for the acquisition, construction, installation, and equipping of the Project, is hereby authorized, ratified, and approved.

Section 2.2.

The execution and delivery on behalf of the Authority of the Bond Purchase Agreement and the Indemnity Letter, in substantially the forms presented at this meeting, with such changes as the executing officer(s) shall approve (his or their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Purchase Agreement and the Indemnity Letter shall be executed on behalf of the Authority by the Chairman, Vice Chairman, or Acting Chairman of the Board (the "***Chairman***") and/or the Executive Director of the Authority (the "***Executive Director***").

Section 2.3.

The execution and delivery on behalf of the Authority of the Loan Agreement, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.4.

The execution and delivery on behalf of the Authority of the Indenture, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Indenture shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

Section 2.5.

The execution and delivery on behalf of the Authority of the Tax Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Tax Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.6.

The execution and delivery on behalf of the Authority of the Arbitrage Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Arbitrage Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.7.

The execution and delivery on behalf of the Authority of the Endorsement, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Endorsement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.8.

The execution and delivery on behalf of the Authority of the Mortgage, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Mortgage shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.9.

The execution and delivery on behalf of the Authority of all other instruments, agreements, documents, or certificates as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution is hereby authorized and directed. Such other instruments, agreements, documents, or certificates may be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE III
ISSUANCE OF THE BONDS

Section 3.1.

The Bonds shall be designated "South Carolina Jobs - Economic Development Authority, Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company Project) Series 1998," and shall bear any additional designations to differentiate the appropriate series and/or tax-exempt status. Upon the execution and delivery of the Authority Documents, the Bonds in the principal amount of not exceeding $32,000,000 in two or more series shall be issued and the proceeds thereof expended in the manner provided by the Authority Documents in order to defray a portion of the cost of the acquisition, construction, installation, and equipping of the Project. The Bonds shall be in such principal amounts, be dated, mature, bear interest, and be subject to redemption as shall be approved by the Executive Director; provided that the principal amount thereof shall not exceed $32,000,000 in the aggregate.

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Section 3.2.

The Bonds shall be in the form substantially as set forth in the recitals to the Indenture and shall be executed on behalf of the Authority in the manner provided in the Indenture, and prior to delivery, shall be authenticated by the Trustee as prescribed in the Indenture.

Section 3.3.

In order to implement the foregoing pledge, such other instruments of assignment as may be necessary to transfer to the Trustee substantially all of the right, title, and interest of the Authority in and to the Loan Agreement and all revenues and receipts received or to be received pursuant to the Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE IV
SALE OF THE BONDS

Section 4.1.

Upon the advice of the Company, the sale of the Bonds by the Underwriter to investors who or which customarily purchase debt securities in large denominations in accordance with the terms of the Bond Purchase Agreement has been determined to be most advantageous by the Board, and the sale is hereby approved, and the Chairman and/or the Executive Director are fully authorized and empowered to take such further action and to execute and deliver such other agreements and closing documents as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution, and the action of such officers or either of them in executing and delivering such other agreements and documents in such form as the executing officer or officers shall approve is hereby authorized. The Preliminary Official Statement and its distribution and use in the sale of Bonds, is hereby approved and ratified. Both the Chairman and the Executive Director, or either one of them, are hereby authorized and directed to execute and deliver the final Official Statement with any additional or modified information as the Chairman or the Executive Director, with advise of counsel, deems necessary or advisable for the purposes thereof, the execution being conclusive evidence of approval.

ARTICLE V
DISPOSITION OF BOND PROCEEDS

Section 5.1.

When received, the proceeds of the Bonds shall be paid directly to the Trustee and thereafter disposed of by the Trustee in accordance with the terms and provisions of the Authority Documents, and not otherwise.

ARTICLE VI
MISCELLANEOUS

Section 6.1.

No Personal Liability. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Authority contained in this Resolution or the Bonds, against any member of the Authority, or any officer or employee of the Authority, in his or her individual capacity, past, present, or future, either directly or through the Authority, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Resolution and the Bonds are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any member, officer, or employee of the Authority, past, present or future, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Authority and the Trustee or the bondholders or to be implied therefrom as being supplemental hereto or thereto; and that all personal liability of that character against every member, officer, and employee is, by the adoption of this Resolution and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of this Resolution and the execution of the Bonds, expressly waived and released.

The immunity of members, officers, and employees of the Authority under the provisions contained in this Section 6.2 shall survive the termination of the Authority Documents.

Section 6.2

Law and Place of Enforcement of this Resolution. This Resolution shall be construed and interpreted in accordance with the laws of the State.

Section 6.3

Effective Date. This Resolution shall become effective immediately upon its adoption by the Board.

Section 6.4

Severability. The provisions of this Resolution are hereby declared to be separable and if any section, phrase, or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, the declaration shall not affect the validity of the remainder of the sections, phrases, and provisions hereunder.

Section 6.5

Repeal of Inconsistent Resolutions, etc. All orders, resolutions, and parts thereof in conflict herewith are, to the extent of the conflict, hereby repealed and this Resolution shall take effect and be in full force from and after its passage and approval.

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, the undersigned, Executive Director of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), do hereby certify that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by Board of Directors of the Authority on April 30, 1998.

WITNESS MY HAND as of the 30th day of April, 1998.

Executive Director, South Carolina Jobs - Economic Development Authority

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STATE BUDGET & CONTROL BOARD B

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AN INDUCEMENT RESOLUTION

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*") AND ENVIRONMENTAL PROCESSING SYSTEMS, INC., WHEREBY UNDER CERTAIN CONDITIONS THE AUTHORITY WILL ISSUE NOT EXCEEDING $32,000,000 OF ITS SOLID WASTE DISPOSAL FACILITIES REVENUE BONDS (the "*Bonds*") PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA (the "*State Board*") REQUESTING THAT A PORTION OF THE STATE CEILING ESTABLISHED BY THE TAX REFORM ACT OF 1986 BE ALLOCATED TO THE BONDS; AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BOARD FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "*Authority*"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation or maintenance and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, Environmental Processing Systems, Inc. (the "*Company*"), a New York corporation, has applied to the Authority to issue not exceeding $32,000,000 of its solid waste disposal facilities revenue bonds (the "*Bonds*") in two or more series in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "*County*"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that the Board of Directors of the Authority (the "*Board*") provide preliminary approval of the issuance of the Bonds for the aforesaid purposes; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina (the "*State Board*"), (i) the Petition of the Authority requesting that a portion of the State Ceiling established by the Tax Reform Act of 1986 (the "*State Ceiling*") be allocated to a portion of the Bonds, and (ii) in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Company of evidence satisfactory to the Executive Director of the Authority (the "*Executive Director*") of the economic feasibility of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

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STATE BUDGET & CONTROL BOARD

Section 1. It is hereby found, determined, and declared as follows:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located either in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result therefrom.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Company, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. Subject to such approval by the State Board and Berkeley County Council, the governing body of the County, as required by law, the Board preliminarily approves the issuance and sale of the Bonds in a principal amount of not exceeding $32,000,000 in two or more series for the purpose of providing financing to the Company for the Project.

Section 4. The Chairman of the Board (the "*Chairman*") is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority, and the Executive Director is hereby authorized and directed to affix thereto the seal of the Authority and to attest the same, and the Executive Director is hereby further authorized and directed to deliver the executed Inducement Agreement to the Company for execution by it.

Section 5. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 6. There shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "*Allocation Petition*") requesting that a portion of the State Ceiling be allocated to a portion of the Bonds.

Section 7. The Chairman shall be and is hereby authorized and directed to execute the Allocation Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to the Allocation Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Allocation Petition to the State Board.

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Section 8. Upon receipt by the Authority from the Company of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Project, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "***Approval Petition***") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 9. The Chairman shall be and is hereby authorized and directed to execute the Approval Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to the Approval Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Approval Petition to the State Board.

Section 10. This Resolution amends and supplements the resolution adopted by the Authority with respect to the Project on November 6, 1996 (the "***Original Resolution***").

Section 10. All orders and resolutions and parts thereof in conflict herewith (other than the Original Resolution) are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved August ____, 1997.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

Clarence Davis, Chairman, Board of Directors

Attest:

Elliott E. Franks, III, Executive Director

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EXHIBIT

MAY 12 1998

STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

This INDUCEMENT AGREEMENT is made and entered into by and between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*"), a public body corporate and politic and an agency and duly constituted authority of the State of South Carolina (the "*State*"), and ENVIRONMENTAL PROCESSING SYSTEMS, INC. (the "*Company*"), a New York corporation.

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State, encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State.

Section 1.02. The Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act.

Section 1.03. §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation.

Section 1.04. The Company has applied to the authority to issue not exceeding $20,000,000 of its solid waste disposal facilities revenue bonds (the "*Bonds*") in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "*County*"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project.

Section 1.05. (a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County.

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result from the Project.

Section 1.06. The Authority has given due consideration to all the proposals and requests of the Company and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II
UNDERTAKINGS ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to such approval by the State Budget and Control Board of South Carolina and Berkeley County Council, the governing body of the County, as may be required by law and subject to the limitations set forth herein, authorize the issuance of the Bonds in an amount not exceeding $32,000,000 in two or more series at such time as the Company may request the Authority to do so.

Section 2.02. The Authority will permit the Company to arrange for the sale of the Bonds to defray certain costs of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, the acquisition of the Project including land, buildings, necessary machinery and equipment, and other items permitted by the Act, and the repayment of any funds, advances, or loans incurred by the Company for such purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement with the Company, an indenture with a trustee to be requested by the Company and approved by the Authority, and other security documents with the Company or the trustee pursuant to which the Bonds will be secured and issued. Such documents shall be substantially in the form used in connection with the issuance of other South Carolina industrial development or pollution control facilities revenue bonds and shall constitute, among other things, a lien on the revenues derived from the Company with respect to the Project to secure the payment of the Bonds. The provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreements or other security documents relating to the Bonds, shall be prescribed by subsequent resolution of the Authority. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 2.05. The Authority will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Company providing the Authority with such further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations, including, without limitation, the Act.

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

ARTICLE III
UNDERTAKINGS ON THE PART OF THE COMPANY

Section 3.01. The Company agrees that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of the Project and the financing thereof is preliminary and the Authority's obligation to proceed with the financing of the Project is conditioned upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Company further agrees, if the plan proceeds as contemplated, as follows:

(a) to acquire the Project;

(b) to enter into a loan agreement or loan agreements with the Authority, under the terms of which the Company will obligate itself to pay to the Authority sums sufficient to pay the principal, interest, and premium, if any, on the Bonds, as and when the same become due and payable;

(c) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Inducement Agreement;

(d) to perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing; and

(e) to covenant and agree in the loan agreement or loan agreements referred to above to install in the buildings which are to become a part of the Project all necessary equipment and machinery and initially to operate the Project in the manner described in Section 1.03 hereof.

ARTICLE IV
GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Inducement Agreement shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. The parties agree that the Company may proceed with the acquisition, construction, installation, and equipping of the Project prior to the date on which the Bonds are issued and delivered (the "*Closing Date*") and that to the extent the Company makes or has made capital expenditures in such respect from its own funds prior to the Closing Date, it may reimbursed therefor from the Construction or Project Fund created under the indenture in accordance with the provisions of §1.150-2 (or any successor provision) of the Treasury Regulations.

Section 4.03. All commitments of the Authority and the Company hereunder are subject to the condition that the Authority and the Company do agree on mutually acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

Section 4.04. The parties understand that the Company or the Authority may choose not to finance the Project as herein provided, in which event this Inducement Agreement shall become void.

Section 4.05. This Inducement Agreement may be assigned by the Company to any of it affiliates (any of the foregoing being referred to hereinafter as a "*Related Company*") or any person or company which is willing to lease the Project to the Company or any Related Company.

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IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Inducement Agreement as of August ____, 1997.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By _____
Clarence Davis, Chairman, Board of Directors

Attest:

By _____
Elliott E. Franks, III, Executive Director

ENVIRONMENTAL PROCESSING SYSTEMS, INC.

By _____
Vice President

RECEIVED

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AN INDUCEMENT RESOLUTION

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*") AND ENVIRONMENTAL PROCESSING SYSTEMS, INC., WHEREBY UNDER CERTAIN CONDITIONS THE AUTHORITY WILL ISSUE NOT EXCEEDING $32,000,000 OF ITS SOLID WASTE DISPOSAL FACILITIES REVENUE BONDS (the "*Bonds*") PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA (the "*State Board*") REQUESTING THAT A PORTION OF THE STATE CEILING ESTABLISHED BY THE TAX REFORM ACT OF 1986 BE ALLOCATED TO THE BONDS; AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BOARD FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "*Authority*"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation or maintenance and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, Environmental Processing Systems, Inc. (the "*Company*"), a New York corporation, has applied to the Authority to issue not exceeding $32,000,000 of its solid waste disposal facilities revenue bonds (the "*Bonds*") in two or more series in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "*County*"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that the Board of Directors of the Authority (the "*Board*") provide preliminary approval of the issuance of the Bonds for the aforesaid purposes; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina (the "*State Board*"), (i) the Petition of the Authority requesting that a portion of the State Ceiling established by the Tax Reform Act of 1986 (the "*State Ceiling*") be allocated to a portion of the Bonds, and (ii) in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Company of evidence satisfactory to the Executive Director of the Authority (the "*Executive Director*") of the economic feasibility of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. It is hereby found, determined, and declared as follows:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located either in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result therefrom.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Company, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. Subject to such approval by the State Board and Berkeley County Council, the governing body of the County, as required by law, the Board preliminarily approves the issuance and sale of the Bonds in a principal amount of not exceeding $32,000,000 in two or more series for the purpose of providing financing to the Company for the Project.

Section 4. The Chairman of the Board (the "*Chairman*") is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority, and the Executive Director is hereby authorized and directed to affix thereto the seal of the Authority and to attest the same, and the Executive Director is hereby further authorized and directed to deliver the executed Inducement Agreement to the Company for execution by it.

Section 5. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 6. There shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "*Allocation Petition*") requesting that a portion of the State Ceiling be allocated to a portion of the Bonds.

Section 7. The Chairman shall be and is hereby authorized and directed to execute the Allocation Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to the Allocation Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Allocation Petition to the State Board.

Section 8. Upon receipt by the Authority from the Company of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Project, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "*Approval Petition*") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 9. The Chairman shall be and is hereby authorized and directed to execute the Approval Petition in the name and on behalf of the Authority, and the Executive Director shall be and is hereby authorized and directed to affix the seal of the Authority to the Approval Petition and to attest the same and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Approval Petition to the State Board.

Section 10. This Resolution amends and supplements the resolution adopted by the Authority with respect to the Project on November 6, 1996 (the "*Original Resolution*").

Section 10. All orders and resolutions and parts thereof in conflict herewith (other than the Original Resolution) are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved August ____, 1997.

[SEAL]

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

Clarence Davis, Chairman, Board of Directors

Attest:

Elliott E. Franks, III, Executive Director

007538

EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

This INDUCEMENT AGREEMENT is made and entered into by and between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*"), a public body corporate and politic and an agency and duly constituted authority of the State of South Carolina (the "*State*"), and ENVIRONMENTAL PROCESSING SYSTEMS, INC. (the "*Company*"), a New York corporation.

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State, encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State.

Section 1.02. The Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act.

Section 1.03. §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation.

Section 1.04. The Company has applied to the authority to issue not exceeding $20,000,000 of its solid waste disposal facilities revenue bonds (the "*Bonds*") in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "*County*"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project.

Section 1.05. (a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County.

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result from the Project.

Section 1.06. The Authority has given due consideration to all the proposals and requests of the Company and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II
UNDERTAKINGS ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to such approval by the State Budget and Control Board of South Carolina and Berkeley County Council, the governing body of the County, as may be required by law and subject to the limitations set forth herein, authorize the issuance of the Bonds in an amount not exceeding $32,000,000 in two or more series at such time as the Company may request the Authority to do so.

Section 2.02. The Authority will permit the Company to arrange for the sale of the Bonds to defray certain costs of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, the acquisition of the Project including land, buildings, necessary machinery and equipment, and other items permitted by the Act, and the repayment of any funds, advances, or loans incurred by the Company for such purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement with the Company, an indenture with a trustee to be requested by the Company and approved by the Authority, and other security documents with the Company or the trustee pursuant to which the Bonds will be secured and issued. Such documents shall be substantially in the form used in connection with the issuance of other South Carolina industrial development or pollution control facilities revenue bonds and shall constitute, among other things, a lien on the revenues derived from the Company with respect to the Project to secure the payment of the Bonds. The provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreements or other security documents relating to the Bonds, shall be prescribed by subsequent resolution of the Authority. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 2.05. The Authority will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Company providing the Authority with such further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations, including, without limitation, the Act.

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ARTICLE III
UNDERTAKINGS ON THE PART OF THE COMPANY

Section 3.01. The Company agrees that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of the Project and the financing thereof is preliminary and the Authority's obligation to proceed with the financing of the Project is conditioned upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Company further agrees, if the plan proceeds as contemplated, as follows:

(a) to acquire the Project,

(b) to enter into a loan agreement or loan agreements with the Authority, under the terms of which the Company will obligate itself to pay to the Authority sums sufficient to pay the principal, interest, and premium, if any, on the Bonds, as and when the same become due and payable;

(c) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Inducement Agreement;

(d) to perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing; and

(e) to covenant and agree in the loan agreement or loan agreements referred to above to install in the buildings which are to become a part of the Project all necessary equipment and machinery and initially to operate the Project in the manner described in Section 1.03 hereof.

ARTICLE IV
GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Inducement Agreement shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. The parties agree that the Company may proceed with the acquisition, construction, installation, and equipping of the Project prior to the date on which the Bonds are issued and delivered (the "*Closing Date*") and that to the extent the Company makes or has made capital expenditures in such respect from its own funds prior to the Closing Date, it may reimbursed therefor from the Construction or Project Fund created under the indenture in accordance with the provisions of §1.150-2 (or any successor provision) of the Treasury Regulations.

Section 4.03. All commitments of the Authority and the Company hereunder are subject to the condition that the Authority and the Company do agree on mutually acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

Section 4.04. The parties understand that the Company or the Authority may choose not to finance the Project as herein provided, in which event this Inducement Agreement shall become void.

Section 4.05. This Inducement Agreement may be assigned by the Company to any of it affiliates (any of the foregoing being referred to hereinafter as a "*Related Company*") or any person or company which is willing to lease the Project to the Company or any Related Company.

007641

EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Inducement Agreement as of August ____, 1997.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

Attest:

By _____
Elliott E. Franks, III, Executive Director

By _____
Clarence Davis, Chairman, Board of Directors

ENVIRONMENTAL PROCESSING SYSTEMS, INC.

By _____
Vice President

EXHIBIT

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF GENERAL SERVICES

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880
(803) 737-0592 Fax

HELEN T. ZEIGLER
DIRECTOR

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

May 4, 1998

The Honorable Delbert H. Singleton, Secretary
S.C. Budget and Control Board
601 Wade Hampton Office Building
Columbia, South Carolina 29201

RE: Jobs-Economic Development Authority
$32,000,000 Solid Waste Disposal Facilities Revenue bonds
Santee River Rubber Company Project

Dear Mrs. Williams:

We have received the Revenue Bonds Transmittal form and other items regarding the referenced proposed bonds.

These documents have been submitted by Bond Counsel Sinkler and Boyd, P.A. and upon review of the Petition to the Budget and Control Board, the proposed Resolution of the Budget and Control Board and the draft of the Opinion of Bond Counsel appear to be in good order. Of course, we express no opinion as to the merits of the bond issue or the validity of the information recited in these documents as we have not acted in a capacity which would enable us to have knowledge adequate to form such an opinion. We have merely reviewed the documents form and they appear to meet the conditions imposed by State law that certain matters be addressed in the documentation.

Sincerely,

Wayne F. Rush

Wayne F. Rush
Assistant General Counsel

WFR/rwk

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EXHIBIT 7
MAY 12 1998
STATE BUDGET & CONTROL BOARD C

ASSIGNMENT AND ASSUMPTION AGREEMENT

Pursuant to Section 4.05 of the Inducement Agreement (the "*Inducement Agreement*") dated as of November 6, 1996, between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY and ENVIRONMENTAL PROCESSING SYSTEMS, INC. ("*EPS*"), the undersigned EPS does hereby assign all of its right, title, and interest in and to the Inducement Agreement to SANTEE RIVER RUBBER COMPANY, L.L.C. ("*Santee Rubber*"), and the undersigned Santee Rubber does hereby accept such assignment and assume any all duties and obligations of EPS thereunder.

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Assignment and Assumption Agreement as of August 1, 1997.

[SEAL]

ENVIRONMENTAL PROCESSING SYSTEMS, INC.

By _____
Vice President

[SEAL]

SANTEE RIVER RUBBER COMPANY, L.L.C.

By: EPS OF DELAWARE, INC., its Manager

By _____
President

and By _____
Secretary

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

The State of South Carolina

OFFICE OF THE ATTORNEY GENERAL

CHARLES MOLONY CONDON
ATTORNEY GENERAL

May 1, 1998

Delbert H. Singleton, Jr., Esquire
State Budget and Control Board
612 Wade Hampton Office Building
P. O. Box 12444
Columbia, SC 29211

Re: Jobs-Economic Development Authority
$32,000,000 Solid Waste Disposal Facilities Revenue Bonds
Santee River Rubber Company Project

Dear Mr. Singleton:

Regarding the above-referenced obligation, we have reviewed the Petition and other documents forwarded to us by the State Budget and Control Board. These represent a portion of the documents that have been submitted to the Board for its approval. The documents appear to comply with the requirements of the referenced Code sections in the submitted material that certain specific information be addressed in these documents.

This opinion addresses only the fact that the documents appear to meet the conditions imposed by State law that certain specific matters be included in the documentation. No opinion is expressed as to any other matters, including whether the Petition should be approved as a matter of policy.

Office of the Attorney General

By: _____
C. Havird Jones, Jr.
Senior Assistant Attorney General

CHJJr/rho

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REMBERT C. DENNIS BUILDING • POST OFFICE BOX 11549 • COLUMBIA, S.C. 29211-1549 • TELEPHONE: 803-734-3970 • FACSIMILE: 803-253-6283

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EXHIBIT

MAY 12 1998 71

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***") to issue bonds in order to provide funds for any program authorized by the Act, and to secure the payment of such bonds all as in the Act provided.

2. The Authority has agreed to assist Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, by issuing its revenue bonds for the purposes of defraying a portion of the cost of acquiring, constructing, installing, and equipping a waste rubber recycling facility (the "***Project***") to be owned and operated by the Company and to be located in Berkeley County, South Carolina (the "***County***").

3. The Authority has been advised by the Company that the estimated cost of the Project will be approximately $48,400,000 and the Company has requested the Authority to execute and deliver its solid waste recycling facilities revenue bonds (the "***Bonds***") in two or more series and in the principal amount of not exceeding $32,000,000 to defray a portion of these costs.

4. The Bonds will be sold to Smith Barney Inc., as underwriter, pursuant to a negotiated private sale, for subsequent limited public offering by the underwriter in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations, which arrangement the Authority has determined to be most advantageous.

5. The Authority has made the following findings:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

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(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County, in particular, is reasonably expected to result from the Project.

6. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale, for subsequent limited public offering in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations pursuant to the Act to defray a portion of the cost of the Project (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

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SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

A RESOLUTION

AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE OF NOT EXCEEDING $32,000,000 OF ITS SOLID WASTE RECYCLING FACILITIES REVENUE BONDS PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "***Authority***"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "***State***"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, heretofore the Authority has agreed, subject to the satisfaction of the requirements of the Act and in particular, to the approval of the State Budget and Control Board of South Carolina (the "***State Board***"), to issue one or more series of solid waste recycling facilities revenue bonds (the "***Bonds***") for the purpose of providing funds to pay a portion of the costs of acquiring, constructing, installing, and equipping a waste rubber recycling facility (the "***Project***") to be owned and operated by Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, and to be located in Berkeley County, South Carolina (the "***County***"); and

WHEREAS, it is deemed advisable by the Authority to file with the State Board, in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Company of evidence satisfactory to the Executive Director of the Authority (the "***Executive Director***") of the economic feasibility of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. It is hereby found, determined, and declared as follows:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described

bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project are such that a definite benefit to the economy of the State, and the County, in particular, is reasonably expected to result from the Project.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Company, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 4. Upon receipt by the Authority from the Company of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Project, there shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "***Petition***") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 5. The Executive Director of the Authority (the "***Executive Director***") shall be and is hereby authorized and directed to execute the Petition in the name and on behalf of the Authority and is hereby authorized and directed to affix the seal of the Authority to said Petition and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Petition to the State Board.

Section 6. All orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

Passed and approved April 30, 1998.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

Elliott E. Franks, III, Executive Director

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STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA

PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (a) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (b) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***") to issue bonds in order to provide funds for any program authorized by the Act, and to secure the payment of such bonds all as in the Act provided.

2. The Authority has agreed to assist Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, by issuing its revenue bonds for the purposes of defraying a portion of the cost of acquiring, constructing, installing, and equipping a waste rubber recycling facility (the "***Project***") to be owned and operated by the Company and to be located in Berkeley County, South Carolina (the "***County***").

3. The Authority has been advised by the Company that the estimated cost of the Project will be approximately $48,400,000 and the Company has requested the Authority to execute and deliver its solid waste recycling facilities revenue bonds (the "***Bonds***") in two or more series and in the principal amount of not exceeding $32,000,000 to defray a portion of these costs.

4. The Bonds will be sold to Smith Barney Inc., as underwriter, pursuant to a negotiated private sale, for subsequent limited public offering by the underwriter in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations, which arrangement the Authority has determined to be most advantageous.

5. The Authority has made the following findings:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County, in particular, is reasonably expected to result from the Project.

6. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale, for subsequent limited public offering in minimum denominations of $100,000 to investors who or which customarily purchase debt securities in large denominations pursuant to the Act to defray a portion of the cost of the Project (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

A BOND RESOLUTION

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF NOT EXCEEDING $32,000,000 OF SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY, SOLID WASTE RECYCLING FACILITIES REVENUE BONDS (the "*Bonds*") IN TWO OR MORE SERIES PURSUANT TO TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; APPROVING AND RATIFYING THE DISTRIBUTION AND USE OF A PRELIMINARY OFFICIAL STATEMENT, PRELIMINARY OFFERING MEMORANDUM, OR PRELIMINARY OFFERING CIRCULAR IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION, DISTRIBUTION, AND USE OF AN OFFICIAL STATEMENT, OFFERING MEMORANDUM, OR OFFERING CIRCULAR IN CONNECTION WITH THE OFFERING OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF ALL OTHER INSTRUMENTS, AGREEMENTS, AND DOCUMENTS NECESSARY TO ACCOMPLISH THE FOREGOING; AUTHORIZING THE ESTABLISHMENT OF A LOAN PROGRAM FOR SANTEE RIVER RUBBER COMPANY, L.L.C.; AND AUTHORIZING THE TAKING OF ANY OTHER ACTION NECESSARY RELATING THERETO.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

ARTICLE I
FINDINGS OF FACT

Incident to the adoption of this Resolution, the Board of Directors (the "***Board***") of the South Carolina Jobs - Economic Development Authority (the "***Authority***") makes the following findings of facts:

Section 1.1.

Santee River Rubber Company, L.L.C. (the "***Company***"), a South Carolina limited liability company, proposes that the Authority, through the issuance and delivery of Solid Waste Recycling Facilities Revenue Bonds in two or more series pursuant to the authorization of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), finance a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "***Project***") constituting a waste rubber recycling facility to be owned and operated by the Company and to be located in Berkeley County, South Carolina (the "***County***") and a portion of certain fees and expenses incurred in connection with the issuance of such bonds.

Section 1.2.

The Authority has heretofore agreed to assist the Company through the issuance and delivery of its Solid Waste Recycling Facilities Revenue Bonds (the "***Bonds***") in two or more series and in an aggregate principal amount of not exceeding $32,000,000 pursuant to the authorizations of the Act.

Section 1.3.

The cost of the acquisition, construction, installation, and equipping of the Project (including the cost of the issuance of the Bonds) will not exceed $48,400,000. The Company has now requested that the Authority proceed with the issuance of the Bonds pursuant to the Act. The proceeds derived from the sale of the Bonds will be loaned to the Company to be used to reimburse the Company for any expenditures previously made by it or indebtedness incurred by it in connection with the acquisition, construction, installation, and equipping of the Project in the manner and to the extent set forth in the Loan Agreement, the Indenture of Trust, the Tax Compliance Agreement, and the Arbitrage Compliance Agreement hereinafter mentioned.

Section 1.4.

The Authority has authorized a petition (the "***Petition***") to the State Budget and Control Board of South Carolina (the "***State Board***") seeking the State Board's approval of the sale of the Bonds as required by the Act. The Board adopts this Resolution for the purposes of (a) providing for the issuance, sale, and delivery of the Bonds, (b) approving and ratifying the distribution and use of a preliminary official statement, preliminary offering memorandum, or preliminary offering circular (the "***Preliminary Official Statement***") in connection with the offering of the Bonds, (c) authorizing the execution, distribution, and use of an official statement, offering memorandum, or offering circular (the "***Official Statement***") in connection with the offering of the Bonds, (d) authorizing the execution and delivery of a bond purchase agreement or purchase contract (the "***Bond Purchase Agreement***") among the Authority, the Company, and Smith Barney Inc., (the "***Underwriter***") and an Indemnity Letter (the "***Indemnity Letter***") from the Company to the Underwriter and the Authority, and (e) authorizing the execution and delivery of a Loan Agreement (the "***Loan Agreement***") between the Authority and the Company, which provides for a loan of the proceeds of the Bonds by the Authority to the Company and for the repayment of such loan by the Company, an Indenture of Trust (the "***Indenture***") between the Authority and a banking association, banking corporation, or trust company to be requested by the Company with the approval of the Authority and the State Treasurer of South Carolina (the "***Trustee***"), which prescribes the terms and conditions under which the Bonds will be issued and the security therefor, and a Tax Compliance Agreement (the "***Tax Compliance Agreement***") and an Arbitrage Compliance Agreement (the "***Arbitrage Compliance Agreement***"), both among the Authority, the Company, and the Trustee and both entered into to ensure that the interest on any portion of the Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for purposes of federal income taxation is and remains excluded from the gross income of the owners of the Bonds for federal income taxation purposes, an Endorsement (the "***Endorsement***") to the Trustee of the promissory note of the Company which evidences the Company's repayment obligations under the Loan Agreement, and a Mortgage, Security Agreement, and Assignment of Leases, Rents, and Profits (the "***Mortgage***") by the Company in favor of the Authority (all agreements, instruments, and documents the execution and delivery of which by the Authority is herein authorized, whether described in this Section or not, are referred to collectively as the "***Authority Documents***").

Section 1.5.

The Company is a responsible party engaged in the business of waste rubber recycling.

Section 1.6.

The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

Section 1.7.

The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project.

Section 1.8.

The size and scope of the Project is such that a definite benefit to the economy of the State of South Carolina (the "***State***"), and the County in particular, is reasonably expected to result from the Project.

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

Section 1.9.

The provisions, terms, and conditions of the Authority Documents are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved.

Section 1.10.

The public interest is adequately protected by the terms of the Authority Documents.

Section 1.11.

The Bonds do not constitute an indebtedness of the State or the Authority within the meaning of any constitutional provision or statutory limitation and do not give rise to any pecuniary liability of the State or the Authority or a charge against the general credit of the State or the Authority or taxing powers of the State, and these facts shall be plainly stated on the face of each Bond.

ARTICLE II
ESTABLISHMENT OF LOAN PROGRAM; EXECUTION OF THE AUTHORITY DOCUMENTS

Section 2.1.

In order to promote and develop the business and economic welfare of the State, encourage and assist in the location of new business enterprises in the State, and in the rehabilitation and assistance of existing business enterprises, and thus provide maximum opportunities for the creation and retention of jobs and improvement of the standard of living of the citizens of the State by assisting the Company to finance the Project, the establishment of a Loan Program pursuant to the terms of the Loan Agreement, to be utilized by the Company for the acquisition, construction, installation, and equipping of the Project, is hereby authorized, ratified, and approved.

Section 2.2.

The execution and delivery on behalf of the Authority of the Bond Purchase Agreement and the Indemnity Letter, in substantially the forms presented at this meeting, with such changes as the executing officer(s) shall approve (his or their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Bond Purchase Agreement and the Indemnity Letter shall be executed on behalf of the Authority by the Chairman, Vice Chairman, or Acting Chairman of the Board (the "***Chairman***") and/or the Executive Director of the Authority (the "***Executive Director***").

Section 2.3.

The execution and delivery on behalf of the Authority of the Loan Agreement, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.4.

The execution and delivery on behalf of the Authority of the Indenture, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (their execution to be conclusive evidence of such approval) is hereby authorized and directed. The Indenture shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

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Section 2.5.

The execution and delivery on behalf of the Authority of the Tax Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officers shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Tax Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.6.

The execution and delivery on behalf of the Authority of the Arbitrage Compliance Agreement, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Arbitrage Compliance Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.7.

The execution and delivery on behalf of the Authority of the Endorsement, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Endorsement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.8.

The execution and delivery on behalf of the Authority of the Mortgage, in substantially the form presented at this meeting, with such changes as the executing officer shall approve (his execution to be conclusive evidence of such approval) is hereby authorized and directed. The Mortgage shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

Section 2.9.

The execution and delivery on behalf of the Authority of all other instruments, agreements, documents, or certificates as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution is hereby authorized and directed. Such other instruments, agreements, documents, or certificates may be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE III
ISSUANCE OF THE BONDS

Section 3.1.

The Bonds shall be designated "South Carolina Jobs - Economic Development Authority, Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company Project) Series 1998," and shall bear any additional designations to differentiate the appropriate series and/or tax-exempt status. Upon the execution and delivery of the Authority Documents, the Bonds in the principal amount of not exceeding $32,000,000 in two or more series shall be issued and the proceeds thereof expended in the manner provided by the Authority Documents in order to defray a portion of the cost of the acquisition, construction, installation, and equipping of the Project. The Bonds shall be in such principal amounts, be dated, mature, bear interest, and be subject to redemption as shall be approved by the Executive Director; provided that the principal amount thereof shall not exceed $32,000,000 in the aggregate.

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Section 3.2.

The Bonds shall be in the form substantially as set forth in the recitals to the Indenture and shall be executed on behalf of the Authority in the manner provided in the Indenture, and prior to delivery, shall be authenticated by the Trustee as prescribed in the Indenture.

Section 3.3.

In order to implement the foregoing pledge, such other instruments of assignment as may be necessary to transfer to the Trustee substantially all of the right, title, and interest of the Authority in and to the Loan Agreement and all revenues and receipts received or to be received pursuant to the Loan Agreement shall be executed on behalf of the Authority by the Chairman and/or the Executive Director.

ARTICLE IV
SALE OF THE BONDS

Section 4.1.

Upon the advice of the Company, the sale of the Bonds by the Underwriter to investors who or which customarily purchase debt securities in large denominations in accordance with the terms of the Bond Purchase Agreement has been determined to be most advantageous by the Board, and the sale is hereby approved, and the Chairman and/or the Executive Director are fully authorized and empowered to take such further action and to execute and deliver such other agreements and closing documents as may be necessary and proper to effect the delivery of the Bonds in a manner consistent with the foregoing provisions of this Resolution, and the action of such officers or either of them in executing and delivering such other agreements and documents in such form as the executing officer or officers shall approve is hereby authorized. The Preliminary Official Statement and its distribution and use in the sale of Bonds, is hereby approved and ratified. Both the Chairman and the Executive Director, or either one of them, are hereby authorized and directed to execute and deliver the final Official Statement with any additional or modified information as the Chairman or the Executive Director, with advise of counsel, deems necessary or advisable for the purposes thereof, the execution being conclusive evidence of approval.

ARTICLE V
DISPOSITION OF BOND PROCEEDS

Section 5.1.

When received, the proceeds of the Bonds shall be paid directly to the Trustee and thereafter disposed of by the Trustee in accordance with the terms and provisions of the Authority Documents, and not otherwise.

ARTICLE VI
MISCELLANEOUS

Section 6.1.

No Personal Liability. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Authority contained in this Resolution or the Bonds, against any member of the Authority, or any officer or employee of the Authority, in his or her individual capacity, past, present, or future, either directly or through the Authority, whether by virtue of any constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Resolution and the Bonds are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any member, officer, or employee of the Authority, past, present or future, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Authority and the Trustee or the bondholders or to be implied therefrom as being supplemental hereto or thereto; and that all personal liability of that character against every member, officer, and employee is, by the adoption of this Resolution and the execution of the Bonds, and as a condition of, and as a part of the consideration for, the adoption of this Resolution and the execution of the Bonds, expressly waived and released.

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EXHIBIT

MAY 12 1008 7

STATE BUDGET & CONTROL BOARD

The immunity of members, officers, and employees of the Authority under the provisions contained in this Section 6.2 shall survive the termination of the Authority Documents.

Section 6.2

Law and Place of Enforcement of this Resolution. This Resolution shall be construed and interpreted in accordance with the laws of the State.

Section 6.3

Effective Date. This Resolution shall become effective immediately upon its adoption by the Board.

Section 6.4

Severability. The provisions of this Resolution are hereby declared to be separable and if any section, phrase, or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, the declaration shall not affect the validity of the remainder of the sections, phrases, and provisions hereunder.

Section 6.5

Repeal of Inconsistent Resolutions, etc. All orders, resolutions, and parts thereof in conflict herewith are, to the extent of the conflict, hereby repealed and this Resolution shall take effect and be in full force from and after its passage and approval.

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225 1633

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, the undersigned, Executive Director of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), do hereby certify that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by Board of Directors of the Authority on April 30, 1998.

WITNESS MY HAND as of the 30th day of April, 1998.

_____

Executive Director, South Carolina Jobs - Economic Development Authority

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

AN INDUCEMENT RESOLUTION

AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDUCEMENT AGREEMENT BY AND BETWEEN THE SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "*Authority*") AND ENVIRONMENTAL PROCESSING SYSTEMS, INC., WHEREBY UNDER CERTAIN CONDITIONS THE AUTHORITY WILL ISSUE NOT EXCEEDING $32,000,000 OF ITS SOLID WASTE DISPOSAL FACILITIES REVENUE BONDS (the "*Bonds*") PURSUANT TO THE PROVISIONS OF TITLE 41, CHAPTER 43, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED; AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA (the "*State Board*") REQUESTING THAT A PORTION OF THE STATE CEILING ESTABLISHED BY THE TAX REFORM ACT OF 1986 BE ALLOCATED TO THE BONDS; AND AUTHORIZING APPLICATION UPON CERTAIN CONDITIONS TO THE STATE BOARD FOR APPROVAL OF THE ISSUANCE OF THE BONDS.

WHEREAS, the South Carolina Jobs - Economic Development Authority (the "*Authority*"), acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "*Act*") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State of South Carolina (the "*State*"), encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation or maintenance and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and

WHEREAS, the Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act; and

WHEREAS, §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation; and

WHEREAS, Environmental Processing Systems, Inc. (the "*Company*"), a New York corporation, has applied to the Authority to issue not exceeding $32,000,000 of its solid waste disposal facilities revenue bonds (the "*Bonds*") in two or more series in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "*Project*") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "*County*"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project; and

WHEREAS, it is in the public interest, for public benefit, and in furtherance of the public purposes of the Authority, that the Board of Directors of the Authority (the "*Board*") provide preliminary approval of the issuance of the Bonds for the aforesaid purposes; and

WHEREAS, it is deemed advisable by the Authority to file with the State Budget and Control Board of South Carolina (the "*State Board*"), (i) the Petition of the Authority requesting that a portion of the State Ceiling established by the Tax Reform Act of 1986 (the "*State Ceiling*") be allocated to a portion of the Bonds, and (ii) in compliance with §41-43-110 of the Act, the Petition of the Authority requesting approval by the State Board for the issuance of the Bonds at public or private sale upon receipt by the Authority from the Company of evidence satisfactory to the Executive Director of the Authority (the "*Executive Director*") of the economic feasibility of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

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EXHIBIT

MAY 12 1008 7

STATE BUDGET & CONTROL BOARD

Section 1. It is hereby found, determined, and declared as follows:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located either in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result therefrom.

Section 2. The issuance and sale of the Bonds shall be upon such terms and conditions as may be mutually agreed upon by the Authority, the Company, and the purchaser of the Bonds and shall be subject to completion of proceedings for issuance, sale, and delivery of the Bonds satisfactory to the Authority and in accordance with the Act. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 3. Subject to such approval by the State Board and Berkeley County Council, the governing body of the County, as required by law, the Board preliminarily approves the issuance and sale of the Bonds in a principal amount of not exceeding $32,000,000 in two or more series for the purpose of providing financing to the Company for the Project.

Section 4. The Chairman of the Board (the "***Chairman***") or the Executive Director is hereby authorized and directed to execute the Inducement Agreement attached hereto in the name and on behalf of the Authority and directed to affix thereto the seal of the Authority thereto, and the Executive Director is hereby further authorized and directed to deliver the executed Inducement Agreement to the Company for execution by it.

Section 5. The Bonds shall not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation and shall not constitute nor give rise to a pecuniary liability of the State or the Authority or a charge against the general credit of the Authority or the State or taxing powers of the State and this fact shall be plainly stated on the face of each bond.

Section 6. There shall be and is hereby authorized and directed the submission on behalf of the Authority, of a Petition (the "***Allocation Petition***") requesting that a portion of the State Ceiling be allocated to a portion of the Bonds.

Section 7. The Chairman or the Executive Director shall be and is hereby authorized and directed to execute the Allocation Petition in the name and on behalf of the Authority and directed to affix the seal of the Authority to the Allocation Petition and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Allocation Petition to the State Board.

Section 8. Upon receipt by the Authority from the Company of evidence, which shall be satisfactory to the Executive Director, of the economic feasibility of the Project, there shall be and is hereby authorized and

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

directed the submission on behalf of the Authority, of a Petition (the "***Approval Petition***") requesting approval by the State Board pursuant to the provisions of §41-43-110 of the Act of the issuance of the Bonds through public or private sale.

Section 9. The Chairman or the Executive Director shall be and is hereby authorized and directed to execute the Approval Petition in the name and on behalf of the Authority and to affix the seal of the Authority to the Approval Petition and thereafter, upon the conditions set forth hereinabove, to submit an executed copy of this Resolution and the Approval Petition to the State Board.

Section 10. This Resolution amends and supplements the resolution adopted by the Authority with respect to the Project on November 6, 1996 (the "***Original Resolution***").

Section 10. All orders and resolutions and parts thereof in conflict herewith (other than the Original Resolution) are to the extent of such conflict hereby repealed, and this Resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved August ____, 1997.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

_____

Elliott E. Franks, III, Executive Director

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EXHIBIT

MAY 12 1998 7

STATE BUDGET & CONTROL BOARD

INDUCEMENT AGREEMENT

This INDUCEMENT AGREEMENT is made and entered into by and between the SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY (the "***Authority***"), a public body corporate and politic and an agency and duly constituted authority of the State of South Carolina (the "***State***"), and ENVIRONMENTAL PROCESSING SYSTEMS, INC. (the "***Company***"), a New York corporation.

WITNESSETH:

ARTICLE I
RECITATION OF FACTS

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

Section 1.01. The Authority, acting by and through its Board of Directors, is authorized and empowered under and pursuant to the provisions of Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***") to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, properties and for other purposes described in §41-43-160 of the Act in order to promote and develop the business and economic wealth of the State, encourage and assist in the location of new business enterprises in the State, and in rehabilitation and assistance of existing business enterprises, and in the promotion of the export of goods, services, commodities, and capital equipment produced within the State, so as to provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State and in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State.

Section 1.02. The Authority is further authorized by §41-43-110 of the Act to issue bonds to provide funds for any program authorized by the Act.

Section 1.03. §41-43-110 of the Act further provides that the bonds issued by the Authority are limited obligations of the Authority payable solely from a revenue producing source or from a special source which does not include revenues from any tax or license and that such bonds do not constitute an indebtedness of the State or the Authority within the meaning of any State constitutional provision or statutory limitation.

Section 1.04. The Company has applied to the authority to issue not exceeding $20,000,000 of its solid waste disposal facilities revenue bonds (the "***Bonds***") in order to defray a portion of the cost of acquiring, constructing, installing, and equipping certain land, buildings, fixtures, machinery, and equipment (the "***Project***") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "***County***"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project.

Section 1.05. (a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County.

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal amount of the Bonds), taking into account factors such as the amount of dollars invested per employee at comparable facilities.

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project.

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result from the Project.

Section 1.06. The Authority has given due consideration to all the proposals and requests of the Company and has agreed to endeavor to effect the issuance of the Bonds at the time and on the terms and conditions hereafter set forth.

ARTICLE II
UNDERTAKINGS ON THE PART OF THE AUTHORITY

The Authority agrees as follows:

Section 2.01. The Authority will, subject to such approval by the State Budget and Control Board of South Carolina and Berkeley County Council, the governing body of the County, as may be required by law and subject to the limitations set forth herein, authorize the issuance of the Bonds in an amount not exceeding $32,000,000 in two or more series at such time as the Company may request the Authority to do so.

Section 2.02. The Authority will permit the Company to arrange for the sale of the Bonds to defray certain costs of the Project as aforesaid and if successful marketing arrangements can be made, it will adopt such proceedings and enter into such agreements as are necessary for the issuance and securing of the Bonds.

Section 2.03. The proceeds of any sale of the Bonds may be applied to the payment of the costs of the Project as determined under the Act including, without limitation, the expenses incurred in connection with the issuance and sale of the Bonds, the acquisition of the Project including land, buildings, necessary machinery and equipment, and other items permitted by the Act, and the repayment of any funds, advances, or loans incurred by the Company for such purposes.

Section 2.04. Prior to issuing the Bonds, the Authority may enter into a loan agreement with the Company, an indenture with a trustee to be requested by the Company and approved by the Authority, and other security documents with the Company or the trustee pursuant to which the Bonds will be secured and issued. Such documents shall be substantially in the form used in connection with the issuance of other South Carolina industrial development or pollution control facilities revenue bonds and shall constitute, among other things, a lien on the revenues derived from the Company with respect to the Project to secure the payment of the Bonds. The provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds, and the form, details, rate or rates of interest, maturity, redemption provisions, if any, of the Bonds, and other details of any loan agreements or other security documents relating to the Bonds, shall be prescribed by subsequent resolution of the Authority. The provisions, terms, and conditions of all agreements to be entered into by the Authority in connection with the issuance of the Bonds shall be reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds (i.e., the principal amount of the Bonds) involved, and the number and type of jobs involved, and the public interest shall be adequately protected by the terms of such agreements.

Section 2.05. The Authority will perform such other acts and adopt such further proceedings as may be required faithfully to implement its undertaking and to consummate the proposed financing.

Section 2.06. The undertakings of the Authority hereunder are contingent upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware and upon the Company providing the Authority with such further evidence as may be satisfactory to the Authority as to compliance with all applicable statutes and regulations, including, without limitation, the Act.

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ARTICLE III
UNDERTAKINGS ON THE PART OF THE COMPANY

Section 3.01. The Company agrees that the Authority will have no obligation to find a purchaser of the Bonds and acknowledges that the Authority's approval of the Project and the financing thereof is preliminary and the Authority's obligation to proceed with the financing of the Project is conditioned upon the Authority's continuing to evaluate the Project as beneficial to the public interest after considering all additional circumstances of which the Authority may hereafter become aware.

Section 3.02. The Company further agrees, if the plan proceeds as contemplated, as follows:

(a) to acquire the Project;

(b) to enter into a loan agreement or loan agreements with the Authority, under the terms of which the Company will obligate itself to pay to the Authority sums sufficient to pay the principal, interest, and premium, if any, on the Bonds, as and when the same become due and payable;

(c) to hold the Authority harmless from all pecuniary liability and to reimburse it for all expenses to which it might be put in the fulfillment of its obligations under this Inducement Agreement;

(d) to perform such further acts and adopt such further proceedings as may be required faithfully to implement its undertakings and to consummate the proposed financing; and

(e) to covenant and agree in the loan agreement or loan agreements referred to above to install in the buildings which are to become a part of the Project all necessary equipment and machinery and initially to operate the Project in the manner described in Section 1.03 hereof.

ARTICLE IV
GENERAL PROVISIONS

Section 4.01. All commitments of the Authority under Article II hereof are subject to all of the provisions of the Act and regulations of the Authority pursuant thereto and the condition that nothing contained in this Inducement Agreement shall constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit.

Section 4.02. The parties agree that the Company may proceed with the acquisition, construction, installation, and equipping of the Project prior to the date on which the Bonds are issued and delivered (the "***Closing Date***") and that to the extent the Company makes or has made capital expenditures in such respect from its own funds prior to the Closing Date, it may reimbursed therefor from the Construction or Project Fund created under the indenture in accordance with the provisions of §1.150-2 (or any successor provision) of the Treasury Regulations.

Section 4.03. All commitments of the Authority and the Company hereunder are subject to the condition that the Authority and the Company do agree on mutually acceptable terms and conditions of all documents the execution and delivery of which are contemplated by the provisions hereof.

Section 4.04. The parties understand that the Company or the Authority may choose not to finance the Project as herein provided, in which event this Inducement Agreement shall become void.

Section 4.05. This Inducement Agreement may be assigned by the Company to any of it affiliates (any of the foregoing being referred to hereinafter as a "***Related Company***") or any person or company which is willing to lease the Project to the Company or any Related Company.

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STATE BUDGET & CONTROL BOARD

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Inducement Agreement as of August ____, 1997.

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

ENVIRONMENTAL PROCESSING SYSTEMS, INC.

By_____
Vice President

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STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA	PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***") respectfully shows:

1. The Authority is an "issuing authority" as such term is used in Act No. 117 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina (the "***Allocation Act***") establishing a plan for the allocation of the State of South Carolina's volume limitation with respect to private activity bonds (as defined in §141 of the Internal Revenue Code of 1986) ("***Private Activity Bonds***") imposed by the Tax Reform Act of 1986 (the "***Tax Reform Act***").

2. The Authority has agreed with Environmental Processing Systems, Inc. (the "***Company***"), a New York corporation, that the Authority will undertake to finance the acquisition, construction, installation, and equipping of land, buildings, fixtures, machinery and equipment (the "***Project***") constituting a waste rubber recycling facility to be located in Berkeley County, South Carolina (the "***County***"), through the issuance and delivery of solid waste disposal facilities revenue bonds in two or more series pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Economic Development Fund Act***"). In this connection, the Authority has agreed to issue its not exceeding $32,000,000 solid waste disposal facilities revenue bonds (the "***Bonds***") pursuant to the Economic Development Fund Act and to a resolution to be adopted by the Board of Directors of the Authority.

3. The Authority is advised by the Company that the Project will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally.

4. The Allocation Act authorizes the Authority to submit its request to the State Budget and Control Board of South Carolina (the "***State Board***") that a portion of the State Ceiling established by the Tax Reform Act (the "***State Ceiling***") be allocated to the Bonds.

5. This Petition constitutes an "authorized request" within the meaning of Section 4 of the Allocation Act and, as required thereby, is accompanied by a copy of the Inducement Agreement executed by the Authority and the Company.

6. The Authority represents that it has not been requested to issue, nor is it considering the issuance of, any Private Activity Bonds for the Project or any other facilities located or to be located at, or used or to be used as part of, an integrated operation with the Project.

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

That the State Board accept the filing of the Petition presented herewith, that it determine that the allocation amount requested is not disproportionately large in comparison with the State Ceiling not yet allocated

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or with the public benefits to be derived from the Project and that it approve an allocation for the Project in an amount not to exceed $16,000,000.

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

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STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA	PETITION

This Petition of the South Carolina Jobs - Economic Development Authority (the "***Authority***"), pursuant to Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), and specifically §41-43-110 thereof, respectfully shows:

1. The Act, among other things, empowers the Authority: (i) to utilize any of its program funds to establish loan programs to be utilized to acquire, by construction or purchase, land and buildings or other improvements thereon, machinery, equipment, office furnishings, or other depreciable assets, or for research and design costs, legal and accounting fees, or other expenses in connection with the acquisition or construction thereof, and thus provide maximum opportunities for creation and retention of jobs and improvement of the standard of living of the citizens of the State of South Carolina (the "***State***") and act in conjunction with other persons and organizations, public or private, in the promotion and advancement of industrial, commercial, agricultural, and recreational development in the State; and (ii) subject to obtaining the approval of the State Budget and Control Board of South Carolina (the "***State Board***") and the governing bodies of the counties or municipalities where projects may be located, to issue of bonds in order to provide funds for any program authorized by the Act, and to secure the payment of such bonds all as in the Act provided.

2. The Authority has agreed to assist Environmental Processing Systems, Inc. (the "***Company***"), a New York corporation, by issuing its revenue bonds for the purposes of defraying a portion of the cost of certain land, buildings, fixtures, machinery, and equipment (the "***Project***") constituting a waste rubber recycling facility, to be located in Berkeley County, South Carolina (the "***County***"), and the Authority wishes to assist the Company in acquiring, constructing, installing, and equipping the Project.

3. The Authority has been advised by the Company that the estimated cost of the Project will be approximately $48,400,000 and the Company has requested the Authority to execute and deliver its solid waste disposal facilities revenue bonds (the "***Bonds***") in the principal amount of not exceeding $32,000,000 in two or more series to defray a portion of these costs.

4. The Bonds will be sold to an underwriter, pursuant to a negotiated private sale, for subsequent public offering or private placement by the underwriter, whichever arrangement the Company and the Authority determine to be most advantageous.

5. The Authority has made the following findings:

(a) The Company is a responsible party engaged in the business of waste rubber recycling, and the Project is to be located in the County;

(b) The Company has demonstrated to the Authority that the assistance of the Authority by the issuance of the Bonds will result in the creation or maintenance of permanent employment (both direct and indirect) for approximately one hundred (100) people from the County and surrounding areas, with a resulting alleviation of unemployment and a substantial increase in payrolls and other public benefits incident to the conduct of such businesses not otherwise provided locally, and the number of jobs resulting from the assistance herein described bears a reasonable relationship to the amount of program funds committed (i.e., the principal

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STATE BUDGET & CONTROL BOARD

amount of the Bonds) taking into account factors such as the amount of dollars invested per employee at comparable facilities;

(c) The amount of program funds committed (i.e., the principal amount of the Bonds) bears a reasonable relationship to the amount of private funds committed to the Project; and

(d) The size and scope of the Project is such that a definite benefit to the economy of the State, and the County in particular, is reasonably expected to result from the Project.

6. Prior to the issuance of the Bonds, the Authority will make the following findings:

(a) the provisions, terms, and conditions of the agreements to be entered into by the Authority in connection with the issuance of the Bonds are reasonable and proper, taking into account such factors as the type of program involved, the amount of program funds involved, and the number and type of jobs involved; and

(b) the public interest is adequately protected by the terms of such documents.

Upon the basis of the foregoing, the Authority respectfully prays that the State Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make any review it deems advisable, and (iii) approve the issuance of the Bonds by the Authority through a negotiated private sale pursuant to the Act to defray a portion of the cost of the Project (including changes in any details of the financing as finally consummated which do not materially affect the undertaking of the Authority).

Respectfully submitted,

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY

[SEAL]

By_____
Elliott E. Franks, III, Executive Director

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STATE BUDGET & CONTROL BOARD

South Carolina Jobs - Economic
Development Authority
Columbia, South Carolina

Re: $16,000,000 South Carolina Jobs - Economic Development Authority, Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company, L.L.C. Project) Series 1998A

and $16,000,000 South Carolina Jobs - Economic Development Authority, Taxable Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company, L.L.C. Project) Series 1998B

Ladies and Gentlemen:

We have examined the Transcript of Proceedings (the "***Transcript of Proceedings***") filed with the Secretary of State of South Carolina and the Constitution and statutes of the State of South Carolina (the "***State***"), including specifically Title 41, Chapter 43, Code of Laws of South Carolina 1976, as amended (the "***Act***"), all in connection with the issuance and delivery by the South Carolina Jobs - Economic Development Authority (the "***Issuer***") of the $16,000,000 South Carolina Jobs - Economic Development Authority, Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company, L.L.C. Project) Series 1998A (the "***Series A Bonds***") and the $16,000,000 South Carolina Jobs - Economic Development Authority, Solid Waste Recycling Facilities Revenue Bonds (Santee River Rubber Company, L.L.C. Project) Series 1998B (the "***Series B Bonds***"), issued under an Indenture of Trust (the "***Indenture***") dated as of July 1, 1998, between the Issuer and [Name of Trustee], as Trustee (the "***Trustee***") and under a resolution (the "***Bond Resolution***") adopted by the Board of Directors of the Issuer. The Series A Bonds and the Series B Bonds (collectively, the "***Bonds***") are being issued by the Issuer to provide funds to the Issuer to be loaned to Santee River Rubber Company, L.L.C. (the "***Company***") for the purpose of financing the acquisition, construction, installation, and equipping of a waste rubber recycling facility (the "***Project***") to be owned and operated by the Company in Berkeley County, South Carolina, pursuant to a Loan Agreement (the "***Loan Agreement***") dated as of July 1, 1998, between the Issuer and the Company. The Bonds have been sold to Smith Barney Inc. (the "***Underwriter***") pursuant to a Bond Purchase Agreement (the "***Bond Purchase Agreement***") dated July ___, 1998, by and among the Issuer, the Company, and the Underwriter. As consideration for the issuance of the Bonds and the making of the loan to the Company by the Issuer, the Company has executed and delivered to the Issuer two promissory notes (the "***Notes***") dated as of July 1, 1998, in the aggregate principal amount of $32,000,000, which the Issuer has endorsed to the order of the Trustee pursuant to a endorsements (the "***Endorsements***") dated as of July 1, 1998. In order to insure that the interest on the Series A Bonds is and will remain excluded from the gross income of the owners thereof for federal income tax purposes, the Issuer, the Company, and the Trustee have entered into a Tax Compliance Agreement (the "***Tax Compliance Agreement***") dated as of July 1, 1998, and an Arbitrage Compliance Agreement (the "***Arbitrage Compliance Agreement***") dated as of July 1, 1998. As security for the Bonds and for the performance of its covenants and agreements contained in the Loan Agreement, the Company has executed and delivered a Mortgage, Security Agreement, and Assignment of Leases, Rents, and Profits (the "***Mortgage***") dated as of July 1, 1998, by and between the Company and the Issuer. Pursuant to a Continuing Disclosure Agreement (the "***Continuing Disclosure Agreement***") dated as of July 1, 1998, by and among the Company and the Trustee, the Company has undertaken all responsibility for compliance with any continuing disclosure requirements with respect to SEC Rule 15c2-12.

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In addition, we have examined the following:

1. A certified copy of the Bond Resolution authorizing, among other things, the following:

(a) the execution and delivery of the Loan Agreement, the Endorsements, the Indenture, the Tax Compliance Agreement, the Arbitrage Compliance Agreement, and the Bond Purchase Agreement (collectively, the "***Issuer Documents***"); and

(b) the issuance and delivery of the Bonds.

2. Executed counterparts of the Notes, the Mortgage, and the Issuer Documents (collectively, the "***Bond Documents***").

3. Executed and authenticated Series A Bond No. R-1.

4. Executed and authenticated Series B Bond No. R-1.

5. The opinion of Haynsworth, Marion, McKay & Guérard, LLP, counsel for the Issuer, dated the date hereof, as to the obligations of the Issuer under the Issuer Documents, the validity and enforceability of the Bonds, and the action taken by the Issuer in approving the Project and authorizing the execution and delivery of the Issuer Documents and the issuance and delivery of the Bonds, and upon which opinion we rely, insofar as it relates to such matters, in rendering the opinions expressed in paragraphs (ii) and (iii) below.

6. The opinion of LeBoeuf, Lamb, Greene & McRae, L.L.P., New York, New York, counsel for the Company, dated the date hereof, as to the proceedings authorizing the execution and delivery by the Company of the Loan Agreement, the Notes, the Tax Compliance Agreement, the Arbitrage Compliance Agreement, the Mortgage, the Bond Purchase Agreement, and the Continuing Disclosure Agreement (collectively, the "***Company Documents***"); the procuring of all consents, approvals, and authorizations required in connection with the execution and delivery of the Company Documents by the Company; the absence of conflict between (a) the Company Documents and (b) the Articles of Incorporation and the Bylaws of the Company and any agreement, decree, or order by which the Company is bound, and upon which opinion we rely, insofar as it relates to such matters, in rendering the opinions expressed in paragraphs (ii) and (iii) below.

In rendering this opinion, we have assumed, and have not verified, that the signatures on all documents which we have examined are genuine, and that the Indenture, the Tax Compliance Agreement, and the Arbitrage Compliance Agreement have been duly authorized, executed, and delivered by the Trustee and that the Bond Purchase Agreement has been duly authorized, executed, and delivered by the Underwriter.

As to questions of fact material to this opinion, we have relied upon representations of the Issuer and the Company contained in the Bond Documents, the Transcript of Proceedings, and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Issuer, the Company, without undertaking to verify the same by independent investigation.

On the basis of the foregoing and an examination of such other documents and consideration of such matters of law as we have deemed appropriate to enable us to render this opinion, we are of the opinion that:

(i) The Issuer is a public body corporate and politic and an agency of the State and has full power and authority to issue and deliver the Bonds, to finance a portion of the costs of acquiring, constructing, installing, and equipping the Project and to execute and deliver, and to perform its obligations under, the Bonds and the Issuer Documents.

(ii) The Bond Documents have been duly authorized, executed, and delivered and constitute legal, valid, and binding agreements or instruments, as the case may be, except as any indemnification provisions of the Bond Purchase Agreement may be limited by applicable securities laws or by public policy;.

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STATE BUDGET & CONTROL BOARD

(iii) The execution and delivery of the Bond Documents and the performance by the Issuer of its obligations thereunder do not violate any provision of law of the State or any applicable judgment, order, or regulation of any court or of any public or governmental agency or authority of the State.

(iv) No additional or further approval, consent, or authorization of any governmental or public agency or authority is required to be obtained by the Issuer in connection with the issuance and delivery of the Bonds or the execution and delivery of the Bond Documents or the performance by the Issuer of its obligations thereunder except such as may be required under securities or Blue Sky laws.

(v) The Bonds have been duly authorized, executed, and delivered by the Issuer and constitute legal, valid, and binding limited obligations of the Issuer, enforceable in accordance with their terms and the terms of the Bond Resolution.

(vi) The Bonds are limited obligations of the Issuer payable by the Issuer solely from the sources described in the Indenture and do not constitute an indebtedness of the State or the Issuer within the meaning of any State constitutional provision or statutory limitation and do not and shall not constitute nor give rise to a pecuniary liability of the State or the Issuer or a charge against the general credit of the Issuer or the State or taxing powers of the State.

(vii) Interest on the Series A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions on the date hereof except for any period during which a Series A Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of §147(a) of the Internal Revenue Code of 1986, as amended (the "***Code***").

(viii) Interest on the Bonds is exempt from all taxation in the State; and the principal of the Bonds is exempt from all taxation in the State except from such inheritance, estate, or transfer taxes as might be applicable in the case of residents of the State.

(ix) the Series A Bonds constitute exempt securities under §3(a)(2) of the Securities Act of 1933, as amended to this date (the "***Securities Act***") and under §3(a) of the Securities Exchange Act of 1934, as amended to this date, and the offer, sale, and delivery of the Series A Bonds do not require registration of the Bonds under the Securities Act nor is qualification of the Indenture required by the Trust Indenture Act of 1939, as amended.

Interest on the Series A Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The Code establishes certain requirements which must be met subsequent to the issuance and delivery of the Series A Bonds in order that interest on the Series A Bonds be and remain excluded from gross income for federal income tax purposes. Non-compliance may cause interest on the Series A Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds, regardless of the date on which such non-compliance occurs or is ascertained.

We express no opinion regarding the other federal tax consequences arising or which may arise with respect to the Series A Bonds.

We express no opinion regarding the federal tax or securities law consequences arising or which may arise with respect to the Series B Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Documents may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that

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their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by usual limitations on the availability of equitable remedies.

Very truly yours,

SINKLER & BOYD, P.A.

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STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA

State Budget and Control Board

OFFICE OF THE EXECUTIVE DIRECTOR

DAVID M. BEASLEY, CHAIRMAN
GOVERNOR

RICHARD A. ECKSTROM
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
(803) 734-2320

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

HENRY E. BROWN, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER P. CARTER
EXECUTIVE DIRECTOR

April 28, 1998

MEMORANDUM

TO: C. H. Jones, Jr.; Wayne Rush

FROM: Delbert H. Singleton, Jr. DHS

SUBJECT: Review of Revenue Bond Proposal

Enclosed is the following proposal for the issuance of bonds which has been submitted for the May 12, 1998, Budget and Control Board agenda:

Jobs-Economic Development Authority
$32,000,000 Solid Waste Disposal Facilities Revenue bonds
Santee River Rubber Company project

For this proposal to be included on the May 12 agenda, I must have the written results of your review before ***9:00 a.m. on Monday, May 4, 1998.***

DHSj/laf
Enclosure

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FAX (803) 734-2117

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STATE BUDGET AND CONTROL BOARD | REGULAR SESSION

MEETING OF May 12, 1998 | ITEM NUMBER 1

EXHIBIT

AGENCY: Office of State Budget

SUBJECT: South Carolina State University Budget Deficit

MAY 12 1998 8

STATE BUDGET & CONTROL BOARD

South Carolina State University has notified the Office of State Budget of a potential FY 1997-98 operating deficit of $2,857,042. The University indicated that the majority of this potential deficit was a result of a $3,501,811 bank overdraft which occurred in FY 1996-97 and was paid with FY 1997-98 funds.

The Budget Office, with assistance from the State Auditor's Office, met with University financial staff to determine the underlying causes of the University's operating deficit. Educational and General (E&G) and Auxiliary Enterprise revenues and expenditures over a four year period were examined. The FY 1997-98 E&G budget, which consists of state appropriations along with student tuition and fees, has been experiencing problems due to lower than expected enrollment resulting in lower than expected tuition and fee revenue (other funds). In addition, Auxiliary Enterprise revenue (other funds) has fallen short of expected expenditures. The University has identified cash that can be used to offset these operating deficits and help reduce the burden of the bank overdraft carried into this fiscal year.

Proviso 17C.9 of the FY 1997-98 Appropriation Act sets forth a procedure for addressing agencies with potential ***general fund*** deficits. However, the S. C. State University's operating deficit is due to revenue shortfalls in "other funds". The Budget Office's analysis has concluded that the primary cause of the current operating deficit has been due to recurring shortfalls in Auxiliary Enterprise revenues (other funds) that have occurred over the last several years depleting E&G cash reserves. The result has been the bank overdraft in FY 1996-97 and the cash shortfall in FY 1997-98.

The University has implemented a management action plan to reduce the current projected deficit and to address and correct the issues causing the operating deficit. These actions have resulted in reducing the estimated deficit from $2,857,042 to $2,343,425. Notwithstanding the current operating deficit of $2.3 million, the University expects these actions to result in a balanced budget in FY 1998-99. These actions include: organizational restructuring and reduction in staffing, strict controls on discretionary spending, increase in tuition and fees, reduced athletic scholarships, increase in Auxiliary Enterprise fees, and strict enforcement of policies relating to student accounts receivable.

BOARD ACTION REQUESTED:

Receive as information a report of a potential budget deficit at South Carolina State University and direct the Budget Office to assist SCSU in identifying other potential sources of revenues to reduce or eliminate the potential deficit in this fiscal year, to monitor the University's fiscal management plan to eliminate any deficit in FY 1998-99, and to report back to the Board at the June 1998 meeting.

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ATTACHMENTS:

Agenda item worksheet; Garrick 4/21 letter; Rainwater, Bell, and Harmon 5/1 memo

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BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

98-8

Meeting Scheduled For: May 12, 1998 — Regular Agenda

1. Submitted By:

(a)Agency: Office of State Budget
(b)Authorized Official Signature: Les Boles

2. Subject:

South Carolina State University budget deficit.

3. Summary Background Information:

South Carolina State University has notified the Office of State Budget of a potential FY 1997-98 operating deficit of $2,857,042. The university indicated that the majority of this potential deficit was a result of a $3,501,811 bank overdraft which occurred in FY 1996-97 and was paid with FY 1997-98 funds.

The Budget Office, with assistance from the State Auditor's Office, met with university financial staff to determine the underlying causes of the university's operating deficit. Educational and General (E&G) and Auxiliary Enterprise revenues and expenditures over a four year period were examined. The FY 1997-98 E&G budget, which consists of state appropriations along with student tuition and fees, has been experiencing problems due to lower than expected enrollment resulting in lower than expected tuition and fee revenue (other funds). In addition Auxiliary Enterprise revenue (other funds) has fallen short of expected expenditures. The university has identified cash that can be used to offset these operating deficits and help reduce the burden of the bank overdraft carried into this fiscal year.

Proviso 17C.9 of the FY 1997-98 Appropriation Act sets forth a procedure for addressing agencies with potential general fund deficits. However, the S.C. State University's operating deficit is due to revenue shortfalls in "other funds". The Budget Office's analysis has concluded that the primary cause of the current operating deficit has been due to recurring shortfalls in Auxiliary Enterprise revenues (other funds) that have occurred over the last several years depleting E&G cash reserves. The result has been the bank overdraft in FY 1996-97 and the cash shortfall in FY 1997-98.

The university has implemented a management action plan to reduce the current projected deficit and to address and correct the issues causing the operating deficit. These actions have resulted in reducing the estimated deficit from $2,857,042 to $2,343,425. Notwithstanding the current operating deficit of $2.3 million, the university expects these actions to result in a balanced budget in FY 1998-99. These actions include: organizational restructuring and reduction in staffing, strict controls on discretionary

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

spending, increase in tuition and fees, reduced athletic scholarships, increase in Auxiliary Enterprise fees, and strict enforcement of policies relating to student accounts receivable.

4. What is the Board asked to do?

Receive as information and authorize the Office of State Budget to continue to work with the university to reduce the current operating deficit, assist in identifying other potential sources of revenue from which to avoid a fiscal year operating deficit and to monitor the University's fiscal management plan to eliminate any potential deficit in FY 1998-99.

5. What is the recommendation of Board Division involved?

The Office of State Budget recommends that the Board receive this item as information and direct the Budget Office to assist South Carolina State University in identifying other potential sources of revenues to reduce or eliminate the potential deficit in this fiscal year and to monitor the university's fiscal management plan to eliminate any deficit in FY 1998-99 and report back to the Board at the June meeting.

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

(a)Authorized Signature:_____

(b)Division/Agency Name:

7. Supporting Documents:

(a)List Those Attached:

1. Letter to Les Boles from Ronald Garrick of South Carolina State University.
2. Memo to Les Boles from Frank Rainwater, Harry Bell and Ed Harmon regarding deficit.

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EXHIBIT

MAY 12 1998 8

STATE BUDGET & CONTROL BOARD

South Carolina State University

300 College Street Northeast
Orangeburg, South Carolina 29117-0001
(803) 536-8998

Vice President for
Finance and Management

FAX: (803) 533-3622

April 21, 1998

Mr. Les Boles, Office Director
State Budget Office
State Budget and Control Board
1122 Lady Street, 12 Floor
Columbia, South Carolina 29207

Dear Les:

South Carolina State University is projecting an operating deficit for the current fiscal year of approximately $3 million. Our projection is based on an analysis of year to date actual revenues and expenses and a forecast of revenue and expenditures for the remainder of the year. I have attached for your review a summary of our year to date unrestricted fund collections and forecast for the remainder of the year. Also attached is a summary of our current fund expenditures and forecast.

We are continuing to identify and implement actions to reduce and eliminate this projected shortfall. These actions include:

- Organizational restructuring and reductions in staffing.
- Strict controls on discretionary spending, such as travel.
- Process improvements to address the collection of accounts receivable for grants and contracts.
- Strict enforcement of policies relative to student accounts receivable.

We believe these actions and others are essential in addressing the issues that have caused this projected deficit. Having implemented these actions, were are confident that we have postured ourselves for balanced operating budgets in future years. These actions, however, will not be sufficient to mitigate this accumulated deficit. Consequently,

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Budget & Control Board
OFFICE OF STATE BUDGET

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we are soliciting your help and guidance in identifying other remedies that we may pursue to cover this projected deficit. Please let me know as soon as possible avenues available to us to address this problem.

Thank you for you support on this issue.

Sincerely,

Ronald E. Garrick, Vice President
for Finance and Management

REG/pgh
cc: Dr. Leroy Davis

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EXHIBIT

SOUTH CAROLINA STATE UNIVERSITY
Orangeburg, South Carolina

MAY 12 1998 8

STATE BUDGET & CONTROL BOARD

FISCAL YEAR 1997-98 BUDGET FORECAST AS OF 5/20/98

EDUCATION AND GENERAL	YTD ACTUAL	FORECAST
REVENUE:		
STATE APPROPRIATIONS	$24,261,160	$24,683,694
STUDENT FEES	$10,261,896	$11,325,286
TOTAL REVENUE	$34,523,056	$36,008,980
EXPENDITURES:		
SALARIES & FRINGES	$22,499,030	$28,098,925
OPERATIONS	$7,684,868	$8,411,961
FY97 DEFICIT	$3,501,811	$3,501,811
TOTAL EXPENSES	$33,685,709	$40,012,697
FUND BALANCE	$837,347	($4,003,717)

OTHER CASH TRANSACTIONS:	
* A/R - FEDERAL GRANTS & CONTRACTS	$800,000
* CLOSED CAPITAL PROJECTS	$346,675
CASH DEFICIT	($2,857,042)

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04/21/98

South Carolina State University

Orangeburg, S.C. 29117

Available Bank Balances

As of April 15, 1998

Sub Fund	Title	Current Balance	Anticipated Receipts	*Total*
General Funds:				
3035	Op Revenue	140,383		
3037	Special Deposits	282,151		
3035	College Fee/Student A/R		400,000	
3037	Summer School I		350,000	
3037	Due From Ed Foundation		200,000	1,372,534
Restricted:				
5055	Federal-Reimbursements		800,000	800,000
Insti Capital Proj Funds-Other:				
4661	Inactive Projects To Close		346,675	346,675
	TOTAL:	**$422,534**	**$2,096,675**	**$2,519,209**

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MEMORANDUM

TO: Les Boles, Director

FROM: Frank Rainwater FAR
Harry Bell H.B.
Ed Harmon EAH

DATE: May 1, 1998

SUBJECT: South Carolina State University (SCSU) Deficit

South Carolina State University (SCSU) approached the Office of State Budget (OSB)

On April 21, 1998 SCSU formally notified the Office of State Budget (OSB) that the University is projecting an operating (cash) deficit for the fiscal year of $2,857,042 million. SCSU provided a brief summary of its Education and General (E&G) budget status and projections for the fiscal year including actual and projected revenue and expenditures. SCSU indicated the problem for this fiscal year stems, in large part, from a $3,501,811 bank overdraft in FY 1996-97. SCSU originally estimated the **current** year E&G deficit at approximately $502,000. This amount combined with the $3.5 million overdraft contributed to a total $4.0 million deficit for the year. However, this deficit was offset by other one-time cash transactions (receipts) totaling $1.14 million. Therefore, the total net cash deficit was initially projected at $2.86 million.

OSB Analysis

In researching the problem, OSB reviewed several documents including State Auditor's Office (SAO) reports, Integrated Postsecondary Education Data System (IPEDS) reports from the Commission on Higher Education (CHE), and various reports from the Comptroller General's Office (404, 477 & 406 reports). OSB staff also made site visits to SCSU where additional information and up-to-date estimates were presented. In analyzing the E&G situation as presented by SCSU it came to our attention that the $3.5 million overdraft was for SCSU as a whole and not just for E&G. The bank account where the overdraft occurred is an account that serves both E&G and auxiliary operations. As a result OSB asked SCSU to present a budget update for both E&G and auxiliary operations. A brief summary of SCSU projected budget and cash status is summarized in the following table:

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South Carolina State University
FY 1997-98 Budget Projections

	Budgeted	SCSU Forecast	Difference
EDUCATION & GENERAL (E&G)			
Revenues			
State Appropriations	23,142,879	24,599,503	1,456,624
Tuition & Fees	11,880,928	11,325,286	(555,642)
Miscellaneous Revenue	1,602,335	853,521	(748,814)
Total Revenues	$36,626,142	$36,778,310	$152,168
Expenditures			
Personal Service	28,368,469	28,519,125	(150,656)
Operations	8,257,673	8,802,501	(544,828)
Total Expenditures	$36,626,142	$37,321,626	($695,484)
Annual Operating Surplus/Deficit	**$0**	**($543,316)**	**($543,316)**
Cash Transactions	**$0**	**$1,146,675**	**$1,146,675**
Net FY 97-98 E & G Cash Surplus	**$0**	**$603,359**	**$603,359**
AUXILIARY			
Revenues			
Total Revenues	12,160,150	10,266,173	(1,893,977)
Expenditures			
Personal Service	3,883,806	4,359,966	(476,160)
Operations	8,078,738	6,635,709	1,443,029
Total Expenditures	$11,962,544	$10,995,675	$966,869
Annual Operating Surplus/Deficit	**$197,606**	**($729,502)**	**($927,108)**
Cash Transactions	**$0**	**$1,284,529**	**$1,284,529**
Net FY 97-98 Auxiliary Cash Surplus	**$197,606**	**$555,027**	**$357,421**
FY 1996-97 Bank Overdraft	($3,501,811)	($3,501,811)	$0
Net Cash projection for FY 1997-98	**($3,304,205)**	**($2,343,425)**	**$960,780**

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

E&G Analysis

The current year budget deficit projection of $543,316 is the result of both revenue and expenditure factors and are summarized as follows:

- State Appropriation revenues are projected to be as budgeted with very little variance. However, SCSU did secure $1,174,168 in State appropriations this fiscal year due the University in FY 1996-97.

- Tuition & Fee (other funds) revenues are projected to be approximately $555,642 short of SCSUs original budgeted projections. SCSU stated this was primarily due to decreased enrollment.

- Miscellaneous revenues are projected to be $748,814 less than originally projected. However, most of these unrestricted revenue funds are derived from sources that are usually labeled "restricted". Once year end reconciliations are conducted, actual revenue from these sources should be closer to the original projection, but corresponding expenditures will also be recorded.

- Personal Service expenditures are projected to be approximately $150,656 greater than originally estimated. SCSU indicated they did not sufficiently account for pay raises in the initial budgeted figure which, when combined with the fact that a Reductions In Force did not take effect until later than anticipated, account for the difference.

- Operations expenditure projections are estimated to be $544,828 greater than originally projected. Part of the reason for this discrepancy is due to an energy improvement project that was not fully implemented as early in the fiscal year as anticipated. In addition SCSU stated that the original projection was understated.

The E&G operating budget deficit is being offset by cash transactions totaling $1,146,675 and are summarized below.

- Accounts Receivables - Federal Grants and contracts cash transaction of $800,000 for a reimbursement grant.

- Closed capital projects cash transaction of $346,675 due to the fact that certain capital projects have been completed and excess cash is in this account.

When offset by cash transactions the E&G operating deficit becomes a cash surplus of $603,359. This cash reduces the amount needed to cover the bank overdraft from FY 1996-97.

Auxiliary Analysis

The current year Auxiliary budget deficit projection of $729,502 is the result of both revenue and expenditure factors and are summarized as follows:

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EXHIBIT

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STATE BUDGET & CONTROL BOARD

- Auxiliary revenues are projected to be $1,893,977 less than originally anticipated for several reasons including the "ripple" affect associated with lower than anticipated enrollment. Enrollment impacts not only E&G tuition revenue, but also impacts housing, bookstore and other auxiliary enterprise revenues. Athletic ticket sales revenues are also lower than projected. SCSU had also anticipated more contributions to the athletic department than has been realized.

- Auxiliary expenditure projections are actually lower than originally budgeted by $966,869. This is due in large part to the closing of one dorm. Decreased enrollment allowed SCSU to close one dorm temporarily. Auxiliary salary and fringe expenditures are higher than expected in part because of increased security efforts.

The auxiliary operating deficit is being offset by cash transaction totaling $1,284,529 and are summarized below.

- Stadium Reserve Fund transaction of $300,000 not needed for stadium indebtedness.

- Housing maintenance transaction of $600,000 due partly to the fact that one dorm has been temporarily closed.

- Closed capital projects cash transaction of $384,529 due to the fact that certain capital projects have been completed and excess cash is in this account.

When offset by the cash transactions the Auxiliary operating deficit becomes a cash surplus of $555,027. This cash reduces the amount needed to cover the bank overdraft from FY 1996-97.

Previous Fiscal Year Deficit leading to Bank Overdraft

A review of SCSU's FY 1996-97 E&G and auxiliary revenues and expenditures shows that SCSU experienced a total operating deficit of approximately $3,188,365 **(See attachment A)**. E&G operations experienced a cash deficit of approximately $1.48 million. This deficit was due primarily to the fact the SCSU did not request CHE to transfer $1,174,168 to the University that was due it in FY 1996-97. As noted earlier these funds are accounted for in this fiscal year's E&G appropriation revenue.

The FY 1996-97 auxiliary budget deficit was approximately $1.7 million. This was made up of a $1,010,317 operating deficit and a $696,750 mandatory transfer for principal and interest payments. The FY 1996-97 operating budget deficit was the primary cause of the $3.5 million bank overdraft. However, another contributing factor was a bank overdraft from the previous fiscal year of approximately $624,000.

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STATE BUDGET & CONTROL BOARD

Conclusions and Observations

The cash deficit projection for FY 1997-98 is summarized below:

Cash Projection for end of FY 1997-98

FY 1996-97 Bank Overdraft	(3,501,811)
FY 1997-98 E&G projected Deficit	(543,316)
FY 1997-98 Auxiliary projected Deficit	(729,502)
One-time E&G Cash Transactions	1,146,675
One-time Auxiliary Cash Transactions	1,284,529
Projected year end Cash status	(2,343,425)

The current year budget deficits in E&G and auxiliary enterprises are not a result of State General Fund appropriations. All State appropriations due SCSU have been received by the University. Primary causes of the budget deficits appear to be a result of decreased enrollment, overestimated other funds revenue projections and underestimated expenditures projections. Other observations concerning SCSU's financial status as of the beginning of FY 1997-98 are as follows:

- The SAO Report on the Internal Control Structure dated June 30, 1997 states "We observed that the University still does not allocate support expenditures to auxiliary enterprises. As a result, expenditures for auxiliary enterprises are understated". Consequently E&G expenditures have been overstated. If expenditures were allocated appropriately the Auxiliary deficit for FY 1996-97 would have been greater and the E&G deficit would have been less.

- Although SCSU's overall cash balance was positive at the end of FY 1996-97, the balance has been declining over the past several years as evidenced by SAO reports. In addition, many of these cash reserves cannot be used for daily operational purposes since they are in "restricted" accounts.

- E&G started FY 1997-98 with a positive FUND balance of $2,206,999 and a positive cash balance as $5,947,763 after SAO adjustments per SAO documentation.

- Auxiliary enterprises started FY 1997-98 with a negative FUND balance of $3,533,264 and a negative cash balance of $3,988,743 after SAO adjustments per SAO documentation.

- Other significant SCSU financial and enrollment figures are summarized in **Attachment B**

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FY 1998-99 Outlook

SCSU has taken steps this year to minimize its budget and cash deficit situation. Many of the positive consequences of these actions will not be fully realized until next fiscal year and beyond. SCSU has positioned itself to have a "balanced" budget in FY 1998-99 for both E&G and auxiliary enterprises. The steps taken by the university are detailed below:

E&G

- Organizational restructuring and reductions in staffing
- Strict controls on discretionary spending
- Process improvements to address the collection of accounts receivables for grants and contracts
- Strict enforcement of policies relative to student accounts receivables
- Additional tuition & fee increases

Auxiliary

- Reducing Auxiliary staff
- Further Reductions In Force and/or hiring freezes may be implemented in FY 1998-99
- Reducing scholarships
- Scholarships will be reduced further in FY 1998-99
- Raising Auxiliary fees to increase auxiliary revenues

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Attachment A

South Carolina State University
Revenue Versus Expenditures Comparisons

Education & General	Fiscal Year 1996-1997 Budgeted	Fiscal Year 1996-1997 Actual	Fiscal Year 1997-1998 Budgeted	Fiscal Year 1997-1998 Forecasted
REVENUE				
State Appropriations	$23,146,341 *	$20,994,065	$23,142,879	$24,599,503 @
Student Tuition and Fees	$10,352,600	$12,312,954	$11,880,928	$11,325,286
Miscellaneous Revenue	$1,602,335	$1,563,769	$1,602,335	$853,521
(1) Total Revenue for E & G	$35,101,276	$34,870,788	$36,626,142	$36,778,310
EXPENDITURES				
Salaries & Fringe	$26,245,028	$27,905,055	$28,368,469	$28,519,125
Operations	$8,019,528	$8,447,022	$8,257,673	$8,802,501
(2) Total Expenditures E&G	$34,264,556	$36,352,077	$36,626,142	$37,321,626
(3) BALANCE E & G (1-2)	$836,720	($1,481,289)	$0	($543,316)
Auxiliary Enterprises				
REVENUE				
Athletics	$3,303,000	$2,551,651	$3,906,000	$2,973,221
Housing	$3,240,310	$2,877,156	$3,200,000	$2,510,326
All Others	$6,379,199	$6,054,702	$5,054,150	$4,782,626
(4) Total Revenue Auxiliary	$12,922,509	$11,283,509	$12,160,150	$10,266,173
EXPENDITURES				
Athletics				
-Salaries & Fringe	$1,358,449	$1,217,433	$1,463,395	$1,419,127
-Operations	$2,331,061	$2,587,920	$2,442,605	$2,047,549
Total Expenditures for Athletics	$3,689,510	$3,805,353	$3,906,000	$3,466,676
Housing				
-Salaries & Fringe	$1,142,523	$1,257,764	$1,117,312	$1,425,995
-Operations	$1,480,309	$1,880,784	$2,065,000	$1,418,851
Total Expenditures for Housing	$2,622,832	$3,138,548	$3,182,312	$2,844,846
All Other Auxiliary				
-Salaries & Fringe	$1,793,111	$2,039,837	$1,303,099	$1,514,844
-Operations	$4,301,131	$4,006,838	$3,571,133	$3,169,309
Total Expenditures for All Others	$6,094,242	$6,046,675	$4,874,232	$4,684,153
(5) Total Expenditures Auxiliary	$12,406,584	$12,990,576	$11,962,544	$10,995,675
(6) BALANCE AUXILIARY (4-5)	$515,925	($1,707,067)	$197,606	($729,502)
TOTAL BALANCE OF E & G AND AUXILIARY (4+6)	$1,352,645	($3,188,356)	$197,606	($1,272,818)

*Overbudgeting due in part to unrealized but anticipated 1996-97 supplemental appropriations ($1 million) and $1.1 million in Capital Reserve Funds (CRF) that were approved but not secured in that fiscal year .

@ Includes the $1.1 million in CRF funds.

Source: South Carolina State University
State Auditor's Office

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Attachment B

Comparitive Growth in Enrollment and Fees
South Carolina State University

	Fiscal Year 1992-93	Fiscal Year 1993-94	Fiscal Year 1994-95	Fiscal Year 1995-96	Fiscal Year 1996-97	Fiscal Year 1997-98
Student Fall FTE Enrollment	4654	4322	4261	4373	4364	4205
Student Fall Headcount Enrollment	5015	4779	4693	4993	4899	4657
In-State Tuition (excluding Room & Board)	$2,200	$2,500	$2,500	$2,550	$2,730	$2,974
Out-of-State Tuition (excluding Room & Board)	$4,380	$4,980	$4,980	$5,030	$5,390	$5,828
Cost of Room & Board	$2,670	$2,924	$2,812	$2,812	$2,812	$2,812

Cash/Cash Equivalents and Fund Balances*

		June 30, 1995	June 30, 1996	June 30, 1997
Cash Balances and Overdrafts	Available Unrestricted Cash and Cash Equivalents	$4,745,246	$2,755,190	$1,959,020
	Bank Overdrafts	($1,252,736)	($623,707)	($3,501,811)
Fund Balances	Education & General	$2,594,135	$2,460,907	$2,206,999
	Auxiliary Enterprises	($526,355)	($981,124)	($3,533,264)

*Source: State Auditor's Office Financial Reports

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EXHIBIT
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STATE BUDGET & CONTROL BOARD

EXHIBIT

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STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD REGULAR SESSION

MEETING OF May 12, 1998 ITEM NUMBER 2

AGENCY: General Services

SUBJECT: Myrtle Beach Air Force Base Redevelopment Authority Certificates of Acceptance and Exemption Request

The Myrtle Beach Air Force Base Redevelopment Authority has acquired title to two tracts of land on the site of the former Air Base previously leased from the Air Force. One tract which was purchased in May 1997 for $5,050,000, contains approximately 260 acres and 777 housing units. The other tract, purchased in September 1997 for $8,500,000, contains 430 acres with various types of non-residential buildings. The acquisitions are detailed in Attachment A. The Authority acquired title to the two tracts not realizing that Budget and Control Board approval was required to perfect the title. The Authority is now requesting issuance of Certificates of Acceptance in accordance with Code Sections 1-11-57 and 1-11-65 for the two acquisitions.

The Authority also requests that the Board grant an exemption for future real property transactions from the provisions of Code Sections 1-11-57 and 1-11-65. The Authority was created by the General Assembly to acquire and redevelop the former Myrtle Beach Air Force Base pursuant to the powers and authority contained in Section 31-12-10 et seq., the Military Facilities Redevelopment Act. Section 31-12-70 grants the Authority the power to purchase, sell, exchange and transfer real property. Some uncertainty exists on whether Board approval for these real property transactions is required. Further, without an exemption, the Authority believes the processes for redeveloping the former Air Base property are lengthened to a point where some developers may withdraw from consideration rather than be delayed pending approval of transactions by the Board. An exemption from the provisions of Sections 1-11-57 and 1-11-65 would prevent this from occurring and facilitate the redevelopment efforts of the Authority. This request is detailed in Attachment B.

BOARD ACTION REQUESTED:

In accord with Sections 1-11-57 and 1-11-65, issue Certificates of Acceptance for the two acquisitions made by the Myrtle Beach Air Force Base Redevelopment Authority and approve an exemption for the Authority from the provisions of Sections 1-11-57 and 1-11-65 for future real property transactions.

ATTACHMENTS:

Agenda item worksheet and attachments

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BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

EXHIBIT

Meeting Scheduled for: **May 12, 1998** **Regular Agenda**

MAY 12 1998 9

STATE BUDGET & CONTROL BOARD

1. Submitted by:

(a) Agency: Office of General Services
(b) Authorized Official Signature: Helen T. Zeigler, Director

2. Subject:

Issuance of Certificates of Acceptance to Myrtle Beach Air Force Base Redevelopment Authority and Exemption from Code Sections 1-11-57 and 1-11-65 for Future Real Property Transactions

3. Summary Background Information:

The Myrtle Beach Air Force Base Redevelopment Authority has acquired title to two tracts of land on the site of the former Air Base previously leased from the Air Force. One tract which was purchased in May 1997 for $5,050,000, contains approximately 260 acres and 777 housing units. The other tract, purchased in September 1997 for $8,500,000, contains 430 acres with various types of non-residential buildings. The acquisitions are detailed in Attachment A. The Authority acquired title to the two tracts not realizing that Budget and Control Board approval was required to perfect the title. The Authority is now requesting issuance of Certificates of Acceptance in accordance with Code Sections 1-11-57 and 1-11-65 for the two acquisitions.

The Authority also requests that the Board grant an exemption for future real property transactions from the provisions of Code Sections 1-11-57 and 1-11-65. The Authority was created by the General Assembly to acquire and redevelop the former Myrtle Beach Air Force Base pursuant to the powers and authority contained in Section 31-12-10 et seq., the Military Facilities Redevelopment Act. Section 31-12-70 grants the Authority the power to purchase, sell, exchange and transfer real property. Some uncertainty exists on whether Board approval for these real property transactions is required. Further, without an exemption, the Authority believes the processes for redeveloping the former Air Base property are lengthened to a point where some developers may withdraw from consideration rather than be delayed pending approval of transactions by the Board. An exemption from the provisions of Sections 1-11-57 and 1-11-65 would prevent this from occurring and facilitate the redevelopment efforts of the Authority. This request is detailed in Attachment B.

4. What is Board asked to do?

Issue Certificates of Acceptance for the two acquisitions made by the Myrtle Beach Air Force Base Redevelopment Authority and approve an exemption for the Authority from the provisions of Sections1-11-57 and 1-11-65 for future real property transactions.

007692

225.1667

EXHIBIT

MAY 12 1998 9

STATE BUDGET & CONTROL BOARD

5. What is recommendation of Board Division involved?

Approve

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

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. List of Supporting Documents:

(a) Summary of Property Acquisitions by the Myrtle Beach Air Force Base Redevelopment Authority

(b) Summary of Request for Exemption by the Myrtle Beach Air Force Base Redevelopment Authority from the Provisions of Sections 1-11-57 and 1-11-65

(c) Letter on 260 Acre Housing Parcel

(d) Letter on 430 Acre Lot 6, Phase V

(e) Code Sections 1-11-57 and 1-11-65

EXHIBIT

MAY 12 1998 · 9

STATE BUDGET & CONTROL BOARD

Summary of Property Acquisitions by the Myrtle Beach Air Force Base Redevelopment Authority

The Myrtle Beach Air Force Base Redevelopment Authority was created to acquire and redevelop the former Myrtle Beach Air Force Base pursuant to the powers and authority contained in §31-12-10 et. seq., the Military Facilities Redevelopment Act.

The Authority consists of nine members. Three members are nominated by the Myrtle Beach City Council, three members are nominated by the Horry County Council, two members are nominated by the Horry County Legislative Delegation and one member is appointed by the Office of the Governor. All nine members are confirmed by the General Assembly and appointed by the Office of the Governor. All nine members are unpaid volunteers and are well-respected members of the community.

Initially, real property title could not be conveyed to the Authority by the Air Force until the Environmental Protection Agency (EPA) and the SCDHEC approved the environmental cleanup by the Air Force. However, both EPA and SCDHEC made findings of suitability to lease to the Authority on a tract of approximately 260 acres containing 777 military family housing units and a tract of approximately 430 acres containing various types of non-residential buildings. There were no environmentally contaminated sites in the housing tract. The 430 acre tract included 14 environmental sites of approximately 45 acres.

The housing tract was leased to the Authority in July 1996. The Authority then entered into a license with a developer selected through a competitive proposal process. The developer was required to finance the renovation, operation, and maintenance of the 777 units. Although the developer was not allowed to rent any of the units until the Authority closed on the tract, the developer was required to make certain monthly payments to the Authority for the units.

The 430 acre mixed use tract was leased to the Authority in the fall of 1995. Since that time, the Authority has entered into many subleases of portions of this tract and has been permitted to retain all lease revenue for operations and maintenance of the tract. This property was considered large and sufficiently diverse enough that it has been offered as being available, with prospective lessees entering into negotiations with the Authority for the particular lot/building in which the prospect was interested. This tract is considered to require a longer time than that of the residential tract to develop and the progress is considered to be better than satisfactory.

Following the leases of the two tracts to the Authority from the Air Force, EPA and SCDHEC continued the environmental assessment and eventually made a finding that the property was suitable for transfer of the ownership to the Authority. The Air Force continues to be responsible for cleaning up all environmental contamination that occurred during its ownership.

In pursuing an ultimate conveyance of the ownership of the property to the Authority, the Air Force had appraisals made of the property for its own internal use but, even though requested through the federal Freedom of Information Act, declined to make them available to the Authority. In order to meet the need for reasonable market rate housing identified by the community during the planning process and to complete the conveyance of the 260 acre housing tract, the Authority chose to purchase the 260 acre housing tract through the negotiated sale procedures specified by the Base Realignment and Closure (BRAC) Act. The Authority negotiated a price and terms during "arms length" negotiations with Air Force representatives based on its knowledge of local market conditions. The Authority did not believe an appraisal would add to its knowledge of the market and was cost prohibitive. Market information and performance observed by the Authority, both before and after the negotiations, has led the Authority to conclude that it obtained a very satisfactory price and terms for the purchase of the housing tract.

On May 22, 1997, the Air Force transferred ownership of the 260 acres and 777 housing units to the Authority subject to the Authority's sublease with the selected developer. There were no environmentally contaminated sites in the housing tract. The Authority agreed to pay the Air Force $5,050,000 ($6,499 per unit) through a ten-year mortgage executed with the Air Force. The Authority then converted the sublease with the developer to a ten-year lease that pays the entire principal and interest of the mortgage and nets the Authority approximately $3.1 million over the ten-year period of the mortgage. At the end of the ten-year lease and mortgage, the Authority will own fee simple the 260 acres and 777 housing units with a projected value at that time of $23,000,000 (based on an income approach to value). The Authority has obtained ownership of the property and put the units on the market for use by local citizens without putting any of its limited funds at risk.

The note and mortgage to pay the purchase price for the 260 acre parcel is between the Air Force and the Authority and does not place any responsibility for the repayment of that debt on the State. There are no State or taxpayer funds committed for the payment of this debt.

For the 430 acre tract, the Authority applied to the Air Force for an Economic Development Conveyance (EDC), as allowed by the BRAC Act. The Authority selected this conveyance means because it allows very flexible terms and conditions for repaying the note for the purchase of the property. The Authority contracted with Dr. Jack Kendree, Professor of Economics at Coastal Carolina University who is considered to be an expert on the local real estate market, to accomplish a business plan for the Authority's purchase of the tract. Dr. Kendree projected that the Authority could pay as much as $10,000,000 for the tract with negligible risk but that a price of $8,500,000 would be a fair price for both the Air Force and the Authority.

The Air Force and the Authority conducted "arms length" negotiations for the price and terms for the 430 acre tract. An EDC with a price of $8,500,000 and a fifteen-year note was ultimately agreed to by both parties and the tract was conveyed to the Authority on September 30, 1997. The tract included 14 environmentally contaminated sites comprising approximately 45 acres that were leased to the Authority pending final environmental cleanup action by the Air Force and approval of EPA and SCDHEC to convey to the Authority. This process is proceeding without complication.

The note and mortgage to pay the purchase price for the 430 acre tract is between the Air Force and the Authority and does not place any responsibility on the State for the repayment of that debt. There are no State or taxpayer funds committed for the payment of this debt.

Since the transfer of the 430 acre tract, the Authority has contracted with Wilbur Smith Associates (WSA) of Columbia to accomplish a market analysis and business plan for the redevelopment of the tract in accordance with the community-approved redevelopment plan. The Authority's conservative projection is that the fifteen-year note should be paid off during year eight with projected excess cash flows from lease income, property sales and excess revenues from the housing lease of approximately $16.5 million over a ten year period. Market information and performance observed by the Authority has led the Authority to conclude that it obtained a very satisfactory price and terms for the purchase of the 430 acre EDC tract.

The Military Facilities Redevelopment Act, Section 31-12-70 (A)(10) provides that the Authority, a politic and corporate body, may purchase real property, borrow money, and mortgage real property.

The Authority has already acquired title to the two tracts it previously leased from the Air Force. In order to eliminate any future questions concerning its need to acquire Certificates of Acceptance in accordance with Section 1-11-57, the Authority requests approval of the Board for these two acquisitions.

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EXHIBIT

MAY 12 1009 9

STATE BUDGET & CONTROL BOARD

Summary of Request for Exemption by the Myrtle Beach Air Force Base Redevelopment Authority from the Provisions of Sections 1-11-57 and 1-11-65

The Myrtle Beach Air Force Base Redevelopment Authority was created to acquire and redevelop the former Myrtle Beach Air Force Base pursuant to the powers and authority contained in §31-12-10 et seq., the Military Facilities Redevelopment Act.

The Authority consists of nine members. Three members are nominated by the Myrtle Beach City Council, three members are nominated by the Horry County Council, two members are nominated by the Horry County Legislative Delegation and one member is appointed by the Office of the Governor. All nine members are confirmed by the General Assembly and appointed by the Office of the Governor. All nine members are unpaid volunteers and are well-respected members of the community.

Section 31-12-70 of the Code of Laws of South Carolina states that the Authority constitutes a public body, corporate and politic, exercising public and essential governmental powers necessary or appropriate to carry out and effectuate the purposes and provisions of this chapter.

This section specifically notes the following powers of the Authority:

(5) to make and execute contracts and other instruments necessary and convenient to the exercise of the powers of the Authority;

(7) to act as an agent of the state or federal government or any of its instrumentalities or agencies for the public purposes set out in this title;

(8) to prepare or cause to be prepared redevelopment plans and to undertake and carry out redevelopment projects within its area of operations;

(10) within its area of operations, to purchase, … or prepare for redevelopment of the property, and sell, exchange, transfer, … mortgage, pledge, or otherwise encumber or dispose of any real or personal property or any interest in it, to borrow money and issue bonds and provide security for bonds, provided that the Authority may not pledge the full faith and credit of the State or any of its political subdivisions for the repayment of said bonds.

All of the above listed powers are granted to the Authority and indicate that the Authority is singularly responsible for the acquisition and redevelopment of the base redevelopment project area.

In order to accomplish the responsibilities of the Authority in a timely and professional manner and to insure the efficient and effective redevelopment of the former air force base in accordance with the community-approved redevelopment plan, it is critical that the Authority be able to negotiate in good faith and in a timely manner with prospective developers/buyers.

The Chairman of the Authority has appointed a Property Valuation Committee, chaired by the Vice Chairman of the Authority and comprised of three members of the Authority, that works with, oversees and approves the efforts of the staff to lease and sell Authority property. Once this Committee approves the price of a building or land for lease or sale, that contract is presented to the full Authority at its next regularly scheduled monthly meeting for final approval. If time is of the essence in executing the contract, a telephone conference roll call is taken or a meeting is called to obtain the approval of the full Authority. Once the final approval is obtained, an Authority resolution is signed by each member of the Authority. The staff then works closely with the City of Myrtle Beach to accomplish the necessary subdivision of the property and other regulatory steps. After completion of these steps, the staff executes a closing on behalf of the Authority.

007696

If the Authority is not exempted from Sections 1-11-57 and 1-11-65, the process to redevelop the former base property will be lengthened to a point where developers may withdraw from consideration rather than be held up pending approval of another approval authority.

Since the Authority was created by State legislation to accomplish the tasks listed in a previous paragraph, it appears redundant for the Authority to approve a lease or sale and then to have to put that on hold till a later date pending approval of the Board.

EXHIBIT

MAY 12 1008 9

STATE BUDGET & CONTROL BOARD

007697

JEFFCOAT, PIKE & NAPPIER

ATTORNEYS AT LAW

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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JAMES C. PIKE, JR.
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*ADMITTED IN SC & NC

REPLY TO: Myrtle Beach

March 2, 1998

Wayne F. Rush, Esquire
State Building and Property Services
1201 Main Street, Suite 410
Columbia, SC 29201

VIA FAX 803/737-0689

Re: Purchase of Myrtle Beach Air Force Base Housing Parcel
Our File No. 4186-004

Dear Wayne:

As we discussed last fall and again last week, I am enclosing for your file a copy of the Quit-Claim Deed for the above described property from the United States of America to Myrtle Beach Air Force Base Redevelopment Authority dated May 22, 1997, recorded in the office of the Register of Deeds for Horry County on May 23, 1997 in Deed Book 1944 at page 622.

Please have the Budget and Control Board issue its Certificate of Acceptance for the above property and forward the original Certificate to me. I will then attach the original Certificate to the original deed and record them both. In the alternative, please send me a written determination by the Budget and Control Board that such a certificate is not required, exempted or otherwise waived.

I am also enclosing a copy of a letter from the Air Force refusing to release to the Authority the appraisal commissioned by the Air Force prior to sale. The Authority believes that the property was purchased for less than fair market value and that requiring the Authority to have its own appraisal done at this time would be unreasonably expensive and burdensome.

Thanks again for your help.

With kind regards, I am,

Very truly yours,

Otis Allen Jeffcoat, III

007698

OAJ/mr
cc: Mr. Thomas C. Styers

EXHIBIT

MAY 12 1998 9

STATE BUDGET & CONTROL BOARD

JEFFCOAT, PIKE & NAPPIER

ATTORNEYS AT LAW

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FACSIMILE (910) 579-2770

*ADMITTED IN SC & NC

REPLY TO: Myrtle Beach

March 2, 1998

Wayne F. Rush, Esquire
State Building and Property Services
1201 Main Street, Suite 410
Columbia, SC 29201

VIA FAX 803/737-0689

Re: Purchase of Lot 6, Phase V, Myrtle Beach Air Force Base
Our File No. 4186-008

Dear Wayne:

As we discussed last fall and again last week, I am enclosing for your file a copy of the Quit-Claim Deed for the above described property from the United States of America to Myrtle Beach Air Force Base Redevelopment Authority dated September 30, 1997, recorded in the office of the Register of Deeds for Horry County on October 1, 1997 in Deed Book 1978 at page 1174.

Please have the Budget and Control Board issue its Certificate of Acceptance for the above property and forward the original Certificate to me. I will then attach the original Certificate to the original deed and record them both. In the alternative, please send me a written determination by the Budget and Control Board that such a certificate is not required, exempted or otherwise waived.

I am also enclosing a copy of a letter from the Air Force refusing to release to the Authority the appraisal commissioned by the Air Force prior to sale. The Authority believes that the property was purchased for less than fair market value and that requiring the Authority to have its own appraisal done at this time would be unreasonably expensive and burdensome.

Thanks again for your help. With kind regards, I am,

Very truly yours.

Otis Allen Jeffcoat, III

OAJ/mr
cc: Mr. Thomas C. Styers

007699

EXHIBIT

MAY 12 1908 : 9

STATE BUDGET & CONTROL BOARD

Section 1-11-57. (1) All transactions involving the exchange of title to real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of an acquisition of title by any governmental body by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the acquisition. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(2) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

§ 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

HISTORY: 1989 Act No. 26, § 1, eff 30 days after approval (approved April 1, 1989.).

007700

225 1675

EXHIBIT

MAY 12 1998 10

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD REGULAR SESSION

MEETING OF May 12, 1998 ITEM NUMBER 3

AGENCY: General Services

SUBJECT: Public Service Commission Lease

Regulation 19-445.2121 requires that leases which commit $1 million or more in a five year period be approved by the Budget and Control Board and reviewed by the Joint Bond Review Committee.

The South Carolina Public Service Commission currently leases 35,876 square feet of office space at 111 Doctor's Circle in Columbia to house its staff of approximately 80. This lease expires on August 31 of this year and the property is not available for lease after this date. The Commission wishes to lease 31,707 square feet of office space in the Saluda Building at the Koger Office Park near Columbia. This space will provide offices for all of the agency. The proposed lease, to begin September 1, 1998, is for five (5) years with an expiration date of August 31, 2003. The rental rate begins at $14.75 in the first year and averages $15.82 over the term of the lease. This rate includes all property operating expenses. Total rent over the five year period is $2,507,707.

The agency has secured this property through coordination with the Office of General Services' Property Services to obtain competitive rates, terms and conditions. The state's process is designed to meet the requirements of Regulation 19-445.2121 and the proposed lease terms and conditions match the state standard lease. Adequate funds are available and a financial plan has been submitted. The proposed lease was approved for the Commission on April 28 and is scheduled to be presented to the Joint Bond Review Committee on May 19.

The purchasers of Doctor's Circle requires possession upon lease expiration and the Commission is required to move by the end of August. To secure this lease much remains to be accomplished. Floor plans must be designed and interior construction completed. This will require about two and one-half months. In addition, to begin interior construction, approvals by both JBRC and the Board are required. To be able to meet these deadlines, the Board is asked to approve this lease contingent upon the approval of the JBRC.

BOARD ACTION REQUESTED:

In accord with Regulation 19-445.2121 and contingent upon JBRC approval, authorize the South Carolina Public Service Commission to lease office space in the Saluda Building at the Koger Office Park.

ATTACHMENTS:

Agenda item worksheet; Summary of Lease Request; SC Code Section 1-11-55; SC Code Section 1-11-56

007701

EXHIBIT

MAY 12 1998 10

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 12, 1998 — **Regular Agenda**

1. **Submitted By**:
Agency: Budget and Control Board, Office of General Services
Authorized Official Signature: Helen T. Zeigler, Office Director

2. **Subject**:
Lease by South Carolina Public Service Commission, Columbia SC

3. **Summary Background Information**:

Regulation 19-445.2121 requires that leases which commit 1 million dollars or more in a five year period be approved by the Budget and Control Board and reviewed by the Joint Bond Review Committee.

The South Carolina Public Service Commission currently leases 35,876 square feet of office space at 111 Doctor's Circle in Columbia to house its staff of approximately eighty. This lease expires on August 31 of this year and the property is not available for lease after this date. The Commission wishes to lease 31,707 square feet of office space in the Saluda Building at the Koger Office Park near Columbia. This space will provide offices for all of the agency. The proposed lease, to begin September 1, 1998, is for term of five (5) years with an expiration date of August 31, 2003. The rental rate begins at $14.75 in the first year and averages $15.82 over the term. This rate includes all property operating expenses. Total rent over the five year period is $2,507,707.

The agency has secured this property through coordination with the Office of General Services' Property Services to obtain competitive rates, terms and conditions. The state's process is designed to meet the requirements of Regulation 19-445.2121 and the proposed lease terms and conditions match the state standard lease. Adequate funds are available and a financial plan has been submitted. The proposed lease was approved by the Commission on April 28 and is scheduled to be presented to the Joint Bond Review Committee on May 19.

The purchaser of Doctor's Circle requires possession upon lease expiration and the Commission is required to move by the end of August. To secure this lease, much remains to be accomplished. Floor plans must be designed and interior construction completed. This will require about two and one-half months. In addition, to begin interior construction, approvals by both JBRC and the Board are required. To be able to meet these deadlines, the Board is asked to approve this lease contingent upon the approval of the JBRC.

4. **What is the Board asked to do**?

Approve this lease contingent upon JBRC approval.

5. **What is the recommendation of General Services**?

Same as above.

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

(a) Authorized Signature: _____
(b) Division/Agency Name: _____

7. **List of Supporting Documents**:

(a) LIST THOSE ATTACHED:
1. Summary of Lease Request
2. SC Code Section 1-11-55
3. SC Code Section 1-11-56

(b) LIST THOSE AVAILABLE BUT NOT ATTACHED:
1. Regulation 19-445.2121

007702

Public Service Commission

SUMMARY OF LEASE REQUEST TO B&CB & JBRC

OGS State Building and Property Services — May 12, 1998

CURRENT LEASE

111 Doctor's Circle; 35,876 square feet of office space; Rate of $13.50, Annual rent of $484,326. Lease expires August 31, 1998

PROCUREMENT - REGULATION 19-445.2121 & POLICY

Lease Approved by: Lease signed by: Bradford A. Chaflin, Vice President, Koger Equity, Inc. as authorized agent for Centoff Realty Company, Inc. and Public Service Commission Chairman Guy Butler (CHE approval not needed)

EXHIBIT

Adequate Funds: Yes, budget approval form rec'd by Gen Svcs 4-30-98

Multi-Year Plan: Yes, included in budget approval form.

MAY 12 1998 10

Upfit Cost Fair: Yes, included in rent.

Space Allocation:

# employed	SF/emp	
80	396	(gross SF ratio)
	342	(office area only)

STATE BUDGET & CONTROL BOARD

Environ Hazard: Asbestos: Space was constructed in 1982 (after ban). Law Engineering report on asbestos, lead paint & water.

Fair Rate:

Property	Address	Rate
Koger Office Pk, Q1 '98, 10k SF	Converse Bldg, Koger Office Park	17.00
Koger Office Pk, Q1 '98, 15k SF	Converse Bldg, Koger Office Park	16.00
Koger, Lse Renew 10k SF	Santee Bldg, Koger Office Park	14.85
Resource Process (subj '98 rate)	Saluda Bldg, Koger Office Park	14.50
Ethics Commission	5000 Thurmond Mall	13.70

PROPOSED LEASE

Owner: Centoff Realty Company, Inc.

Use: Offices for Public Service Commission

Location: First and second floors, Saluda Building, Koger Office Park, Columbia

Size (SF):

31,707	Gross
4,382	Special (non-office) Areas
27,325	Net Office Space

Term: Five (5) years

RENT SCHEDULE: Includes all property operating expenses including electricity.

Time	From	To	Rent	Rate/SF
Year 1	1-Sep-98	31-Aug-99	467,678	14.75
Year 2	1-Sep-99	31-Aug-00	484,166	15.27
Year 3	1-Sep-00	31-Aug-01	500,971	15.80
Year 4	1-Sep-01	31-Aug-02	518,409	16.35
Year 5	1-Sep-02	31-Aug-03	536,482	16.92
	Total/Avg:		2,507,707	$15.82

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EXHIBIT

MAY 12 1009 10

STATE BUDGET & CONTROL BOARD

"Section 1-11-55.

(1) 'Governmental body' means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing and Information Technology Resources, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

007704

EXHIBIT

MAY 12 1008 10

STATE BUDGET & CONTROL BOARD

Section 1-11-56.

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

(1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;

(2) establishing standards for the quality and quantity of space to be leased by a requesting agency;

(3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:

(a) a nonappropriation for the renting agency,

(b) a dissolution of the agency, and

(c) the availability of public space in substitution for private space being leased by the agency;

(4) rejecting an agency's request for additional space or space at a specific location, or both;

(5) directing agencies to be located in public space, when available, before private space can be leased;

(6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and

(7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.