

AGENDA MATERIALS  
AND SUPPORTING DOCUMENTS  
FOR THE MEETING OF  
JULY 29, 1971

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JULY 29 1971

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At the invitation of Dr. William Hall, the Budget and Control Board meeting of July 29, 1971 was held in the facilities of the Mental Health Commission. At 12:30 p.m. a luncheon was served in the dining room of the Byrnes Clinic. All members of the Board were present except Senator Brown who was recuperating from an extended illness. Also in attendance were Dr. Hall, several members of the Mental Health Commission, P. C. Smith, W. T. Putnam and several staff members of the Department of Mental Health.

After lunch, the Board went to a conference room in the Administration Building where the regular monthly meeting was held.

The following business was transacted.

MENTAL HEALTH COMMISSION - Construction Projects and Expanded  
Addiction Program

Dr. William Hall and several staff members presented an outline of the master plan which had been developed for future operations.

After the presentation, Dr. Hall asked for Board approval of the following:

- 1) Construction of an Addiction Center - \$2,500,000
- 2) Institution of an addiction pilot program - \$413,806
- 3) Adoption of a "Village" concept and the construction of Village A - \$4,500,000
- 4) Construction of energy facility, utilities and lake - \$1,455,000

With respect to items 1 and 2 the Board took note of the fact that allocation of funds from the alcohol case tax must now be made by the Legislature. Further reference was made to the fact that this tax

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will provide an estimated revenue of only \$525,000 during the current year and only \$725,000 if the tax is raised to 50 cents per case. It was pointed out that this amount would not be sufficient to cover the cost of operating the Addiction Center, which Dr. Hall estimated to cost \$1,000,000 annually, and the annual debt service on the Center, which would amount to approximately \$250,000.

In a discussion of the "Village" concept, the Board determined that the treatment of patients would be enhanced in this type of environment, but that operating costs would be greater than in the current type of facilities.

In view of the facts at hand, the Board requested that Dr. Hall and his staff present their plan and proposals to the Joint Committee on Mental Health for its reaction and recommendations. The Board agreed to postpone action until a subsequent meeting.

OVERTIME FOR MEDICAL STAFF - The Department of Mental Health

Dr. Hall reported that the Department of Mental Health is presently using doctors from nearby military installations for certain functions during the night shifts. These doctors are being paid \$50 per night but are requesting an increase to \$100 per night which is the rate being paid by some other hospitals in the area. He requested that the regular staff doctors be permitted to work a second shift and receive additional compensation of \$50 per night.

The Board recognized this as only one facet of the overtime problem and therefore referred the matter to Earl Ellis for his comments and recommendations.

EMPLOYEE GRIEVANCE COMMITTEE

Mr. Earl Ellis introduced the newly formed Employee Grievance Committee to the Board. The following were in attendance:

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Mrs. Willie J. Brown - Department of Mental Health  
Mrs. Margaret DuBose - Department of Corrections  
Curtiss Anderson - Forestry Commission  
Bruce R. Templeton - Insurance Commission  
Charlie Redding - The Citadel  
Miss Madelyn F. Walker - State College

Mr. Robert A. Stoudemire, of the University of South Carolina, was absent.

SALARIES - Institutions of Higher Learning and the Commission on Higher Education

Dr. James A. Morris and Dr. W. M. McCord appeared before the Board to further discuss the faculty and administrative salaries of the Institutions of Higher Learning which had originally been presented on June 23, 1971.

Dr. McCord discussed at length the salaries of the medical doctors who are faculty members of the Medical University. He advised that, of the two hundred doctors, eighty-two conducted a part-time practice and received fees. He also furnished information concerning the relationship of academic salaries and those of administrative officials.

Dr. Morris again presented a schedule of salaries for the various institutions of higher learning and for the Commission on Higher Education. He also furnished certain additional information pertaining to the request. (Copies of these documents are attached)

The Board gave its approval to the entire slate of salaries as presented by Dr. Morris. However, in giving this approval, the Board expressed concern over the amount of compensation paid to the Vice President and Treasurer of the Medical University and also the receiving of fees by some of the faculty of that Institution.

The Board agreed that Dr. McCord should be directed to devise a plan whereby the receiving of fees by the faculty members would be phased out over a three year period, and that the Board should be noti-

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fied periodically of the progress being made in this direction.

DEPARTMENT OF VETERANS AFFAIRS - Employee Reclassification

Request

Mr. Hoyt Hills, Director of the Department of Veterans Affairs, had previously requested that the Personnel Division of the Budget and Control Board reclassify the position of Assistant Director of his Department from a Grade 18 to a Grade 20. After investigation, the Personnel Division disapproved the request, resulting in an appeal to the Board.

Mr. Hills was accompanied by Mr. Stan Zuk, Regional Veterans Administration officer, and a Mr. Pilgrim, Veterans Service officer of Pickens County. All three spoke in behalf of the individual presently holding the position in question.

Mr. Earl Ellis presented the conclusions of Personnel Division Reviewing officers.

Mr. Ellis agreed to personally review the case and the Board deferred action pending his report.

MENTAL RETARDATION COMMISSION

The Board approved the request of the Mental Retardation Commission for the following construction projects:

- 1) Three 36 bed dormitories (Midlands) - \$1,111,305
- 2) Alarm system and emergency lighting (Whitten) - \$23,895
- 3) Heating system study (Whitten) - \$30,000

ADVISORY COMMITTEE FOR TECHNICAL TRAINING

The Board approved a loan of \$100,000 from the Insurance Sinking Fund for the construction of training facilities at the Aiken Technical Education Center. The loan was approved for one year with an annual interest rate of 7½%.

The Board approved a request by the Advisory Committee for Tech-

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nical Training for payment of a salary supplement of \$1,200 to Wyman D. Shealy who served as Acting Director of the Committee from October 21, 1970 to May 23, 1971.

PORTRAIT OF FRANCIS MARION

The Board was advised that Senator Zeigler, of Florence, South Carolina; Mr. John Bitterman, of the Arts Commission; and Mr. Charles Lee, of the Department of Archives and History have recommended the State's purchase of a painting depicting General Francis Marion rescuing a Tory from punishment by his own men. The painting, which is rather famous, is owned by a Mrs. Stallings of Washington, D. C., and is available for \$10,000.

It was suggested that \$4,000 be contributed by the Arts Commission and \$6,000 from the Department of Archives and History. In each instance these amounts would be made available from unexpended appropriations for personal service for the year 1970-71.

The Board referred the request to the Legislative State House Committee for its recommendations.

STATE EDUCATION ASSISTANCE AUTHORITY

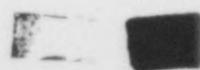
Mr. P. C. Smith called the attention of the Board to the fact that the 1971 General Assembly had passed legislation establishing the State Education Assistance Authority to administer a college loan program. The Act also authorizes the issuance of \$5,000,000 of Revenue Bonds to create a revolving loan fund.

Because of a lack of time, the Board agreed to postpone discussion of this matter until a subsequent meeting.

1972 - 1973 BUDGET SCHEDULE

The Board was advised of the following schedule which has been developed in connection with budget requests for 1972-1973.

- 1) Meetings with heads of State agencies will be held



July 29 and August 3 to distribute budget forms, and for a general discussion of procedures relating to the submission of requests.

2) Agencies are being requested to have budgets submitted by September 15.

3) Hearings with the Board are being scheduled for Tuesday, Wednesday and Thursday over a three-week period beginning Tuesday, October 5.

The Board was also told of plans to feed the Budget into a computer in order to prepare much more comprehensive reports.

BOARD OF HEALTH

Dr. Disalvo, of the State Board of Health, appeared before the Budget and Control Board to warn of possible dangers in South Carolina from Equine Encephalitis and to request additional funds for personnel and insecticides. Dr. Disalvo stated that the situation had not reached emergency proportions but that steps should be taken to forestall an epidemic.

The Board advised that it had no funds for such a project and no authority to appropriate. However, the Board of Health was requested to review its current budget to determine where such funds may be found and the Budget and Control Board agreed to appropriate transfers to permit the spending of such funds on the program in question.

PERSONNEL DIVISION

Mr. Earl Ellis reported to the Board that he had found it necessary to add one salary step each to Employee Grades 1 and 2. He advised that the steps in each of these grades had been condensed as a result of an increase in the minimum wage after the original schedules had been devised.

The Board approved Mr. Ellis' action.



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GENERAL SERVICES DIVISION - Printing of Annual Reports

Mr. Furman McEachern, Director of the General Services Division, advised the Board that rules and regulations needed to be established with respect to the printing of departmental annual reports. He presented samples of reports for previous years ranging from simple pamphlets to elaborate multicolor publications containing photographs and art work.

Mr. McEachern suggested that any policy statement of the Board contain the following rules:

1) Copy must be in the hands of the State Printing Officer by October 1, in order to assure delivery by the February 15 deadline prescribed by statute.

2) Narrative reports will be printed 6 x 9, and are to be as brief as possible.

3) Do not use photographs, special art work or multicolor layouts.

4) Avoid use of tabular material and long listings whenever possible. If necessary this information can be prepared by offset method in the department or procured through the State Printing Officer. Supplements may be 6 x 9 or 8½ x 11.

The Board agreed that rules should be established and requested that Mr. McEachern formalize his recommendations.

STATE PRINTING OFFICER REPORT

Mr. McEachern reported that during the fiscal year 1969-1970, the State Printing Officer processed 1189 bids. He further reported that the bid procedure had saved the State between \$67,058 (low) and \$171,173 (high).

In the conversation which ensued, it was indicated that more attention should be given to the requiring of bids for printing and Mr. Henry Mills and Mr. McEachern agreed to meet to discuss the problem.

AUTOMOBILE LIABILITY COVERAGE

Information was furnished to the Board by Mr. McEachern documenting the wide range of liability coverage provided on different State owned autos and trucks.

The Board agreed that the coverage should be more consistent and that probably the State could be its own carrier. Therefore, Mr. McEachern was asked to study possible legislation to accomplish this end.

PURCHASE OF AUTOS

The Board approved the purchase and/or trade of several automobiles as presented by Mr. McEachern.

LEASE - Public Service Commission

The Board approved a two-year lease of office space in the Owens Building for the Public Service Commission. The annual rental rate for the space is \$2,047.50.

STATE PORTS AUTHORITY - Passenger Terminal

Captain Capers G. Barr, Jr., General Manager of the State Ports Authority, appeared before the Board to request permission for the construction of an expanded passenger terminal, the estimated cost of which would be \$850,000 rather than \$260,000 which has been allocated.

Captain Barr indicated that this facility would be non-revenue producing but stressed the fact that a modern terminal will be needed if South Carolina is to promote cruise ship business.

Captain Barr further indicated that the Department of Parks, Recreation and Tourism had agreed to work with the Ports Authority to promote such business and to assist in the operation of this facility.

The Board approved the expanded terminal with the understanding that the additional funds would be obtained through the reduction of other projects of the Ports Authority.

There being no further business the meeting adjourned at 6:15 p.m.

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JULY 29, 1971

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION  
RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

EXHIBIT I

JAMES A. MORRIS  
COMMISSIONER

June 15, 1971

TELEPHONE  
803 / 758-2407

Mr. P. C. Smith  
Secretary  
Budget and Control Board  
Post Office Box 11333  
Columbia, South Carolina

*Done*  
*3/9/71*

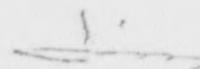
Dear Pat:

Enclosed are two statements showing the faculty salary ranges, by rank, proposed for 1971-72 by the state colleges and universities. To assist the Board in its review we have grouped the data for the five colleges and for the three universities, and have indicated the corresponding salary ranges approved by the Board for 1970-71. The ranges show varying amounts and percentages of change for the highest and the lowest salaried individuals in each rank, reflecting differing competitive salary structures in the various academic disciplines as well as promotions, retirements and new hires. Efforts have been made to adhere to approximately 3% increases for most faculty members.

Also enclosed, for each of the eight colleges and universities and for the Commission on Higher Education, is a list of unclassified personnel not covered by the faculty ranges. Approved 1970-71 salaries, proposed 1971-72 salaries, and percentage increases are indicated in each case. You will note that the proposed salaries for presidents reflect precisely 3% increases, and are standardized at \$27,851 for the colleges, \$34,814 for U.S.C. and Clemson, and \$42,065 for the Medical University. In all other instances, proposed increases are confined to approximately 3% except for promotions or exceptional merit.

I look forward to discussing the enclosures with the Board on Wednesday, June 23 at 3:00 p.m.

Yours sincerely,



James A. Morris

jrt

Enclosures

SOUTH CAROLINA STATE COLLEGES

FACULTY SALARY RANGES

Approved 1970-71 and Proposed 1971-72

	<u>Winthrop</u>		<u>Citadel</u>		<u>S. C. State</u>		<u>College of Chas.</u>		<u>Francis Marion</u>	
	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deans (12 mos.)	20,000- 21,000	21,000- 22,000			17,000- 21,000	18,000- 22,000				
Dept. Heads (12 mos.)	15,000- 20,200	15,800- 20,800	15,600- 18,475	16,068- 19,029						
Dept. Heads (10 mos.)					11,500- 19,000	12,000- 20,000				
Professors (10 mos.)					16,500- 18,000	17,000- 19,000				
Professors (9 mos.)	10,000- 20,000	10,400- 19,000	13,300- 16,175	13,699- 16,660	12,500- 16,500	13,000- 17,500	12,500- 18,000	12,500- 18,900	13,200- 16,000	13,800- 17,100
Assoc. Prof. (9 mos.)	11,000- 15,500	11,700- 16,000	11,550- 15,025	11,897- 15,476	9,500- 14,000	10,500- 15,000	11,000- 15,000	11,000- 15,800	10,400- 15,800	10,700- 15,200
Asst. Prof. (9 mos.)	7,300- 13,500	8,000- 13,800	9,180- 12,945	9,455- 13,333	8,500- 11,700	10,000- 13,500	8,000- 12,500	8,000- 13,200	9,650- 10,750	9,900- 11,200
Instructors (9 mos.)	6,700- 9,300	7,500- 9,400	8,500- 8,800	8,755- 9,064	6,800- 10,500	8,000- 11,000	6,000- 8,000	6,000- 8,400	8,050- 9,550	7,900- 10,500

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SOUTH CAROLINA STATE UNIVERSITIES

FACULTY SALARY RANGES

Approved 1970-71 and Proposed 1971-72

	<u>Univ. of S. C.</u>		<u>Clemson Univ.</u>		<u>Medical Univ.</u>	
	<u>1970-1</u>	<u>1971-2</u>	<u>1970-1</u>	<u>1971-2</u>	<u>1970-1</u>	<u>1971-2</u>
	\$	\$	\$	\$	\$	\$
Deans (12 mos.)	22,000- 29,000	22,660- 29,870	21,000- 28,080	21,840- 28,644		19,570- 41,200
Dept. Heads (11-12 mos.)	19,760- 27,500	20,806- 28,222	15,444- 25,008	17,088- 25,764	25,000- 35,000	30,000- 41,200
Professors (11-12 mos.)		12,500- 27,560	15,480- 21,324	14,664- 21,876	20,000- 34,000	18,540- 36,050
Professors (9 mos.)	11,856- 27,000	12,600- 27,690	12,492- 23,490	12,546- 24,192		
Assoc. Profs. (11-12 mos.)		14,705- 20,461	10,944- 19,764	10,536- 19,668	17,000- 30,000	12,600- 31,930
Assoc. Profs. (9 mos.)	9,360- 19,500	9,700- 18,020	9,108- 19,710	8,796- 19,620		
Asst. Profs. (11-12 mos.)		13,030- 19,504	10,476- 17,184	7,200- 16,068	14,000- 24,000	12,000- 30,000
Asst. Profs. (9 mos.)	7,696- 16,500	8,000- 16,960	8,100- 17,808	8,514- 17,514		
Associates (12 mos)					12,000- 21,000	12,000- 22,660
Instructors (11-12 mos.)		9,000- 16,500		6,924- 12,366	10,000- 18,000	7,000- 19,570
Instructors (9 mos.)	5,750- 12,500	6,000- 12,875	7,290- 13,014	7,488- 13,375		
Lecturers (12 mos.)				14,220- 19,584		
Lecturers (9 mos.)				6,822- 14,510		

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6/14/71

THE CITADEL

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	J. W. Duckett	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	W. E. Anderson	25,000	25,750	+3%
Vice President for Business Affairs	J. F. Bosch, Jr.	24,000	24,720	+3%
Vice President for Develop- ment	D. D. Nicholson	21,000	21,630	+3%
Vice President for Student Affairs	D. S. McAlister	22,000	22,660	+3%
Executive Asst. to the President	J. Woods	17,000**	17,450**	+3%
Asst. Director of Development	J. E. Burrows	13,125	13,519	+3%
Director of Museum	Vacant	10,050	10,050	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities.

\*\* Includes \$2,000 as Director of Boys Summer Camp

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CLEMSON UNIVERSITY

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	R. C. Edwards	\$33,800	\$34,814	+3%
Vice President for Business and Finance	M. A. Wilson	28,620	29,484	+3%
Vice President for Academic Affairs	V. Hurst	28,092	28,944	+3%
Vice President for Student Affairs	W. T. Cox	27,384	28,212	+3%
Vice President for Develop- ment	S. G. Nicholas	24,720	25,464	+3%
Vice President for Executive Affairs	A. W. Rigsby	24,720	25,464	+3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities (band, athletics, etc.)

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6/8/71

COLLEGE OF CHARLESTON

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	T. S. Stern	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	C. H. Womble	20,000	20,600	+3%
Vice President for Business Affairs	J. F. Tyler	18,000	18,540	+3%
Vice President for Student Affairs and Community Services	W. L. Brinkley, Jr.	18,000	18,540	+3%
Vice President for Institutional Research	V. G. Rivers	15,000	15,450	+3%
Vice President for Alumni and Development	W. A. Silcox	13,000**	13,730	+3%
Dean of Students	Vacant	16,000	12,500	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

\*\* Plus \$330 converted pre-7/1/70 fringe benefits.

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6/8/71

FRANCIS MARION COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	W. D. Smith	\$27,040	\$27,851	+3%
Vice President for Academic Affairs and Dean of College	J. W. Baker	23,000	24,200	+5.2%
Vice President for Business Affairs	L. W. Moelchert, Jr.	18,000	19,100	+6.1%
Vice President for Student Affairs and Athletic Director	R. R. Hackney, Jr.		21,000	
Asst. Dean of College	J. F. West		15,750	+5%
Dean of Men	Vacant		11,800	
Registrar	J. T. Davis		14,000	+6%
Director of Public Relations	F. H. Crow, Jr.		10,800	+5.9%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

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6/8/71

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	W. M. McCord	\$40,840	\$42,065	+3%
Vice President for Academic Affairs	J.W. Colbert Jr.	40,500	41,715	+3%
Vice President and Treasurer	J. E. Wise	34,859	35,904	+3%
Vice President for Develop- ment	W. D. Huff	24,000	24,720	+3%
Director of Institutional Studies	L. S. Flaum	23,000	23,690	+3%
Registrar	E. G. Overton	17,000	18,000	+5.9%
Hospital Director	W. A. McLees	35,000	36,050	+3%
Associate Hospital Director	L. R. Snead	20,000	20,600	+3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants, interns, residents.

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SOUTH CAROLINA STATE COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	M. M. Nance, Jr.	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	A. S. Belcher	23,000	23,690	+3%
Director of Business and Finance	H. A. Jenkins	16,000	16,480	+3%
Director of Development, Planning and Research	R. L. Hurst	18,000	18,540	+3%
Dean of Student Affairs	O. P. Butler	17,000	17,510	+3%
Asst. to the President	H. N. Vincent	17,000	17,000	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities.

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6/7/71

UNIVERSITY OF SOUTH CAROLINA

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	T. F. Jones	\$33,800	\$34,814	+3%
Provost	W. H. Patterson	32,000	32,960	+3%
Vice Provost	J. C. Guilds	30,000	30,900	+3%
Vice President for Advanced Studies	H. W. Davis	28,500	29,355	+3%
Vice President for Business Affairs	H. Brunton	28,500	29,355	+3%
Vice President for Student Affairs	C. H. Witten	26,000	26,780	+3%
Vice President for Development	C. W. Martin	25,000	25,750	+3%
Director of Information Services	H. Z. Knauss	24,440	25,173	+3%
Associate Vice Provost	R. G. Landen		23,000	
Asst. Vice President for Research	A. R. Macon	19,760	20,946	+6%
Government Liaison Officer	J. P. Beasley	17,000	19,000	+11.8%
Asst. to the President	H. E. Varney	17,680	18,741	+6%
Asst. Vice President for Student Affairs	P. P. Fidler	15,600	16,536	+6%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities (band director, athletic coaches, etc.)

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6/8/71

WINTHROP COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	C. S. Davis	\$27,040	\$27,851	+ 3%
Vice President for Academic Affairs and Dean of Faculty	R. A. Webb	22,700	24,000	+ 5.7%
Vice President for Business and Finance	K. R. Manning	19,000	20,500	+ 8%
Director of Academic Planning and Institutional Research	J. R. Cooper	20,000	21,000	+ 5%
Registrar	W. D. Livingston	19,000	19,500	+ 2.6%
Business Manager	J. H. Drennan, Jr.	17,500	18,000	+ 2.9%
Dean of Students	I. B. Gibson	15,800	16,600	+ 5%
Director of Public Relations	R. J. Flynn	15,800	16,600	+ 5%
Director of Guidance, Testing and Placement	O. B. Powell	16,200	16,600	+ 2.5%
Director of Admissions	C. Cornwell	10,000	10,300	+ 3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

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6/8/71

COMMISSION ON HIGHER EDUCATION

Unclassified Salaries

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
Commissioner	James A. Morris	\$28,000	\$28,000*	
Asst. Commissioner for Programs & Research	F. E. Kinard	23,200	24,000	+3.4%
Asst. Commissioner for Financial Affairs	W. C. Jennings	23,200	24,000	+3.4%
Asst. Commissioner for Facilities Planning and Special Projects	J. R. Michael	18,000	22,000**	+22.2%

\* Per General Appropriation Bill

\*\* Promoted during year

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6/14/71



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION  
RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

JAMES A. MORRIS  
COMMISSIONER

June 24, 1971

TELEPHONE  
803 / 758-2407

Mr. P. C. Smith  
Secretary  
Budget & Control Board  
Post Office Box 11333  
Columbia, South Carolina 29211

*For next  
Board mtg  
7-29-71*

Dear Pat:

As promised at yesterday's meeting, I am pleased to forward copies of three of our recent analyses relating to state colleges' and universities' faculty salaries:

1. Fall 1970 Student/Faculty Data Summary. This emphasizes the similarities and variations among the state institutions as to faculty rank proportions, faculty productivity, student/faculty ratios, scheduled teaching hours and class size. All of the measurements are important; none should be considered in isolation or out of context.
2. Average Salaries of Instructional Faculty, 1970-71. Average salaries by rank and in total, all converted to a 9-month contract basis, are indicated. These are for instructional faculty only and do not include persons with faculty rank who do not teach.
3. 1970-71 Instructional Faculty Salary Comparison, Citadel - Winthrop - S. C. State. This study compares average faculty salaries at the three institutions and suggests reasons for differences, in terms of age, service and academic achievement.

I hope these analyses will assist the Board in considering the proposed faculty salary ranges for 1971-72. Please let me know if I can be of further help.

Yours sincerely,

James A. Morris

jrt

Enclosures

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SOUTH CAROLINA PUBLIC COLLEGES & UNIVERSITIES

FALL 1970 STUDENT/FACULTY DATA SUMMARY  
(From CHE Reports)

	U.S.C. Main Campus	Clemson Main Campus	Winthrop	Citadel	S.C. State	Francis Marion	College* of Charleston
<u>STUDENT HEADCOUNT</u>	13,558	7,601	3,910	2,665	2,148	906	1,040
% Male	66	78	2	91	47	66	36
% South Carolinian	75	81	89	62	94	99	90
% White	98	98	95	98	4	91	86
<u>FTE STUDENTS</u>	12,954	7,770	3,556	2,543	1,976	770	706
% Lower Division (Fresh., Soph.)	56	58	65	61	63	88	79
% Upper Division (Jun., Sen., etc.)	25	33	31	35	31	12	21
% Professional (Law)	5						
% Graduate 1st Level (Master's)	10	7	4	4	6		
% Graduate 2nd Level (Doctorate)	4	2					
<u>FTE TEACHING FACULTY</u>	790.4	593.2	190.0	158.3	133.6	37.0	52.9
% Professors	17	13	18	17	14	7	18
% Associate Professors	17	28	19	23	24	24	15
% Assistant Professors	27	27	35	59	31	28	56
% Instructors	13	9	22	1	28	41	
% Teaching Assistants	21	20	6		1		
% Other (Lecturers, etc.)	5	3			2		11
<u>SEMESTER CREDIT HOUR PRODUCTION</u>	181,930	111,656	52,509	37,550	28,881	11,555	11,947
Per FTE Teaching Faculty	230	188	276	237	198	354	226
<u>PRODUCTION PROFILE</u> (Scheduled Teaching Hours to produce 1 Credit Hour)	1.26	1.29	1.13	1.12	1.46	1.13	1.15
<u>FTE STUDENT/FTE FACULTY RATIO</u>	16.4	13.1	18.7	16.1	14.7	20.8	15.1
<u>SCHEDULED TEACHING HOURS PER WEEK PER FTE FACULTY</u>	9.3	11.5	14.9	12.0	15.6	13.0	12.7
<u>AVERAGE NUMBER OF STUDENTS PER SCHEDULED CLASS</u>	29.3	22.5	22.3 <sup>W</sup>	20.5	19.4	27.6	21.3

WCJ  
12/22/70

\* Revised May 1971

SOUTH CAROLINA PUBLIC COLLEGES AND UNIVERSITIES

AVERAGE SALARIES OF INSTRUCTIONAL FACULTY

1970-71, 9-Month Contract Basis\*  
 (Summarized from Fall 1970 CHE Reports)

	<u>Professors</u>	<u>Associate Professors</u>	<u>Assistant Professors</u>	<u>Instructors</u>	<u>Total Instructional Faculty**</u>
Medical U. of S. C.	\$20,704	\$17,569	\$13,180	\$8,814	\$13,483
USC (Main campus)	18,001	14,122	12,020	9,213	13,259
Clemson (Main campus)	16,770	13,860	11,510	8,880	13,045
Winthrop	14,210	13,012	10,602	8,281	11,525
Citadel	15,917	12,768	10,767	7,821	12,281
S.C. State	16,017	11,583	9,914	8,396	10,641
Francis Marion	15,066	12,958	10,127	8,427	10,532
College of Charleston	14,626	12,659	9,728	-	11,059

\* Averages (mean) include 10½, 11 and 12 month contract salaries converted to 9 month basis using AAUP divisors.

\*\* Excludes graduate teaching assistants.

WCJ  
 1/21/71



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

JAMES A. MORRIS  
COMMISSIONER

January 14, 1971

TELEPHONE  
803/758-2407

TO: Dr. James A. Morris  
FROM: William C. Jennings  
SUBJECT: 1970-71 Instructional Faculty Salary Comparison  
Citadel - Winthrop - S. C. State

We are now able to put together a reliable comparison of instructional faculty salaries at Winthrop, The Citadel and South Carolina State. A copy is attached. In addition to answering some of our own questions, it will assist you in responding to inquiries by the Budget and Control Board.

The attached comparison makes use of "headcount" faculty characteristics requested of the three colleges last fall. Salary data, however, are obtained from each institution's regular CRE Report 10. Two major advantages of the latter are: (1) salaries are reported on a full time equivalent basis (i.e., not distorted by part time faculty) and (2) 10½, 11 and 12 month contract salaries are brought into the comparison by converting to a 9 month contract basis.

The \$12,281 average salary of the entire instructional faculty at The Citadel is 6½% higher than at Winthrop despite Winthrop's higher percentage of Ph.D.'s. Citadel's faculty, however, are slightly older and have somewhat more service. S. C. State's faculty members have about the same age and service characteristics as Winthrop's. Therefore, State's comparatively low average salary of \$10,641 (Citadel's is 15.4% higher; Winthrop's \$11,525 is 8.3% higher) appears to reflect, at least in part, the substantially smaller proportion of Ph.D.'s at State.

Comparisons by rank help to understand the above aggregate differences. Winthrop's professors appear to be underpaid, particularly in view of their higher percentage of doctorates. Salaries of associate professors at Winthrop are relatively higher, despite lower age and service, presumably because of superior backgrounds in terms of doctoral degrees. Citadel's assistant professors make slightly more than Winthrop's, although percentage of doctorates would seem to justify a greater spread. Assistant professors at State and Winthrop have similar statistical characteristics; Winthrop's make more money.

Risking a few overall conclusions, Winthrop could gradually improve salaries of its professors, as well as make sure its well educated associate professors retain their salary preeminence. S. C. State should improve its overall faculty salaries by acquiring more well qualified associate professors and assistant professors, thereby justifying higher average salaries for those ranks.

jrt

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THREE SOUTH CAROLINA PUBLIC COLLEGES  
1970-71 INSTRUCTIONAL FACULTY SALARY COMPARISON

	<u>Citadel</u>	<u>Winthrop</u>	<u>S. C. State</u>
<u>PROFESSORS</u>			
Average salary	\$15,917	\$14,210	\$16,017
% PhD's	74%	95%	90%
Average Age	51	49	51
Average Years as Faculty	22	18	15
Average Years at this College	16	12	11
<u>ASSOCIATE PROFESSORS</u>			
Average salary	\$12,768	\$13,012	\$11,583
% PhD's	36%	89%	24%
Average Age	50	39	47
Average Years as Faculty	17	8	13
Average Years at this College	14	5	10
<u>ASSISTANT PROFESSORS</u>			
Average Salary	\$10,767	\$10,602	\$ 9,914
% PhD's	28%	15%	15%
Average Age	41	44	43
Average Years as Faculty	8	11	10
Average Years at this College	6	10	8
<u>INSTRUCTORS</u>			
Average Salary	\$ 7,821	\$ 8,281	\$ 8,396
% PhD's	0%	3%	0%
Average Age	31	32	32
Average Years as Faculty	0	3	2
Average Years at this College	0	2	2
<u>TOTAL INSTRUCTIONAL FACULTY</u>			
Average Salary	\$12,281	\$11,525	\$10,641
% PhD's	40%	45%	26%
Average Age	45	42	43
Average Years as Faculty	13	10	10
Average Years at this College	10	8	7

Notes: Characteristics of "headcount" instructional faculty were requested specially from the colleges.  
Salaries of full time equivalent (FTE) instructional faculty are from CHE Reports 10.  
All averages are arithmetic means.  
All salaries are for 9 months or are converted to a 9 month contract basis using AAUP divisors.

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

JAMES A. MORRIS  
COMMISSIONER

June 15, 1971

TELEPHONE  
803 / 758-2407

Mr. P. C. Smith  
Secretary  
Budget and Control Board  
Post Office Box 11333  
Columbia, South Carolina

*Done  
to 7/29*

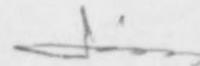
Dear Pat:

Enclosed are two statements showing the faculty salary ranges, by rank, proposed for 1971-72 by the state colleges and universities. To assist the Board in its review we have grouped the data for the five colleges and for the three universities, and have indicated the corresponding salary ranges approved by the Board for 1970-71. The ranges show varying amounts and percentages of change for the highest and the lowest salaried individuals in each rank, reflecting differing competitive salary structures in the various academic disciplines as well as promotions, retirements and new hires. Efforts have been made to adhere to approximately 3% increases for most faculty members.

Also enclosed, for each of the eight colleges and universities and for the Commission on Higher Education, is a list of unclassified personnel not covered by the faculty ranges. Approved 1970-71 salaries, proposed 1971-72 salaries, and percentage increases are indicated in each case. You will note that the proposed salaries for presidents reflect precisely 3% increases, and are standardized at \$27,851 for the colleges, \$34,814 for U.S.C. and Clemson, and \$42,065 for the Medical University. In all other instances, proposed increases are confined to approximately 3% except for promotions or exceptional merit.

I look forward to discussing the enclosures with the Board on Wednesday, June 23 at 3:00 p.m.

Yours sincerely,



James A. Morris

jrt

Enclosures

SOUTH CAROLINA STATE COLLEGES

FACULTY SALARY RANGES

Approved 1970-71 and Proposed 1971-72

	<u>Winthrop</u>		<u>Citadel</u>		<u>S. C. State</u>		<u>College of Chas.</u>		<u>Francis Marion</u>	
	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>	<u>1970-71</u>	<u>1971-72</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Deans (12 mos.)	20,000- 21,000	21,000- 22,000			17,000- 21,000	18,000- 22,000				
Dept. Heads (12 mos.)	15,000- 20,200	15,800- 20,800	15,600- 18,475	16,068- 19,029						
Dept. Heads (10 mos.)					11,500- 19,000	12,000- 20,000				
Professors (10 mos.)					16,500- 18,000	17,000- 19,000				
Professors (9 mos.)	10,000- 20,000	10,400- 19,000	13,300- 16,175	13,699- 16,660	12,500- 16,500	13,000- 17,500	12,500- 18,000	12,500- 18,900	13,200- 16,000	13,800- 17,100
Assoc. Prof. (9 mos.)	11,000- 15,500	11,700- 16,000	11,550- 15,025	11,897- 15,476	9,500- 14,000	10,500- 15,000	11,000- 15,000	11,000- 15,800	10,400- 15,800	10,700- 15,200
Asst. Prof. (9 mos.)	7,300- 13,500	8,000- 13,800	9,180- 12,945	9,455- 13,333	8,500- 11,700	10,000- 13,500	8,000- 12,500	8,000- 13,200	9,650- 10,750	9,900- 11,200
Instructors (9 mos.)	6,700- 9,300	7,500- 9,400	8,500- 8,800	8,755- 9,064	6,800- 10,500	8,000- 11,000	6,000- 8,000	6,000- 8,400	8,050- 9,550	7,900- 10,500

WCJ  
6/7/71

SOUTH CAROLINA STATE UNIVERSITIES

FACULTY SALARY RANGES

Approved 1970-71 and Proposed 1971-72

	<u>Univ. of S. C.</u>		<u>Clemson Univ.</u>		<u>Medical Univ.</u>	
	<u>1970-1</u>	<u>1971-2</u>	<u>1970-1</u>	<u>1971-2</u>	<u>1970-1</u>	<u>1971-2</u>
	\$	\$	\$	\$	\$	\$
Deans (12 mos.)	22,000- 29,000	22,660- 29,870	21,000- 28,080	21,840- 28,644		19,570- 41,200
Dept. Heads (11-12 mos.)	19,760- 27,500	20,806- 28,222	15,444- 25,008	17,088- 25,764	25,000- 35,000	30,000- 41,200
Professors (11-12 mos.)		12,500- 27,560	15,480- 21,324	14,664- 21,876	20,000- 34,000	18,540- 36,050
Professors (9 mos.)	11,856- 27,000	12,600- 27,690	12,492- 23,490	12,546- 24,192		
Assoc. Profs. (11-12 mos.)		14,705- 20,461	10,944- 19,764	10,536- 19,668	17,000- 30,000	12,600- 31,930
Assoc. Profs. (9 mos.)	9,360- 19,500	9,700- 18,020	9,108- 19,710	8,796- 19,620		
Asst. Profs. (11-12 mos.)		13,030- 19,504	10,476- 17,184	7,200- 16,068	14,000- 24,000	12,000- 30,000
Asst. Profs. (9 mos.)	7,696- 16,500	8,000- 16,960	8,100- 17,808	8,514- 17,514		
Associates (12 mos)					12,000- 21,000	12,000- 22,660
Instructors (11-12 mos.)		9,000- 16,500		6,924- 12,366	10,000- 18,000	7,000- 19,570
Instructors (9 mos.)	5,750- 12,500	6,000- 12,875	7,290- 13,014	7,488- 13,375		
Lecturers (12 mos.)				14,220- 19,584		
Lecturers (9 mos.)				6,822- 14,510		

WCJ  
6/14/71

THE CITADEL

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	J. W. Duckett	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	W. E. Anderson	25,000	25,750	+3%
Vice President for Business Affairs	J. F. Bosch, Jr.	24,000	24,720	+3%
Vice President for Develop- ment	D. D. Nicholson	21,000	21,630	+3%
Vice President for Student Affairs	D. S. McAlister	22,000	22,660	+3%
Executive Asst. to the President	J. Woods	17,000**	17,450**	+3%
Asst. Director of Development	J. E. Burrows	13,125	13,519	+3%
Director of Museum	Vacant	10,050	10,050	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities.

\*\* Includes \$2,000 as Director of Boys Summer Camp

WCJ  
6/7/71

CLEMSON UNIVERSITY

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	R. C. Edwards	\$33,800	\$34,814	+3%
Vice President for Business and Finance	M. A. Wilson	28,620	29,484	+3%
Vice President for Academic Affairs	V. Hurst	28,092	28,944	+3%
Vice President for Student Affairs	W. T. Cox	27,384	28,212	+3%
Vice President for Develop- ment	S. G. Nicholas	24,720	25,464	+3%
Vice President for Executive Affairs	A. W. Rigsby	24,720	25,464	+3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities (band, athletics, etc.)

WCJ  
6/8/71

COLLEGE OF CHARLESTON

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	T. S. Stern	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	C. H. Womble	20,000	20,600	+3%
Vice President for Business Affairs	J. F. Tyler	18,000	18,540	+3%
Vice President for Student Affairs and Community Services	W. L. Brinkley, Jr.	18,000	18,540	+3%
Vice President for Institutional Research	V. G. Rivers	15,000	15,450	+3%
Vice President for Alumni and Development	W. A. Silcox	13,000**	13,730	+3%
Dean of Students	Vacant	16,000	12,500	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

\*\* Plus \$330 converted pre-7/1/70 fringe benefits.

WCJ  
6/8/71

FRANCIS MARION COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	W. D. Smith	\$27,040	\$27,851	+3%
Vice President for Academic Affairs and Dean of College	J. W. Baker	23,000	24,200	+5.2%
Vice President for Business Affairs	L. W. Moelchert, Jr.	18,000	19,100	+6.1%
Vice President for Student Affairs and Athletic Director	R. R. Hackney, Jr.		21,000	
Asst. Dean of College	J. F. West		15,750	+5%
Dean of Men	Vacant		11,800	
Registrar	J. T. Davis		14,000	+6%
Director of Public Relations	F. H. Crow, Jr.		10,800	+5.9%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

WCJ  
6/8/71

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	W. M. McCord	\$40,840	\$42,065	+3%
Vice President for Academic Affairs	J.W. Colbert Jr.	40,500	41,715	+3%
Vice President and Treasurer	J. E. Wise	34,859	35,904	+3%
Vice President for Develop- ment	W. D. Huff	24,000	24,720	+3%
Director of Institutional Studies	L. S. Flaum	23,000	23,690	+3%
Registrar	E. G. Overton	17,000	18,000	+5.9%
Hospital Director	W. A. McLees	35,000	36,050	+3%
Associate Hospital Director	L. R. Snead	20,000	20,600	+3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants, interns, residents.

WCJ  
6/14/71

SOUTH CAROLINA STATE COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	M. M. Nance, Jr.	\$27,040	\$27,851	+3%
Vice President for Academic Affairs	A. S. Belcher	23,000	23,690	+3%
Director of Business and Finance	H. A. Jenkins	16,000	16,480	+3%
Director of Development, Planning and Research	R. L. Hurst	18,000	18,540	+3%
Dean of Student Affairs	O. P. Butler	17,000	17,510	+3%
Asst. to the President	H. N. Vincent	17,000	17,000	

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities.

WCJ  
6/7/71

UNIVERSITY OF SOUTH CAROLINA

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	T. F. Jones	\$33,800	\$34,814	+3%
Provost	W. H. Patterson	32,000	32,960	+3%
Vice Provost	J. C. Guilds	30,000	30,900	+3%
Vice President for Advanced Studies	H. W. Davis	28,500	29,355	+3%
Vice President for Business Affairs	H. Brunton	28,500	29,355	+3%
Vice President for Student Affairs	C. H. Witten	26,000	26,780	+3%
Vice President for Development	C. W. Martin	25,000	25,750	+3%
Director of Information Services	H. Z. Knauss	24,440	25,173	+3%
Associate Vice Provost	R. G. Landen		23,000	
Asst. Vice President for Research	A. R. Macon	19,760	20,946	+6%
Government Liaison Officer	J. P. Beasley	17,000	19,000	+11.8%
Asst. to the President	H. E. Varney	17,680	18,741	+6%
Asst. Vice President for Student Affairs	P. P. Fidler	15,600	16,536	+6%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, supplements to military personnel, student assistants.
- (3) Self-supporting activities (band director, athletic coaches, etc.)

WCJ  
6/8/71

WINTHROP COLLEGE

Unclassified Salaries\*

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
President	C. S. Davis	\$27,040	\$27,851	+ 3%
Vice President for Academic Affairs and Dean of Faculty	R. A. Webb	22,700	24,000	+ 5.7%
Vice President for Business and Finance	K. R. Manning	19,000	20,500	+ 8%
Director of Academic Planning and Institutional Research	J. R. Cooper	20,000	21,000	+ 5%
Registrar	W. D. Livingston	19,000	19,500	+ 2.6%
Business Manager	J. H. Drennan, Jr.	17,500	18,000	+ 2.9%
Dean of Students	I. B. Gibson	15,800	16,600	+ 5%
Director of Public Relations	R. J. Flynn	15,800	16,600	+ 5%
Director of Guidance, Testing and Placement	O. B. Powell	16,200	16,600	+ 2.5%
Director of Admissions	C. Cornwell	10,000	10,300	+ 3%

\* Excluding:

- (1) Faculty salary ranges (including research, library and other academic equivalents).
- (2) Part-time personnel, student assistants.
- (3) Self-supporting activities.

WCJ  
6/8/71

COMMISSION ON HIGHER EDUCATION

Unclassified Salaries

Approved 1970-71 and Proposed 1971-72

<u>Position</u>	<u>Name</u>	<u>1970-71 Salary</u>	<u>1971-72 Salary</u>	
Commissioner	James A. Morris	\$28,000	\$28,000*	
Asst. Commissioner for Programs & Research	F. E. Kinard	23,200	24,000	+3.4%
Asst. Commissioner for Financial Affairs	W. C. Jennings	23,200	24,000	+3.4%
Asst. Commissioner for Facilities Planning and Special Projects	J. R. Michael	18,000	22,000**	+22.2%

\* Per General Appropriation Bill

\*\* Promoted during year

JAM  
6/14/71



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING

1429 SENATE STREET

COLUMBIA, S. C. 29201

JAMES A. MORRIS  
COMMISSIONER

June 24, 1971

TELEPHONE  
803 / 758-2407

*For meet  
Broad Mtg  
7-29-71*

Mr. P. C. Smith  
Secretary  
Budget & Control Board  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Pat:

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1. Fall 1970 Student/Faculty Data Summary. This emphasizes the similarities and variations among the state institutions as to faculty rank proportions, faculty productivity, student/faculty ratios, scheduled teaching hours and class size. All of the measurements are important; none should be considered in isolation or out of context.
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I hope these analyses will assist the Board in considering the proposed faculty salary ranges for 1971-72. Please let me know if I can be of further help.

Yours sincerely,

James A. Morris

jrt

Enclosures

41

SOUTH CAROLINA PUBLIC COLLEGES & UNIVERSITIES

FALL 1970 STUDENT/FACULTY DATA SUMMARY  
(From CHE Reports)

	U.S.C. Main Campus	Clemson Main Campus	Winthrop	Citadel	S.C. State	Francis Marion	College* of Charleston
<u>STUDENT HEADCOUNT</u>	13,558	7,601	3,910	2,665	2,148	906	1,040
% Male	66	78	2	91	47	66	36
% South Carolinian	75	81	89	62	94	99	90
% White	98	98	95	98	4	91	86
<u>FTE STUDENTS</u>	12,954	7,770	3,556	2,543	1,976	770	796
% Lower Division(Fresh.,Soph.)	56	58	65	61	63	88	79
% Upper Division(Jun.,Sen.,etc.)	25	33	31	35	31	12	21
% Professional (Law)	5						
% Graduate 1st Level(Master's)	10	7	4	4	6		
% Graduate 2nd Level(Doctorate)	4	2					
<u>FTE TEACHING FACULTY</u>	790.4	593.2	190.0	158.3	133.6	37.0	52.9
% Professors	17	13	18	17	14	7	18
% Associate Professors	17	28	19	23	24	24	15
% Assistant Professors	27	27	35	59	31	28	56
% Instructors	13	9	22	1	28	41	
% Teaching Assistants	21	20	6		1		
% Other (Lecturers, etc.)	5	3			2		11
<u>SEMESTER CREDIT HOUR PRODUCTION</u>	181,930	111,656	52,509	37,550	28,881	11,555	11,947
Per FTE Teaching Faculty	230	188	276	237	198	354	226
<u>PRODUCTION PROFILE</u> (Scheduled Teaching Hours to produce 1 Credit Hour)	1.26	1.29	1.13	1.12	1.46	1.13	1.15
<u>FTE STUDENT/FTE FACULTY RATIO</u>	16.4	13.1	18.7	16.1	14.7	20.8	15.1
<u>SCHEDULED TEACHING HOURS PER WEEK PER FTE FACULTY</u>	9.3	11.5	14.9	12.0	15.6	13.0	12.7
<u>AVERAGE NUMBER OF STUDENTS PER SCHEDULED CLASS</u>	29.3	22.5	22.3*	20.5	19.4	27.6	21.3

WCJ  
12/22/70

\* Revised May 1971

SOUTH CAROLINA PUBLIC COLLEGES AND UNIVERSITIES

AVERAGE SALARIES OF INSTRUCTIONAL FACULTY

1970-71, 9-Month Contract Basis\*  
(Summarized from Fall 1970 CHE Reports)

	<u>Professors</u>	<u>Associate Professors</u>	<u>Assistant Professors</u>	<u>Instructors</u>	<u>Total Instructional Faculty**</u>
Medical U. of S. C.	\$20,704	\$17,569	\$13,180	\$8,814	\$13,483
USC (Main campus)	18,001	14,122	12,020	9,213	13,259
Clemson (Main campus)	16,770	13,860	11,510	8,880	13,045
Winthrop	14,210	13,012	10,602	8,281	11,525
Citadel	15,917	12,768	10,767	7,821	12,281
S.C. State	16,017	11,583	9,914	8,396	10,641
Francis Marion	15,066	12,958	10,127	8,427	10,532
College of Charleston	14,626	12,659	9,728	-	11,059

\* Averages (mean) include 10½, 11 and 12 month contract salaries converted to 9 month basis using AAUP divisors.

\*\* Excludes graduate teaching assistants.

WCJ  
1/21/71



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

JAMES A. MORRIS  
COMMISSIONER

January 14, 1971

TELEPHONE  
803 / 758-2407

TO: Dr. James A. Morris  
FROM: William C. Jennings  
SUBJECT: 1970-71 Instructional Faculty Salary Comparison  
Citadel - Winthrop - S. C. State

We are now able to put together a reliable comparison of instructional faculty salaries at Winthrop, The Citadel and South Carolina State. A copy is attached. In addition to answering some of our own questions, it will assist you in responding to inquiries by the Budget and Control Board.

The attached comparison makes use of "headcount" faculty characteristics requested of the three colleges last fall. Salary data, however, are obtained from each institution's regular CHE Report 10. Two major advantages of the latter are: (1) salaries are reported on a full time equivalent basis (i.e., not distorted by part time faculty) and (2) 10½, 11 and 12 month contract salaries are brought into the comparison by converting to a 9 month contract basis.

The \$12,281 average salary of the entire instructional faculty at The Citadel is 6½% higher than at Winthrop despite Winthrop's higher percentage of Ph.D.'s. Citadel's faculty, however, are slightly older and have somewhat more service. S. C. State's faculty members have about the same age and service characteristics as Winthrop's. Therefore, State's comparatively low average salary of \$10,641 (Citadel's is 15.4% higher; Winthrop's \$11,525 is 8.3% higher) appears to reflect, at least in part, the substantially smaller proportion of Ph.D.'s at State.

Comparisons by rank help to understand the above aggregate differences. Winthrop's professors appear to be underpaid, particularly in view of their higher percentage of doctorates. Salaries of associate professors at Winthrop are relatively higher, despite lower age and service, presumably because of superior backgrounds in terms of doctoral degrees. Citadel's assistant professors make slightly more than Winthrop's, although percentage of doctorates would seem to justify a greater spread. Assistant professors at State and Winthrop have similar statistical characteristics; Winthrop's make more money.

Risking a few overall conclusions, Winthrop could gradually improve salaries of its professors, as well as make sure its well educated associate professors retain their salary preeminence. S. C. State should improve its overall faculty salaries by acquiring more well qualified associate professors and assistant professors, thereby justifying higher average salaries for those ranks.

jrt

THREE SOUTH CAROLINA PUBLIC COLLEGES  
1970-71 INSTRUCTIONAL FACULTY SALARY COMPARISON

	<u>Citadel</u>	<u>Winthrop</u>	<u>S. C. State</u>
<u>PROFESSORS</u>			
Average salary	\$15,917	\$14,210	\$16,017
% PhD's	74%	95%	90%
Average Age	51	49	51
Average Years as Faculty	22	18	15
Average Years at this College	16	12	11
<u>ASSOCIATE PROFESSORS</u>			
Average salary	\$12,768	\$13,012	\$11,583
% PhD's	36%	89%	24%
Average Age	50	39	47
Average Years as Faculty	17	8	13
Average Years at this College	14	5	10
<u>ASSISTANT PROFESSORS</u>			
Average Salary	\$10,767	\$10,602	\$9,914
% PhD's	28%	15%	15%
Average Age	41	44	43
Average Years as Faculty	8	11	10
Average Years at this College	6	10	8
<u>INSTRUCTORS</u>			
Average Salary	\$7,821	\$8,281	\$8,396
% PhD's	0%	3%	0%
Average Age	31	32	32
Average Years as Faculty	0	3	2
Average Years at this College	0	2	2
<u>TOTAL INSTRUCTIONAL FACULTY</u>			
Average Salary	\$12,281	\$11,525	\$10,641
% PhD's	40%	45%	26%
Average Age	45	42	43
Average Years as Faculty	13	10	10
Average Years at this College	10	8	7

Notes: Characteristics of "headcount" instructional faculty were requested specially from the colleges.  
Salaries of full time equivalent (FTE) instructional faculty are from CHE Reports 10.  
All averages are arithmetic means.  
All salaries are for 9 months or are converted to a 9 month contract basis using AAUP divisors.

JULY 29, 1971

EXHIBIT II

July 6, 1971

MEMORANDUM TO: Honorable John C. West, Governor  
FROM: P. C. Smith, State Auditor  
SUBJECT: Communication from Dr. William S. Hall Regarding A  
"Master Plan" for Mental Health Department

Enclosed is a copy of a communication from Dr. William S. Hall regarding a "Master Plan" developed by the Mental Health people. You will note that he is suggesting that this plan be presented at an early meeting of the Budget and Control Board, and is suggesting that the Board hold its meeting in the Department's Administration Building.

As you will recall, our next meeting is scheduled for 3:00 P. M., Thursday, July 29. Please let me know whether or not it is agreeable to you to accept Dr. Hall's invitation for this meeting.

Enclosures



State of South Carolina  
**DEPARTMENT OF MENTAL HEALTH**

2414 Bull Street  
Columbia, S. C.  
AREA CODE (803) 256-9911

MAILING ADDRESS:  
P. O. Box 485  
Columbia, S. C. 29202

June 24, 1971

WILLIAM S. HALL, M.D.  
State Commissioner  
of Mental Health

RAYMOND E. ACKERMAN, M.D.  
Deputy Commissioner  
Community Mental Health Services

ALEXANDER G. DONALD, M.D.  
Deputy Commissioner  
Educational and Research Services

THOMAS G. FAISON, M.D.  
Acting Deputy Commissioner  
Alcohol and Drug Addiction  
Services

JOHN G. MORRIS, JR.  
Deputy Commissioner  
Administrative Services

RACINE D. BROWN, Ph.D.  
Director  
Program Development Services

Mental Health Commission

C. M. TUCKER, JR., Chairman  
Pageland

JOHN M. FEWELL, M.D.  
Greenville

G. WERBER BRYAN  
Sumter

W. G. EDWARDS, SR.  
Columbia

WALTER H. SOLOMON  
Charleston

J. C. BULL, M.D.  
Spartanburg

BERNARD WARSHAW  
Walterboro

Mr. P. C. Smith, Secretary  
State Budget and Control Board  
P. O. Box 11333  
Columbia, South Carolina 29211

Dear Mr. Smith:

Approximately two and one-half years ago, the Department of Mental Health embarked on an in-depth study and development of a "Master Plan." While the primary aim at the inception of this project was to determine our building needs, it quickly became quite evident that we would have to come to grips with the type treatment programs we wished these new facilities to accommodate.

With a multi-disciplinary group of key professional personnel from the Department of Mental Health joining with a professional staff member of the Clemson University College of Architecture, we have developed what we believe to be the most innovative marriage of psychiatric patient care systems with physical design systems in the country. The constant probing and reevaluation of our treatment philosophies has resulted in a more well defined treatment program that would encompass the communities in a more direct way than we have thought possible.

The "Village System" as conceived for classical mentally ill patients and special programs (alcoholism, children's units, drug addiction, etc.) is basically composed of a series of patient treatment and living units called "Villages." The "Villages" relate to specified community mental health centers throughout the state and provide "continuity of care" for patients and afford an opportunity for "therapy" between staff, patient and their home community. The "Village System" as a controlled treatment environment for from 240 to 288 patients accommodates "group therapy" as a treatment philosophy. In these "Villages," patients are housed and treated in "Lodges" and "Groups"; eight "Lodges" each consisting of three group areas and a common multi-use area joined together to provide proper medical, psychological, and social environments for the patients. Each group living unit within a "Lodge" provides group therapy and living accommodations for 10 to 12 patients. The influences of the patient's community are duplicated in miniature within the "Village" center.

We feel that the time has come for us to fully apprise the Budget and Control Board of our long-range plans and the effects they will have on our bonding needs, as well as our budgetary needs. Our first attempt at implementing this program will be the development of a new site approximately one mile north of our present Crafts-Farrow campus.

Mr. P. C. Smith, Secretary

Page 2

June 24, 1971

This development will include the construction of a lake around which we will place several "Villages." Our immediate plans call for the construction of a 150-bed Alcoholic and Drug Treatment Center; "Village A", our first emotionally disturbed facility (mental illness); an Energy Facility which would provide cooling, heating and electrical energy for these first two "Villages" and a future "Village B"; and the installation of a water and sewer distribution system.

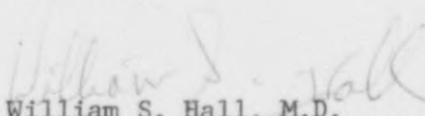
We have several large scale models of our campuses that depict three dimensionally the type building program we wish to develop. While the items can be transferred, our task would be greatly reduced if the Budget and Control Board would accept an invitation to hold a meeting in the Department of Mental Health Administration Building. An outline of our presentation, which would require approximately one and one-half hours of your time, is presented for your information.

1. The "Village System."
2. The Alcoholic and Drug Treatment Center.
  - a. Program and building plans.
  - b. Pilot program.
3. "Village A."
4. The Energy Facility and Utility System.
5. Financial Commitment.
  - a. Permanent improvement needs.
  - b. Budgetary needs.

I recently received a copy of a memorandum that Mr. I. M. McLeese sent to Governor West regarding a presentation of our plans for the development of the Alcoholic and Drug Treatment Center. I suggest that this presentation be included in this meeting as outlined in 2b above. A copy of Mr. McLeese's memorandum is attached for your information.

Your interest and aid in helping us develop long-range plans that will provide the best possible care for the mentally ill of South Carolina will be appreciated.

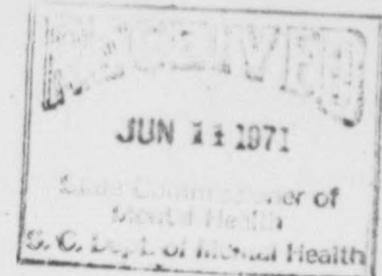
Sincerely,

  
William S. Hall, M.D.  
State Commissioner of Mental Health

WSH:sz  
Attachment



STATE OF SOUTH CAROLINA  
Office of The Governor  
Columbia 29201



JOHN C. WEST  
GOVERNOR

STATE PLANNING AND GRANTS DIVISION

MEMORANDUM

COPY

TO: Governor John C. West

FROM: *J.M.* Ike McLeese

SUBJECT: Addiction Center Demonstration Project Conducted by  
Department of Mental Health

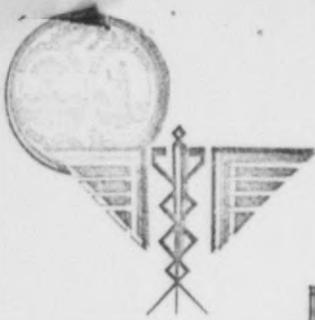
In the process of meeting with Dr. Hall to discuss the formulation of the Statewide Drug Abuse Plan we discussed the proposed addiction center which is to be a 150-bed facility scheduled to open in late 1972. This center will greatly enhance our ability to render treatment to drug and alcohol dependent persons. However, in order to assure that the proposed staff of the center is thoroughly acquainted with their task when the center opens, it appears to us necessary to conduct a training program in the form of a pilot project. There is a strong possibility that a large portion of the cost of this pilot project can be financed by LEAP. This, however, leaves Dr. Hall with the rather substantial expense for the remainder of the project. Dr. Hall requested that as chairman of the Budget and Control Board you review the enclosed material and that he be granted a personal appearance before the Budget and Control Board in its next meeting in order to explain his need for these monies.

I cannot overemphasize the substantial gain in our battle to fight drug abuse in South Carolina that will result from opening this addiction center and, therefore, I would like to recommend that Dr. Hall's pilot project be given personal consideration.

Should you desire additional information on this please do not hesitate to let me know.

CC: Carl Reasonover  
Colonel Whitmire  
Dr. Hall ✓

DGM/jna



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DEPARTMENT OF MENTAL HEALTH

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June 24, 1971

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Mr. P. C. Smith, Secretary  
Page 2  
June 24, 1971

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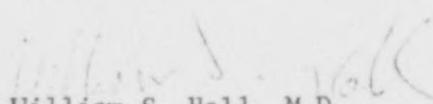
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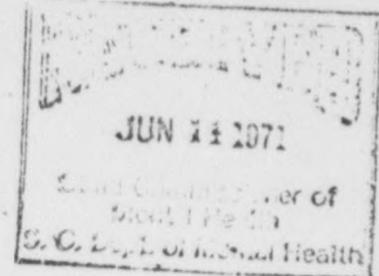
Sincerely,

  
William S. Hall, M.D.  
State Commissioner of Mental Health

WSH:sz  
Attachment



STATE OF SOUTH CAROLINA  
Office of The Governor  
Columbia 29201



JOHN C. WEST  
GOVERNOR

STATE PLANNING AND GRANTS DIVISION

MEMORANDUM

COPY

TO: Governor John C. West

FROM: T.M. Ike McLeese

SUBJECT: Addiction Center Demonstration Project Conducted by  
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Should you desire additional information on this please do not hesitate to let me know.

CC: Carl Reasonover  
Colonel Whitmire  
Dr. Hall ✓

DGM/jna



State of South Carolina  
**DEPARTMENT OF MENTAL HEALTH**

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 Spartanburg

BERNARD WARSHAW  
 Walterboro

July 27, 1971

*Re: 35th Case Language Fall*

*Act 329 of 1969 (Gen. App. Act), Part  
 II, Sec. 6.*

*Administered by BOBd in 1969-70.  
 3 thereafter "annually allocated by G.A.  
 in Gen. App. Act".*

*Est. now - 975,000*

Mr. P. C. Smith, Secretary  
 State Budget & Control Board  
 P. O. Box 11038  
 Columbia, South Carolina 29211

Dear Mr. Smith:

Your interest and efforts in arranging for the Budget and Control Board to meet with the Mental Health Commission and the Department of Mental Health for our presentation on long range planning is greatly appreciated.

As mentioned in my letter of June 24, 1971, it is our plan to present the "Village System," which is our master plan for the orderly development of treatment and building programs. This system, we believe, will allow our professional staff to utilize the most progressive methods available in the treatment of the mentally ill of our state. In order that we may begin immediately to implement the "Village System," it is our intention to ask the Budget and Control Board for approval of the following projects. Each of these projects will, of course, be discussed in detail in our meeting with the Board.

1. The "Addiction Center" project actually consists of two basic parts:
  - a. The development of a 150-bed alcoholic and drug treatment facility. The facility we are planning to construct has been designed to reflect the treatment program we wish to develop. Our thoughts and plans for this facility are documented in "Phase 1 & 2 -- The Addiction Center" which is enclosed for your convenience.
  - b. The immediate implementation of a pilot program which would allow us to test some of our ideas and develop a cadre of staff for the new "Addiction Center" is highly desirable. It is our plan to develop this program in Building #6 at Crafts-Farrow State Hospital. This building has recently been renovated and will provide adequate space for our test program. The program will include a small admissions area containing eight beds. This area will serve to care for patients going through detoxification or drug withdrawal. Four 12-bed areas will be developed to simulate as close as possible the group living and interaction areas being planned for the "Addiction Center." One of these groups will

Mr. P. C. Smith  
Page 2  
July 27, 1971

be made up of adolescent drug addicts; the other three will be made up of adult alcoholics and drug addicts. Dining, recreation, and arts and crafts will be provided on a limited scale in the center wing, first floor of this building. Alcoholic and Drug Division and Center administrative and professional staff offices will be housed in the center wing, second floor of this building. We are requesting that the Budget and Control Board allocate \$413,806 per year of the 35¢ tax on alcoholic beverages to the Department of Mental Health for the operation of this program for a period of two years or until the "Addiction Center" is completed.

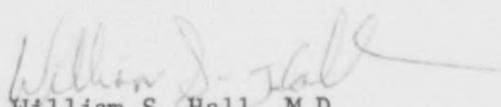
2. On March 19, 1970, the Budget and Control Board approved the expenditure of \$25,000 to be used to retain consultants and architects to aid us in the preliminary design of Village A. We have now reached a point where we wish to increase this budget to a level where actual construction of the first Village can be accomplished. Village A will be a controlled treatment environment of approximately 250 beds using "group therapy" as a treatment philosophy. Patients will be housed and treated in "lodges" and "groups," with each "lodge" consisting of three group areas and a common multi-use area joined together to provide medical, psychological and social environment for the patient. Each group living unit within a "lodge" provides group therapy and living accommodations for twelve patients. The influences of the patient's community are duplicated in miniature within the "Village Center." The Village idea is documented in more detail in "The Village System" which is enclosed for your convenience.
3. As we study the various land areas that we have available on which to construct new facilities, we concluded that it would be necessary to create a new campus area which would allow time to deplete the population at the South Carolina State Hospital and Crafts-Farrow State Hospital. The natural lake site which lies between Midlands Center and our own Crafts-Farrow State Hospital presents us with an area which would afford an architectural focal point, a tranquil setting and a built-in recreational environment ideal for our purposes. The development of this new site will, of course, necessitate the construction of a water and sewer system, an electrical and telephone distribution system, and other general utilities required for such an undertaking. Our consultants have told us that the most economical way of providing air conditioning to this new campus area is by using an energy facility which would pump primary chilled and hot water to the Villages for secondary distribution to smaller areas. A report, "Utilities Development Plan," prepared by our consultants is attached for your information.

Mr. P. C. Smith  
Page 3  
July 27, 1971

Consistent with the Budget and Control Board's regulations regarding approval of permanent improvement projects, I am enclosing E-1's and E-11's for each of the projects discussed above.

Your continued interest and aid in helping us provide the best possible care for the mentally ill of South Carolina is appreciated.

Sincerely,

  
William S. Hall, M.D.  
State Commissioner of Mental Health

WSH:CMH:sz

Enclosures



JULY 29, 1971

EXHIBIT III

STATE OF SOUTH CAROLINA  
DIVISION OF GENERAL SERVICES  
BUDGET AND CONTROL BOARD  
300 GERVAIS STREET  
COLUMBIA, S. C. 29201

FURMAN E. McEACHERN, JR.  
DIRECTOR

BUILDINGS AND GROUNDS  
DEPARTMENTAL SERVICES  
INSURANCE FOR PUBLIC  
BUILDINGS  
PRINTING AND OFFICE  
SUPPLIES  
PURCHASING  
SINKING FUNDS  
SURPLUS PROPERTY  
PROCUREMENT  
STATE FIRE MARSHAL

July 27, 1971

To: State Budget and Control Board

From: F. E. McEachern, Jr. *F. E. McEachern, Jr.*

I am attaching an agenda with items which I hope the Board will be able to discuss with me at its meeting Thursday, July 29, 1971.

With kind regards.

lc  
Attachment

STATE BUDGET & CONTROL BOARD  
DIVISION OF GENERAL SERVICES

Agenda

July 29, 1971

I. Attached is a compilation of annual reports and their cost for the period for fiscal year 1969-70. It is recommended that the Board issue a policy statement for printing annual reports which touches on the following points:

1. Concern of legislature for cost and increasing sophistication of reports (use of photographs, art work, multi-color and higher grade paper) Section 96 Act R-562 of 1971 (Appropriations Act)
2. Recognize merit of use of annual report as a promotional brochure. Promotion of programs, however, may be better accomplished with material designed for that purpose.
3. Some annual reports are also "working documents," as in the case of the Insurance Sinking Fund, or the Insurance Department. All reports should contain a summary of accomplishments during the year for historical purposes.
4. Policy for printing annual reports:
  - a. Copy must be in the hands of the State Printing Officer by October 1, in order to assure delivery by the February 15 deadline prescribed by statute.
  - b. Narrative reports will be printed 6 x 9, and are to be as brief as possible.
  - c. Do not use photographs, special art work or multi-color layouts.
  - d. Tabular material and long listings whenever possible. If necessary this information can be prepared by offset method in the department or procured through the State Printing Officer. Supplements may be 6 x 9 or 8 1/2 x 11.

II. State Printing Officer Bid Report

During the fiscal year 1969-70 the State Printing Officer processed for bids 1,189 requisitions covering 1,681 items. The difference between the low bid and the second low bid amounted to \$ 67,058.32. The difference between the low bids and high bids was \$ 171,173.45, thus the savings for cost reduction ranged somewhere between the low bids and high bids. The average monthly difference between the low and second low bid was \$ 5,588.19 and \$ 14,264.45 for the high bid. Reported as information.

III. Listed below is a compilation of policy limits and premiums paid by State agencies and institutions for vehicle liability insurance. It is recommended that the Budget and Control Board establish uniform limits for insurance and that all State vehicles which are insured be covered through a master policy obtained by the Division of General Services with costs to be prorated to the departments.

Insurance Report of State Vehicles

<u>Policy Limits</u>	<u>No. of Agencies</u>	<u>No. of Vehicles</u>	<u>No. of Agencies Comp. and Coll.</u>	<u>Annual Premium</u>
10/20/5	11	193	6	\$ 14,762.31
10/15/10	1	334	-	4,579.00
10/20/10	3	55+	1	5,863.65
15/30/10	2	102	1	2,612.00
20/40/5	2	384	1	28,049.00
25/50/5	4	20	4	5,411.00
25/50/10	2	8	2	1,589.67
25/100/10	1	95	1	11,203.00
50/100/5	4	28	4	6,452.00
50/100/10	6	79	4	7,229.60
100/200/10	1	4	1	1,065.00
100/300/5	1	140	-	15,000.00
100/300/10	3	77	3	11,562.00
100/500/20	1	1	1	121.20
100/300/25	7	604	6	28,436.90
100/300/50	2	147	1	12,718.00
100/300/100	2	119	2	11,056.00
200/500/100	2	234	1	18,002.00
500/500/50	1	7	1	1,245.00
	<u>56</u>	<u>2631*</u>	<u>40</u>	<u>\$ 186,957.33</u>

\* Includes trucks & miscellaneous vehicles  
Average \$ 71.00 per vehicle

IV. Acquisition of Cars

State Ports Authority - Trade one 1967 Ford for one 1971 Ford Galaxie to be assigned to General Operations Manager

Department of Corrections - Purchase two 1971 9-passenger station wagons to be used to transport participants who are on Work Release from Institution to places of work or training

State Board of Health - Purchase two 1971 or 1972 Ford or Chevrolet station wagons for transportation of staff and equipment to various nuclear facilities throughout the State

State Board of Health - Purchase one 1971 Ford Galaxie 500 to be assigned to Charleston County Health Department Director

V. Interim Action - Space Rental

It is recommended that the Board approve the lease for the Public Service Commission in the Owen Building at an annual rental rate of \$ 2,047.50 for a two year period.

VI. Interim Action - Purchase of Vehicles

School for the Deaf & the Blind - Purchase two 1971 International Model 1603 school buses for transportation of students to and from school

Department of Juvenile Corrections - Purchase one 1971 Ford Torino to be assigned to Director of Social Services who will be traveling throughout the State to different Divisions

State Board of Health - Purchase two 1971 Ford Custom 500 sedans to be used by drug inspectors throughout the State and to purchase one 1971 Ford Suburban Carryall for transportation of medical staff to outlying clinics and for transportation of patients to these clinics

Department of Mental Health - Trade one 1968 Volkswagen 9-passenger bus for one 1971 Ford 12-passenger Club Custom Wagon, as the VW is not practical to keep.

## ANNUAL REPORTS

State Printing Company

Agency	Contract Quantity	Pages	Total Amount		Addnl. Quantities	Total Add Cost (Extra Copies, art work, color, etc.) (Not Incl. Sales Tax)
			(Not Incl. Sales Tax)			
Recreation Comm.	350	4	78.71		1150	258.96
ABC Comm.	350	20	129.46			
Civil Defense	350	28	141.54		100	52.00
Aeronautics Comm.	350	76	432.89		300	328.15
Industrial Comm.	425	64	546.71			
Citadel	350	24	127.26			
Secretary of State	350	616	5911.93			26.00
Winthrop	350	28	135.41			
Comm. for Blind	350	28	252.00		650	672.00
Tax Comm.	1025	128	2626.45		200	123.40
Probation, Parole & Pard.	450	36	265.91			41.00
Deaf & Blind School	550	48	278.64			44.33
Banking Dept.	1025	56	1335.53			
Agriculture Dept.	525	36	1110.30		1000	661.00
Insurance Comm.	750	404	8481.14			
Arts Comm.	350	28	380.80		4000	972.00
State College	425	48	285.70			
Tobacco Report	525	48	515.41		1060	365.67
Labor Dept.	3100	188	3893.06			120.00
Scholastic Freshman	1350	36	1448.11)			
Supt. Ed. - Narrative	1350	76	1492.33)			1110.00
Supt. Ed. - Statistics	1350	192	2992.96)			
Atty. Gen. Crim. Stats.	100	244	3741.05			
Mental Health	450	52	783.77		425	1250.00
Forestry Comm.	1425	116	1192.36		1000	464.00
U.S.C.	350	36	205.58			
Public Service Comm.	525	144	1346.87			48.00
Pollution Control	575	144	983.40		500	285.12
State Library	725	46	439.86			11.50
Juv. Placement & Aftercare	350	28	150.18			135.50
Comptroller General	650	256	4889.04			
Board of Health	1125	368	2858.82			
Adjutant General	400	236				
Employment Sec. Comm.	925	44	439.73			
General Services	350	60	512.48		325	78.00
Atty. Gen. Opinions	650	468	3232.63			
Juvenile Corrections	350	28	645.86		200	433.60
S. C. H. D.	825	44	788.80		1675	4484.95
S. C. H. D. Statistical	825	102	2105.14			16.75
Children's Bureau	550	24	124.85			42.00
State Treasurer	425	44	372.02		200	87.20
Water Resources	1000	116	824.92		400	1318.60
Sub-Total (State Printing)			\$ 58,499.61			\$ 13,429.73

ANNUAL REPORTS

R. L. Bryan Company

<u>Agency</u>	<u>Contract Quantity</u>	<u>Pages</u>	<u>Total Amount (Not Incl. Sales Tax)</u>	<u>Addnl. Quantities</u>	<u>Total Add Cost (Extra Copies, art work, color, etc.) (Not Incl. Sales Tax)</u>
Board of Health					
Statistical Supplement	700	52	468.52		
Wildlife Resources	750	128	883.14		776.92
Public Service Authority	400	64	523.38	2650	2400.00
S. C. Budget Vol. I	1100	904	24540.36		
Vol. II	1000	636	17638.24		
Public Welfare Dept.	1200	88	1861.70		
Sub-Total (R. L. Bryan)			\$ 45,915.34		\$ 3,176.92
TOTAL (Both Companies)			<u>\$104,414.95</u>		<u>\$ 16,606.65</u>

June 30, 1971

SOUTH CAROLINA STATE PORTS AUTHORITY  
THE NECESSITY FOR CHANGES IN THE PASSENGER TERMINAL

7-25-71  
RS  
JULY 29, 1971

In 1969, the South Carolina Ports Authority in its overall five-year capital improvement program planned a facility to accommodate cruise ships and passengers as the cruise business then existed in South Carolina.

EXHIBIT  
IV

For many years - and not every year - in the 1950's and 1960's, the port of Charleston had one or two cruises a year.

Because of the interest in South Carolina's Tricentennial and the coincidence of a number of factors, as shown in the accompanying plan, seven cruises had been scheduled for 1970.

The interest in South Carolina having a cruise ship facility had been one of a long-standing and widespread interest among citizens throughout the state.

On many occasions, citizens from all over the state had urged the Ports Authority to build such a passenger terminal.

These citizens felt, first of all, that the cargo sheds which were used to accommodate passengers on these occasional cruises were inadequate for people, although adequate for cargo. People, they said, were not used to standing in lines in sweltering sheds amid all kinds of pungent cargoes. We can't even smoke, they said. There are no restrooms handy. This just isn't the way to handle people, they said. Going on a cruise through one of these sheds sure isn't going to bring a tourist back to South Carolina, etc.

The Ports Authority had its own concern. The Ports Authority itself kept its fingers crossed and its safety precautions stringent because of the dangers both to passengers and to cargoes. Fork-lift trucks loading baggage and people going to the same ships offered many possibilities for accidents. A smoking passenger could ignite cargo worth hundreds of thousands of dollars as well as be a potential fire hazard to a pier complex in which the state had invested more than \$3 million.

Even with these, citizen complaints and its own concern about safety, the Ports Authority resisted the building of a passenger terminal until it was justified by more ships, more passengers, and a definite trend toward more cruise business rather than one or two a year.

When the seven cruises were scheduled in 1970, no one knew if it was a fluke or the beginning of a trend. Getting cruises is a complex business as the accompanying plan to increase passenger commerce illustrates.

Fortunately, the seven cruises in 1970 were so successful that 10 cruises were scheduled for 1971 and 11 more cruises have been scheduled for 1972.

With this change in the past pattern, the Ports Authority began to reappraise its planning to accommodate passengers.

In 1969, the Authority had proposed spending \$260,000 to accommodate the passengers. Under this plan, the Authority would have taken an extremely old cargo shed, built in 1923, and done some remodeling. This old cargo shed has become structurally unsafe for all but light cargoes because the deck was constructed of wood on timber pilings now 50 years old.

The \$260,000 remodeling would have smoothed out the rough planked deck of the shed, partitioned the passengers from cargo, provided toilet facilities, and electrical work to accommodate a maximum of 350 passengers at one time. Under this plan, baggage and cargo would still have gone on board through the same general area with the same safety hazards to passengers.

In 1970, the cruise ships had handled up 700 passengers at one time. From past history, no one could have predicted that the cruises would be so successful as to double the passenger requirements for the planned facility.

The same trend continued in 1971, with the ships handling up to 700 passengers.

It became evident that the \$260,000 plan would be inadequate, so a team of engineering and operations personnel were assigned to study the situation. Among their studies was an appraisal of existing terminals at Port Everglades. The proposed \$850,000 terminal will be built outside the cargo shed at the same pier and be a modern structure. It will be on concrete pilings of concrete block and brick veneer and will be 300 feet long by 60 feet wide. It will have air conditioning and heating and a second floor balcony for loading passengers to ships.

The \$850,000 plan is more in accord with the kind of welcome centers which South Carolina has constructed for tourists and provides adequate passenger amenities while relieving the hazards to both passengers and cargoes.

The accompanying photographs illustrate the planned facility. Point E is the previous site under the \$260,000 plan.

As the plan to increase commerce illustrates, Charleston, because of its geographic location, is closer to more inland states than either New York or Miami for Caribbean-West Indies cruises.

The plan shows that in the long-term, Charleston has a present potential for 265,000 passengers a year from these states.

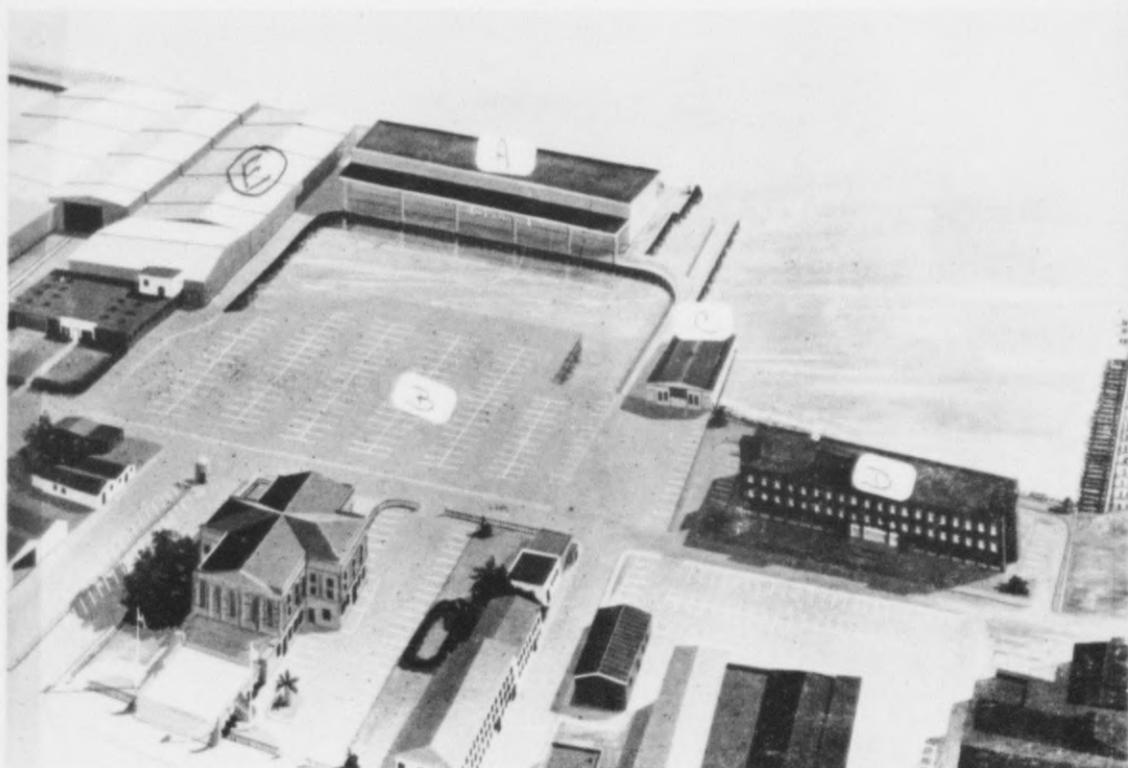
As this number of passengers increase from a present level of about 5,000 passengers a year, more passenger facilities will be required and will be recommended when needed.

Although the income return to the Ports Authority is minimal, the economic benefits to the state of South Carolina from cruises are now running at an annual rate of \$131,250 based on 2,500 out-of-state passengers out of a total of 5,000 passengers.

In the medium-term objectives of the accompanying plan, it is expected that the economic benefits will be in these amounts in the next few years.

	Total Passengers	Out-of-State	Economic Benefits
1972	5,000	2,500	131,250.00
1973	7,500	3,750	196,875.00
1974	10,000	5,000	262,500.00
1975	12,500	6,250	328,125.00
1976	<u>15,000</u>	<u>7,500</u>	<u>393,750.00</u>
Total	50,000	25,000	\$ 1,312,500.00

Source: Tourist studies by Charleston Trident Chamber of Commerce, based on an average passenger staying a day and a half in South Carolina and expending an average of \$35.00 a day.



ON THE TOP LEFT is the present site where the new passenger cruise terminal will be built. The general area shown in the picture is just south of the Ports Authority's Union Pier Terminal at the foot of Market Street in downtown Charleston. Point "A" will be the site of the new passenger terminal. It is the south end of Union Pier Terminal. Point "B" is the site of the Ports Authority's present office building, an old federal-surplus building. Point "C" is the former Navy Fleet Landing building which the Authority acquired a few years ago as federal surplus property. Point "D" is the former Consumer Coal property owned by the Ports Authority which will be the site of its new office building.

ON THE TOP RIGHT is an artist's conception of how the area will look after construction of the new passenger terminal at Point "A". The Ports Authority has plans underway for a new office building. These plans will be announced soon. When the new office building is constructed, the old office building at Point "B" will be torn down and the site will be surfaced for parking for cruise passengers as shown in this artist's conception. The Ports Authority will build its new office building at Point "D", the site of the former Consumer Coal property. The new office building as pictured here is a rough artist's conception of how the building may look when plans are completed. Point "C",

the former Fleet Landing site may be used to accommodate four boats for the National Parks Service in the future. Negotiations are underway between the Ports Authority and the National Parks Service for use of this site. No decision has been made as yet.

## Authority Plans . . .

(Continued from Page 5)

passengers per vessel and will accommodate 300 cars in the parking lots.

The south end of the present Union Pier will be connected by a loop road to the former Fleet Landing site acquired from the Navy a few years ago as part of the passenger terminal site.

The terminal building will be 18,000 square feet and will be heated, lighted, and air-conditioned. A baggage handling area of 5,800 square feet will also be provided as well as a cover over the passenger loading area and a movable gangway to the ships.

The passenger facility is expected to be completed by the spring of 1972.

## CRUISE SCHEDULE

Detailed information on cruises scheduled from the Historic Port of Charleston during 1971 may be found on Page 9 in Port News.

2 SAILINGS  
PER MONTH FROM  
CHARLESTON TO: MANILA, HONG KONG, BANGKOK, SINGAPORE,  
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CHARLESTON AGENTS: SOUTHERN SHIPPING COMPANY, Inc.  
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REGULAR FORTNIGHTLY SAILINGS BY DIRECT VESSELS BETWEEN  
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ANTWERP — ROTTERDAM — BREMEN — HAMBURG

CHARLESTON AGENTS

*Palmetto Shipping Co., Inc.*

P. O. DRAWER 974

TWX 810-881-1702

PHONE 722-4461

NEW YORK AGENTS

United States Navigation Co., Inc.  
17 Battery Place

GENERAL AGENTS

Biehl & Company, Inc.  
416 Common Street  
New Orleans, La.

## Cruise Business Growing

# Ports Authority Plans Passenger Terminal

Governor John C. West joined by ports, tourism and chamber officials has announced plans of the South Carolina State Ports Authority to construct a passenger terminal for cruise ships at the port of Charleston to accommodate the state's growing cruise business.

W. W. Johnson, Chairman of the Ports Authority, joining Governor West for the announcement at the Governor's Office in Columbia, said that Charleston's new passenger terminal will be closer to residents of the capital cities of 26 other states than either New York or Miami-Port Everglades which have been the main cruise centers on the Atlantic Coast in the past.

"The long-term prospects of Charleston's attraction as a cruise port are very good," Mr. Johnson added. "We expect Charleston's cruise business to build gradually year-by-year."

Governor West pointed out that the passenger terminal will add to the state's recreation-resort-tourism appeal and said the construction of a passenger terminal has been encouraged by requests from people in the upcountry and the lowcountry.

Present for the announcement was the seven-man governing board of the Ports Authority, Mr. Johnson of Columbia; James C. Hair of Rock Hill; Milton A. Pearlstone of Charleston; J. C. Todd Jr. of Laurens; James B. Moore of Georgetown; Joseph P. Riley of Charleston, and F. William Scheper, III of Beaufort.

Also present were Capt. Capers G. Barr, Jr., the Authority's General Manager, Robert Hickman, Director of South Carolina's Parks, Recreation and Tourism Dept., and Robert Hendrix, Chairman of the Cruise Ship Committee of the Charleston Chamber of Commerce.

Construction of the passenger terminal was approved by the South Carolina General Assembly last year as a part of a \$31,350,000 program of new expansion for the state's ports.

"We're delighted that the Ports Authority is building this passenger terminal. It's something that the state has needed for some time in its total package of tourist attractions," Dwight Holder, Chairman of the State's Department of Parks, Recreation and Tourism, said.

Mr. Hickman said the facilities would "challenge" his department to produce "package" vacation plans to include both a cruise and activities in South Carolina.

"This does put a challenge to us to utilize it as well as possible to improve the economy of the state," he added.

Last year, the port of Charleston handled nine cruise ships and approximately 5,000 passengers

through sheds and piers normally reserved for cargo. This year, 10 cruise ships have already been scheduled for 1971.

Statistics released by the Ports Authority show that Charleston's cruise terminal will be closer to residents of the capital cities of the following states than either New York or Miami: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Tennessee, Texas, Utah, West Virginia, and Wyoming.

In addition, Chamber of Commerce officials present for the ceremony noted that residents of some other Northern states which are closer to New York than Charleston prefer to go out of Charleston for a cruise because of its milder climate. Chamber officials cite as one example, the 400-man group from the Detroit (Mich.) Chamber of Commerce who sailed last year from Charleston.

Parks, Recreation and Tourism officials noted that the cruise opportunities for residents of inland states will be greater because they will be able to go to a port that "is not too cold and not too far." Added to the state's many other tourist attractions, the new terminal should bring more tourists to South Carolina.

A funny twist in the nearness of the new terminal to inland points is that Charleston's terminal will be closer to the upper part of Florida, including such cities as Tallahassee and Jacksonville, than is Miami's own terminals.

Design of the terminal and its exact size and location have been under study by the Authority Board and staff for several months. Staff operations and engineering personnel personally visited terminal facilities at Miami and Port Everglades as part of the study.

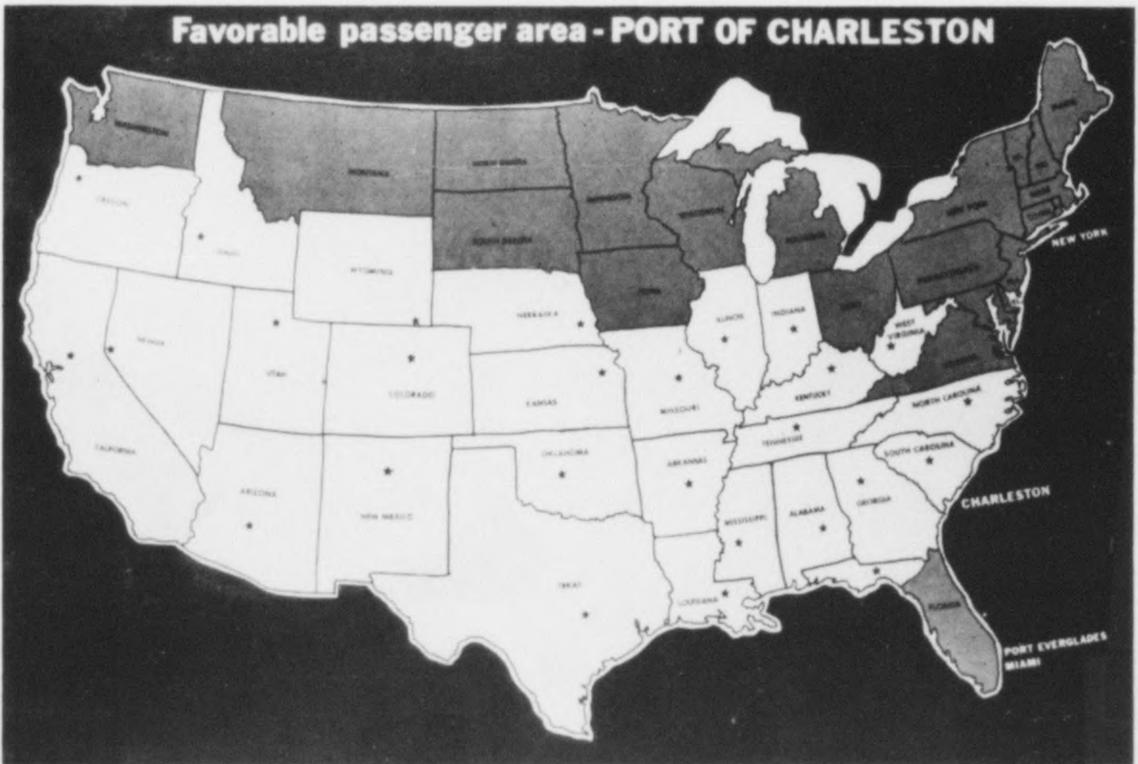
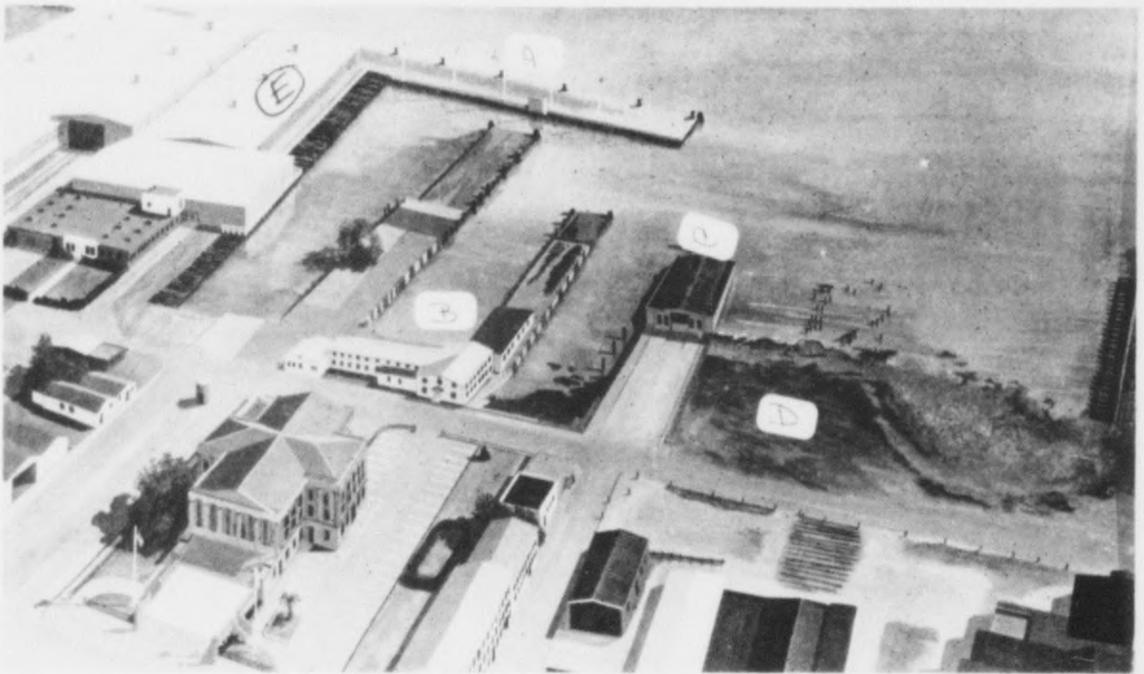
The Authority also revealed in its announcement artist conceptions of the terminal area at Union Pier showing not only the terminal but the site of its future office building and future parking in the area where its present building is located.

The passenger terminal will be located on the south end of Union Pier immediately behind the existing marginal wharf. The wharf is located on a 35-foot federally-maintained channel and extends for 1,400 feet. The south 600-700 feet of the pier will accommodate the cruise ships.

The new facility is designed to handle 600

(Continued on Page 7)





MAP. Charleston's passenger cruise terminal to be constructed will be closer to the capital cities of 26 other cities than are present cruise centers in New York and Miami. The states which will be closer to Charleston are in white and their state capitals are identified by stars. The 26 other states where Charleston will have a favorable passenger area have a total population of over 100,000,000 persons, about half the entire U. S. population. (Virginia's capital, Richmond, is closer to New York, but the lower half of the state of Virginia is actually closer to Charleston.) Shaded states are closer to New York or Miami.

ROUGH DRAFT

PLAN  
TO INCREASE PASSENGER COMMERCE  
PORT OF CHARLESTON  
JUNE 1971

#### BACKGROUND INTRODUCTION

The state of South Carolina within coming weeks will be building its first passenger terminal for cruise ships at the port of Charleston. It will be located at Union Pier Terminal.

The passenger terminal was authorized by the South Carolina General Assembly in 1970 as part of a \$31 million ports expansion program approved for the period 1970-1975.

Design of the new terminal has been completed by the engineering staff of the South Carolina State Ports Authority and the terminal will be advertised for bids by contractors next month, July 1971. The terminal is scheduled for completion in the spring of 1972.

In recent years passengers for cruise ships have been handled through a normal cargo terminal at Union Pier in Charleston. In earlier years, some passengers had been handled through the Columbus Street Terminal, another cargo terminal at Charleston.

In the last three years, Charleston has grown in the number of cruise ships handled. Previously, over a number of years dating back into the 1950's, the port had handled-sporadically and not every year-one or two ships annually. In 1971, the port has 10 cruises scheduled and eleven cruises have already been scheduled for 1972.

The purpose of this paper is to plan the future promotion of the use of this first passenger terminal and to plan for more cruise business in the future.

The expository discussion of this paper is also intended to assist various interested groups in understanding the total effort so that they may determine where their participation would be most helpful in this total effort. The South Carolina Department of Parks, Recreation and Tourism

recommended the writing of this expository plan to the South Carolina State Ports Authority and the Cruise Committee of the Charleston Trident Chamber of Commerce.

#### PLANNING

Quite a number of citizens and state officials have useful suggestions of what can be done to promote use of the passenger terminal and cruise business out of Charleston. Some of them have been particularly active in the recent beginning growth of cruises, including the Cruise Committee of the Charleston Chamber, travel agents, the Department of Parks, Recreation and Tourism, and the Ports Authority. This document will attempt to incorporate their suggestions into one overall comprehensive plan.

This plan, however, should not be viewed as a static or immutable course of action. It should be regarded at this stage as preliminary and as it is updated in the future to be regularly subject to review as more knowledge is gained from experience as South Carolina moves ahead in the cruise business.

Planning is a systematic appraisal and formulation of an organization's objectives and of the actions necessary to achieve those objectives. It is a mental process of thinking through where an organization wants to go and is intended to go and how it should get there.

Reducing a plan to writing is the tangible result of the mental process of planning.

A plan begins with a statement of the broad purpose of an organization. From this statement, the plan descends in hierarchial fashion to consistently more exact objectives.

First, its long-term objectives.

Next, its medium-term objectives.

And, finally, its short-range objectives.

BROAD PURPOSE

The question is: "What is South Carolina's broad purpose in building a passenger terminal and promoting cruises?"

The answer seems elementary: "To get more people to come to South Carolina for cruises." That's the elementary answer, but unless its honed further down and made more exact future actions will not precisely fulfill the purpose nor the intent of the state legislature.

Public, state monies are being expended by the state for a common good of all the citizens of the state in the building of the passenger terminal.

South Carolina's broad purpose in promoting cruises must be evaluated in terms of the purposes of the two state agencies most concerned, the Department of Parks, Recreation and Tourism and the Ports Authority.

Broadly speaking, the purposes of the two are respectively: (1) to increase tourist visitors; and (2) to increase waterborne commerce.

An exact examination of the purposes of the two agencies never states that it is the purpose of either agency to promote passenger cruises. This purpose lies somewhere between the purposes of the two agencies in their general purposes: a sort of "waterborne tourism." Accordingly, the two agencies in previous conversations have informally agreed to share the effort, with the Ports Authority providing the passenger ship facilities and PRT promoting use of the facilities.

Going one step further, the purposes of PRT and the Ports Authority are to "increase tourist visitors" and "to increase waterborne commerce" to a more defined end: "for the economic benefit of all of the state's citizens.

That is, South Carolina's broad purpose in building a passenger terminal

and promoting cruises is for the broad purpose of economically benefitting all of the state. It must be constantly borne in mind that the name of the game is "to obtain and keep more money in all of South Carolina."

Obtaining more money and retaining it also seems elementary, but unless this broad purpose is kept in mind, economic benefits will not be maximized and, in some cases, it can be possible to have cruises where no benefit accrues to the people of the state or where negative benefits occur. (i.e. more money actually leaves the state than comes in.)

#### HOW BROAD PURPOSE IS ACHIEVED

Your objectives tend to almost automatically flow out of how you achieve your broad purpose because objectives are the means of achieving your purpose.

At first glance, the achievement of this purpose too would seem elementary: "all you gotta do is get some passengers and some ships for them to cruise on." If that were true, every port in the United States would easily have their full allowance of passenger and cruise ships. As it is, there are only a few large cruise ports in the United States, with the others remaining small and sporadic in the cruise business.

The dilemma can be illustrated by this simple example which is similar to the beginning development of cargo through ports.

People developing foreign commerce cargo through ports, for years, have debated the chicken-and-egg question: which comes first, the cargo or the ships? Similarly, which comes first, the passengers or the cruise ships?

If you went out today and called on all the cruise lines in the world about bringing their cruise ships to Charleston, you would get a most enthusiastic and pleasant reception from many of the cruise lines. The

line, the owners of the ships would tell you, "We'd really like to come into Charleston, how many passengers can you guarantee us as a nucleus for each cruise?"

By the same token, if you went out and talked to all the potential passengers in the United States about taking a cruise out of Charleston, you'd get an enthusiastic reaction from many of them: "Gosh, Charleston sounds like a nice city to visit. How many cruises have you got scheduled out of the port?"

The dilemma of the stand-off between passengers and cruise lines becomes clearer. Each wants the other to commit themselves before they, themselves, will make a commitment.

The cruise lines stand-off for one reason: pure, hard economics. It costs one cruise ship over \$10,000 a day merely to operate. If they gamble and schedule a 10-day cruise out of a port with no assurance of some passengers, they are gambling over \$100,000. Prudent business requires that either there is a substantial group of passengers already committed for their ship at a particular port or that over the years the port has acquired a reputation as a booming passenger port with many passengers already coming to the port to go on other cruise lines.

From the standpoint of the passengers, unless they are part of a large group which, in effect, is chartering a vessel, no individual passenger is willing to put out his money for a ticket on an unknown vessel not already scheduled to be in the port on a definite date.

It becomes clearer something definite -- either a group or the outstanding passenger reputation of a port -- must trigger a commitment on the part of the cruise lines before cruises will begin out of a port. The individual passenger looks at cruises just like catching a bus. He finds

out the bus schedule and goes where the bus calls.

In the 1950's and the 1960's, in almost every case, the one or two cruise ships that called at Charleston annually were chartered by some group, such as an insurance company or a bank or a bar association or an automobile dealers group. On the few occasions when one of these cruise ships called without a nucleus group, the cruises almost universally bombed. One South Carolina travel agent who chartered a ship without a group lost a great deal of money. A few cruise lines who experimented without a group did not even meet expenses.

In the last few years, luckily for South Carolina, a number of events and actions coincided so that 7 cruises were scheduled in 1970, 10 cruises in 1971, and now 11 cruises are scheduled for 1972.

Among these fortunate coincidental events and actions were:

(1) South Carolina was celebrating its 300th anniversary in 1970 with great fanfare and tourist appeal. It seemed a natural to local travel agents to interest cruise lines in Charleston sailings with so many tourists expected.

(2) An active cruise committee of the Charleston Trident Chamber of Commerce was in existence and was ready to act as an intermediary with different aspects of the cruise business with some liaison assistance from PRT and the Ports Authority.

(3) One very active representative of a major credit card-travel agency company was pushing Charleston in his southeastern territory to large groups of passengers. This one individual has booked several thousand people on cruises out of the port of Charleston in the last few years.

(4) The U. S. economy was beginning to experience a downturn, some real and some psychological cutbacks in expenditures that could be defined

as luxuries such as cruises.

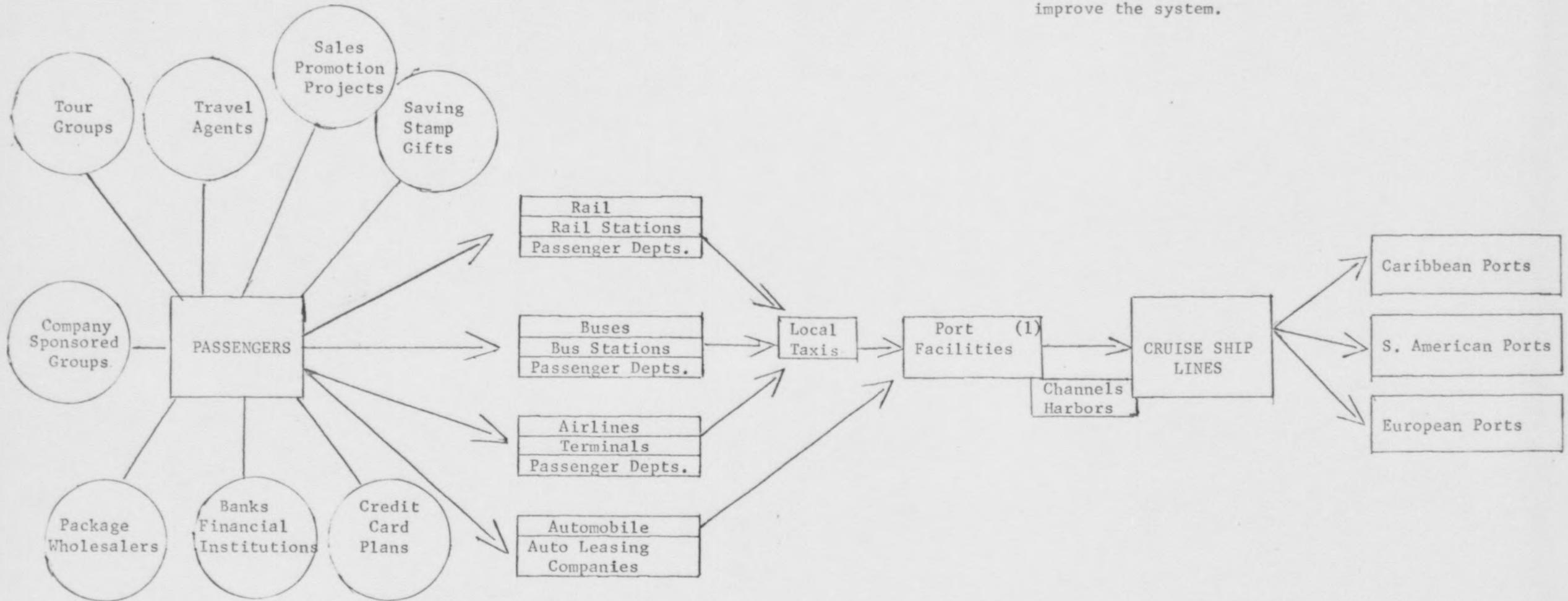
(5) For several years, the U. S. cruise business had experienced such a dramatic increase that cruise lines in anticipation of future growth and to conform with new safety regulations had ordered and built new cruise vessels. More ships were becoming available and the competition was becoming keener for the lines at established cruise ports such as Miami and Port Everglades. With the increased competition and more ships and some expected belt-tightening because of the economic forecasts, the cruise lines were looking for additional markets, particularly those in which the competition might be less. Fortuitously, South Carolina was having a big and widely promoted Tri-Centennial with a lot of tourist appeal, an active Chamber Cruise Committee was ready to do anything to help at Charleston, local travel agents were pushing the cruise possibilities, and that very experienced major credit card-travel agency individual had the ability to deliver thousands of passengers in block groups.

Where all of this past experience leads us is to a realization that to have a growing cruise business you have to have the planned or accidental coincidence of a number of elements working together. When you examine what it takes to produce a cruise, you come to the realization that you need a complete system to produce cruises.

A system is an assembly of interdependent parts (subsystems) where interaction determines its survival or success. In other words, many people and many elements have to work together. A rough diagram of the system necessary to produce cruises is on the following page.

To more concretely illustrate the system nature of cruises, if you are deficient in any of the parts of the system, then the whole system produces fewer cruises or less successful cruises. For example, if your

The Department of Parks, Recreation and Tourism and the Ports Authority review the effectiveness of the functioning of the whole system and provide missing facilities or services not provided by others to improve the system.



(1) Port facilities in this diagram include all those at the port of Charleston concerned with promoting cruises, including the local Chamber, travel agents, steamship agents, the Ports Authority, harbor pilots, the U. S. Customs Service, etc.

number of available passengers is too small, you have the finest passenger facilities and the best promotion possible and still have few cruises. Similarly, if you have enough passengers and too few ships, you don't produce all the cruises you're capable of. If airlines are working against bringing passengers to your port, then your value is limited. As another example, Port Everglades was able to gain larger cruise vessels that Miami, a more established cruise port, couldn't because of the fact that Port Everglades' harbor was deeper and could accommodate the larger cruise vessels that couldn't be accommodated at Miami.

Once you have agreed that it takes a whole system of things and people working together to produce cruises, logic inevitably leads you to the conclusion that to get the maximum amount of cruises of which you're capable each element of the system must be reviewed and improved to its maximum capability.

What has evolved in South Carolina is that interest from passengers and steamship lines and state citizens from past cruises has now brought pressure for improvement of that part of the system at the port: the need for a passenger terminal. In future years, with sufficient growth, it may be necessary to have more than one passenger terminal. As it is, at this stage, the new passenger terminal will have the capability it should in the system. The problem for the time being is to upgrade the other elements of the system that are deficient in capability.

Since the broad purpose is "to increase passenger commerce for the economic benefit of all of the state," in application this means that PRT and the Ports Authority with the assistance of other groups must:

- (1) Review the effectiveness of the functioning of the whole system,
- and (2) try to improve the system so that it functions better to increase

cruises.

In application, this means that PRT and the Authority have an interest in seeing that all of these elements in the whole system function effectively and have a responsibility to provide these missing or assisting facilities or services that are not provided by others.

Once you begin to examine the whole system from passengers to foreign ports, the deficiencies become apparent and many are elementary steps that must be taken in this beginning stage of South Carolina's cruise business.

On subsequent pages, there will be discussions of each of these elements and deficiencies and some of the objectives to correct the deficiencies. Prior to that, however, there should be some discussion of the potential of the whole system.

#### THE POTENTIAL OF THE SYSTEM OF PASSENGER COMMERCE

Transportation engineers can pretty well predict the flow of traffic on a highway or the amount of cars that will go to a new shopping center by scientific formulas. The most used of these formulas is the "gravity flow model." The gravity flow model determines "what attraction or pull" a particular port or destination has on people.

The gravity flow model says that the "attraction or pull of a particular port or destination varies directly with the mass or size and inversely with the distance.

The gravity flow formula sounds like a lot of gobbledegook but what it says simply, for example, is that if you're at one spot and you have your choice between going to two shopping centers, "the pull" of each shopping center will vary on you directly according to the size of the shopping center

and inversely according to the distance you are from the shopping center. If you're very close to a small shopping center, you'll be more inclined to go there. If you're equally distant from a large and a small shopping center, you're more inclined to go to the large shopping center.

In the case of cargo moving through ports, the gravity flow model applies this way in the competition of one port to another: the location and size of nearby industry to a port determines its pull or size. If one port has more industry closer to the port than a competitive port, it will have a bigger port. Speed of transportation, in some cases, offsets distance. For example, if two competing ports have an equal amount of industry about the same distance from each port and one port is served by an inland interstate highway, the one with the interstate will tend to be bigger because the speed possible on an interstate tends to, in effect, reduce the distance.

Similarly, in the case of the cruise business, if there are more potential passengers closer to a particular port, that port will tend to have more cruises than another port which has fewer passengers nearby.

The more you examine the gravity flow model of the transportation engineer, the more it comes down to plain common sense: more industry closer equals more cargo; more people closer equals more passengers.

The meaning the gravity flow model has for South Carolina's cruise business is in the amount and location of population in the U. S., particularly in the southeast, in relation to the port of Charleston.

National cruise statistics shown on the following page tell us that about 530,000 people in the United States go on cruises. When you compare this figure to the total U. S. population (207 million) you find that one-quarter of one per cent of the entire U. S. population goes on cruises every year.

## CRUISE TRAVEL BY SEA FROM THE UNITED STATES: 1962-1969

A: By U.S. Citizens and Aliens  
 B: By Flag of Ship

Year	Nationality	Total	Flag of Ship	
			U.S.	Foreign
1969		<u>568,826</u>	<u>23,256</u>	<u>545,570</u>
	Citizens	<u>530,708</u>	<u>22,566</u>	<u>508,142</u>
	Aliens	38,118	690	37,428
1968		<u>410,193</u>	<u>39,233</u>	<u>370,960</u>
	Citizens	<u>380,326</u>	<u>38,068</u>	<u>342,258</u>
	Aliens	29,867	1,165	28,702
1967		<u>372,872</u>	<u>45,019</u>	<u>327,853</u>
	Citizens	<u>351,097</u>	<u>43,450</u>	<u>307,647</u>
	Aliens	21,775	1,569	20,206
1966		<u>367,308</u>	<u>50,409</u>	<u>316,899</u>
	Citizens	<u>338,900</u>	<u>48,487</u>	<u>290,413</u>
	Aliens	28,408	1,922	26,486
1965		<u>355,808</u>	<u>35,906</u>	<u>319,902</u>
	Citizens	<u>333,249</u>	<u>34,214</u>	<u>299,035</u>
	Aliens	22,559	1,692	20,867
1964		<u>324,684</u>	<u>37,689</u>	<u>286,995</u>
	Citizens	<u>305,667</u>	<u>36,518</u>	<u>269,149</u>
	Aliens	19,017	1,171	17,846
1963		<u>342,929</u>	<u>32,893</u>	<u>310,036</u>
	Citizens	<u>322,697</u>	<u>32,013</u>	<u>290,684</u>
	Aliens	20,232	880	19,352
1962		<u>283,913</u>	<u>40,539</u>	<u>243,374</u>
	Citizens	<u>265,859</u>	<u>39,219</u>	<u>226,640</u>
	Aliens	18,054	1,320	16,734

Source: Immigration and Naturalization Service,  
 U.S. Department of Justice

(That one-quarter of one per cent of the U. S. population which goes on cruises now isn't a heck of a lot, but it has been growing steadily in a growing economy. Between 1962 and 1969, the number of American's going on cruises doubled from 265,000 in 1962 to 530,000 in 1969. As part of the trend toward more leisure activities in more settled economic growth, the number of passengers should continue to grow.)

Traditionally, New York and Miami-Port Everglades have been the two main cruise centers in the U. S. In 1969, New York and Miami alone handled 76 per cent or 406,000 of the total 530,000 U. S. citizens who went on cruises. Miami, with 243,000 passengers, handled about 46 per cent of all the U. S. cruise passengers.

(Most of the present-day cruises tend to be the short 4 to 14 day variety and most are serving the West Indies-Caribbean area. There are no cruises to the Caribbean from the West Coast because of the transit time involved. The larger ocean cruises have declined due to competition from the airlines.)

Although Norfolk has recently indicated some intention to go after more cruises and Baltimore handles 10 to 15 cruises a year, New York and Miami must be viewed as Charleston's main competitors in the long run because the bulk of the U. S. cruise business now moves through these ports.

Getting back to the gravity flow model, when one considers the location of the U. S. population and the comparative distance to the ports of New York, Miami and Charleston, Charleston is actually closer to slightly more than half (107 million) of the total U. S. population than either New York or Miami. The map on the following page and a table on a subsequent page show these statistics.

Applying the fact that 1/4 of one per cent of the U. S. population goes on cruises to that amount of the U. S. population that is closer to Charleston (107 million), Charleston theoretically has a potential of



<u>CAPITAL CITIES</u>	<u>DISTANCE TO</u>			<u>STATE POPULATION</u>	
	<u>From</u>	<u>Chas.</u>	<u>Miami</u>		<u>N. Y.</u>
Montgomery, Alabama		431	672	1,020	3,444,165
Phoenix, Arizona		2,082	2,300	2,417	1,772,482
Little Rock, Arkansas		809	1,136	1,238	1,923,295
Sacramento, California		2,798	3,044	2,884	19,953,134
Denver, Colorado		1,698	2,040	1,783	2,207,259
Tallahassee, Florida		348	468	1,053	6,789,443 (*)
Atlanta, Georgia		303	662	849	4,589,575
Boise, Idaho		2,497	2,861	2,507	713,008
Springfield, Illinois		879	1,267	911	11,113,976
Indianapolis, Indiana		710	1,166	719	5,193,669
Topeka, Kansas		1,153	1,508	1,264	2,249,071
Frankfort, Kentucky		557	1,056	723	3,219,311
Baton Rouge, Louisiana		793	927	1,350	3,643,180
Jackson, Mississippi		678	896	1,217	2,216,912
Jefferson City, Missouri		961	1,319	1,082	4,677,399
Raleigh, North Carolina		240	841	500	5,082,059
Lincoln, Nebraska		1,299	1,665	1,325	1,483,791
Carson City, Nevada		2,715	2,963	2,762	488,738
Sante Fe, New Mexico		1,681	1,927	1,954	1,016,000
Oklahoma City, Oklahoma		1,143	1,463	1,454	2,559,253
Salem, Oregon		2,947	3,311	2,950	2,091,385
Columbia, South Carolina		113	649	704	2,590,516
Nashville, Tennessee		534	915	893	3,924,164
Austin, Texas		1,205	1,364	1,727	11,196,730
Salt Lake City, Utah		2,191	2,537	2,219	1,059,273
Charleston, West Virginia		490	1,033	558	1,744,237
Cheyenne, Wyoming		1,734	2,100	1,762	332,416

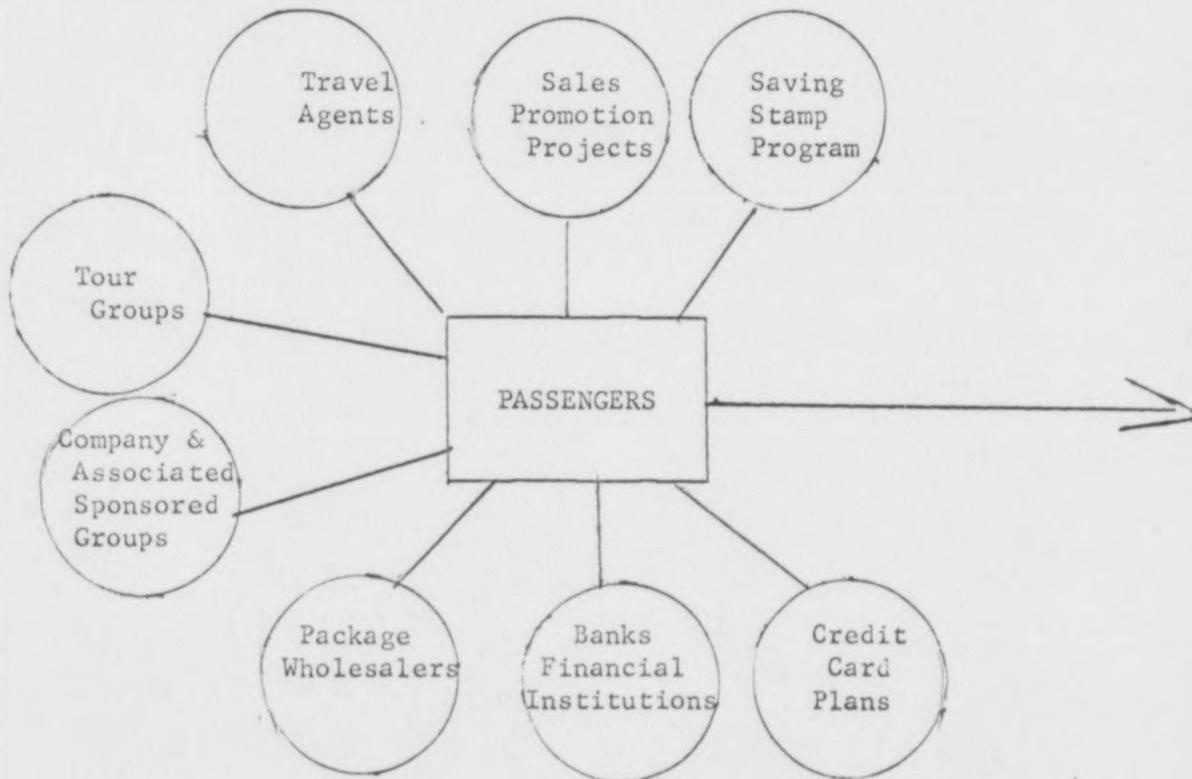
(more)

267,500 passengers or half the present U. S. total cruise passenger business of 530,000 passengers.

The hooker in this whole theoretical potential is that presently a complete system does not exist capable of bringing in and handling 265,000 people a year through the port of Charleston. Again, by a complete system we mean all the elements that are necessary, end to end, from the potential passenger to his cruise. Outlining of this theoretical potential of 267,500 passengers returns us again to our examination of the deficiencies of the present system serving the port of Charleston.

#### PASSENGERS

Starting at this end of our rough diagram of the system, we find passengers and some of the intermediaries necessary to reach and service passengers in their travel plans.



### Passengers

The first thing that must be recognized about the passenger element of the system is that at this stage most of the potential passengers of the port of Charleston are completely unaware that Charleston is a cruise port. A continual information program is needed to bring about public awareness of Charleston's existence as a cruise port.

### Travel Agents

Next, only a few travel agents in South Carolina and some immediate surrounding states are aware that Charleston is a cruise port. It is possible to identify and catalogue all travel agents in the states closest to Charleston whereas it is not possible to identify all possible passengers in these states. A continual direct mail program adapted to their particular needs should be directed to the travel agents in these states.

### Tour Groups

Existing tour groups in all the states in Charleston's natural passenger tributary area need to be identified and receive direct mail information.

### Sales Promotion Programs and Saving Stamp Programs

Existing sales promotion incentives and saving stamp programs offered to companies in all the pertinent states need to be identified and contacted by direct mail.

### Company and Association Sponsored Groups

Companies and associations which have gone on cruises in the past or are likely to do so need to be identified and contacted regularly by direct mail.

### Package Wholesalers

The package wholesalers are obscure individuals. They are obscure

in the sense they are not well known, but they are important to the travel effort. A wholesaler may register a plan offering, for example, an airline fare, two days at a port, and a cruise as a combination package. These wholesalers need to be identified and contacted regularly to include the port of Charleston in some of their packages.

#### Banks and Financial Institutions

Banks and financial institutions in the Charleston passenger tributary area need to be identified and contacted regularly for two reasons: (1) Quite a few banks have their own travel departments and travel agency subsidiaries who are advising passengers; (2) Banks normally make vacation loans. Present-day cruise fares are not out of the range of the ordinary citizen and vacation or cruise loans extend the passenger potential even further.

#### Credit Card Plans

Airlines, for years, have pushed the go-now-pay-later plan, but few people ever think of a cruise in the same sense. Credit card acceptance again extends the potential for passengers and also offers an opportunity for additional business to credit card companies, who should be identified in the pertinent states and contacted by direct mail.

#### ADDITIONAL NOTES ON PASSENGERS

Two additional points should be made about the passenger element of the system:

(1) Experience has shown that for the whole system to function you need cruise lines and cruise lines are unwilling to speculate on cruises without a nucleus of a tour group or a port's proven reputation as a passenger port. Charleston's experience has been that if a ship calls for a charter group or a near sell-out group, the same ship is frequently willing

to add a second cruise following the return of the charter group. That is, the second cruise back-to-back with the charter group is frequently open to the public without any assured nucleus. Lines are sometimes willing to make this gamble because the ship is already in port and faces the deadtime to steam back to its home port. This kind of evolution offers Charleston a way to progress in additional cruise lines. That is, a charter group followed by a public cruise and emphasizes the importance of identifying and soliciting all possible tour groups and company and association groups in the pertinent tributary area. Groups are the key to a gradual increase in cruises and recognition as a good cruise port to attract more lines.

(2) South Carolina and its closest neighboring states offer potential for cruises, but if efforts are confined to this immediate territory, the port will never realize its potential as a cruise port. This is simply so because of the population factor.

Applying the one-fourth of one per cent national formula to the population of South Carolina and its closest neighboring states reveals a close-in potential of 57,122 passengers.

<u>STATE</u>	<u>POPULATION</u>	<u>PASSENGER POTENTIAL</u>
South Carolina	2,590,516	6,476
North Carolina	5,082,059	12,705
Georgia	4,589,575	11,473
Alabama	3,444,165	8,610
Tennessee	3,924,164	9,810
Kentucky	<u>3,219,311</u>	<u>8,048</u>
	22,849,790	57,122

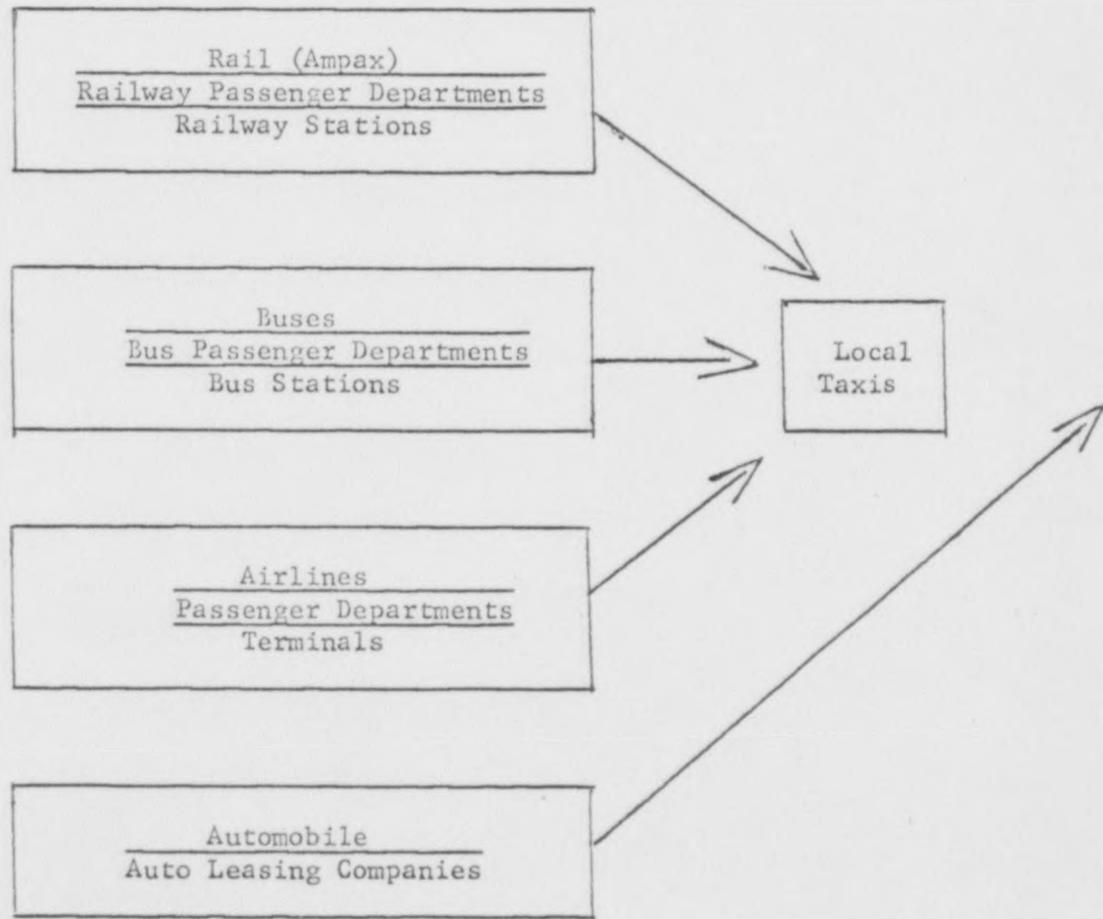
Although 57,122 potential passengers from these adjacent states does seem and is a nice potential, it must be recognized that as South Carolina's cruise business begins to grow it still will be getting only a small share of this potential because of the recognition factor of Charleston as a cruise port versus its competitors and because of deficiencies in its system. In order to grow, Charleston has to get a share of a wider market.

That is, reasonableness would tend to indicate that Charleston might draw somewhere from five to ten thousand passengers out of this territory in the beginning years versus its competitors. At an average of 500 passengers a ship, this is 10 to 20 ships.

If, on the other hand, Charleston, from the beginning, works on a wider market it has a potential of a 10 to 20 per cent share of 265,000 passengers versus its competitors or 26,500 to 53,000 passengers, which at an average of 500 passengers a ship is 53 to 106 ships a year.

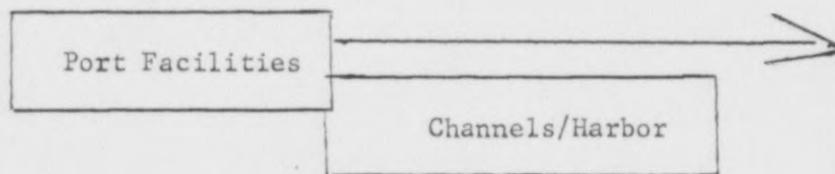
SECOND SYSTEM ELEMENT

The second element of the system is composed of these intermediate forms of transportation that take the passenger from his hometown to the port of Charleston to board his cruise ship.



These intermediate forms of transportation serving the port of Charleston and their passenger departments in the pertinent states need to be identified and informed about present cruises and potential and encouraged to offer package plans (transportation to the city, hotel, cruise, for example, for one price.) The cruises offer potential business to these inland means of transportation and they need to be involved in soliciting business for Charleston and the cruises. The stations and terminals of these transportation companies also offer pamphlets which are frequently read by travelers as they wait. Pamphlets on cruises in the stations and terminals reach a travel-oriented audience.

THIRD SYSTEM ELEMENT



Port facilities in this diagram of the system include all those connected with the cruise business at the port of Charleston including the Chamber of Commerce, the Ports Authority, steamship agents, local travel agents, the U. S. Customs Service, etc.

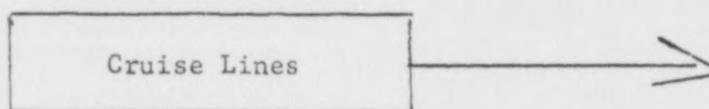
In addition to attention to a smooth flow of passengers to and from ships, this element of the system needs to constantly be available to anyone seeking information on cruises, or in developing more cruises. Particularly, too, this element in the system needs to plan ahead so that as passenger facilities need to be added with growth in number of cruises, the facilities will be ready.

Charges assessed here too need to be in line with the charges at competitive ports, both in regard to the charges assessed against the passengers and against the ships.

Others in the community who are promoting tourism need to be involved in the promotion of cruises such as the hotels, motels, and the Charleston Municipal Auditorium. The hotels and motels also offer information racks for pamphlets, which can reach visitors to the city with information on cruises. The Municipal Auditorium in its contact with large groups needs to be aware of cruise information for these groups.

Although, in most cases, general cargo vessels will keep Charleston's harbor deep enough for most cruise ships, those promoting cruises at Charleston should also support deepening and maintenance of the channels and harbors as necessary.

#### FOURTH SYSTEM ELEMENT



All cruise lines that can possibly serve Charleston need to be contacted with information on the port's cruise plans, facilities, and the lines should be encouraged to establish service.

A list of all the cruise lines serving United States ports is on following pages. The addresses of all of these lines is available from a directory at the office of the Ports Authority.

At present, there are no U. S. flag lines offering cruises out of any ports on the East Coast or Gulf. Four U. S. flag ships are operating on the West Coast. In 1969, 47 foreign flag cruise ships called at U. S. ports and made 1,357 sailings on long and short cruises.

As of November 1970, there were 12 new foreign flag cruise ships under construction in European shipyards for the U. S. cruise trade. A list of these new ships to be delivered in 1971 through 1973 is on a following



SOUTH CAROLINA STATE PORTS AUTHORITY  
CHARLESTON • GEORGETOWN • PORT ROYAL

P.O. Box 817  
CHARLESTON, SOUTH CAROLINA 29402

TELEPHONE 723-8651  
TWX 510 571 1860

FROM THE OFFICE OF  
CAPERS G BARR, JR  
GENERAL MANAGER

July 16, 1971

The Honorable P. C. Smith  
State Auditor  
P. O. Box 11333  
Columbia, South Carolina 29211

Dear Pat:

In support of the E-1 for the passenger station which I sent to you last week, I wish to explain where we expect to obtain the additional funds required for this project. The project was originally shown in the Five-Year Capital Improvement Program for \$260,000.00, but was increased to \$850,000.00 as indicated in the E-1, a difference of \$590,000.00 to be provided.

We would like to propose the following changes in the Capital Improvement Program to provide these necessary funds:

- 1 - Reduce SCSPA Project No. B-3 \$150,000.00

This project (a current year project) covers a container crane for Columbus Street for \$1,300,000.00. A similar crane has been constructed at North Charleston for \$1,000,000.00. It is now felt that construction cost on the Columbus Street crane will not exceed the cost of the North Charleston crane by more than 15 per cent. The project cost of \$1,300,000.00 can therefore be reduced by \$150,000.00.

- 2 - Eliminate SCSPA Project A-8 \$273,000.00

This project (a current year project) covers cold storage expansion at Union Pier consisting of a prefab type of room to be installed in an existing building.

When the Five-Year Capital Improvement Program was originally proposed in October, 1969, it was anticipated that

The Honorable P. C. Smith  
July 16, 1971  
Page two

an additional cold storage facility would be needed as we were operating at about 110 per cent of capacity; therefore, a modest sum was provided in the program. Since that time, meat imports have declined and our present facilities are adequate for our needs. While changes in the method of inspection of imported meats by the U. S. Department of Agriculture mainly contributed to the reduction in volume moving through Charleston, it should be noted that the cold storage business historically is one of either feast or famine. We have experienced periods of feast and famine and presently the volume of imported meats through Charleston is improving, but it is unlikely the volume will approach a point where additional facilities will be required. In view of this experience the project should be eliminated at this time.

3 - Reduce SCSPA Project A-2 \$167,000.00  
(Fiscal 1972-73 Project)

This project covers additional covered storage at North Charleston at \$212,000.00. Originally this project was shown at \$654,000.00 for a transit shed in the area now occupied by Seatrain Container Lines. This project was reduced to \$212,000.00 when we applied the 5 per cent reduction required by the Bond Act. In view of Seatrain's use of the area, we will not require use of the funds for the original project. However, only \$167,000.00 of the \$212,000.00 is required and this leaves a balance in the project of \$45,000.00. It is felt that this balance should be held in abeyance for possible use later in connection with Project A-1 covering additional covered storage at Columbus Street, a project which was also reduced by the application of the 5 per cent reduction required by the Bond Act.

TOTAL

\$590,000.00

The Honorable P. C. Smith  
July 16, 1971  
Page three

I am sorry that I did not have this information worked up and presented to you at the time I forwarded the E-1 form. I should not have forwarded the E-1 to you without the back up information and I hope that this mistake has not caused you any concern. If I had routed the E-1 to Luther, as I normally do, he would have questioned the availability of funds and the E-1 would have been held up. You may be sure that I will be more deliberate in future.

With best wishes and warmest regards,

Sincerely,



CAPERS G. BARR, JR.

CGB,jr/jmw

cc: Chairman W. W. Johnson

NUMBER OF FOREIGN FLAG PASSENGER SHIP SALES IN UNITED STATES LINES AND CRUISE TRAVEL: 1959

A: By Name of Line  
B: By Flag of Ship  
C: By Type of Service

Name of Line Name of Ship	Flag	Year Built	Gross Tonnage	Crew <sup>1</sup>	Passenger Capacity	Sailings		Notes
						Caribbean	Other	
Alexia Cruise Line SUNAR STAR	Can.	1955	2,600	52	162	17	0	
YUKON STAR	Can.	1943	1,800	53	100	19	0	
Bahama Cruise Line FREDERICK I	Ltd.	1950	10,500	162	1,500	253	0	
Bahama S.S. Line LORNA	Nor.	1955	2,800	97	150	10	0	
Canadian Pacific EMERALD OF CANADA	U.K.	1951	25,600	529	1,043	15	1	N.Y./Liverpool
Charter Line AUSTRIANIS	Grc.	1952	18,400	364	442	24	0	
AUTONIS 3	Jan.	1950	28,315	500	2,470	6	0	
ELANIS 4	Grc.	1952	18,200	464	1,854	12	3	N.Y./Southampton
Comodore Cruise Line RUBIN	Ger.	1958	10,328	209	500	44	0	
Continental Line JANINA QUEEN	Ireland	1955	7,651	193	544	0	50	Haiti/Jamaica
Costa Line FRANCOIS C	It.	1953	20,100	347	1,276	17	8	Ft. Everglades/San Juan/Med.
FLAVIA	It.	1947	15,500	251	251	84	2	Haiti/Med.
FRANCA C 5	It.	1954	6,000	163	552	25	0	
Cunard Line CANTONIA	U.K.	1954	21,400	444	929	8	1	Ft. Everglades/Southampton/Le Havre
FLORONIA	U.K.	1955	21,400	432	941	37	1	N.Y./Southampton/Le Havre
QUEEN ELIZABETH II	U.K.	1958	65,500	955	2,025	3	17	N.Y./Southampton/Le Havre
Eastern S/S Line ARLBERG	Ltd.	1951	6,600	178	330	76	0	
NEW BRAMA STAR	Ltd.	1957	6,300	235	573	72	0	
Empire Line ALASKA 6	Grc.	1929	4,000	104	220	11	0	
JASON	Grc.	1955	4,500	129	414	7	0	
French Line ANTILLES 7	Fr.	1953	19,800	343	797	0	7	San Juan/Southampton/Le Havre
ANTILLES 7	Fr.	1953	19,800	343	797	0	8	San Juan/La Guaira
FRANCE	Fr.	1951	65,300	1,221	2,044	10	16	N.Y./Southampton/Le Havre

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.
4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.

NUMBER OF FOREIGN FLAG PASSENGER SHIP SALES IN UNITED STATES LINER AND CRUISE TRADES: 1969

Table 9  
Page 2 of 4

A: By Name of Line  
B: By Flag of Ship  
C: By Type of Service

Name of Line Name of Ship	Flag	Year Built	Gross Tonnage	Pass <sup>1</sup>	Passenger Capacity	Sailings		Area
						Cruiser	Liner	
<u>German Atlantic Line</u>								
ALBATROSS	Ger.	1959	25,000	290	790	5	0	
HANSEATIC	Ger.	1954	25,300	410	1,090	12	0	
<u>Greek Line</u>								
COLETTA MARIA MARLA	Grk.	1956	21,700	487	1,054	23	9	N.Y./Mediterranean
CLIMBIA	Grk.	1953	6,100	500	1,307	42	1	N.Y./Mediterranean
<u>Harbour American Line</u>								
LAUREN	Ger.	1938	32,400	556	1,122	13	4	
EUROPA	Ger.	1953	21,200	402	785	14	0	N.Y./U.K./Neth./Germany
<u>Holland America Line</u>								
DEWINTER	Neth.	1957	11,400	58	60	0	3	Los Angeles/Netherlands
MILOM AMSTERDAM	Neth.	1938	37,000	606	1,274	16	6	N.Y./Southampton/Le Havre/Neth.
ROTHSCHILD	Neth.	1959	37,800	617	1,455	22	2	N.Y./Southampton/Le Havre/Neth.
STADIAAM	Neth.	1957	2,300	401	951	11	4	N.Y./Southampton/Le Havre/Neth.
STADIAAM	Neth.	1957	2,300	401	951	0	1	U.S. Pac./Carib./Lisbon/Southampton/Neth.
<u>Hunk Lines</u>								
HUNTERIC <sup>3</sup>	Fan.	1931	18,600	453	1,228	34	0	
OSCEANIC	Fan.	1955	27,600	600	1,390	43	0	
<u>Irish Line</u>								
VICTORIA	Irb.	1936 <sup>d</sup>	14,900	239	605	25	2	N.Y./Italy
<u>Italian Line</u>								
CLEOPATRA COLOMBO	It.	1954	29,400	544	1,191	0	11	N.Y./Boston/Mediterranean
LEONARDO DA VINCI	It.	1950	33,300	594	1,326	16	6	N.Y./Boston/Mediterranean
MICHELANGELO	It.	1955	45,000	711	1,850	3	15	N.Y./Mediterranean
RAFFAELLO	It.	1955	45,900	698	1,850	3	17	N.Y./Mediterranean
<u>Kobe C.S.F. Line</u>								
ARGENTINA MARU	Jap.	1958	10,800	109	1,054	0	6	Calif./So. Am./Zen. Am./Carib./Calif./Hawaii/Japan
BRASIL MARU	Jap.	1954	10,100	105	932	0	6	Calif./So. Am./Zen. Am./Carib./Calif./Hawaii/Japan
<u>Norwegian American Line</u>								
SEA STARWARD	Nor.	1955	18,700	285	875	10	4	
SAGA STARWARD	Nor.	1955	2,000	324	850	9	2	N.Y./Norway/Denmark
<u>Panamanian Caribbean Line</u>								
STARWARD	Nor.	1958	13,100	395	750	50	0	N.Y./Norway/Denmark
SUNWARD	Nor.	1955	8,700	206	558	90	0	

NUMER OF FOREIGN FLAG PASSENGER SHIP SAILINGS IN UNITED STATES LINER AND CRUISE TRADES: 1959

Table y  
Page 3 of 4

A: By Name of Line  
B: By Flag of Ship  
C: By Type of Service

Name of Line Name of Ship	Flag	Year Built	Gross Tonn	Crew <sup>1</sup>	Passenger Capacity	Sailings		Area
						Cruise	Liner	
<b>Orient Overseas Line</b>								
ORIENT BLUE	Lib.	1950	10,150	75	61	0	2	Around the world
ORIENT HONGKONG	Lib.	1949	19,557	214	472	0	4	Around the world
ORIENT BLUE	Lib.	1954	8,244	79	86	0	2	Atl./Gulf/Pacific/Far East
ORIENT EMPRESS	Lib.	1955	8,245	85	84	0	3	Atl./Gulf/Pacific/Far East
ORIENT PACIFIC	Lib.	1944	9,644	100	124	0	5	Pacific/Far East
ORIENT LANT	Lib.	1955	8,270	80	95	0	3	Pacific/Far East
ORIENT MICHIGAN	Lib.	1954	8,213	75	87	0	4	Atl./Gulf/Pacific/Far East
ORIENT PRINCE	Lib.	1945	9,844	97	124	0	4	Pacific/Far East
ORIENT KAI	Nat'l. China	1951	17,750	163	321	0	2	Around the world
ORIENT BLUE	Lib.	1954	8,259	83	80	0	1	Pacific Far East
ORIENT VANGUARD	Lib.	1954	8,359	93	84	0	3	Atl./Gulf/Pacific/Far East
<b>Front Line</b>								
FRONTIER	Fr.	1956	11,700	237	492	9	0	
<b>P. &amp; O. Lines</b>								
ARCTIC	U.K.	1953	29,500	626	1,382	0	7	Ships serve three U.S. services on the following routes: U.K./Canada; U.K./Mexico; Calif./Hawaii/worldwide
CAMBRIA	U.K.	1951	44,500	850	2,400	0	12	
JERUSALEM	U.K.	1954	26,000	632	1,407	0	3	
ORION	U.K.	1950	41,900	858	2,215	0	12	
ORIENT	U.K.	1951	28,100	603	1,467	0	6	
ORION	U.K.	1954	29,100	610	1,444	0	10	
<b>Portuguese Line</b>								
SANTA TERESA	Port.	1953	20,900	377	1,234	0	11	Pt. Everglades/San Juan/Canary Is./Spain/Port.
<b>Princess Indicators, Inc.</b>								
PRINCESS ITALIA	It.	1952	20,000	387	743	37	0	
PRINCESS ITALIA	It.	1957	12,700	233	500	25	0	
<b>Royal Netherlands Line</b>								
ROYAL NETHERLANDS	Neth.	1951	9,300	77	111	0	25	U.S. Atl./Caribbean/S. America
<b>Spanish Line</b>								
SPANISH LINE	Span.	1953	10,200	91	353	0	1	San Juan/Spain/Med.
SPANISH LINE	Span.	1953	10,200	92	349	0	11	San Juan/Spain/Med. also N.Y./Mexico
SANTO DOMINGO	Span.	1948	6,500	105	223	0	5	San Juan/Spain/Med.
VERONICA DE CUBENCA	Span.	1949	6,500	105	230	0	6	San Juan/Spain/Med.
<b>Swedish Line</b>								
SWEDISH MAIDS II	Swk.	1950	2,700	107	200	8	0	
SWEDISH MAIDS	Swk.	1955	4,000	143	414	3	0	
SWEDISH MAIDS	Swk.	1953	13,500	102	279	14	0	

## NUMBER OF FOREIGN FLAG PASSENGER SHIP SALES IN UNITED STATES LANE AND CRUISE TRADES: 1965

A: By Name of Line  
B: By Flag of Ship  
C: By Type of Service

Name of Line	Flag	Year	Gross Tonnage	Crew <sup>1</sup>	Passenger Capacity	Sailings		Area
						Cruise	Liner	
<u>Swedish American Line</u>								
<i>ARLONDA</i>	Swed.	1957	25,200	388	642	13	2	N.Y./Kristiansand/Copenhagen/Gothenburg
<i>FRANZON</i>	Swed.	1956	25,700	377	750	12	7	N.Y./Kristiansand/Copenhagen/Gothenburg
<u>Thunberg Line</u>								
<i>ARNA</i>	Yug.	1955	6,800	49	50	0	5	N.Y./Mediterranean/Yugoslavia
<i>TRAVELER</i>	Yug.	1955	7,800	49	50	0	5	N.Y./Mediterranean/Yugoslavia
<i>TRAVELER</i>	Yug.	1954	6,800	47	50	0	5	N.Y./Mediterranean/Yugoslavia
<i>TRAVELER</i>	Yug.	1955	7,800	47	50	0	4	N.Y./Mediterranean/Yugoslavia

- 1 Size of crew may vary with type of service and season
- 2 In U.S. Reserve Fleet 1946; served under British, United States and Italian flags; converted in 1948
- 3 Former S/S *Merica*, sold November 1954
- 4 Former S/S *London*, built in 1932, sold September 1953
- 5 Former S/S *Medina*-U.S. flag, sold to a Panamanian company, then to an Italian Line, converted in 1953
- 6 Formerly owned by the McCormick Shipping Co. 1934-1953, formerly a yacht, gunboat, cargo ship
- 7 Sunk in the Caribbean, January 13, 1971
- 8 Former S/S *Harpoon*, sold 1953 and rebuilt 1955
- 9 Former S/S *Isabella*, sold September 1955
- 10 Former S/S *Wester*, sold September 1955

Source: Division of Statistics, Maritime Administration

## NUMBER OF U.S. FLAG PASSENGER SHIPS IN U.S. PORTS UNDER U.S. FLAG AND CRUISE TABLES: 1959

A: By Name of Line  
B: By Type of Service

Name of line <u>Name of Ship</u>	Flag	Year Built	Gross Tons	Crew <sup>1</sup>	Passenger Capacity		Sailings		Area
					Cruise	Liner	Cruise	Liner	
<u>American President Lines</u>									
AMERICAN PRESIDENT LINE <sup>2</sup>	U.S.	1947	15,500	345	586	0	9	California/Hawaii/Far East	
PRESIDENT ROCKWELL <sup>2</sup>	U.S.	1944	17,900	305	450	4	4	California/Hawaii/Far East	
PRESIDENT AIRSEA	U.S.	1949	15,500	345	535	1	7	California/Hawaii/Far East	
			<u>48,900</u>	<u>995</u>	<u>1,571</u>				
<u>Grace Line</u>									
SANTA LUCINDA <sup>3</sup>	U.S.	1953	11,200	111	125	0	15	U.S. No. Atl./A.C. So. America	
SANTA LARSA <sup>3</sup>	U.S.	1953	11,200	111	125	0	15	U.S. No. Atl./A.C. So. America	
SANTA MARJANA <sup>3</sup>	U.S.	1953	11,200	111	125	0	8	U.S. No. Atl./A.C. So. America	
SANTA MARGARET <sup>3</sup>	U.S.	1954	11,200	111	125	0	15	U.S. No. Atl./A.C. So. America	
SANTA PAULA <sup>4</sup>	U.S.	1953	11,400	252	300	0	24	N.Y./Pt. Everglades/Carib.	
SANTA ROSA <sup>4</sup>	U.S.	1953	11,400	252	300	0	26	N.Y./Pt. Everglades/Carib.	
			<u>67,600</u>	<u>848</u>	<u>1,100</u>				
<u>Northwest Steamship Lines</u>									
ARIZONA <sup>5</sup>	U.S.	1958	15,300	375	557	15	1	Pt. Everglades/E.C. So. America	
BRASIL <sup>5</sup>	U.S.	1958	15,300	375	557	8	2	San Juan/Pt. Everglades/E.C. So. America	
			<u>30,600</u>	<u>750</u>	<u>1,114</u>				
<u>Cosco S/S Co.</u>									
LARIVA	U.S.	1953	14,300	260	355	5	7	Calif./Hawaii/Australia/N.Z./So. Seas	
PENTNEY	U.S.	1952	14,300	260	355	2	7	Calif./Hawaii/Australia/N.Z./So. Seas	
			<u>28,600</u>	<u>520</u>	<u>710</u>				
<u>United States Lines</u>									
UNITED STATES <sup>6</sup>	U.S.	1952	33,200	1,014	1,561	3	16	N.Y./Southampton/Le Havre/Bremerhaven	

- 1 Size of crew may vary with type of service and season  
 2 Sold to Green company April 1970  
 3 Ceased passenger operations Jan. 1971  
 4 Laid-up Jan. 1971  
 5 Laid-up Sept. 1959  
 6 Laid-up Nov. 1959

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Table 8

## PASSENGER SHIPS ON ORDER AND UNDER CONSTRUCTION

As of November 1970

<u>Steamship Line</u>	<u>Designated Flag of Ship</u>	<u>Country of Construction</u>	<u>Gross Tons</u>	<u>Speed</u>	<u>Designed Passenger Capacity</u>	<u>Estimated Delivery Date</u>	<u>Type of Ship</u> <sup>1</sup>
Cunard S/S Co.	United King.	Netherlands	14,000	24	750	1971	C/L
Cunard S/S Co.	United King.	Netherlands	14,000	24	750	1972	C/L
A.F. Klaverness & Co.	Norwegian	Finland	22,000	21.5	525	1973	C/L
Bergen S/S Co.	Norwegian	Finland	22,000	21.5	525	1972	C/L
Det Nordenfjeldske D/S	Norwegian	Finland	22,000	21.5	525	1973	C/L
Klosters Rederi A/S	Norwegian	Italy	14,500	N.A.	1,000	1971	C/L
Klosters Rederi A/S <sup>2</sup>	Norwegian <sup>2</sup>	Italy	14,500	N.A.	1,000	1971	C/L
Norwegian Amer. Line	Norwegian	United King.	24,000	20	560	1973	C/L
O. Lorentzen & Fearnley & Eger	Norwegian	W. Germany	20,000	21	767	1971	C/L
O. Lorentzen & Fearnley & Eger	Norwegian	W. Germany	20,000	21	767	1971	C/L
Royal Caribbean Cruise Line	Norwegian	Finland	17,500	21	900	1971	C/L
Royal Caribbean Cruise Line	Norwegian	Finland	17,500	21	900	1972	C/L
International Travel	Greek	Greece	3,000	N.A.	N.A.	1971	C/L
K/S Nord Line A/S	Danish	United King.	12,500	19	600	1971	C/L
Cie Maritime Belge	Belgian	United King.	15,800	19.75	N.A.	1972	P/C
Cie Maritime Belge	Belgian	United King.	15,800	19.75	N.A.	1972	P/C
Shipping Corp. of India	Indian	India	4,650	N.A.	N.A.	1972	P
Shipping Corp. of India	Indian	India	3,380	N.A.	N.A.	1973	P
U.S.S.R.	Russian	E. Germany	20,000	N.A.	500	1972	P
Williams Line	Philippine	Japan	2,000	16	N.A.	1971	P

1 C/L-Cruise Liner

P/C-Passenger/Cargo

P-Passenger

2 Contract taken over by P &amp; O Lines, U.K. flag, early in 1971

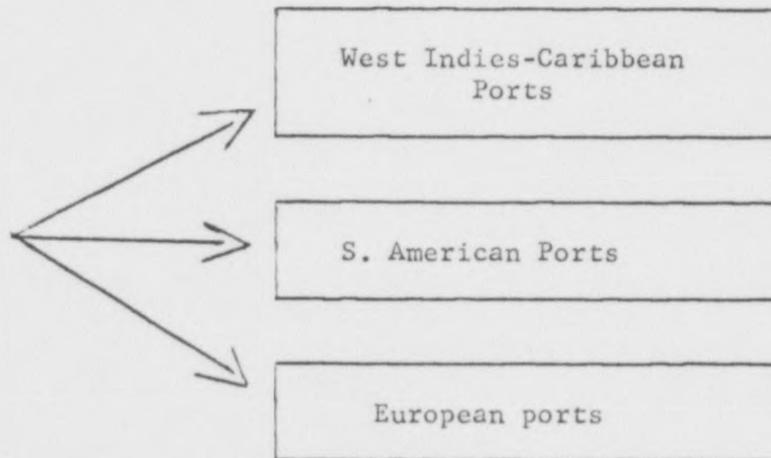
N.A. Not available

Sources: Fairplay and Maritime Administration

page. Addresses of the lines are available at the offices of the Ports Authority.

Particular attention needs to be directed to these new cruise ships because of the almost over-tonnaging situation previously mentioned that is taking place. Many lines in recent years have built new cruise ships because of the cruise trade growth. With a seeming leveling off of the U. S. economy and keen competition at established U. S. cruise ports, some of the lines with these new cruise ships may be willing to gamble on a new market in South Carolina. If these new cruise ships can be successful out of Charleston, they will tend to stay with the port. These new cruise ships offer an opportunity for Charleston.

FIFTH SYSTEM ELEMENT



Most of the cruise business tends to go to principal ports and the majority goes to ports in the West Indies-Caribbean area. Potential visitors to these areas sometimes contact the Tourist Information Bureaus there. These tourist information sources need to be made aware of cruises from Charleston. In addition, some potential may be found in cruises from Europe to Charleston in certain instances although the long cruises except in

specialized instances are not as popular as airline travel.

#### ECONOMIC BENEFIT OF CRUISES

If the whole system works, Charleston will have more cruises and South Carolina will have more visitors.

Packaged vacations in which a tourist, for example, plays golf for two days at Myrtle Beach or Hilton Head and then goes on a five-day cruise should encourage both passengers and a spread of economic benefits to areas of the state.

Those passengers coming into the state by automobile should tend to spend some monies for food and lodging in different sections of the state depending on their entrance to the state.

Cruise lines as they increase should make purchases in South Carolina of some of their supplies which can be of a wide variety.

Travel agents and banks throughout the state should benefit by increased selling opportunities.

Citizens in the state who wish to go on cruises should benefit by lower transportation costs by having cruises available nearby.

The cruises themselves should add to South Carolina's resort-recreation appeal and be a multiplier intertwined with other development. For example, Florida has said on many occasions that a good many of its passengers are people who come to Florida for two or three months out of the year, rent an apartment, and take a cruise while they are there. The cruises can, for example, be one contributing factor to similar vacation apartment developments here in South Carolina.

More detailed plans and studies of maximizing the economic benefit to the state by cruises should be made.

## OBJECTIVES

Long Term : 6 to 10 years  
Medium Term : 1 to 5 years  
Short Term : 1 year

### LONG-TERM OBJECTIVES

1. To improve the elements of the present system for cruise passenger commerce to the end of increasing the cruises of South Carolina toward its potential of 265,000 passengers and 500 cruise ships a year for the economic benefit of all of its citizens.
2. To foster public understanding of the needs of the system of passenger commerce.

### MEDIUM-TERM OBJECTIVES

1. To increase the number of cruise ships calling at the port of Charleston to 15 ships in 1973, 20 ships in 1974, 25 ships in 1975; and 30 ships in 1976 and the number of passengers to 7,500 in 1973; 10,000 in 1974; 12,500 in 1975, and 15,000 in 1976.
2. To review system for improvements needed beyond five years in the light of changes that have developed in passengers, inland transportation, port facilities, and cruise lines.
3. To review any need for additional passenger facilities sufficiently in advance so that the passenger facilities can be funded and constructed in a timely manner.
4. To create an awareness of Charleston's growth and potential as a cruise port among the general public and specialized groups within the system.

### SHORT-TERM OBJECTIVES

1. To completely identify all pertinent groups within the system and

set up a regular information program on the cruise port of Charleston to those groups including travel agents, banks, credit-card plans, sales incentive and saving stamp programs, package wholesalers, tour groups, company and association-sponsored groups, rail, bus and airline passenger departments, cruise lines, and tourist bureaus in principal Caribbean-West Indies, South America and European ports.

2. To create a beginning awareness of Charleston as a cruise port among the passenger public in the states in Charleston's favorable passenger tributary area by a steady publicity program.
3. To plan the dedication of the passenger terminal at Charleston next spring with the intention of gaining as widespread as possible recognition among specialized groups within the system and the passenger public.
4. To plan the dedication so that a cruise ship will be at the pier on the day of the dedication.
5. To set up a special solicitation program directed at new cruise vessels.
6. To set up a special solicitation program aimed only at tour groups.



SOUTH CAROLINA STATE PORTS AUTHORITY  
CHARLESTON • GEORGETOWN • PORT ROYAL

P.O. Box 817  
CHARLESTON, SOUTH CAROLINA 29402

TELEPHONE 723-8651  
TWX 510 571 1860

FROM THE OFFICE OF  
CAPERS G BARR, JR  
GENERAL MANAGER

July 23, 1971

The Honorable P. C. Smith  
State Auditor  
P. O. Box 11333  
Columbia, South Carolina 29211

Dear Pat:

This letter is a follow-up on mine of July 16 concerning the passenger terminal. My previous letter indicated where we expect to obtain the additional funds required for this project. As I indicated, we intend to obtain these funds from amounts derived from adjustments to other existing projects in the Capital Improvement Program.

The enclosed folder substantiates the necessity for changing the passenger terminal project. As always, we will continue to work within the funds allotted for the five-year program. As I mentioned to you earlier, occasionally, as in this case, we will have to modify other specific projects as events and needs change. I am sure the Budget and Control Board expects us to stay abreast of the revolutionary international changes in port operations, such as advances in containerization, and propose changes to meet these requirements. Of course, changes will only be made with the permission and direction of the Budget and Control Board. In doing so, we believe that we deal more exactly with the current reality and make the best use of the state's money.

With best wishes and warmest regards,

Sincerely,

CAPERS G. BARR, JR.

CGB,jr/jmw

Enclosure

cc: Chairman W. W. Johnson

E N D

AGENDA MATERIALS  
AND SUPPORTING DOCUMENTS  
FOR THE MEETING OF  
AUGUST 19, 1971

August 20, 1971

Honorable Theodore B. Guerard  
Sinkler, Gibbs, Simons & Guerard  
P. O. Box 340  
Charleston, S. C. 29402

Re: \$1,000,000 Lexington County, South Carolina  
First Mortgage Industrial Revenue Bonds,  
Series 1971 (Communication Specialties,  
Inc. - Lessee).

Dear Teddy:

At your request we are returning herewith 10 copies of the resolution adopted by the Budget and Control Board approving the petition of the Governing Board of Lexington County regarding their issuance of the above bonds.

Very truly yours,

P. C. Smith  
State Auditor

PCS:dr

Enclosures

SINKLER GIBBS SIMONS & GUÉRARD, P. A.  
ATTORNEYS & COUNSELLORS AT LAW

TELEPHONE 722-3366  
AREA CODE 803

HUGER SINKLER  
CHARLES H. GIBBS  
ALBERT SIMONS, JR.  
THEODORE B. GUÉRARD  
G. DANA SINKLER  
THOMAS G. BUIST  
RUTH WILLIAMS  
GEORGE C. EVANS

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

THOMAS A. HUTCHESON  
ROBERT H. HOOD

August 12th, 1971

Honorable P. C. Smith  
State Auditor  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Pat:

Re: \$1,000,000 Lexington County, South Carolina  
First Mortgage Industrial Revenue Bonds,  
Series 1971 (Communication Specialties,  
Inc. - Lessee).

You should be receiving in the near future a Petition from the County Board of Commissioners of Lexington County seeking the State Board's approval of the project to be financed through the issuance of the captioned bonds.

We now enclose herein the original and ten (10) copies of a proposed Resolution for consideration by the State Board approving the said project. When adopted, please return ten (10) certified copies of the enclosed Resolution to us.

Very truly yours,

*Thady Guérard*

TBG:mbd  
Enclosures

cc: L. Thomas Houser, Esq.  
Counsel  
The Anaconda Company  
25 Broadway  
New York, New York 10004

cc: T. H. Rawl, Jr., Esq.  
Attorney at Law  
204 East Main Street  
Lexington, South Carolina 29072

**RAWL, PURCELL & HARMAN**

ATTORNEYS AT LAW  
204 E. MAIN STREET  
P. O. BOX 856  
LEXINGTON, S. C. 29072

T. H. RAWL, JR.  
E. B. PURCELL, JR.  
ARCHIE L. HARMAN

August 16, 1971

TELEPHONE  
359-2517  
AREA CODE 803

Hon. Paul C. Smith  
State Auditor  
P. O. Box 11333  
Columbia, South Carolina 29211

Re: One Million Dollars - Lexington County  
Industrial Revenue Bonds - Communication  
Specialties, Inc.

Dear Mr. Smith:

We forward herewith Petition of the County Board of Commissioners and Lexington County seeking the State Board's approval of the above project, together with drafts of other proposed documents as prepared by the law firm of Messrs. Sinkler, Gibbs, Simons and Guerard.

With best wishes, I am

Yours very truly,

RAWL, PURCELL & HARMAN

BY: *W. L. Lamm*

THR/fec

Encls.

CC: L. Thomas Houser, Esquire  
Counsel, The Anaconda Company  
25 Broadway  
New York, New York 10004

Theodore B. Guerard, Esquire  
Sinkler, Gibbs, Simons & Guerard  
Attorneys at Law  
P. O. Box 340  
Charleston, S. C. 29402

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RESOLUTION

STATE OF SOUTH CAROLINA BUDGET AND CONTROL BOARD

WHEREAS, heretofore the County Board of Commissioners of Lexington County (the County Board) did, pursuant to Act No. 103 of the General Assembly of the State of South Carolina for the year 1967 (the Act), petition the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act, and

WHEREAS, the proposed undertaking consists of the acquisition by the County Board of a parcel of land containing approximately 15 acres of land located in Lexington County, on which the County Board will finance the acquisition, construction and equipping of new facilities for the manufacture of cords, buried drop wire and station wire for sale to independent telephone industry (said 15 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and which Project will be leased to Communication Specialties, Inc., a Delaware corporation (Communication Specialties); and

WHEREAS, the Project is to be leased to Communication Specialties at a rental sufficient to provide for the payment of the Bonds of Lexington County hereafter referred to, and costs and expenses resulting from the issuance thereof; and

WHEREAS, in order to finance the Project the County Board proposes to provide for an issue of \$1,000,000 Lexington County First Mortgage Industrial Revenue Bonds payable from the rentals derived from Communication Specialties and additionally secured by a Trust Indenture between Lexington County and Bankers Trust of South Carolina, as Trustee; and

WHEREAS, the obligation of Communication Specialties under the said Lease will be unconditionally guaranteed by The Anaconda Company, a Montana corporation; and

WHEREAS, the form of the Lease Agreement between Lexington County and Communication Specialties, of the Trust Indenture and the Lease Guaranty Agreement have been considered by this Board.

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

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

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

(b) That the County Board has filed a proper petition to the State Board establishing a reasonable estimate of the cost of the Project, a general summary of the terms and conditions of the Lease and the Trust Indenture to be made by the County Board and has established that Communication Specialties will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 6 of the Act.

(c) That the Project will provide employment for approximately 65 persons and will be of benefit to Lexington County and adjoining areas.

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

2. On the basis of the foregoing findings the proposed undertaking of the County Board to acquire the land included in the Project, to finance the construction thereon of the buildings and improvements and the acquisition and installation therein of the equipment and machinery included in the Project, to lease the Project to Communication Specialties and to finance the cost of acquiring, constructing and equipping the Project through the issuance of \$1,000,000 Lexington County First Mortgage

Industrial Revenue Bonds payable from the revenues to be derived from the leasing of the Project and additionally secured by the said Trust Indenture, and the unconditional guarantee of The Anaconda Company of all obligations of Communication Specialties under the said Lease Agreement, all pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), be and the same is hereby approved.

3. Notice of the action taken of the State Board in giving approval to the undertaking of Lexington County above described in paragraph 2, supra, shall be published in THE STATE and in THE DISPATCH-NEWS, both of which are newspapers having general circulation in Lexington County.

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

NOTICE PURSUANT TO ACT NO. 103 OF  
THE ACTS OF THE GENERAL ASSEMBLY  
SOUTH CAROLINA FOR THE YEAR  
1967

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Notice is hereby given that following the filing of a Petition by the County Board of Commissioners of Lexington County (the County Board) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertaking (including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), viz:

The acquisition by the County Board of a parcel of land containing approximately 15 acres in Lexington County, on which the County Board will cause to be constructed and equipped new facilities for the manufacture of cords, buried drop wire and station wire for sale to independent telephone industry (said 15 acre tract of land, and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$1,000,000 of Lexington County First Mortgage Industrial Revenue Bonds (the Bonds) pursuant to Act No. 103 of the Acts of the South Carolina General Assembly for the year 1967. The County Board will lease the Project to Communication Specialties, Inc., a Delaware corporation (Communication Specialties), under a Lease Agreement and the Bonds of Lexington County will be payable solely from the rentals to be paid to the County by Communication Specialties, which has irrevocably covenanted and agreed to pay when due, all sums required for the principal and interest thereon, and the Bonds will be additionally secured by a Trust

Indenture which will constitute a forecloseable lien upon the Project. The Anaconda Company, a Montana corporation, will unconditionally guarantee the performance of all obligations of Communication Specialties under the said Lease Agreement.

In addition Communication Specialties has agreed to pay as additional rentals to Lexington County, the School District, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Lexington County, the said School District, and the said other political units wherein the Project is situated, if the Project were owned by Communication Specialties, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to Communication Specialties if it were the owner of the Project.

The Lease by which Lexington County will lease the Project to Communication Specialties will provide that Communication Specialties shall purchase the Project for One Dollar (\$1.00) upon the payment in full of the Bonds.

When completed, it is estimated that the Project will provide employment for approximately 65 persons.

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

THE STATE BUDGET AND CONTROL BOARD

By: P. C. SMITH, Secretary

PUBLICATION DATE:  
\_\_\_\_\_

STATE OF SOUTH CAROLINA,

COUNTY OF RICHLAND.

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

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

His Excellency, John C. West, Governor of South Carolina and Chairman of the Board;

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

The Honorable John Henry Mills, Comptroller General of South Carolina;

The Honorable Edgar A. Brown, Chairman of the Senate Finance Committee; and

The Honorable Robert James Aycock, Chairman of the House Ways and Means Committee.

That due notice of meeting of said Board, called to be held at the office of the State Auditor, in the Hampton Office Building, at Columbia, South Carolina, at \_\_\_\_\_ . M., \_\_\_\_\_, 1971, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

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

FOR MOTION

AGAINST MOTION

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

\_\_\_\_\_  
Secretary

\_\_\_\_\_, 1971.



2.

on which the facilities will be located (said land and the buildings, machinery and equipment constituting the said facilities being hereinafter referred to as the Project), and the County Board has agreed to issue One Million Dollars (\$1,000,000) Lexington County First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee) pursuant to the Act in order to finance the acquisition, construction and equipping of the Project which, when completed, will constitute a new plant for the manufacture of cords, buried drop wire and station wire for sale to the independent telephone industry.

4. The County Board is advised by the Lessee that the cost of acquiring the said land, including land improvements, is approximately \$76,000, the cost of constructing the said buildings, including a power substation, is approximately \$465,000, and the cost of acquiring and installing the necessary machinery and equipment, including an air compressor and distribution system and transfer and installation expenses on Lessee's equipment to be transferred from other locations to Lexington County, is approximately \$281,000; and that, therefore, in order to finance the acquisition, construction and equipping of the Project, including the costs and charges incident to the issuance and sale of the bonds hereinafter described, it will be necessary that the County Board issue One Million Dollars (\$1,000,000) Lexington County First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee) (the Bonds).

5. When the Project is complete, it will employ approximately 65 persons and the construction of the Project will provide additional employment during the period of construction.

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

3.

(a) The proposed Project will subserve the purposes of the Act.

(b) By reason of undertaking the Project no pecuniary liability will result to the County nor will there be a charge against its general credit or taxing power.

(c) The proposed Lease between the County Board and the Lessee will unconditionally obligate the Lessee to pay rent in an amount adequate to provide for the principal and interest payments on the Bonds which mature and bear interest as follows:

<u>September 1</u>	<u>Principal Amount</u>	<u>Rate of Interest</u>
1973	\$ 40,000	5.50%
1974	50,000	5.50%
1975	60,000	5.50%
1976	70,000	5.50%
1977	80,000	5.50%
1978	90,000	5.50%
1979	100,000	5.50%
1980	110,000	5.50%
1981	120,000	5.50%
1982	140,000	5.50%
1983	140,000	5.50%

(d) The Lessee is a wholly owned subsidiary of The Anaconda Company, a Montana corporation, and the performance of all of the Lessee's obligations under the said Lease, including the payment of all rentals and other sums to become due thereunder will be unconditionally guaranteed by The Anaconda Company (the Guarantor).

(e) The Guarantor is a corporation with a well established credit and, therefore, it is unnecessary to establish reserve funds for the payment of such principal and interest.

(f) The terms of the Lease will require the Lessee to carry proper insurance and to pay all costs of maintaining the Project in good repair.

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

(a) The Project to be undertaken consists of land, buildings, equipment, machinery and other improvements which will be necessary for, and part of, facilities for the manufacture of cords, buried drop wire and station wire for sale to the independent telephone industry.

(b) The Project will provide considerable employment during the period of its construction and when completed will provide permanent employment for approximately 65 persons. It is, therefore, believed that the Project will have an extremely beneficial effect upon the economy of the County and areas adjacent thereto.

(c) The cost of the Project is approximately One Million Dollars (\$1,000,000), including construction cost, cost of land, equipment and machinery, financing costs and all other expenses to be incurred in connection therewith.

8. The proposed Lease will provide, among other things, the following:

(a) To finance the cost of the acquisition, construction and equipping of the Project, the County will issue \$1,000,000 of Lexington County First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee). All Bonds will be secured by a pledge of the rents to be paid by the Lessee and will be further secured by a Trust Indenture, as authorized by Section 5 of the Act, to Bankers Trust of South Carolina, as Trustee, and the obligations of the Lessee under the said Lease will be unconditionally guaranteed by the Guarantor.

(b) The proceeds derived from the sale of the Bonds will be deposited with the Trustee and will be withdrawn on requisition of the Lessee and the County and applied solely for the payment of costs incident to the acquisition, construction and equipping of the Project, and the issuance of the Bonds.

(c) The Lease will contain certain provisions by which the Lessee will unconditionally agree (i) to make payments in lieu of taxes as required by the Act, (ii) to pay as rent an amount sufficient to pay the principal of, interest, and premium, if any, on the Bonds, (iii) to effect the completion of the Project from Lessee's own funds if the proceeds of the Bonds prove insufficient, and (iv) to pay for the maintenance and repair of the Project and the cost of keeping the Project properly insured.

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

(e) The Guarantor will enter into an agreement (the Lease Guaranty Agreement) with the County which will be attached to the said Lease and pursuant to which the Guarantor will unconditionally guarantee the performance of all of the obligations of the Lessee under the said Lease, including the payment of all rentals and other amounts to become due.

9. The proposed Trust Indenture is in conventional form and constitutes a forecloseable mortgage upon the Project. Included in the granting clause of the Trust Indenture will be:

(a) All real property, equipment and machinery and interests therein, acquired or to be acquired for the Project.

(b) The right, title and interest of the County in the Lease.

(c) The right, title and interest of the County in the Lease Guaranty Agreement.

(d) All rentals and revenues derived by the County under the Lease and the Lease Guaranty Agreement, except those payments to be made in lieu of taxes or by way of indemnification.

The Indenture makes provision for the issuance of One Million Dollars (\$1,000,000) of Bonds to be secured thereunder. It provides for the payment and redemption of the Bonds, the establishment of a Bond Fund into which the proceeds of the rents payable by the Lessee are placed, and the use of said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

10. The proposed Lease and Lease Guaranty Agreement and the proposed Trust Indenture (draft copies of which are enclosed herein) will be in the form heretofore used in the issuance of Industrial Revenue Bonds pursuant to the Act. While changes will be made in the enclosed forms, it is not expected that there will be any changes which will substantially affect the undertaking as now outlined therein.

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

That the State Budget and Control Board accept the filing of the Petition presented herewith and that it do, thereafter, and as soon as practicable, make its independent investigation of the Project and the terms and provisions of the Lease, the Lease Guaranty Agreement and the Trust Indenture, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Act and that it is reasonably anticipated to effect such result, and on the basis of such finding, that it does approve the Project, including changes in any details of the said financing

as finally consummated which do not materially affect the said undertaking, and give published notice of its approval in the manner set forth in Section 14 of the Act.

August 16, 1971.

Respectfully submitted,

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By Edward B. Seund  
Chairman, County Board of  
Commissioners of Lexington County

Attest:

Annie Mae P. Woodruff  
Clerk

Bankers Trust of South Carolina  
Columbia, South Carolina

Dear Sirs:

Re: \$1,000,000 Lexington County, South  
Carolina First Mortgage Industrial  
Revenue Bonds - Series 1971  
(Communication Specialties, Inc. -  
Lessee), dated September 1, 1971

In order to induce you to enter into a bond purchase agreement with Lexington County, South Carolina (the "County"), dated the date hereof (the "Bond Purchase Agreement"), relating to the purchase by you from the County of the Industrial Revenue Bonds above described (the "Bonds"), and in consideration of the execution and delivery of the Bond Purchase Agreement, The Anaconda Company (the "Guarantor") represents, warrants and covenants to you as follows:

(a) The Guarantor has heretofore delivered to you the Annual Report of the Guarantor for the fiscal year ended December 31, 1970, including Consolidated Balance Sheet of the Guarantor and its consolidated subsidiaries as of the end of such year, and statement of Consolidated Income and statement of Consolidated Retained Earnings and related notes, together with an opinion of Price Waterhouse & Company.

Your attention is especially directed to such related notes. In addition, the opinion of Price, Waterhouse & Company makes special comments with respect to note A. Subject to note A, such financial statements fairly present the financial condition of the Guarantor and its consolidated subsidiaries as of the date stated and the results of its operations for the period stated, and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. There has been no material and adverse change in the financial condition of the Guarantor since December 31, 1970, except that the constitutional amendment proposed by the President of Chile and referred to in note A has become effective, with the result that it has become, as of the date hereof, even more difficult to ascertain whether the Guarantor will realize anything on its substantial investments in copper producing properties in Chile.

(b) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, known by the Guarantor to be pending or threatened against or affecting the Guarantor, nor to the best of the knowledge of the Guarantor is there any basis therefor, wherein an unfavorable decision, ruling or finding would, in any way, materially adversely affect the transactions contemplated by the Bond Purchase Agreement or which, in any way would adversely affect the validity or enforceability of the Bonds, the Trust Indenture, dated as of September 1, 1971, between the County and Bankers Trust of South Carolina, Columbia, South Carolina, as Trustee, securing the Bonds (the "Indenture"); the Lease Agreement dated as of September 1, 1971, relating to the leasing by the County to the Lessee of the Project, as therein defined (the "Lease Agreement"); the Guaranty Agreement between the County and The Anaconda Company (the "Guaranty

Agreement"); the Bond Purchase Agreement or this Letter of Representation.

(c) The Lessee has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Ohio and is qualified to do business in the State of South Carolina and is a wholly owned subsidiary of Anaconda Wire and Cable Company which in turn is a wholly owned subsidiary of the Guarantor.

(d) The Guarantor has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Montana.

(e) The Lease Agreement (when duly executed and delivered by the Lessee) will be the legal, valid and binding obligation of the Lessee, and the execution and delivery of the Lease Agreement and compliance with the provisions thereof will not conflict with or constitute on the part of the Lessee a breach of or default under any agreement, or other instrument to which the Lessee is a party or by which it is bound, or under any existing law, administrative regulation, court order or decree to which the Lessee is subject.

(f) The Guaranty Agreement (when duly executed and delivered by the Guarantor) will be the legal, valid and binding obligation of the Guarantor, and the execution and delivery of the Guaranty Agreement and compliance with the provisions thereof will not conflict with or constitute on the part of the Guarantor a breach of or default under any agreement, or other instrument to which the Guarantor is a party or by which it is bound, or under any existing law, administrative regulation, court order or decree to which the Guarantor is subject.

(g) The Lessee will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner materially contrary to that provided in the Indenture and the Lease Agreement, as in force from time to time.

(h) The Lessee will deliver or cause to be delivered at the Closing Date, as defined in the Bond Purchase Agreement, the opinion, the certificate provided for in Subsection 4(g)(iv) of the Bond Purchase Agreement.

(i) The Guarantor will deliver or cause to be delivered at the Closing Date, as defined in the Bond Purchase Agreement, the opinion, the certificate provided for in Subsection 4(g)(v) of the Bond Purchase Agreement.

All provisions contained herein shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the County or the Purchaser, and shall survive the delivery of the Bonds.

The validity, interpretation and performance of this Letter of Representation shall be governed by the Laws of the State of South Carolina.

Very truly yours,

THE ANACONDA COMPANY

BY \_\_\_\_\_

\$1,000,000  
LEXINGTON COUNTY, SOUTH CAROLINA  
FIRST MORTGAGE INDUSTRIAL REVENUE BONDS  
Series 1971

(Communication Specialities, Inc - Lessee)

BOND PURCHASE AGREEMENT

Board of County Commissioners  
Lexington County  
South Carolina

Dear Sirs:

The undersigned (herein called the "Purchaser") hereby offers to enter into this Bond Purchase Agreement with Lexington County, South Carolina (herein called the "County") for the purchase by the Purchaser and the sale by the County of \$1,000,000 Lexington County, South Carolina First Mortgage Industrial Revenue Bonds - Series 1971 (Communication Specialities, Inc. - Lessee) dated September 1, 1971 (herein called the "Bonds"). This offer is made subject to your acceptance hereof today prior to 2:00 P. M. Eastern Daylight Saving Time, and upon such acceptance this Bond Purchase Agreement shall be in full force and effect in accordance with the terms hereof and shall be binding upon both the County and the Purchaser.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Purchaser hereby agrees to purchase from the County, and the County hereby agrees to sell to the Purchaser, at an aggregate purchase price of \$1,000,000 plus accrued interest on the Bonds from their date to the date of closing, all (but not less than all) of the \$1,000,000 aggregate principal amount of Bonds, to be dated September 1, 1971 and to mature and bear interest, payable on March 1 and September 1 of each year, as follows:

Amount	Date of Maturity	Coupon
\$ 40,000	1973	5-1/2%
50,000	1974	5-1/2%
60,000	1975	5-1/2%
70,000	1976	5-1/2%
80,000	1977	5-1/2%
90,000	1978	5-1/2%
100,000	1979	5-1/2%
110,000	1980	5-1/2%
120,000	1981	5-1/2%
140,000	1982	5-1/2%
140,000	1983	5-1/2%

The Bonds shall be subject to redemption, as described in, and shall be issued and secured under a Trust Indenture dated as of September 1, 1971 between the County and the Trustee attached hereto and marked Exhibit "A" (herein called the "Indenture"), a Lease Agreement dated as of September 1, 1971 between Communication Specialities, Inc. and the County attached

hereto and marked Exhibit "B" (herein called the "Lease") and a Guaranty Agreement herein called the "Guaranty Agreement" between the County and The Anaconda Company, attached hereto and marked Exhibit "C".

2. Attached hereto and marked Exhibit "D" and dated the date hereof, is a Letter of Representation delivered to the Purchaser by The Anaconda Company, the guarantor under the Guaranty Agreement (herein called the "Guarantor"). The obligation of the Purchaser to purchase and pay for the Bonds is subject in all respects to the accuracy in all material respects of the representations of the Guarantor contained in the Letter of Representation as of the date hereof and as of the Closing Date.

3. At 10:00 A. M. Eastern Daylight Saving Time, on \_\_\_\_\_, 1971, or at such other time or on such earlier or later date as you and the Purchaser mutually agree upon, you will deliver or cause to be delivered to the Purchaser the Bonds in definitive form (all of the Bonds and the coupons appertaining thereto to be lithographed on steel engraved borders), duly executed, together with the other documents hereinafter mentioned; and the Purchaser will accept such delivery and pay the purchase price thereof by certified or official bank check or checks payable in Columbia, South Carolina Clearing House funds to the order of Lexington County, South Carolina. Such payment for and delivery of the Bonds (herein called the "Closing") shall be made at the office of Bankers Trust of South Carolina, in the City of Columbia, South Carolina. The Bonds will be delivered as coupon bonds in the denomination of \$5,000 each.

4. The Purchaser has entered into this Bond Purchase Agreement in reliance upon the performance by the County of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Purchaser's obligations under this Bond Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, the Indenture, the Lease and the Guaranty Agreement, substantially in the forms attached hereto, shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Purchaser, and the County shall have duly adopted and there shall be in full force and effect such resolutions of the County as in the opinion of Messrs. Sinkler Gibbs Simons & Guerard, (Bond Counsel) shall be necessary in connection with the transactions contemplated hereby;

(b) The market price of the Bonds, or the market price of general credit or revenue obligations issued by state or political subdivisions thereof, or the market price of revenue obligations of the character of the Bonds, shall not (in the opinion of the Purchaser) have been materially and adversely affected by reason of the fact that between the date hereof and the date of Closing;

(i) legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States, or favorably reported

for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or

(ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or the Tax Court of the United States, or

(iii) an order, ruling regulation, or Official Statement shall have been made by the Treasury Department of the United States or the Internal Revenue Service:

in each such case with the purpose or effect, directly or indirectly of imposing Federal income taxation upon such revenues or other income as will be derived by the County under the Lease or such interest as would be received by the holders of the Bonds, or

(iv) there shall have been a material adverse change in the national financial economic situation in the United States and there shall have occurred (A) the closing of the New York Stock Exchange, or (B) the general suspension of trading on the New York Stock Exchange, or (C) the establishment of a general banking moratorium by Federal or New York State authorities.

(c) The County Board of Commissioners of Lexington County shall have obtained the approval of the State Budget and Control Board of South Carolina, pursuant to the requirements of Act No. 103 of the 1967 Acts of the South Carolina General Assembly as to the financing of said industrial facility and the issuance of the Bonds;

(d) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling, regulation or administrative proceedings by any governmental body or board, shall have been issued or commenced, nor shall any legislation have been enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby;

(e) Between the date hereof and the date of the Closing, the Government of the United States shall not have become engaged in any major military hostilities, military activities in North and South Vietnam of the general character in which the United States is now engaged shall not be deemed to be within the purview of this paragraph;

(f) Between the date hereof and the date of the Closing, no event shall have occurred or shall exist which, in the opinion of the Purchaser, makes untrue, misleading or incorrect in any material adverse respect as of such time any statement of information contained in the Letter of Representation, or which

is not reflected in the Letter of Representation but should be reflected therein as of such time for the purpose for which the Letter of Representation is to be used.

(g) At or prior to the Closing, the Purchaser shall receive the following documents:

(i) opinion of Bond Counsel, in form and substance satisfactory to the Purchaser, dated the date of Closing stating (1) that the Bonds, the Lease, the Indenture and the Guaranty Agreement are enforceable in accordance with their terms and (2) that the interest on the Bonds is exempt, from Federal income taxes under the existing statute and court decisions, except that such statutory exemption is not applicable with respect to any Bond for any period during which it is held by a person who is a substantial user of the Project (or a related person) within the meaning of Section 103(c) (7) of the Internal Revenue Code of 1954;

(ii) opinion of Bond Counsel and of Burns, McDonald, Bradford, Erwin & Few, Counsel to the Purchaser, dated the date of Closing in form and substance satisfactory to the Purchaser, to the effect that the Bonds, the Indenture, the Guaranty Agreement, and the Lease are duly executed and are in full force and effect; and that the Bonds are exempted securities under paragraph (2) of Section 3(a) of the Securities Act of 1933, as amended and paragraph (4) of Section 304 (a) of the Trust Indenture Act of 1939, and consequently need not be registered or qualified under said Acts;

(iii) A certificate of certificates, dated as of the date of Closing, signed by an appropriate official of the County and in form and substance satisfactory to Bond Counsel and to the Purchaser, to the effect that no litigation is pending or, to the knowledge of the signer of such certificate threatened (i) to restrain or enjoin the issuance or delivery of any of the Bonds, the application of the proceeds thereof, or the payment, collection or application of revenues or rents pursuant to the Indenture, the Guaranty Agreement or the Lease, (ii) in any way contesting or affecting any authority for the validity of the Bonds, the Indenture, the Guaranty Agreement or the Lease, this Bond Purchase Agreement, the application of the proceeds of the Bonds, or the payment, collection or application of revenues and rents or the pledge thereof pursuant to the Indenture or the Lease, or (iii) in any way contesting the right and power of the County to acquire the Project;

(iv) a certificate, dated the date of Closing,

signed by a Vice President or an Assistant Vice President of the Guarantor, in form and substance satisfactory to the Purchaser, to the effect that the information in the Letter of Representation is correct in all material respects and does not omit any statement which in the opinion of the signer, should be included or referred to therein for the purpose for which the Letter of Representation has been delivered; and that nothing relative to The Anaconda Company has come to the attention of the signer which would lead him to believe that the Letter of Representation contains any untrue statement of a material fact or omits a material fact relative to The Anaconda Company, required to be stated therein or necessary to make such information contained in such Letter of Representation not misleading;

(v) an opinion of counsel to The Anaconda Company to the effect that : (a) The Anaconda Company is a corporation duly organized and validly existing under the laws of the State of Montana with corporate power to execute and deliver and to carry out and perform its obligations under the Guaranty Agreement, (b) all requisite corporate proceedings have been taken, and the Guaranty Agreement has been duly executed by proper officers of the Anaconda Company, so that the Guaranty Agreement and the obligations of The Anaconda Company thereunder are valid and binding obligations of The Anaconda Company, and (c) the execution and delivery of the Guaranty Agreement does not violate the Certificate of Incorporation or By-Laws of The Anaconda Company, or constitute a breach of any indenture, mortgage, deed of trust, loan agreement or other instrument to which The Anaconda Company is a party or by which it is bound on the date of Closing;

(vi) an opinion of counsel to Communication Specialties, Inc., to the effect that: (a) Communication Specialties, Inc., is a corporation duly organized and validly existing under the laws of the State of Ohio and qualified to do business in South Carolina, with corporate power to execute and deliver and to carry out and perform its obligations under the Lease; (b) all requisite corporate proceedings have been taken, and the Lease has been duly executed by proper officers of Communication Specialties, Inc., so that the Lease and obligations of Communication Specialties, Inc. thereunder are valid and binding obligations of Communication Specialties, Inc., and (c) the execution and delivery of the Lease does not violate the Certificate of Incorporation and By-Laws of Communication Specialties, Inc., or constitute a breach of any indenture, mortgage, deed of trust, loan agreement or other instrument to which Communication Specialties, Inc. is a party or by which it is bound on the date of Closing;

(vii) such additional certificate or documents as the Purchaser may reasonably request to evidence the truth and accuracy, as of the date of Closing, of the representations of the County herein contained, and the due satisfaction by the County at or prior to such time of all conditions then to be satisfied by it in connection with the transactions contemplated hereby or by the Letter of Representation.

5. The Purchaser shall be under no obligation to pay any, and the County shall pay (but only from the proceeds of the Bonds) or cause to be paid all charges, fees and costs incurred in connection with or incident to the performance of the County's obligations in connection with the issuance and sale of the Bonds and the fulfillment of the conditions imposed hereunder, including but not limited to the costs of printing, engraving and delivering the Bonds, the preparation of this Bond Purchase Agreement, the Indenture, the Lease, the Guaranty Agreement and related documents, and the fees and expenses of Bond Counsel.

7. Any notice or other communications to be given to you under this Bond Purchase Agreement may be given by delivery of the same at your address set forth above and any notice or other communications to be given to the Purchaser may be given by delivery of the same to Bankers Trust of South Carolina, Columbia, South Carolina 29202, Attention: J. H. Robison, Jr., Esq., Executive Vice President.

8. This Bond Purchase Agreement is made solely for the benefit of you, the Purchaser (including the successors or assigns of the Purchaser) and Communication Specialities, Inc. and The Anaconda Company, and no other persons shall acquire or have any right hereunder or by virtue hereof. All your representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Purchaser and shall survive the delivery of and payment for the Bonds.

9. This Bond Purchase Agreement shall be governed by the law of the State of South Carolina.

BANKERS TRUST OF SOUTH CAROLINA - Purchaser

BY \_\_\_\_\_

Witnesses:

\_\_\_\_\_  
\_\_\_\_\_

Accepted for Lexington County,  
South Carolina

\_\_\_\_\_, 1971

BY \_\_\_\_\_

Witnesses:

\_\_\_\_\_  
\_\_\_\_\_

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LEXINGTON COUNTY, SOUTH CAROLINA

AND

COMMUNICATION SPECIALTIES, INC.

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LEASE AGREEMENT

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Dated As Of September 1, 1971

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THIS LEASE AGREEMENT dated as of September 1, 1971, between LEXINGTON COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Board of Commissioners of Lexington County which constitutes the governing body of Lexington County as established pursuant to Article II, Chapter 48, Title 14, Code of Laws of South Carolina, 1962, as amended, party of the first part, and COMMUNICATION SPECIALTIES, INC., a corporation organized and existing under the laws of the State of Ohio, duly qualified to conduct business in the State of South Carolina, party of the second part,

WITNESSETH:

In consideration of the respective representations and agreements hereinafter contained, the parties hereto agree as follows (provided that in the performance of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or against its taxing powers but shall be payable solely out of the proceeds derived from this Lease Agreement, the sale of the Bonds referred to in Section 2.1 hereof and the insurance proceeds, proceeds from released property and condemnation awards as herein provided):

ARTICLE I

DEFINITIONS

SECTION 1.1. Certain terms used in this Lease Agreement are defined herein. When used herein, such terms shall have the meanings given to them by the language employed in this Article I defining such terms, unless the context clearly indicates otherwise.

SECTION 1.2. The following terms are defined terms under this Lease Agreement:

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina for the year 1967, approved by the Governor of South Carolina on March 21, 1967, and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement.

"AGREEMENT" or "LEASE AGREEMENT" means the within Lease Agreement between the County and the Lessee.

"AUTHORIZED COUNTY REPRESENTATIVE" means the person at the time designated to act in behalf of the County by written certificate furnished to the Lessee and the Trustee, containing the specimen signature of such person and signed on behalf of the County by the Chairman of the County Board. Such certificate may designate an alternate or alternates.

"AUTHORIZED LESSEE REPRESENTATIVE" means the person at the time designated to act in behalf of the Lessee by written certificate furnished to the County and the Trustee containing the specimen signature of such person and signed on behalf of the Lessee by its President, any Vice President or by the Chairman of its Board of Directors. Such certificate may designate an alternate or alternates.

"BONDS" means the \$1,000,000 First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee) of the County to be issued pursuant to the Indenture.

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

"BUILDING" means the buildings and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which, as set out in Section 4.1(a) hereof,

are to be constructed on the Leased Land, as they may at any time exist, including the air conditioning and heating systems and the air compressor and distribution system (which shall be deemed fixtures).

"COMPLETION DATE" means the date of completion of the construction of the Building and the installation therein of the Leased Equipment and all other facilities in connection with the Project as that date shall be certified as provided in Section 4.5 hereof.

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

"CONSTRUCTION PERIOD" means the period between the beginning of construction or the date on which Bonds are first delivered to the purchaser thereof (whichever is earlier) and the Completion Date.

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

"COUNTY BOARD" means the County Board of Commissioners of Lexington County, and any successor body.

"GUARANTOR" means The Anaconda Company, a Montana corporation, which has unconditionally guaranteed performance of the obligations of the Lessee under this Agreement pursuant to a Guaranty Agreement dated as of September 1, 1971, between the Guarantor and the County.

"INDENTURE" means the Trust Indenture between the County and Bankers Trust of South Carolina, as Trustee, of even date herewith, pursuant to which (i) the terms, conditions and provisions of the Bonds are prescribed, and (ii) the County's interest in this Agreement, and the lease rentals, revenues

and receipts received by the County from the Project (except payments pursuant to Section 5.5 or Section 8.7 of this Agreement) are pledged and the Project is mortgaged as security for the payment of principal, premium, if any, and interest on the Bonds, including any indenture supplemental thereto.

"INDEPENDENT COUNSEL" means an attorney duly admitted to practice law before the highest court of any state and not an employee of either the County, the Lessee, or the Guarantor.

"INDEPENDENT ENGINEER" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of South Carolina and who or which is not a full time employee of either the County, the Lessee, or the Guarantor.

"LEASE GUARANTY AGREEMENT" means the Agreement dated as of September 1, 1971, whereby the Guarantor unconditionally guarantees the performance of all obligations of Lessee under the Lease Agreement.

"LEASE TERM" means the duration of the leasehold estate created in this Agreement as specified in Section 5.1 hereof.

"LEASED EQUIPMENT" means those items of machinery, equipment and related property required herein to be acquired and installed in the Building or elsewhere on the Leased Land and acquired with proceeds from the sale of the Bonds, or the proceeds of any payment by Lessee pursuant to Section 4.6 hereof, and any item of machinery, equipment and related property acquired and installed in the Building or elsewhere on the Leased Land in substitution therefor and renewals and replacements thereof pursuant to the provisions of Sections 4.1(b), 6.1, 6.2(a), 7.1 and 7.2 hereof and is further defined as all property owned by the County and hereby leased to the Lessee which is not included in the definition of Leased Land or Building, but not including Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof. Leased Equipment

is more particularly described in Exhibit B attached hereto which, by this reference thereto, is incorporated herein.

"LEASED LAND" means the real property described in Exhibit A attached hereto which by this reference thereto is incorporated herein.

"LESSEE" means (i) the party of the second part hereto and its successors and assigns and (ii) any surviving, resulting or transferee corporation as provided in Section 8.3 hereof.

"NET PROCEEDS", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"PERMITTED ENCUMBRANCES" means, as of any particular time, (i) liens for ad valorem taxes not then delinquent, (ii) this Agreement and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, encroachments, leases, restrictions and exceptions that an Independent Engineer and the Authorized Lessee Representative certify will not interfere with or impair the operations being conducted in the Building (or, if no operations are being conducted therein, the operations for which the Building was designed or last modified), (iv) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the County, and (v) mechanics' and materialmen's liens not filed or perfected in the manner prescribed by Chapter 5 of Title 45, Code of Laws of South Carolina, 1962, as in effect on the date hereof or otherwise.

"PROJECT" means the Leased Land, the Building, and the Leased Equipment, all of which will constitute, when the Project is complete, a new plant for the manufacture of cords, buried drop wire and station wire for sale to the independent telephone industry.

"TRUSTEE" means the trustee and/or the co-trustee at the time serving as such under the Indenture.

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

SECTION 1.4. References to Articles, Sections, and other subdivisions of this Lease Agreement are to the designated Articles, Sections, and other subdivisions of this Lease Agreement as originally executed.

SECTION 1.5. The headings of this Lease Agreement are for convenience only and shall not define or limit the provisions hereof.

## ARTICLE II

### REPRESENTATIONS AND UNDERTAKINGS

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

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder. The Project constitutes and will constitute a "project" within the meaning of the Act. By proper action by the County Board and the State Budget and Control Board of South Carolina, the

County has been duly authorized to execute and deliver this Agreement.

(b) The County has acquired the Leased Land, and has authorized, and does hereby authorize, the Lessee to construct the Building thereon, to acquire and install the Leased Equipment in the Building or on the Leased Land and to acquire, install and construct all other things deemed necessary in connection with the Project, and the County proposes to lease the Project to the Lessee and to sell the Project to the Lessee at the expiration or earlier termination of the Lease Term, all for the purposes of promoting and employing the manpower, agricultural products and natural resources of South Carolina.

(c) The County and the Lessee have agreed that the County will finance the cost of acquiring, constructing, and equipping the Project. The Lessee has estimated that such cost will not exceed \$1,000,000 and on that basis the County now proposes to issue the Bonds in the aggregate principal amount of \$1,000,000, which will be dated, mature and bear interest as set forth in Section 202 of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Section 301 of the Indenture, in order to finance the cost of acquiring, constructing, and equipping the Project.

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

(a) The Lessee is a corporation duly incorporated under the laws of Ohio, in good standing under its Charter and the laws of Ohio and of South Carolina, and has power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement.

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

(c) Relying upon the agreement of the County to finance the cost of acquiring, constructing and equipping the Project as aforesaid, the Lessee has heretofore acquired the Leased Land and has begun land improvements thereon.

(d) The Lessee intends to operate the Project, from the Completion Date to the expiration or earlier termination of the Lease Term as provided herein as a plant for the manufacture of cords, buried drop wires and station wire and such other products as the Lessee may deem appropriate.

(e) The acquiring, constructing and equipping of the Project by the County through the issuance of the Bonds and the leasing of the Project to the Lessee has induced the Lessee to establish this industrial enterprise in the County.

ARTICLE III

DEMISING CLAUSE, WARRANTY OF TITLE AND TITLE INSURANCE

SECTION 3.1. Demise of the Leased Land, Building and the Leased Equipment. The County demises and leases to the Lessee, and the Lessee leases from the County, the Leased Land, the Building and the Leased Equipment at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Agreement.

SECTION 3.2. Warranty of Title. The County warrants that it has acquired a good and marketable fee simple title to the Leased Land and Building, free from all encumbrances other than Permitted Encumbrances, and at the time of the delivery of the Bonds the County will furnish a written opinion of Independent Counsel that the County has a good and marketable fee simple title to the Leased Land and Building, free from all encumbrances other than Permitted Encumbrances.

SECTION 3.3. Title Insurance. At the time of the delivery of the Bonds, the County will provide a Mortgagee Title Insurance Policy (or an appropriate Binder) upon the Leased Land and Building issued by a Company approved by the Trustee insuring the lien of the Indenture upon the Leased Land and Building, subject to no encumbrances other than Permitted Encumbrances, in the amount of not less than \$500,000. Any Net Proceeds

therefrom shall be used to remedy the title defect resulting in the payment thereof or deposited in the Bond Fund.

ARTICLE IV

CONSTRUCTION OF THE PROJECT; ISSUANCE OF THE BONDS; INVESTMENT OF CONSTRUCTION FUND

SECTION 4.1. Agreement to Construct the Building and Install the Leased Equipment on the Leased Land. The County has acquired the Leased Land, by deed of the Lessee recorded simultaneously herewith. The Lessee agrees that it will exercise the authorizations given to it by the County in Section 2.1(b) and:

(a) It will cause the Building to be constructed on the Leased Land wholly within the boundary lines thereof (the Building to contain approximately 44,000 square feet, including 2,000 square feet of office space, and to be used for the purposes set forth in Article II hereof); all of which will be constructed in accordance with a general description heretofore furnished to the County by the Lessee.

(b) It will cause to be acquired and installed in the Building or on the Leased Land for use of Lessee the Leased Equipment, to consist of the machinery, equipment and related property described in the general list thereof in Exhibit "B" attached hereto, and incorporated herein by reference thereto, and such other items of machinery and equipment, used as an integral part of the Project, which in Lessee's judgment may be necessary for the operation of the Project.

The Lessee agrees to complete the construction of the Building as promptly as practicable after receipt of proceeds from the sale of the Bonds and to continue the said construction with all reasonable dispatch, and

to effect the acquisition and installation of the Leased Equipment as promptly as practicable.

SECTION 4.2. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of the Project, the County agrees that it will, on or before the 30th day of September, 1971, sell and cause to be delivered to the purchasers thereof the Bonds in the aggregate principal amount of \$1,000,000, and will thereupon (i) deposit in the Bond Fund all accrued interest received on the sale of the Bonds and (ii) deposit in the Construction Fund the balance of the proceeds received from said sale.

SECTION 4.3. Disbursements from the Construction Fund. The County shall in the Indenture authorize and direct the Trustee to use the moneys in the Construction Fund for the following purposes (but, subject to the provisions of Section 4.9 hereof, for no other purposes):

(a) Payment of the initial or acceptance fee of the Trustee, the fees for recording the deed whereby the Leased Land has been conveyed to the County, any bill of sale whereby Leased Equipment is transferred to the County, this Agreement, the Indenture, financing statements and any title curative documents that either the Trustee, the Lessee, or Independent Counsel may deem desirable to file for record in order or to perfect or protect the lien or security interest of the Indenture on the Project; and the fees and expenses in connection with any actions or proceedings that either the Trustee, the Lessee or Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the

Project or to perfect or protect the lien or security interest of the Indenture on the Project.

(b) Payment to the Lessee or the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the County in full for all advances and payments made by them or either of them prior to or after the delivery of the Bonds for expenditures in connection with (i) the acquisition by the County of title to the Leased Land, including the cost of the Leased Land and the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof), (ii) clearing the Leased Land, the construction of the Building, the acquisition and installation of the Leased Equipment, and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing), and (iii) any other costs and expenses relating to the Project.

(c) Payment of the cost of legal, financial and accounting fees and expenses, any title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the preparation of this Agreement, the Indenture, any Official Statement, and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land, Building and Leased Equipment.

(d) Payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the Building, payment for all costs incident to the acquisition and installation of the Leased Equipment, payment for the cost of the construction, acquisition, and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the Project and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond.

(e) Payment of the fees, or out-of-pocket expenses of the Lessee, if any, for architectural, engineering and supervisory services with respect to the Project.

(f) Payment to the Trustee as such payments become due, of the fees and expenses of the Trustee (as Trustee, Bond Registrar and paying agent) and of any paying agent properly incurred under the Indenture that may become due during the Construction Period, or reimbursement thereof if paid by the Lessee.

(g) To such extent as they shall not have been paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the construction of the Project, or reimbursement thereof if paid by the Lessee.

(h) Payment of the taxes, assessments and other charges, if any, referred to in Section 6.3 hereof that may have become payable during the construction of the Project, or reimbursement thereof if paid by the Lessee.

(i) Payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Project.

(j) Payment of any other costs and expenses relating to the Project.

(k) All moneys remaining in the Construction Fund after payment in full of the costs of acquiring, constructing and equipping the Project, and after payment of all other items provided for in the preceding subsections (a) to (i), inclusive, of this Section, shall at the direction of the Lessee be (i) used by the Trustee for the purchase of Bonds for the purpose of cancellation, at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of delivery, or (ii) paid in to the Bond Fund, except for amounts retained by the Trustee with the approval of the Authorized Lessee Representative for payment of Project costs not then due and payable, any balance remaining of such retained funds after full payment of all such Project costs to be used by the Trustee as directed by the Lessee in the manner specified in clauses (i) and (ii) of this subsection.

Provided that:

(1) Each of the payments made pursuant to the preceding subsections (a), (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written order by the Authorized Lessee Representative and by the Authorized County Representative which shall certify with respect to each such payment; (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment

theretofore made from the Construction Fund and (ii) that each item for which the payment is proposed to be made is or was necessary in connection with the Project, was in conformance with the plans and specifications therefor.

(2) In the case of any contract providing for retention by the Lessee of a portion of the contract price, there shall be paid from the Construction Fund only the net amount remaining after deduction of any such portion, until such retainage becomes due under such contract.

SECTION 4.4. Trustee May Rely on Order and Certifications.

In making any such payment from the Construction Fund, the Trustee may rely on any such orders and certifications delivered to it pursuant to Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such order and certifications.

SECTION 4.5. Establishment of Completion Date. The

Completion Date shall be evidenced to the Trustee by a certificate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, and (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for

the efficient operation of the Project for the purposes specified in Article II hereof and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. It shall be the duty of the Lessee to cause the certificate contemplated by this Section 4.5 to be furnished as soon as the Project shall have been completed.

SECTION 4.6. Lessee Required to Pay Construction Costs in Event Construction Fund Insufficient. In the event the moneys in the Construction Fund available for payment of the costs of the Project shall not be sufficient to pay the costs thereof in full, the Lessee agrees to complete, or cause to be completed, the Project and to pay all that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Fund. The County does not make any warranty, either expressed or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which have been or will be incurred in that connection. The Lessee agrees that if after exhaustion of the moneys in the Construction Fund the Lessee shall pay any portion of the said costs of the Project pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the County or from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any diminution of the rents payable under Section 5.3 hereof. The obligation of the Lessee to complete the Project shall survive any termination of this Agreement.

SECTION 4.7. Authorized Lessee and County Representatives and Successors. The Lessee and the County Board, respectively, shall designate, in the manner prescribed in Section 1.2, the Authorized Lessee Representative and the Authorized County Representative. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

SECTION 4.8. Enforcement of Remedies Against Contractors and Subcontractors and Their Sureties. The Lessee covenants that it will take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts diligently in accordance with the terms of said contracts, including, without limitation, the correcting of any defective work, with all expenses incurred by Lessee in connection with the performance of its obligations under this Section 4.8 to be considered part of the Project costs referred to in Section 4.3(i), and the County agrees that the Lessee may, from time to time, in its own name, or in the name of the County, take such action as may be necessary or advisable, as determined by Lessee, to insure the construction of the Project in accordance with the terms of such construction contracts, to insure the peaceable and quiet enjoyment of the Project for the Lease Term, and to insure the performance by the County of all covenants and obligations of the County under this Agreement, with all costs and expenses incurred by the Lessee in connection therewith to be considered as part of the Project costs referred to in Section 4.3(i). Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing,

less any unreimbursed legal expenses incurred in order to collect the same, shall be paid into the Bond Fund.

SECTION 4.9. Investment of Construction Fund Moneys

Permitted. Any moneys held as a part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or reinvested by the Trustee in (i) obligations of the United States and agencies thereof; (ii) general obligations of the State of South Carolina or any of its political units; (iii) Savings and Loan Associations to the extent that the same are secured by the Federal Deposit Insurance Corporation; (iv) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (i) and (ii) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; or (v) to the extent such investments are not prohibited by law for investment of bond proceeds by the County, certificates of deposit of banks or trust companies, including the Trustee, organized under the laws of the United States or any state thereof, which have a combined capital and surplus of at least \$20,000,000, or prime commercial paper. Such investments shall be as specified by the Authorized Lessee Representative.

ARTICLE V

EFFECTIVE DATE OF THE AGREEMENT; DURATION OF LEASE TERM  
RENTAL PROVISIONS; PAYMENTS IN LIEU OF TAXES  
AND UNCONDITIONAL OBLIGATIONS OF LESSEE

SECTION 5.1. Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created in this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Articles X and XI and Section 12.1), shall expire September 1, 1983.

SECTION 5.2. Delivery and Acceptance of Possession.

The County agrees to deliver to the Lessee sole and exclusive possession of the Project upon the execution and delivery of this Agreement and Lessee, thereupon and thereafter shall have sole and exclusive possession of the Project during the Lease Term (subject to the right of the County and Trustee to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof).

SECTION 5.3. Rents and Other Amounts Payable. At least seven days before March 1, 1972, and at least seven days before each March 1 and September 1, thereafter until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee as rent for the Project (i) if such date is March 1, a sum equal to the amount payable on such date as interest upon the Bonds, as provided in the Indenture, and (ii) if such date is September 1, a sum equal to the amount payable on such date as principal and interest upon the Bonds.

In any event each rental payment under this Section shall be sufficient to pay the total amount of interest or interest and principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, payable on the next succeeding interest payment date, and if at any interest payment date the balance in the Bond Fund is insufficient to make the required payments of principal (whether at maturity or by redemption or acceleration as provided in the Indenture) and premium, if any, and interest on such date, the Lessee shall forthwith pay any such deficiency; provided that any amount at any time held by the Trustee in the Bond

Fund shall be credited against the next rental payment to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment; and provided further, that if the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of, premium, if any, and interest on the Bonds then remaining unpaid, the Lessee shall not be obligated to make any further rental payments under the foregoing provisions of this Section.

The Lessee agrees to pay to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee, as Trustee, rendered and its ordinary expenses, as Trustee, incurred under the Indenture, as and when the same becomes due, (ii) reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any other paying agents on the Bonds for acting as paying agents as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses.

In the event the Lessee shall fail to make any of the payments required in this Section 5.3, the item or installment so in default shall continue as an obligation of the Lessee

until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate of 8% per annum until fully paid. The provisions of this Section shall be subject to the provisions of Section 9.6 hereof.

SECTION 5.4. Place of Rental Payments. The rent provided for in Section 5.3 hereof shall be paid directly to the Trustee for the account of the County and shall be deposited in the Bond Fund. The additional payments to be made to the Trustee under Section 5.3 hereof shall be paid directly to the Trustee for its own use or for disbursement to the paying agents, as the case may be.

SECTION 5.5. Payments in Lieu of Taxes . It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the Project by such county, school district or school districts, and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Lessee to comply with the aforesaid obligation, it is agreed that the County in cooperation with the Lessee (i) shall cause the Project to be valued as if privately owned as aforesaid for purposes of the said taxes by the State Tax Commission of South Carolina or such other appropriate officer as may from time to time be charged with responsibility for making such valuations;

(ii) shall cause to be appropriately applied to the valuation or valuations so determined the respective rate or rates of such taxes, that would be applicable to the Project if so privately owned; (iii) shall cause the respective appropriate officer or officers charged with the duty of levying and collecting such taxes to submit to the Lessee, when the respective levies are made upon property privately owned as aforesaid, a statement specifying the amount and due date of such taxes which the county, school district and other political units having taxing powers would receive if the Project were so privately owned; and Lessee shall file any accounts or tax returns required with the appropriate officer or officers. The Lessee shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the Act to be paid to the aforesaid taxing authorities, subject in each case to the Lessee's right to obtain exemptions (and discounts), if any, therefrom which would be afforded to a private owner of the Project and to seek to obtain a refund of any such payments made, and to contest the same in the manner and to the extent provided in Section 6.3 in the case of taxes and other governmental charges. The Lessee's obligation to make such additional payments shall continue only so long as and to the extent the Lessee is required by law to pay the aforesaid amounts in lieu of taxes. Once having paid the amounts required by this Section 5.5 to be paid by it in lieu of taxes, the Lessee shall not be required to pay any such taxes for which a payment in lieu thereof has been made to the State or to any city, county, town, school district or other political unit, any other statute to the contrary notwithstanding. In the event the Lessee shall fail to make any of the payments

required by this Section 5.5, the amount or amounts so in default shall continue as an obligation of the Lessee until fully paid and the Lessee agrees to pay the same with interest thereon at eight per centum (8%) per annum until fully paid.

SECTION 5.6. Obligations of Lessee Hereunder Unconditional.

Subject to the provisions of this Section and Section 9.6 hereof, the obligations of the Lessee to make the payments required in Sections 5.3 and 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the County, and until such time as the principal of, and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement, and (iii) except as provided in Section 11.1 hereof will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, failure by the Lessee to complete the Project, the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any charge in the tax or other laws of the United States of America or of South Carolina or any political subdivision of either thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained

in this Section shall be construed to release the County from the performance of any of the agreements on its part herein contained; and in the event the County should fail to perform any such agreement on its part, the Lessee may institute such action against the County as the Lessee may deem necessary to compel performance so long as such action does not abrogate the Lessee's obligations contained in the first sentence of this Section 5.6. The Lessee may, however, at its own cost and expense and in its own name or in the name of the County, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the County hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the County in any such action or proceeding if the Lessee shall so request.

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

SECTION 6.1. Maintenance and Modifications of Project by Lessee. The Lessee agrees that during the Lease Term it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and Leased Equipment and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time, subject to the provisions of Section 6.2, all necessary repairs thereto and renewals and replacements thereof. The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its

business purposes that do not adversely affect the operations being conducted in and upon the Project (or, if no operations are being conducted, the operations for which the Project was designed or last modified). Subject to the provisions of Section 9.7 hereof, such additions, modifications and improvements so made by the Lessee shall be on the Leased Land and become a part of the Project. The Lessee shall not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by non-payment of any such items the lien of the Indenture as to any part of the Project will be materially endangered or the Project or any part thereof will be subject to loss of forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items. The County will cooperate fully with the Lessee in any such contest.

SECTION 6.2. Removal of Leased Equipment. The County shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment. If no event of default under this Agreement shall have happened and be continuing, in any instance where the Lessee in its discretion determined that

any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and (on behalf of the County) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the County or the Trustee therefor, provided that the Lessee shall either:

(a) Substitute (either by direct payment of the cost thereof or by advancing to the County the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery, equipment or related property having equal or greater utility (but not necessarily having the same function) in the operation of the Project for the purposes for which it is intended, provided such removal and substitution shall not impair operating unity, all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Leased Equipment; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such Leased Equipment to anyone other than itself or in the case of the scrapping thereof, (ii) that in the case of the trade-in of such Leased Equipment for other machinery, equipment or related property not to be installed in the Building or on the Leased Land, and (iii) that in the case of the sale of any such Leased Equipment to the Lessee or in the case of any other disposition thereof, the Lessee shall pay into the Bond Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practice.

The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

The Lessee shall promptly report to the Trustee each such removal, substitution, sale and other disposition and shall pay to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this Section to be paid into the Bond Fund promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins, or other disposition not previously reported aggregates at least \$50,000. The Lessee shall not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

The Lessee shall deliver to the County upon request of the County appropriate documents conveying to the County title to any property installed or placed upon the premises of the Project pursuant to this Section 6.2, and upon request of the Lessee, the County shall deliver or cause or direct the Trustee to deliver to the Lessee appropriate documents conveying to the Lessee title to any property removed from the Project pursuant to this Section 6.2 and releasing the same from the lien of the Indenture.

SECTION 6.3. Taxes, Other Government Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant to Section 13 of the Act, no part of the Project owned by the County will be subject to taxation in South Carolina, that under present law the income and profits (if any) of the County

from the Project are not subject to either Federal or South Carolina taxation and that under present law there is no tax imposed upon leasehold estates in South Carolina and (ii) that these factors, among others, have induced the Lessee to enter into this Agreement.

However, the Lessee will pay, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the lease rentals, revenues or receipts of the County from the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Indenture or a charge on the revenues and receipts therefrom prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture, and including all ad valorem taxes lawfully assessed upon the leasehold estate hereby granted and conveyed to the Lessee in the Project), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term.

If the Lessee shall first notify the Trustee of its intention so to do, the Lessee may, at its expense and in its own

name and behalf or in the name and behalf of the County, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the lien of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture in which event such taxes, assessments or charges shall be paid promptly. The County will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the County or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8 per centum per annum from the date thereof, the Lessee agrees to pay.

The County agrees that any investment tax credit with respect to the Project shall be made available to the Lessee and the County will fully cooperate with the Lessee in any effort by the Lessee to avail itself of any such investment tax credit.

SECTION 6.4. Insurance Required. (a) Lessee shall, at Lessee's sole cost and expense at all times during the Lease Term, keep the Project insured against loss or damage in accordance with the customary insurance practices of Lessee, but in all events to the following extent:

(i) Against the perils of fire and the hazards ordinarily included under standard extended coverage endorsements in amounts necessary to prevent the application of the co-insurance provisions of the applicable policies but not less than the lesser of 80% of the full insurable value thereof within the terms of applicable policies or an amount equal to the principal amount of Bonds outstanding from time to time.

(ii) Against war risks when a state of war or national or public emergency exists and such insurance is obtainable from a department or agency of the United States Government, upon reasonable terms, in the full amount necessary to prevent the application of the co-insurance provisions of the applicable policies but not less than 80% of the then full insurable value, or, if such amounts be not obtainable, then in the highest amount which can be so obtained.

(iii) If there are boilers or pressure vessels, from boiler or pressure vessel explosion in an amount customarily carried in the case of similar industrial operations.

The term "full insurable value" means such value as shall be determined from time to time at the request of the County, Lessee or Trustee (but not more frequently than once in every twenty-four (24) months) by one of the insurers selected by Lessee.

(b) At all times during the Lease Term, Lessee shall, at no cost or expense to the County, maintain or cause to be maintained:

(i) General public liability insurance and workmen's compensation insurance in amounts usually carried by similar operations against claims for bodily injury or death occurring upon, in or about the Project, with such insurance (other than workmen's compensation insurance) to afford protection to the limits of not less than \$500,000 in respect of bodily injury or death to any one person and to limit of not less than \$1,000,000 in respect of any one accident; and

(ii) Property damage insurance against claims for damage to property (including loss of use) occurring upon, in or about the Project with such insurance to afford protection to the limit of not less than \$100,000 in respect of damage to the property of any one owner.

(c) Copies or certificates of the insurance required by this Section, each bearing notations evidencing payment of the premiums or other evidence of coverage satisfactory to the Trustee, shall be delivered by Lessee to the Trustee. And, in the case of expiring policies throughout the term, copies or certificates of any new or renewal policies, each bearing notations evidencing payment of the premiums or other evidence of coverage satisfactory to the Trustee, shall be delivered by Lessee to the Trustee.

(d) Policies of insurance provided for in Section 6.4(a) shall name the County and the Lessee as insureds as their respective interests may appear, provided, however, that the Trustee shall also be named as a party insured pursuant to a standard mortgagee clause as its interests may appear, and provided further that while any Bonds remain outstanding all casualty insurance shall be payable as provided in Section 7.1 hereof.

(e) All insurance required by this Section 6.4 shall be effected with responsible insurance companies selected by the Lessee. Lessee shall cause appropriate provisions to be inserted in each insurance policy making each policy noncancellable without at least ten (10) days prior written notice to the County, Lessee and Trustee. Also, it is agreed that no claim shall be made and no suit or action at law or in equity shall be brought by the County or by anyone claiming by, through or under the County, against Lessee for any damage to the Project covered by the insurance provided for by this Section 6.4, however caused, but nothing in this sub-section (e) shall diminish Lessee's obligation to repair or rebuild as provided in Section 7.1. The Lessee shall have the sole right and responsibility to adjust any loss with the insurer involved and to conduct any negotiations in connection therewith, provided that so long as any Bonds remain outstanding and unpaid no settlement of any claim shall be effected without the written consent of the Trustees.

SECTION 6.5. Application of Net Proceeds of Insurance.

The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4(a) hereof shall be received by the Lessee and shall then be paid and applied as provided in Section 7.1 hereof and the Net Proceeds of insurance carried pursuant to the provisions of Section 6.4(b) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6. Advances by the County or the Trustee.

In the event the Lessee shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Project in as reasonably safe condition as its operations will permit, or shall fail to keep the Project in good repair, the

County or the Trustee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or make required repairs; and all amounts so advanced therefor by the County or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8% per annum from the date thereof, the Lessee agrees to pay.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction. (a) Unless the Building or the Leased Equipment shall be damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is damaged by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is not greater than \$50,000, the Lessee (i) shall promptly repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a manufacturing plant and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of Insurance resulting from such claims for losses. All Net Proceeds of Insurance resulting from such claims for losses not in excess of \$50,000 shall be paid to the Lessee, subject to the provisions of Section 7.1(e).

(b) Unless the Building or the Leased Equipment shall be destroyed or damaged to the extent prescribed by, and the Lessee shall elect to exercise its option to purchase pursuant to, the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or is damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the insurance policies required to be carried pursuant to Section 6.4(a) hereof resulting from such destruction or damage is in excess of \$50,000, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of Insurance resulting from such claims for losses in excess of \$50,000 shall be paid to and held by the Trustee in a separate trust account, whereupon the Lessee shall proceed promptly to repair, rebuild or restore the Project to substantially the same condition thereof as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the value or the character of the Project as a manufacturing plant, whereupon the Trustee shall apply so much of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

(c) In the event the Net Proceeds are not sufficient to pay in full the costs of any such repair, rebuilding or restoration, the Lessee shall nonetheless complete said work and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

(d) The Lessee shall not, by reason of the payment of such excess costs be entitled to any reimbursement from the County, the Trustee or the holders or owners of the Bonds or any abatement or diminution of the rents payable under Section 5.3 hereof.

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision therefor has been made in accordance with the Indenture), all Net Proceeds shall be paid to the Lessee.

SECTION 7.2. Condemnation. Unless title to, or temporary use of, all or substantially all, or any material portion, of the Project shall have been taken by condemnation and the Lessee shall elect to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to make the rental payments specified in Section 5.3 hereof. The County, the Lessee and the Trustee shall cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings, to be paid to and held by the Trustee in a separate trust account, to be applied in one or more of the following ways as shall be directed in writing by the Lessee:

(a) To the restoration of the Project to substantially the same condition thereof as existed prior to the exercise of the said power of eminent domain.

(b) To the acquisition, by construction or otherwise, in the name of the County of improvements consisting of a

building or buildings, facilities, machinery, equipment or other properties suitable for the Lessee's operations at the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than as herein provided to the same extent as if such other improvements were specifically described herein and demised hereby); provided, that such improvements shall be acquired by the County subject to no liens or encumbrances, other than Permitted Encumbrances.

(c) For deposit into the Bond Fund, provided that the Lessee shall furnished to the County and the Trustee a certificate of an Independent Engineer acceptable to the County and the Trustee stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (iii) that improvements have been acquired which are suitable for the Lessee's operations at the Project as contemplated by the foregoing subsection (b) of this Section.

Unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof within ninety days from the date of entry of a final order in any eminent domain proceedings granting condemnation, the Lessee shall direct the County and the Trustee in writing as to which of the ways specified in this Section the Lessee elects to have the condemnation award applied.

Any balance of the Net Proceeds of the award in such eminent domain proceedings shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), all Net Proceeds shall be paid to the Lessee.

The County shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and shall, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and on behalf of the County. In no event shall the County voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

SECTION 7.3. Condemnation of Lessee-Owned Property.

The Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or takings of its own property not included in the Project (except for damages for the value of its leasehold estate under this Agreement which shall be disposed of pursuant to Section 7.2 hereof).

ARTICLE VIII

SPECIAL COVENANTS

SECTION 8.1. No Warranty of Condition or Suitability by the County. The County makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Lessee's purposes or needs.

SECTION 8.2. County's and Trustee's Right of Access to the Project. The Lessee agrees that the County, the Trustee and the duly authorized agents of each of them shall have the right at all reasonable times to enter upon the Leased Land

and to examine and inspect the Project, including such rights of access to the Project as may be reasonably necessary for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The rights of access hereby reserved to the County and the Trustee may be exercised only after any such agent shall have executed release of liability and secrecy agreements in the form then currently used by the Lessee. However, nothing contained in this Section 8.2 or in any other provision of this Agreement shall be construed to entitle the County or the Trustee to any information or inspection involving the confidential know-how of the Lessee.

SECTION 8.3. Lessee to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided, that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, but only on condition (i) that such surviving, successor or transferee corporation is a solvent corporation organized and existing under the laws of the State of South Carolina, or is duly qualified to do business in the State of South Carolina, (ii) that the surviving, resulting or transferee

corporation shall expressly assume and agree to perform all of the Lessee's obligations under this Lease Agreement, and (iii) in connection with any such consolidation or merger, there shall be filed with the County, the original purchaser of the Bonds and the Trustee a letter or certificate by a firm of certified public accountants (which is of the size and type commonly referred to as nationally known certified public accountants and which is acceptable to the Trustee), certifying that after the consummation of such consolidation or merger the corporation resulting from or surviving such consolidation or merger will have an excess of assets over liabilities at least as great as the Lessee would have had if such consolidation or merger had not occurred; or (iv) in connection with any such sale there shall be filed with the County, the original purchaser of the Bonds, and the Trustee a letter or certificate by a firm of certified public accountants (which is of the size and type commonly referred to as nationally known certified public accountants and which is acceptable to the Trustee) certifying that at the consummation of such transfer the corporation to which such transfer is made has an excess of assets over liabilities at least as great as the Lessee would have had if such transfer had not been made.

SECTION 8.4. Qualification in South Carolina. The Lessee warrants that it is and throughout the Lease Term it will continue to be duly qualified to do business in South Carolina.

SECTION 8.5. Release of Certain Land. In addition to the rights granted by Section 11.3 hereof, the parties hereto reserve the right at any time and from time to time to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created

hereby (i) of any unimproved part of the Leased Land (on which neither the Building nor any Leased Equipment is situated, but upon which transportation or utility facilities may be situated) on which the County then proposes to construct, or cause to be constructed, improvements for lease to the Lessee or any subsidiary or affiliated corporation thereof under another and different lease agreement or (ii) any part (or interest in such part) of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the Project; provided, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid there shall be deposited with the Trustee the following:

(a) A copy of the said amendment as executed.

(b) A resolution of the County Board (i) stating that the County is not in default under any of the provisions of the Indenture and the Lessee is not to the knowledge of the County in default under any of the provisions of this Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the Leased Land to be released, (iii) stating the purpose for which the County desires the release, (iv) stating that the said improvements which will be so constructed will be such as will promote the continued industrial development of South Carolina and (v) requesting such release.

(c) A resolution of the board of directors of the Lessee approving such amendment and a certificate of the president, any vice president or treasurer of the

Lessee stating that the Lessee is not in default under any of the provisions of this Agreement.

(d) A copy of any agreement wherein the County agrees (i) to construct, or cause to be constructed, improvements on the portion of the Leased Land so requested to be released and (ii) to lease the same; or a copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.

(e) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purposes hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

And, provided further, if such release relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a manufacturing plant.

If all of the conditions of this Section 8.5 are met, the Trustee shall be authorized to release any such property from the lien of the Indenture.

No release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.6. Granting of Easements. If no event of default under this Agreement shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, free from the lien of the Indenture, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the County agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege upon receipt of:

(i) a copy of the instrument of grant or release; (ii) a written application signed by the president or a vice president or the chairman of the board of directors of the Lessee requesting such instrument; and (iii) a certificate executed by the president or a vice president or the chairman of the board of directors of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective use or interfere with the operation of the Project and will not weaken, diminish or impair the security intended to be given by or under the Indenture. No grant or release effected under the provisions of this Section shall entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3 hereof.

SECTION 8.7. Indemnification Covenants. (a) Lessee shall and agrees to indemnify and save the County and the Trustee harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Lease Term, and against and from all claims arising during the Lease Term from (i) any condition of the Project, (ii) any breach or default on the part of Lessee in the performance of any of its obligations under this Agreement, (iii) any act or negligence of Lessee or of any of its agents, contractors, servants, employee or licensees, or (iv) any act or negligence of any assignee or sub-lessee of Lessee. Lessee shall indemnify and save the County and the Trustee harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid from (i), (ii), (iii) or (iv) supra, or in connection with any action or proceeding brought thereon, and upon notice from the County, or the Trustee, Lessee shall defend them or either of them in any such action or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County shall not incur pecuniary liability by reason of the terms of this Agreement, or the undertakings required of the County hereunder, by reason of the issuance of the Bonds, by reason of the execution of the Indenture, by reason of the the performance of any act requested of it by the Lessee, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County should incur any such pecuniary liability, then in such event the Lessee shall indemnify and hold harmless the County

against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the County, the Lessee shall defend the County in any such action or proceeding.

SECTION 8.8. Financing Information. The Lessee shall furnish to the County and to the Trustee at the time that the Lessee shall publish its Annual Report to Stockholders for the preceding fiscal year, but in any event within 120 days after the end of the preceding fiscal year, a balance sheet of Lessee as at the end of such fiscal year and the related statements of income and surplus for such fiscal year, all in reasonable detail and accompanied by a report or certificate of independent certified public accountants of recognized standing, who may be the accountants regularly employed by Lessee in the manner normally reported by Lessee to its shareholders; provided that as long as Lessee is a wholly owned subsidiary (either directly or indirectly) of the Guarantor, the foregoing requirements of this Section 8.8 shall be satisfied by Guarantor's compliance with the analogous provisions of the Guaranty Agreement.

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING; REDEMPTION; RENT PREPAYMENT AND ABATEMENT; INSTALLATION OF LESSEE'S OWN MACHINERY AND EQUIPMENT

SECTION 9.1. Assignment and Subleasing. This Agreement may be assigned, and the Project may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of either the County or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 8.3 hereof) or subleasing shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment or subleasing, the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 hereof and for the payment, performance and observance of the other obligations and agreements on its part herein provided to be performed and observed by it.

(b) The assignee or sublessee shall assume in writing the obligations of the Lessee hereunder to the extent of the interest assigned or subleased.

(c) The Lessee shall, within thirty days after the delivery thereof, furnish or cause to be furnished to the County and to the Trustee a true and complete copy of each such assignment or sublease, as the case may be.

SECTION 9.2. Mortgage of Project by County. The County will mortgage the Project by the Indenture, and assign its interest in and pledge any moneys receivable under this Agreement (except payments made pursuant to Sections 5.5 and 8.7) pursuant to the Indenture, to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds, but each such mortgage, assignment or pledge, shall be subject and subordinate to this Agreement.

SECTION 9.3. Restrictions on Sale of Project by County. The County agrees that, except as set forth in Section 9.2 hereof or other provisions of this Agreement or the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project during the Lease Term.

SECTION 9.4. Redemption of Bonds. The County, at the request at any time of the Lessee and if the same are then callable, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Lessee, on the earliest redemption date on which such redemption may be made under such applicable provisions.

SECTION 9.5. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 5.3 hereof, and the County agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments specified in Section 5.3 hereof, in the order of their due dates.

SECTION 9.6. Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding, and to pay all fees and charges of the Trustee and any paying agents on the Bonds due or to become due through the date on which the last of the Bonds is retired, under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate moneys are in the hands of the Trustee to and including September 1, 1983, with no obligation to make the rental payments specified in Section 5.3 hereof during that interval (but otherwise on the terms and conditions hereof).

SECTION 9.7. Installation of Lessee's Own Machinery and Equipment. The Lessee may from time to time, in its sole discretion and at its own expense, install machinery, equipment and other personal property in the Building or on the Leased Land and which may be attached or affixed to the Building or the Leased Land. All such machinery, equipment and other personal property, shall remain the sole property of the Lessee and the Lessee may remove the same from the Building or the Leased Land at any time, in its sole discretion and at its own expense; provided, that any damage to the Project resulting from any such removal shall be repaired by the Lessee at the expense of the Lessee. The Lessee may create any mortgage, encumbrance, lien or charge on any such machinery, equipment and other personal property provided that the same will not diminish or impair the security intended to be given by or under the Indenture. Neither the County nor the Trustee shall have any interest in or landlord's lien on any such machinery, equipment or personal property so installed pursuant to this Section 9.7 and all such machinery, equipment and personal property shall be and remain identified as the property of the Lessee by appropriate tags or other markings.

SECTION 9.8. Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, all references in this Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested. For purposes of this Agreement the Bonds shall be deemed fully paid:

(a) If there is on deposit on the Bond Fund a total amount sufficient to pay the principal of all the then outstanding Bonds plus the interest due thereon until and at their respective maturities and provision for the payment of all Trustee's and paying agents' fees, accrued and to accrue has been made in a manner satisfactory to the Trustee and such paying agents, or

(b) If there have been irrevocably deposited with the Trustee (i) moneys sufficient to pay, redeem and retire all the then outstanding Bonds (including, without limitation, principal, premium, interest to maturity or earliest applicable redemption date, as the case may be, expenses of redemption and Trustee's and paying agents' fees), and (ii) evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been duly given by the County or the Trustee has been irrevocably authorized to give such redemption notices.

#### ARTICLE X

##### EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement at the times specified therein and continuing for a period of five days after notice by telegram, or if telegraphic service is not available then after notice by mail given to the Lessee and the Guarantor by either the Trustee or the County that the payment referred to in such notice has not been received.

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on the part of the Lessee to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee and the Guarantor by the County or the Trustee, unless the County and the Trustee shall agree in writing to an extension of such time prior to its expiration (or in the case of any such default which cannot with due diligence be cured within such 30-day period, if Lessee shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with such a default not susceptible of being cured with due diligence within the 30 days that the time of Lessee within which to cure the same shall be extended for such period as may be necessary to complete the curing of the same with all due diligence).

(c) The dissolution or liquidation of the Lessee or the Guarantor or the filing by the Lessee or the Guarantor of a voluntary petition in bankruptcy, or failure by the Lessee or the Guarantor promptly to lift any execution, garnishment or attachment of such consequences as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee or the Guarantor of any act of bankruptcy, or adjudication of the Lessee or the Guarantor as a bankrupt, or assignment by the Lessee or the Guarantor for the benefit of its creditors, or the entry by the Lessee or the Guarantor into

an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee or the Guarantor in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act in any domestic or foreign jurisdiction which may now be in effect or hereafter enacted. The term "dissolution or liquidation of the Lessee or the Guarantor", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been met; nor to include the cessation of the corporate existence of the Guarantor resulting either from a merger or consolidation of the Guarantor into or with another corporation or a dissolution or liquidation of the Guarantor following a transfer of all or substantially all of its assets as an entirety, provided, that the conditions permitting such actions contained in the Lease Guaranty Agreement shall have been met.

The foregoing provisions of this Section are subject to the following limitations: If by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements of the Lessee on its part herein contained, other than the obligations on the part of the Lessee contained in Article V and Sections 6.3, 6.4 and 8.7 hereof, the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation,

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

SECTION 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be subsisting, the County may take any one or more of the following remedial steps:

(a) The County or the Trustee as provided in the Indenture may, at its option, declare all installments of rent payable under Section 5.3 hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The County, with the prior written consent of the Trustee, may re-enter and take possession of the Project without terminating this Agreement, and sublease

the Project for the account of rent and other amounts actually paid by such sublease in such subleasing and the rents and other amounts payable by the Lessee hereunder; provided, that in the case of an event of default referred to in Section 10.1(a) hereof, the County shall not be entitled to take such action until the sixth day after the giving of notice as prescribed in Section 10.1(a).

(c) The County, with the prior written consent of the Trustee, may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other amounts payable by the Lessee hereunder; provided, that in the case of an event of default referred to in Section 10.1(a) hereof, the County shall not be entitled to take such action until the sixth day after the giving of notice as prescribed by Section 10.1(a).

(d) In the event any of the Bonds shall at the time be outstanding and unpaid, the County may have access to and inspect, examine and make copies of the books and records and any and all accounts, similar data and income tax and other tax returns of the Lessee.

(e) The County may take whatever action at law or in equity as may appear necessary or desirable to collect the rent and other amounts due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture, or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), to the Lessee.

No action taken pursuant to this Section (including repossession of the Project or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Sections 5.3 and 10.2(a) hereof, all of which shall survive any such action, and the Lessor may take whatever action at law or in equity as may appear necessary and desirable to collect the rent and other amounts then due and thereafter to become due and/or to enforce the performance and observance of any obligation, agreement or covenant of the Lessee hereunder.

SECTION 10.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the County is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the County hereunder shall also extend to the Trustee and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 10.4. Agreement to Pay Attorneys' Fee and Expenses. In the event the Lessee should default under any of the provisions of this Agreement and the County or the Trustee should employ attorneys or incur other expenses for the collection of rent or the enforcement of the performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the County or the Trustee the reasonable fee of such attorneys and such other expenses so incurred by the County or the Trustee.

SECTION 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

OPTIONS IN FAVOR OF LESSEE

SECTION 11.1. Options to Terminate. The Lessee shall have, and is hereby granted, the following options to terminate the Lease Term:

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the Lease Term by paying to the Trustee an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal,

interest to maturity or earliest applicable redemption date, as the case may be, premium, expenses of redemption and Trustee's and paying agent's fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, and by paying to the County any and all sums then due to the County under this Agreement.

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of any and all sums then due to the County under this Agreement, the Lessee may terminate the Lease Term by giving the County notice in writing of such termination and such termination shall forthwith become effective.

SECTION 11.2. Option to Purchase Project Prior to Payment of the Bonds. The Lessee shall have, and is hereby granted, the option to purchase the Project prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), if any of the events set forth in the following clauses shall have occurred:

(a) The Building or the Leased Equipment shall have been damaged or destroyed to such extent, as evidenced by a certificate of an Independent Engineer filed with the County and the Trustee, (i) that it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) that the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of six months, or (iii) that that cost of restoration thereof would exceed by

\$100,000 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4(a) hereof, plus the deductible amounts for which the Lessee is self-insured with respect to the Building.

(b) Title to, or the temporary use of, all or substantially all the Project, or such part thereof as shall materially interfere, in the judgment of an Independent Engineer as evidenced by a certificate filed with the County and the Trustee, with the operation of the Project for the purpose for which the Project is designed, shall have been taken under the exercise of the power of eminent domain by any governmental authority (including such a taking or takings as results in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of six months).

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

To exercise such option, the Lessee shall, within ninety days following the event authorizing the exercise of such option, give written notice to the County, and to the Trustee if any of the Bonds shall then be unpaid, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture, shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be the sum of the following:

(1) An amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to retire and redeem all the then outstanding Bonds on the applicable redemption date provided by the Indenture, including without limitation, principal, all interest to accrue to said redemption date and redemption expense, plus

(2) an amount of money equal to the Trustee's and paying agents' fees and expenses under the Indenture accrued and to accrue until such final payment and redemption of the Bonds, plus

(3) the sum of one dollar, and any and all other sums then due to the County under this Agreement, for the Leased Land, Building, and Leased Equipment.

In the event of the exercise of the option granted in this Section any Net Proceeds of insurance or condemnation shall be paid to the Lessee simultaneously with the conveyance prescribed by Section 11.4 hereof.

SECTION 11.3. Option to Purchase Unimproved Land. If no event of default under this Agreement shall have happened and then be continuing, the Lessee shall have, and is hereby granted the option to purchase any part of the Leased Land on which neither the Building nor any Leased Equipment is located, but upon which transportation or utility facilities may be located, at any time and from time to time at and for a purchase price of \$ \_\_\_\_\_ per acre provided that it furnishes the County with the following:

(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Land with respect to which such option is to be exercised, (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Land on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice, and (iii) a statement that the use to which the Lessee intends to devote such portion of the Leased Land will promote the continued industrial development of South Carolina.

(b) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the purposes hereinabove stated, and (ii) the purchase will not impair the usefulness of the Project as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in this Section.

The County agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the County will promptly deliver such money to the Trustee for deposit in the Bond Fund. In the event the Lessee shall exercise the option granted to it under this Section, the Lessee shall not be entitled to any abatement or diminution of the rents payable under Section 5.3, and if such option relates to Leased Land on which transportation or utility facilities are located, the County shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project as a manufacturing plant.

SECTION 11.4. Conveyance on Exercise of Option to Purchase.

At the closing of any purchase pursuant to any option to purchase granted herein, the County shall upon receipt of the purchase price deliver to the Lessee the following:

(a) If necessary, a release from the Trustee of the property with respect to which the option was exercised from the lien of the Indenture.

(b) Documents conveying to the Lessee good and marketable title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the County; (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; (iv) Permitted Encumbrances other than the Indenture and this Agreement; and (v) if the option is exercised pursuant to

the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

SECTION 11.5. Relative Position of Options and Indenture.

The options respectively granted to the Lessee in this Article except under Section 11.3 hereof shall be and remain prior and superior to the Indenture and may be exercised whether or not the Lessee is in default hereunder, provided that no such default will result in nonfulfillment of any condition to the right of the Lessee to obtain a conveyance of the Project by making the payments required hereunder.

ARTICLE XII

ADDITIONAL OBLIGATION OF LESSEE AND COUNTY

SECTION 12.1. Obligation to Purchase Project. The Lessee hereby agrees to purchase, and the County hereby agrees to sell, the Project for one dollar, and any and all sums then due to the County under this Agreement, at the expiration or sooner termination of the Lease Term following full payment of the Bonds, or provision for payment thereof having been made, in accordance with the provisions of the Indenture. At the closing of the foregoing purchase, the County shall deliver to the Lessee the documents referred to in Section 11.4 hereof. The right to purchase granted in this Section shall be and remain prior and superior to the Indenture and may be exercised whether or not the Lessee is in default hereunder provided that no such default will result in nonfulfillment of any condition to this right.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Quiet Enjoyment. The County agrees so long as the Lessee shall fully and punctually pay all of the

rents and other amounts provided to be paid hereunder by the Lessee, and shall fully and punctually perform all of its other covenants and agreements hereunder, that the Lessee shall peaceably and quietly have, hold and enjoy the Project during the Lease Term.

SECTION 13.2. Surrender of Project. Except as otherwise provided in this Agreement at the expiration or sooner termination of the Lease Term, the Lessee agrees to surrender possession of the Project peaceably and promptly to the County in as good condition as at the commencement of the Lease Term, ordinary wear, tear and obsolescence only excepted.

SECTION 13.3. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the County Board of Commissioners of Lexington County, Lexington County Courthouse, Lexington, South Carolina; if to the Lessee, at \_\_\_\_\_; if to the Guarantor, at \_\_\_\_\_; if to the Trustee, at \_\_\_\_\_, Attention: Corporate Trust Department. The County, the Lessee, the Guarantor, and the Trustee may, by notice given to all parties to this Agreement and the Indenture, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 13.4. Recording and Filing.

(a) This Agreement as originally executed shall be recorded prior to the recordation of the Indenture. It shall be recorded and indexed as a miscellaneous conveyance

and as a security agreement in the Office of the Clerk of Court for Lexington County, South Carolina, or in such other office as may at the time be provided by law as the proper place for recordation thereof. The security interest of the County created herein as to any personal property, equipment and fixtures forming a part of the Project shall be perfected by the filing of financing statements which fully comply with the South Carolina Uniform Commerical Code--Secured Transactions, in the said Clerk of Court's Office and in the Office of the Secretary of State in the City of Columbia, S. C. The parties further agree that all necessary continuation statements shall be filed within the time prescribed by the South Carolina Uniform Commerical Code--Secured Transactions, in order to continue the security interest created by this Agreement, to the end that the rights of the holders of the Bonds and the Trustee in the Project shall be fully preserved as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The deed conveying the Leased Land to the County, this Agreement and the Indenture may be recorded prior to the delivery of the Bonds. If subsequent to such recording the Bonds shall not be delivered on or before the date prescribed in Section 4.2, or such later date as the Lessee may agree upon in writing, then the said deed, this Agreement and the Indenture shall be of no force and effect and in such event the County and the Lessee do hereby mutually release and discharge each other from any and all claims of any character which either may have against the other by reason of or arising from a failure to deliver the Bonds; and the County shall

transfer and reconvey to the Lessee or its designee all properties conveyed to the County by the said deed and for the same consideration paid by the County less any advances made therefor by the Lessee. Both parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

SECTION 13.5. Other Instruments.

(a) The Lessee covenants to deliver to the County and the Trustee within 60 days after January 1, 1972, after every January 1 thereafter to the Completion Date, after the Completion Date, and after the close of each fiscal year of the Lessee following the Completion Date, a description of the Project, on such January 1, Completion Date, or such last day of a fiscal year, as appropriate, if the Project is not adequately described in the granting clauses of the Indenture as then supplemented, and in the demising clauses of this Agreement as then amended. Such description shall be sufficiently detailed so as to enable counsel to render the opinion referred to in clause (4) of the next succeeding sentence. Within 30 days after delivery of such description the lessee covenants that it will:

(1) prepare a supplement to the Indenture and an amendment to this Agreement, each containing an adequate and full description of the Project;

(2) deliver the supplement to the Indenture to the Trustee and the County and the supplement to this Agreement to the County, for execution;

(3) deliver the fully executed supplement to the Indenture and the fully executed supplement to this Agreement to the Trustee for recording and filing or re-recording or re-filing in all places required by the

opinion of counsel referred to in subsection (a)(4) of this Section 13.5; and

(4) deliver to the Trustee a written opinion of counsel (who may be counsel for the County or the Lessee), addressed to the Trustee that the description of the Mortgaged Property (as defined in Article I of the Indenture) contained in the granting clauses of the Indenture, as supplemented, and the description of the Project contained in the demising clauses of this Agreement, as supplemented, are adequate for all purposes thereof and hereof and in the opinion given with respect to the Completion Date, that such descriptions include descriptions of the entire Project; that the Indenture, as supplemented, constitutes a valid first mortgage lien on the interest of the County in the said Mortgaged Property, subject only to Permitted Encumbrances other than the Indenture; that the Indenture, as supplemented, this Agreement, as supplemented, and all financing statements, continuation statements, notices and other instruments required by applicable law have been recorded or filed or re-recorded or re-filed in such manner and in such places required by law in order fully to preserve and protect the rights of the holders or owners of the Bonds and the Trustee in the Project (and in the assignment to the Trustee of the rents payable under this Agreement) as against creditors of, or purchasers for value from, the County or the Lessee.

(b) The Lessee, the County and the Trustee shall execute and deliver all instruments and shall furnish all information and evidence deemed necessary or advisable by such counsel in order to enable him to render the opinion referred to in

subsection (a) (4) of this Section 13.5. The Trustee shall file and record and re-record or cause to be filed and recorded and re-recorded all instruments required to be filed and recorded and re-recorded pursuant to the opinion of such counsel and shall continue or cause to be continued the liens of such instruments for so long as the Bonds shall be outstanding, except as otherwise in this Agreement required.

SECTION 13.6. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the County, the Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.3, 9.1, 9.2 and 9.3 hereof.

SECTION 13.7. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 13.8. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agents in accordance with the Indenture, shall belong to and be paid to the Lessee by the Trustee as overpayment of rents.

SECTION 13.9. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified, altered or terminated without in each instance the prior written consent of the Trustee.

SECTION 13.10. This Agreement shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net

during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those herein expressly provided.

SECTION 13.11. Tax Exempt Status of Bonds. The Lessee covenants that the proceeds of the Bonds are to be used primarily with respect to facilities to be located in Lexington County, South Carolina; that the Lessee will be the principal user of the facilities to be acquired and constructed with the proceeds of the Bonds with the meaning of Section 103(c)(6) of the Internal Revenue Code; and that there are no outstanding obligations of any state, territory or possession of the United States, or any political subdivision of the foregoing or of the District of Columbia the proceeds of which have been or are to be used primarily with respect to facilities located in Lexington County, South Carolina, and which are to be used primarily by the Lessee (including any person related to the Lessee within the meaning of Section 103(c)(6)(C) of the Internal Revenue Code) other than the Bonds.

SECTION 13.12. Execution of Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.13. Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the law of the State of South Carolina shall govern its construction.

IN WITNESS WHEREOF, LEXINGTON COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of its County Board of Commissioners, its corporate seal to be impressed hereon and attested by the Secretary of its County Board of Commissioners;

and COMMUNICATION SPECIALTIES, INC. has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary, all being done as of the day and year first above written.

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman of the County Board of  
Commissioners of Lexington County

Attest:

\_\_\_\_\_  
Secretary of the County Board of  
Commissioners of Lexington County

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

COMMUNICATION SPECIALTIES, INC.

(SEAL)

By \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

STATE OF SOUTH CAROLINA,  
COUNTY OF LEXINGTON.

PERSONALLY appeared before me \_\_\_\_\_,  
who being duly sworn says that he saw the corporate seal of  
Lexington County, South Carolina, affixed to the foregoing  
Lease Agreement, and that he also saw \_\_\_\_\_  
\_\_\_\_\_ as Chairman of County Board of Commissioners of Lexington  
County, and \_\_\_\_\_ as Secretary of the  
County Board of Commissioners of Lexington County, sign and  
attest the same and that he with \_\_\_\_\_  
witnessed the execution and delivery thereof as the act and  
deed of the said Lexington County, South Carolina.

\_\_\_\_\_

SWORN to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, A.D. 1971.

\_\_\_\_\_  
Notary Public for South Carolina (L.S.)

My Commission Expires \_\_\_\_\_.

STATE OF \_\_\_\_\_.

COUNTY OF \_\_\_\_\_.

PERSONALLY appeared before me \_\_\_\_\_  
 who being duly sworn says that he saw the corporate seal of  
 Communication Specialties, Inc., affixed to the foregoing Lease  
 Agreement, and that he also saw \_\_\_\_\_ as President  
 and \_\_\_\_\_ as Secretary of said Corporation,  
 sign and attest the same, and that he with \_\_\_\_\_  
 \_\_\_\_\_ witnessed the execution and delivery thereof as  
 the act and deed of the said Communication Specialties, Inc.

SWORN to before me this

\_\_\_\_\_ day of \_\_\_\_\_, A. D. 1971.

\_\_\_\_\_  
 Notary Public for \_\_\_\_\_ (L.S.)

My Commission Expires \_\_\_\_\_.

LEASE GUARANTY AGREEMENT

Attached to Lease Agreement between Lexington County, South Carolina and Communication Specialties, Inc., dated as of September 1, 1971.

FOR VALUE RECEIVED, and as an inducement to and as part of the consideration for the execution and delivery by Lexington County, South Carolina (the "County") of the foregoing Lease Agreement dated as of September 1, 1971, between the County and Communication Specialties, Inc., an Ohio corporation (the "Lessee") and the leasing by the County of any property thereunder, and as an inducement to and as part of the consideration for the issuance, execution, sale, delivery and purchase of \$1,000,000 Lexington County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee) (the "Bonds") described in the Lease Agreement by the purchasers thereof, and the assignment by the County of all its right, title and interest in, to and under the Lease Agreement by the Indenture dated as of September 1, 1971, between the County and Bankers Trust of South Carolina, as Trustee (the "Trustee"), to provide for the acquisition and construction of the Project (as defined in the Lease Agreement) the undersigned, The Anaconda Company, a Montana corporation (the "Guarantor"), unconditionally guarantees to the County and the Trustee, their successors or assigns, the full and prompt payment, when due and at all times thereafter, of each and all of the rents and other sums required to be paid by the Lessee to the County or the Trustee under the terms of the Lease Agreement, as amended or supplemented by an instrument amending or supplementing the Lease Agreement (the foregoing Lease Agreement, as from time to time amended or supplemented, being hereinafter called the "Lease") and the full and prompt performance and observance by the Lessee of each and all of the covenants and agreements

required to be performed and observed by the Lessee under the terms of the Lease. The Guarantor further unconditionally agrees to pay an amount or amounts equal to said rents and other sums when due, in the event that the Lessee fails to do so, and to pay all expenses and charges, legal or otherwise (including court costs and attorneys' fees) paid or incurred by the County or the Trustee, their successors or assigns, in realizing upon any of the payments or enforcing covenants hereby guaranteed or in enforcing this Lease Guaranty Agreement (herein sometimes referred to as the "Agreement").

Each and every default by the Lessee under the terms of the Lease shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

This Agreement shall remain in full force and effect until the Lessee shall have fully and satisfactorily discharged all of its obligations to the County under the Lease, irrespective of the genuineness, validity, regularity or enforceability of the Lease or any assignment or termination thereof, or the bankruptcy, insolvency, reorganization or dissolution of the County or Lessee, or the assignment for benefit of creditors by the County or Lessee.

This Agreement and the liability hereunder shall in no wise be affected or impaired by (and the County, its successors or assigns are hereby expressly authorized to make from time to time without notice to anyone) any compromise, settlement, release, renewal, extension, indulgence, change in or modification of any of the obligations and liabilities of the Lessee under the Lease, or by any redelivery, repossession, surrender or

destruction of the Project (as defined in the Lease), in whole or in part, or by any failure, neglect or omission on the part of the County, its successors or assigns, to realize upon any obligations or liabilities of the Lessee, or to give notice to the Guarantor of the occurrence of any default under the Lease.

The obligations, covenants, agreements and duties of Guarantor under this Agreement shall not be affected or impaired by reason of the happening from time to time of any of the following with respect to the Lease or said assignment thereof or this Agreement or the assignment hereof to the Trustee, although without notice to or consent of Guarantor: (a) any assignment or mortgaging or the purported assignment or mortgaging of all or any part of the interest of Lessee in the Lease or in the Project (as defined in the Lease); (b) the waiver by the County or the Trustee of the performance or observance by Lessee or by Guarantor of any of the agreements, covenants, terms or conditions contained in any of such instruments; (c) the extension of the time for payment by Lessee or Guarantor of any rents or other sums or any part thereof owing or payable under any of such instruments or of the time for performance by Lessee or Guarantor of any other obligations under or arising out of any of such instruments or the extension or the renewal of any thereof; (d) the modification or amendment (whether material or otherwise) of any duty, agreement or obligation of Lessee set forth in any such instrument; (e) the taking or the omission of any of the actions referred to in any of such instruments; (f) any failure, omission, delay or lack on the part of the County or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the County

or the Trustee in any of such instruments, or any action on the part of the County or the Trustee granting indulgence or extension in any form; (g) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar proceeding affecting Lessee or Guarantor or any of their assets, or the disaffirmance of the Lessee or any contest of the validity of the Lease in any such proceeding; (h) the release or discharge of Lessee or the Guarantor from the performance or observance of any agreement, covenant, term or condition contained in any of such instruments by operation of law; (i) the release, substitution or replacement in accordance with the terms of the Lease of any property subject thereto; (j) the receipt and acceptance by the County or the Trustee of notes, checks or other instruments for the payment of moneys made by Lessee and extensions and renewals thereof, or (k) any other cause, whether similar or dissimilar to the foregoing.

Without limiting the foregoing, it is specifically understood that any modification, limitation or discharge of the Lessee's liability under the Lease or of the liability of the Guarantor thereunder or hereunder, arising out of or by virtue of any bankruptcy arrangement, reorganization or similar proceeding for relief of debtors under Federal or State law hereinafter initiated by or against the Lessee or the Guarantor shall not affect, modify, limit or discharge the liability of the Guarantor in any manner whatsoever and this Agreement shall remain and continue in full force and effect and shall be enforceable against the Guarantor to the same extent and with the same

force and effect as if any such proceedings had not been instituted; and it is the intent and purpose of this Agreement that the Guarantor shall and does hereby waive all rights and benefits which might accrue to it by reason of any such proceeding and that it shall be liable for an amount equal to the full amount of rent and other sums, including all damages imposed, or payable under the terms of the Lease, irrespective of, and without regard to, any modification, limitation or discharge of the liability of the Lessee that may result from any such proceeding.

No act of commission or omission of any kind or at any time upon the part of the County, its successors or assigns, in respect of any matter whatsoever shall in any way affect or impair the rights of the County or any successor or assignee of the County to enforce any right, power or benefit of the County under this Agreement, and no set-off, claim, reduction or diminution of an obligation, or any defense of any kind or nature which the Guarantor has or may have against the County or any assignee or successor thereof shall be available to the Guarantor against the County or against any assignee or successor of the County.

The County may without any notice whatsoever to anyone sell, assign or transfer all of its right, title and interest as the Lessor under the Lease or all of its right, title and interest in and to the rents and other sums at any time due and to become due thereunder, to the Trustee, or the Trustee's successors or assigns, and in such event, the Trustee, or such successors or assigns, shall have all of the rights, power and benefits of the County under this Agreement, including, without limitation, the right to enforce this Agreement by suit or otherwise for its benefit as fully as if it were herein by name specifically given all of such rights, powers and benefits.

The County, its successors and assigns, in its or their sole discretion, shall have the right to proceed first and directly against the Guarantor, its successors and assigns, under this Agreement without proceeding against or exhausting its remedies against the Lessee, its successors or assigns, and without resorting to any other security held by the County or the Trustee, or their successors or assigns.

The Guarantor will keep and will cause each of its consolidated subsidiaries to keep proper books of record and account in accordance with generally accepted principles of accounting and will furnish to the Trustee, the initial purchaser of the Bonds, and, if requested in writing, to the holder of any Bond, all financial statements which it sends to its shareholders.

This Agreement and every part thereof shall be binding upon the Guarantor and its successors and assigns and shall inure to the benefit of the County and its successors and assigns including the Trustee. The Guarantor agrees that during the term of the Lease it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with it; provided, that the Guarantor may, without violating the agreement contained in this paragraph, consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of the

Guarantor under this Agreement and the net worth of the surviving, resulting or transferee corporation, as the case may be, after the consolidation, merger, transfer of assets or sale shall be at least equal to the net worth of the Guarantor immediately prior to the consolidation, merger, transfer of assets or sale.

Guarantor is advised that the rights of the County under this Agreement will be assigned to the Trustee, and upon such assignment and so long as any Bonds shall be unpaid in whole or in part, all rights against Guarantor arising under this Agreement shall be for the sole benefit of the Trustee and the holders of the Bonds, and the Trustee shall be entitled to bring any suit, action or proceeding against Guarantor for the enforcement of any provisions of this Agreement in its name as Trustee, and it shall not be necessary in any such suit, action or proceeding to make the County a party thereto; and this Agreement may not be modified or amended without the prior written consent of the Trustee, and any attempted modification or amendment without such consent shall be void. The terms of this Agreement may be enforced as to any one or more breaches either separately or cumulatively. Notice of acceptance of this Agreement and notice of the execution and delivery of the Lease by Lessee and of the assignment thereof and of this Agreement to the Trustee are waived by Guarantor.

The Guarantor irrevocably:

(a) agrees that any suit, action or other legal proceeding arising out of this Agreement may be brought in the courts of the State of South Carolina or the courts of the United States for the State of South Carolina;

(b) consents to the jurisdiction of each court in any such suit, action or proceeding; and

(c) waives any objection which it may have to the laying of the venue of any such suit, action or proceeding in any of such courts.

For such time as any of the Bonds shall be outstanding, the Guarantor irrevocably designates the Secretary of State of South Carolina, Columbia, South Carolina, as the agent to accept and acknowledge in its behalf service of any and all process in any such suit, action or other legal proceeding brought in any such court, and agrees and consents that in any such suit, action or other legal proceeding service of process upon such agent shall be taken and held to be valid personal service upon the Guarantor, whether or not the Guarantor shall then be doing, or any time shall have done, business within the State of South Carolina, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and the requirements of such service in such state, and waives all claim of error by reason of any such service.

Such agent shall not have any power of authority to enter any appearance or to file any pleadings in connection with any suit, action or other legal proceeding against the Guarantor or to conduct the defense of any such suit, action or other legal proceeding.

IN WITNESS WHEREOF, The Anaconda Company, has executed this Lease Guaranty Agreement by causing its corporate name to be hereunto subscribed by its President and its corporate seal to be impressed hereon and attested by its Secretary; and Lexington County, South Carolina, has executed this Lease Guaranty Agreement by causing its name to be hereunto subscribed by the Chairman of the County Board of Commissioners of Lexington

County and the official seal of said County  
to be impressed hereon and attested by the Secretary of said  
County Board, all being done as of September 1, 1971.

THE ANACONDA COMPANY

(SEAL)

By \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman of the County Board of  
Commissioners of Lexington County

Attest:

\_\_\_\_\_  
Secretary of the County Board of  
Commissioners of Lexington County

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

ASSIGNMENT OF LEASE AGREEMENT AND OF LEASE  
GUARANTY AGREEMENT

STATE OF SOUTH CAROLINA )

) SS:

COUNTY OF LEXINGTON )

KNOW ALL MEN BY THESE PRESENTS, that Lexington County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Board of Commissioners of Lexington County, in consideration of the sum of One Dollar (\$1.00) to it in hand paid at and before the sealing of these presents, the receipt of which is hereby acknowledged, has assigned, transferred and set over unto Bankers Trust of South Carolina, as Trustee under that certain Trust Indenture dated as of September 1, 1971, between Greenville County and said Bankers Trust of South Carolina, as Trustee, and its successors in trust:

(a) All of the right, title and interest of said Lexington County in and to the foregoing Lease Agreement dated as of September 1, 1971, between said Lexington County, as Lessor, and Communication Specialties, Inc., as Lessee.

(b) All of the right, title and interest of said Lexington County in and to the foregoing Lease Guaranty Agreement dated as of September 1, 1971, between said The Anaconda Company, and Lexington County, South Carolina.

This assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of September 1, 1971, the terms of which are incorporated by this reference as fully as if the same were set forth at length herein, the Trust Indenture being intended to be duly recorded immediately.

IN WITNESS WHEREOF, Lexington County, South Carolina,  
has executed this Assignment by causing its name to be hereunto  
subscribed by the Chairman of the County Board of Commissioners  
of Lexington County and the official seal of said County to  
be impressed hereon and attested by the Secretary of the said  
County Board, all being done as of the 1st day of September,  
1971.

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman of the County Board of  
Commissioners of Lexington County

Attest:

\_\_\_\_\_  
Secretary of the County Board of  
Commissioners of Lexington County

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

STATE OF SOUTH CAROLINA    )  
                                  )  SS:  
COUNTY OF LEXINGTON        )

Personally appeared before me \_\_\_\_\_  
who being duly sworn says that he saw the corporate seal of  
Lexington County, South Carolina, affixed to the foregoing  
Assignment of Lease Agreement and of Lease Guaranty Agreement,  
and that he also saw \_\_\_\_\_, as Chairman, and  
\_\_\_\_\_ as Secretary of the County Board of  
Commissioners of Lexington County, sign and attest the same,  
and that he with \_\_\_\_\_ witnessed  
the execution and delivery thereof as the act and deed of the  
said Lexington County, South Carolina.

\_\_\_\_\_

SWORN to before me this  
\_\_\_\_ day of \_\_\_\_\_, A. D. 1971.

\_\_\_\_\_(L.S.)  
Notary Public for South Carolina

My Commission Expires \_\_\_\_\_.

---

LEXINGTON COUNTY, SOUTH CAROLINA

AND

BANKERS TRUST OF SOUTH CAROLINA,  
AS TRUSTEE

---

TRUST INDENTURE

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Dated as of September 1, 1971

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TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of September, 1971, by and between LEXINGTON COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and BANKERS TRUST OF SOUTH CAROLINA, a \_\_\_\_\_ duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the \_\_\_\_\_, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, approved by the Governor of South Carolina on March 21, 1967 and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement (the "Act") to acquire, own, lease, dispose of, and mortgage the properties hereinafter described in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, the County is further authorized by the Act to issue revenues bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings, improvements, machinery and equipment so acquired; and

TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of the first day of September, 1971, by and between LEXINGTON COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter sometimes referred to as the "County"), as party of the first part, and BANKERS TRUST OF SOUTH CAROLINA, a \_\_\_\_\_ duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the \_\_\_\_\_, as Trustee, party of the second part;

WITNESSETH:

WHEREAS, the County is authorized and empowered by the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, approved by the Governor of South Carolina on March 21, 1967 and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement (the "Act") to acquire, own, lease, dispose of, and mortgage the properties hereinafter described in order that the industrial development of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, the County is further authorized by the Act to issue revenues bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings, improvements, machinery and equipment so acquired; and

WHEREAS, the County has made the necessary arrangements with Communication Specialties, Inc., a corporation organized and existing under the laws of the State of Delaware, and duly authorized to conduct business in the State of South Carolina (hereinafter sometimes referred to as the "Lessee"), for the acquisition of new facilities for the manufacture of cords, buried drop wire and station wire for sale to the independent telephone industry, and the necessary land, buildings, machinery and equipment in connection therewith (hereinafter sometimes referred to as the "Project") which will be of the character and accomplish the purpose provided by the Act, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition of the Project and the leasing of the same to the Lessee; and the obligations of the Lessee under the Lease Agreement have been unconditionally guaranteed by The Anaconda Company, a Montana corporation; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the "Indenture") have been authorized by Resolutions duly adopted by the County Board of Commissioners of Lexington County (hereinafter sometimes referred to as the "County Board"), as established by Article 2, Chapter 48, Title 14, Code of Laws of South Carolina, 1962, as amended, and the County in accordance with the requirements of Section 14 of the Act has submitted its Petition to the State Budget and Control Board of South Carolina, including a general summary of the terms and conditions of the Indenture, and the State Budget and Control Board of South Carolina has duly approved the Project in accordance with the provisions

of the Act and thereby authorized the County Board to proceed with the acquisition and financing of the Project. Notice of the approval was duly published in a newspaper having general circulation in Lexington County and notwithstanding more than twenty days have elapsed from the date of the publication of such notice, no challenge was made to the validity of such approval as provided in the Act; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project, including necessary expenses incidental thereto, will require the issuance, sale and delivery of Bonds designated as LEXINGTON COUNTY FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1971 (COMMUNICATION SPECIALTIES, INC..-LESSEE) in the aggregate principal amount of \$1,000,000 as hereinafter provided; and

WHEREAS, the issuance of such Bonds under the Act has been in all respects duly and validly authorized by Resolutions duly passed and approved by the County Board; and

WHEREAS, the \$1,000,000 aggregate principal amount of Bonds to be issued, the interest coupons to be attached thereto, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, are all to be in substantially the following form, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture, to wit:

(FORM OF BOND)

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

LEXINGTON COUNTY

FIRST MORTGAGE INDUSTRIAL REVENUE BOND, SERIES 1971

(COMMUNICATION SPECIALTIES, INC. - LESSEE)

Number \_\_\_\_\_ \$5,000.00

KNOW ALL MEN BY THESE PRESENTS that Lexington County, a body politic and corporate, and a political subdivision of the State of South Carolina (hereinafter called the "County"), for value received promises to pay, but only from the source and as hereinafter provided, to bearer, or, if this Bond be registered, to the registered holder hereof, on September 1, 19\_\_\_, the principal sum of Five Thousand Dollars and in like manner to pay interest on said sum from date hereof at the rate of Five and One-Half per centum (5-1/2%) per annum on March 1, 1972, and semi-annually thereafter on March 1, and September 1 of each year until said principal sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may become applicable hereto, principal of, premium, if any, and interest on this Bond being payable in lawful money of the United States of America at the principal office of Bankers Trust of South Carolina, in the City of Columbia, State of South Carolina, or its successor in trust.

This Bond is one of an authorized issue of Bonds limited to the aggregate principal amount of \$1,000,000 issued for the purpose of acquiring new industrial facilities for the manufacture of cords, buried drop wire and station wire and leasing the same to Communication Specialties, Inc., a Delaware

corporation (hereinafter referred to as the "Lessee") (the land, buildings, equipment and machinery comprising such industrial facilities being hereinafter called the "Project") and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. Said Bonds are issued under and are to be equally and ratably secured and entitled to the protection given by a Trust Indenture (hereinafter called the "Indenture"), dated as of September 1, 1971, duly executed and delivered by the County to Bankers Trust of South Carolina, as Trustee (the term "Trustee" where used herein referring collectively to said Trustee or its successors in said trust). The Project has been leased to the Lessee under and pursuant to a Lease Agreement between the County and the Lessee dated as of September 1, 1971 (herein referred to as the "Lease Agreement"). Under the Lease Agreement the Lessee must pay to the County such rentals as will be fully sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same mature and become due and, under the Lease Agreement it is the obligation of the Lessee to pay the cost of maintaining the Project in good repair and to keep it properly insured. The obligations of the Lessee under the Lease Agreement, including the obligation to make rental and other payments, have been unconditionally guaranteed by The Anaconda Company, a Montana corporation (hereinafter referred to as the "Guarantor"), under the terms of a Lease Guaranty Agreement dated as of September 1, 1971. Copies of the Indenture, the Lease Agreement and the Lease Guaranty Agreement are on file at the principal office of the Trustee in the City of Columbia, South Carolina, and are recorded

in the office of the Clerk of Court for Lexington County, South Carolina, and reference is made to the Indenture, the Lease Agreement and the Lease Guaranty Agreement for a description of the security, the provisions, among others, with respect to the nature and extent of the security, the charging and collection of rentals for the Project, the rights and remedies of the holders of the Bonds and the coupons appertaining thereto, the rights, duties and obligations of the County, the Lessee, the Guarantor and the Trustee, and the terms upon which the Bonds are issued and secured.

This Bond and appurtenant coupons are fully negotiable and shall pass by delivery, but this Bond may be registered as to principal only on the registration books of the County in said principal office of the Trustee as Bond Registrar, upon presentation hereof at such office and the notation of such registration endorsed hereon by the Bond Registrar, and this Bond may thereafter be transferred on such books at the written request of the registered holder or by his legal representative, evidence of such transfer to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or upon the order of the registered holder or his legal representative. Interest accruing on this Bond will be paid only on presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of such coupons; provided, that if upon registration of this Bond, or at any time thereafter

while this Bond be registered in the name of the holder, the unmatured coupons attached evidencing interest to be thereafter paid hereon shall be surrendered to said Bond Registrar, a statement to that effect will be endorsed hereon by the Bond Registrar and thereafter interest evidenced by such surrendered coupons will be paid by check or draft by the Bond Registrar at the times provided herein to the registered holder of this Bond by mail to the address shown on the registration books. This Bond when so converted into a Bond registered as to both principal and interest may be reconverted into a coupon Bond at the written request of the registered holder and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will again be attached to this Bond and a statement will be endorsed thereon by the Bond Registrar in the registration blank on the back of this Bond as to whether it is then registered as to principal alone or payable to bearer.

The Bonds of this issue are noncallable for redemption prior to September 1, 1976, except in the event of exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement. If called for redemption as a result of the Lessee's exercise of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, the Bonds shall be subject to redemption by the County on September 1, 1972 and on any interest payment date thereafter, in whole and not in part, at the principal amount thereof, together with accrued interest to the redemption date, and without any premium.

Bonds maturing on September 1, 1977, and thereafter, are also subject to redemption by the County prior to maturity on any interest payment date on or after September 1, 1976, in whole or in part, but if in part, in inverse numerical order, at the principal amount thereof, together with accrued interest to the redemption date, plus a redemption premium equal to one-half year's interest on each Bond redeemed.

In the event any of the Bonds are called for redemption as aforesaid, notice thereof specifying the Bonds to be redeemed shall be given by publication not less than thirty days and not more than sixty days prior to the redemption date in a newspaper or financial journal of general circulation published in the City of New York, New York, and in the case of the redemption of registered Bonds, upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each registered Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are registered Bonds, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient, and published notice of the call for redemption need not be given, and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any registered Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. All Bonds so called for redemption

will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

This Bond and the issue of which it forms a part are issued pursuant to the authorization of and for the purposes prescribed by Act No. 103 of the Acts and Joint Resolutions enacted at the 1967 Session of the General Assembly of the State of South Carolina, approved by the Governor of South Carolina on March 21, 1967, and pursuant to resolutions duly adopted by the County Board of Commissioners of Lexington County and with the approval of the State Budget and Control Board of South Carolina. This Bond and the issue of which it forms a part and the interest coupons appertaining hereto are limited obligations of the County and are payable solely out of the lease rentals, revenues and receipts (excluding amounts paid by the Lessee pursuant to Sections 5.5 or 8.7 of the Lease Agreement) derived from the leasing or sale of the Project, which has been financed through the issuance of the Bonds and leased to the Lessee.

This Bond and the interest coupons appertaining hereto, are not and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision

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

Pursuant to the Lease Agreement, rental payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid to the Trustee for the account of the County and deposited in a special account created by the County and designated "Lexington County Industrial Revenue Bond Fund--Communication Specialties Project" and have been pledged for that purpose, and in addition the Project has been subject to the lien of the Indenture to secure payment of such principal and interest and premium.

The holder of this Bond and the bearers of the coupons appertaining hereto shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery

of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the County, does not exceed or violate any constitutional or statutory limitation.

This Bond and the interest coupons appertaining hereto shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Trustee's certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, Lexington County, South Carolina, has caused this Bond to be executed by the Chairman of the County Board of Commissioners of Lexington County, by his facsimile signature, and its corporate seal to be impressed hereon, and attested by the Clerk of its said County Board of Commissioners, by his manual signature, and has caused the interest coupons attached to be executed by the facsimile signatures of said Chairman and said Clerk, all as of the 1st day of September, 1971.

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman of the County Board of  
Commissioners of Lexington County

Attest:

\_\_\_\_\_  
Clerk of the County Board of  
Commissioners of Lexington County

This Bond is one of the Bonds of the issue described in the within mentioned Indenture.

BANKERS TRUST OF SOUTH CAROLINA  
as Trustee

By \_\_\_\_\_  
Authorized Signature

CERTIFICATE OF REGISTRATION

(There must be no writing in the space below except by the Bond Registrar)

Date of Registration	Name of Registered Holder	Manner of Registration	Signature of Bond Registrar
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(FORM OF INTEREST COUPON)

No. \_\_\_\_\_ \$137.50

On the first day of \_\_\_\_\_, 19\_\_\_, Lexington County, South Carolina (unless the Bond to which this coupon appertains shall have been duly called for previous redemption and payment of the redemption price made or provided for) will pay to bearer, subject to the provisions of the Indenture, but solely from the lease rentals, revenues and receipts pledged therefor, all as described in the Bond hereinafter mentioned, and upon presentation and surrender of this coupon at the principal office of the Trustee, Bankers Trust of South Carolina, in the City of Columbia, State of South Carolina, or its successor in trust, the amount shown hereon in lawful money of the United States of America, as provided in and being semi-annual interest then due on its First Mortgage Industrial Revenue Bond, Series 1971 (Communication Specialties, Inc. - Lessee), dated as of September 1, 1971, Numbered \_\_\_\_\_.

By \_\_\_\_\_  
 Chairman of the County Board of  
 Commissioners of Lexington County

\_\_\_\_\_  
 Clerk of the County Board of  
 Commissioners of Lexington  
 County

and;

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the County according to the import thereof, and to constitute this Indenture a valid lien on the properties mortgaged and a valid pledge of the lease rentals, revenues and receipts herein made to the payment of the principal of, premium, if any, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

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

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

of the obligations of the County hereinafter set forth, the following:

I

The real property situated in Lexington County, State of South Carolina, described in Exhibit A attached hereto, with all buildings, additions, improvements and fixtures now or hereafter located thereon or therein and with the tenements, hereditaments, servitudes, appurtenances, rights, privileges and immunities thereunto belonging or appertaining which may from time to time be owned by the County.

II

The machinery, equipment or other property described in Exhibit B attached hereto, and substitutions or replacements therefor; all machinery, equipment or other property acquired by the County with the proceeds from the Bonds issued and secured by this Indenture, and substitutions or replacements therefor; all machinery, equipment or other property which under the terms of the Lease Agreement is to become the property of the County or subjected to the lien of this Indenture; and, without limiting the foregoing, all of the property of the County at any time installed or located on the land described in Exhibit A attached hereto.

III

All right, title and interest of the County in and to the Lease Agreement, dated as of September 1, 1971, between the County and Communication Specialties, Inc. and all lease rentals, revenues and receipts received or to be received under said Lease Agreement, except amounts paid by the Lessee thereunder to the County and other local taxing authorities in lieu of taxes pursuant to Section 5.5 thereof and all amounts

paid by Lessee to the County pursuant to Section 8.7 thereof.

IV

All right, title and interest of the County in and to the Lease Guaranty Agreement dated as of September 1, 1971 between the County and The Anaconda Company, and all rentals, revenues and receipts received or to be received under the said Lease Guaranty Agreement, except amounts paid thereunder in fulfillment of the Lessee's obligations under Section 5.5 or Section 8.7 of the Lease Agreement.

V

All lease rentals, revenues and receipts arising out of or in connection with the ownership of the Project, except amounts paid under Section 5.5 or Section 8.7 of the aforementioned Lease Agreement.

VI

Any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the County or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

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

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds and interest coupons thereto appertaining issued under and secured

by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds or interest coupons thereto appertaining over any of the others of the Bonds or interest coupons;

PROVIDED, HOWEVER, that if the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of interest coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except cash held by the Trustee for the payment of interest on and retirement of the Bonds; otherwise this Indenture to be and remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said lease rentals, revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms,

conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds and the bearers of the interest coupons thereto appertaining, or any part thereof, as follows, that is

ARTICLE I

DEFINITIONS

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

"ACT" means Act No. 103 of the Acts of the General Assembly of the State of South Carolina, for the year 1967, approved by the Governor of South Carolina on March 21, 1967, and appearing as Article 2.1, Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement.

"BOND" or "BONDS" means the \$1,000,000 First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee) of the County to be issued hereunder.

"BOND FUND" or "LEXINGTON COUNTY INDUSTRIAL REVENUE BOND FUND - COMMUNICATION SPECIALTIES PROJECT" means the fund created in Section 502 hereof.

"BONDHOLDER" or "holder" or "owner" of the Bonds means the bearer of any coupon Bond and the registered owner of any Bond.

"CONSTRUCTION FUND" or "LEXINGTON COUNTY INDUSTRIAL REVENUE CONSTRUCTION FUND - COMMUNICATION SPECIALTIES PROJECT" means the fund created by Section 602 hereof.

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

"COUNTY BOARD" means the County Board of Commissioners of Lexington County, as the governing body of Lexington County, and any successor body.

The term "DEFAULT" means any of those defaults specified in and defined by Section 1001 hereof.

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

"GUARANTOR" means The Anaconda Company, a Montana corporation, its successors and assigns.

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

"LEASE AGREEMENT" means the Lease Agreement executed by and between the County and the Lessee dated as of September 1, 1971, and any amendments or supplements thereto.

"LEASE GUARANTY AGREEMENT" means the Lease Guaranty Agreement executed by and between the Guarantor and the County dated as of September 1, 1971.

"LESSEE" means Communication Specialties, Inc., a Delaware corporation, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 8.3 of the Lease Agreement.

"MORTGAGED PROPERTY" means the properties conveyed as security hereunder in paragraphs I, II, III, IV, V and VI of the granting clause preceding this Article.

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

The term "OUTSTANDING" or "BONDS OUTSTANDING" means all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

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

(b) Bonds for the payment or redemption of which cash funds shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 207 hereof, unless proof satisfactory to the Trustee is presented to the Trustee that any such Bonds are held by bona fide purchasers as that term is defined in Article 8 of the South Carolina Uniform Commercial Code, as amended, in which case the Bond or Bonds so replaced and the Bond or Bonds authenticated and delivered therefor shall be deemed outstanding.

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

"PROJECT" means the land, buildings, machinery, equipment and other facilities leased under the Lease Agreement.

"TRUST ESTATE" means the Mortgaged Property.

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

ARTICLE II

THE BONDS

SECTION 201. Restriction on Issuance of Bonds. No Bonds may be issued under provisions of this Indenture except in accordance with this Article.

The total principal amount of Bonds that may be issued is hereby expressly limited to \$1,000,000.

SECTION 202. Issuance of Bonds. The Bonds in the aggregate principal amount of \$1,000,000 dated as of September 1, 1971, shall be designated "First Mortgage Industrial Revenue Bonds, Series 1971 (Communication Specialties, Inc. - Lessee)." They shall bear interest from September 1, 1971 at the rate of Five and One-Half (5-1/2%) per annum, payable March 1, 1972, and semi-annually thereafter on March 1, and September 1 of each year. They shall be in the denomination of \$5,000 each and shall be numbered consecutively from 1 upwards and shall mature in numerical order on September 1 in each of the years set forth in, and in the principal amount set opposite each year in, the following schedule:

September 1 in the year	Principal Amount Maturing
1973	\$ 40,000
1974	50,000
1975	60,000
1976	70,000
1977	80,000
1978	90,000
1979	100,000
1980	110,000
1981	120,000
1982	140,000
1983	140,000

The interest on the Bonds shall be evidenced by coupons. The principal of, premium, if any, and interest on the Bonds, except as otherwise provided in the case of registration of Bonds as provided in Section 208 hereof, shall be payable

to bearer upon presentation and surrender of the Bonds or coupons as they respectively become due at the principal office of the Trustee in the City of Columbia, South Carolina, or its successors in trust.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County by the Chairman of the County Board and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Clerk of the County Board, provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds shall be executed by the facsimiles of the official signatures of said Chairman and Clerk and such facsimiles shall have the same force and effect as if said Chairman and Clerk had manually signed each of the coupons. The Bonds, together with interest thereon, shall be limited obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against such fund and the lease rentals, revenues and receipts from the leasing or sale of the Project pledged to such fund (but in addition shall be secured by the lien of the Indenture on the Project), which lease rentals, revenues and receipts (except amounts paid by the Lessee to local taxing authorities in lieu of taxes pursuant to Section 5.5 and amounts paid pursuant to Section 8.7 of the Lease Agreement) are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and coupons do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory

to bearer upon presentation and surrender of the Bonds or coupons as they respectively become due at the principal office of the Trustee in the City of Columbia, South Carolina, or its successors in trust.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the County by the Chairman of the County Board and the corporate seal of the County or a facsimile thereof shall be impressed or reproduced thereon and attested by the Clerk of the County Board, provided that at least one of said signatures shall be a manual signature. The coupons attached to the Bonds shall be executed by the facsimiles of the official signatures of said Chairman and Clerk and such facsimiles shall have the same force and effect as if said Chairman and Clerk had manually signed each of the coupons. The Bonds, together with interest thereon, shall be limited obligations of the County payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against such fund and the lease rentals, revenues and receipts from the leasing or sale of the Project pledged to such fund (but in addition shall be secured by the lien of the Indenture on the Project), which lease rentals, revenues and receipts (except amounts paid by the Lessee to local taxing authorities in lieu of taxes pursuant to Section 5.5 and amounts paid pursuant to Section 8.7 of the Lease Agreement) are hereby pledged and assigned for the equal and ratable payment of the Bonds and the coupons and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds and coupons do not now and shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory

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

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

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

SECTION 205. Form of Bonds. The Bonds issued under this Indenture and the coupons attached thereto shall be substantially in the form hereinabove set forth with such appropriate

variations, omissions and insertions as are permitted or required by this Indenture.

SECTION 206. Delivery of Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds in the aggregate principal amount of \$1,000,000 and deliver them to the purchaser as may be directed by the County as hereinafter in this Section 206 provided.

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

1. A copy, duly certified by the Clerk of the County Board, of the resolution of the County Board authorizing the execution and delivery of the Lease Agreement and the Lease Guaranty Agreement, together with Assignments thereof to the Trustee.
2. An original executed counterpart of the Lease Agreement and of the Lease Guaranty Agreement, together with Assignments thereof to the Trustee.
3. A copy, duly certified by the Clerk of the County Board, of the resolution of the County Board authorizing the execution and delivery of this Indenture and the issuance of the \$1,000,000 aggregate principal amount of the Bonds.
4. The written opinion of counsel for the County, or other counsel satisfactory to the Trustee, expressing the conclusion that upon payment of the purchase price of the land described in Exhibit A attached hereto and acceptance of the instruments of conveyance, all as theretofore agreed upon, the County will have title free and clear of liens and encumbrances upon said land (except for Permitted Encumbrances as defined in the Lease Agreement).

5. A title insurance policy (or an appropriate binder) meeting the requirements of Section 3.3 of the Lease Agreement.

6. A request and authorization to the Trustee on behalf of the County Board and signed by the Chairman and Clerk of the County Board to authenticate and deliver the Bonds in the aggregate principal amount of \$1,000,000 to the purchasers therein indentified upon payment to the Trustee but for account of the County of a sum specified in such request and authorization plus accrued interest thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

SECTION 207. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that mutilated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those (if any) on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond together with all coupons (if any) appertaining thereto shall first be surrendered to the County, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the County and the Trustee evidence of such loss, theft or destruction satisfactory to the County and the Trustee, together with indemnity satisfactory to them. In the event any such Bond or coupon shall have matured, instead of issuing a duplicate Bond or coupon the County may pay the same without surrender thereof. The County and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection.

SECTION 208. Registration of Bonds; Persons Treated

As Owners. Each of the Bonds issued hereunder shall be fully negotiable and pass by delivery but shall be subject to registration (as hereinafter provided) as to principal only or as to both principal and interest in the name of the owner on registration books to be provided for that purpose by the County at said principal office of the Trustee, as Bond Registrar. Upon presentation at said office any of the Bonds may be registered as to principal only and such registration shall be evidenced by notation to that effect by the Bond Registrar in the registration blank on the reverse side thereof, after which no transfer thereof shall be valid unless made at the written request of the registered owner or his duly authorized attorney on said registration books and similarly endorsed thereon. Such registered Bonds may be thus transferred to bearer whereupon transferability by delivery shall be restored but the Bonds may again, from time to time, be registered or transferred to bearer as before. Such registration of any of the Bonds shall not affect the transferability by delivery only of the coupons thereunto appertaining, provided that if upon registration of any such Bond, or at any time thereafter while registered in the name of the owner, the unmatured coupons attached evidencing interest to be thereafter paid thereon shall be surrendered to said Bond Registrar a statement to that effect will be endorsed thereon and thereafter interest evidenced by such surrendered coupons will be paid by check or draft at the times provided therein to the registered owner by mail to the address shown on the registration books. Each of the Bonds when converted as aforesaid into a Bond registered as to both principal and interest may be reconverted into a coupon

Bond at the written request of the registered owner or his duly authorized attorney and upon presentation at the office of said Bond Registrar. Upon such reconversion the coupons representing the interest to become due thereafter to the date of maturity will be attached to the Bond and a statement will be endorsed thereon by said Bond Registrar in the registration blank on the back of the Bond as to whether it is then registered as to principal alone or payable to bearer. No charge shall be made to any Bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. As to any Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, or his duly authorized attorney, and neither the County, the Trustee, any paying agent nor the Bond Registrar shall be affected by any notice to the contrary, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The County, the Trustee, the Bond Registrar and any paying agent may deem and treat the bearer of any Bond which shall not at the time be registered as to principal (except to bearer), and the bearer of any coupon appertaining to any Bond, whether such Bond be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon

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shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the County, the Bond Registrar, any paying agent nor the Trustee shall be affected by any notice to the contrary.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301. Redemption Dates and Prices. The Bonds are noncallable for redemption prior to September 1, 1976, except in the event of exercise by the Lessee of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement. If called for redemption as a result of Lessee's exercise of its options to purchase the Project as provided in Section 11.2 of the Lease Agreement, the Bonds shall be subject to redemption by the County on September 1, 1972, and on any interest payment date thereafter, in whole and not in part, at the principal amount thereof, together with accrued interest to the redemption date, and without any premium.

Bonds maturing on September 1, 1977, and thereafter, are also subject to redemption by the County prior to maturity on any interest payment date on or after September 1, 1976, in whole or in part, but if in part, in inverse numerical order, at the principal amount thereof, together with accrued interest to the redemption date, plus a premium equal to one-half year's interest on each Bond redeemed.

SECTION 302. Notice of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any maturity are to be redeemed, the numbers of such Bonds so to be redeemed. Such notice shall be given by publication at least once not less than 30 days nor more than 60 days prior to the redemption date in a newspaper or financial journal of general circulation

published in the City of New York, New York, and in the case of the redemption of registered Bonds upon mailing a copy of the redemption notice by first class mail at least thirty days prior to the date fixed for redemption to the holder of each registered Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing or any defect therein, shall not affect the validity of any proceedings for the redemption of Bonds. If all of the Bonds to be redeemed are registered Bonds, notice by mailing given by first class mail to the holder or holders thereof, at the addresses shown on the registration books, not less than thirty days prior to the date fixed for redemption as aforesaid shall be sufficient and published notice of the call for redemption need not be given and failure duly to give such notice by mailing, or any defect in the notice, to the holder of any registered Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impracticable to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

SECTION 303. Cancellation. All Bonds which have been redeemed shall be cancelled and cremated by the Trustee together with the unmatured coupons appertaining thereto and shall not be reissued and a counterpart of the certificate of cremation evidencing such cremation shall be furnished by the Trustee to the County and the Lessee.

SECTION 304. Unpaid Coupons. All unpaid coupons which appertain to Bonds so called for redemption and which shall have become payable on or prior to the date fixed for redemption shall continue to be payable to the bearers thereof severally and respectively upon the presentation and surrender of such coupons.

SECTION 305. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the County upon request of the Lessee at such time, in such manner and at such price as may be specified by the Lessee. The Trustee may so purchase Bonds with any moneys then held by the Trustee and available for the redemption or purchase of Bonds in excess of any amount set aside for payment of Bonds called for redemption; provided, that any limitations or restrictions on such redemption or purchase contained in the Lease Agreement or this Indenture shall be complied with. The expenses of such purchase shall be deemed an expense of the Trustee under Section 1102.

ARTICLE IV

GENERAL COVENANTS

SECTION 401. Condition of County's Obligation; Payment of Principal and Interest. Each and every covenant herein made, including all covenants made by the various sections of this Article IV, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not create a pecuniary liability of the County or a charge upon its general credit or against its taxing powers, but shall be payable solely from the lease rentals, revenues and receipts derived from or in connection with the Project, including all moneys received under the Lease Agreement (except amounts paid pursuant to Section 5.5 or 8.7 of the Lease Agreement) which are required to be set apart and transferred to the Bond Fund, which lease rentals, revenues and receipts are hereby specifically pledged to the payment thereof in the manner and to the extent in this Indenture specified and nothing in the Bonds or coupons or in this Indenture shall be considered as pledging any other funds or assets of the County.

The County covenants that it will promptly pay the principal of, including any applicable redemption premium, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds, and in the coupons appertaining thereto according to the true intent and meaning thereof.

SECTION 402. Performance of Covenants; Authority of County. The County covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in

all proceedings pertaining thereto. The County covenants that it is duly authorized under the Constitution and laws of the State of South Carolina, to issue the Bonds authorized hereby and to execute this Indenture, to convey the property described in and conveyed hereby and to pledge the lease rentals, revenues and receipts hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof and the coupons appertaining thereto in the hands of the bearers thereof are and will be valid and enforceable obligations of the County according to the import thereof.

SECTION 403. Ownership; Instruments of Further Assurance.

The County covenants that it lawfully owns and is lawfully possessed of the land described in Exhibit A attached hereto and that it has good and indefeasible title and estate therein (except for Permitted Encumbrances as defined in the Lease Agreement), and that it lawfully owns and is lawfully possessed of the equipment and machinery described in Exhibit B attached hereto (or, in the case of any such equipment and machinery not yet acquired, that the same will be acquired by the County from the moneys in the Construction Fund or furnished by the Lessee pursuant to Section 4.6 of the Lease Agreement), and that it will defend the title to the Project and every part thereof to the Trustee, for the benefit of the holders and owners of the Bonds and the bearers of the coupons appertaining thereto against the claims and demands of all persons whomsoever. The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further

acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee all and singular the property herein described and the lease rentals, revenues and receipts pledged hereby to the payment of the principal of and interest and premium, if any, on the Bonds. Any and all property hereafter acquired which is of the kind or nature herein provided to be and become subject to the lien hereof shall ipso facto, and without any further conveyance, assignment or act on the part of the County or the Trustee, become and be subject to the lien of this Indenture as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the County under this Section 403. The County covenants and agrees that, except as herein and in the Lease Agreement provided, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project or the lease rentals, revenues and receipts therefrom or of its rights under the Lease Agreement.

SECTION 404. Payment of Taxes, Charges, Etc. Pursuant to the provisions of Section 6.3 of the Lease Agreement the Lessee has agreed to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Project, or any part thereof, failure to pay which might impair or prejudice the lien and priority of this Indenture; provided, however, that nothing contained in this Section 404 shall require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of Section 6.3 of the Lease Agreement.

SECTION 405. Maintenance and Repair. Pursuant to the provisions of Section 6.1 of the Lease Agreement the Lessee has agreed at its own expense to cause the Project to be kept

in as reasonably safe condition as its operations shall permit, and that it will from time to time cause to be made all needed repairs so that the Project shall at all times be kept in good repair and in good operating condition, and that the Lessee may, at its own expense, make from time to time additions, modifications and improvements to the Project under the terms and conditions set forth in Section 6.1 of the Lease Agreement.

SECTION 406. Inspection of Project Books. The County covenants and agrees that all books and documents in its possession relating to the Project and the lease rentals, revenues and receipts derived from the Project shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

SECTION 407. Rights Under Lease Agreement and Lease Guaranty Agreement. The Lease Agreement and Lease Guaranty Agreement, a duly executed counterpart of each of which has been filed with the Trustee, set forth the covenants and obligations of the County, the Lessee and the Guarantor, including provisions that subsequent to the initial issuance of the Bonds and prior to their payment in full, or provision for payment thereof in accordance with the provisions hereof, neither the Lease Agreement nor the Lease Guaranty Agreement may be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee in each instance, and reference is hereby made to the Lease Agreement and Lease Guaranty Agreement for a detailed statement of said covenants and obligations of the Lessee and Guarantor under the Lease Agreement and Lease Guaranty Agreement, respectively, and the County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Lessee under and pursuant to the Lease Agreement and all rights of the County and all obligations of the Guarantor under and pursuant to the Lease Guaranty Agreement for and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 408. List of Bondholders. To the extent that such information shall be made known to the County under the terms of this Section 408, it will keep on file at the corporate trust office of the Trustee a list of names and addresses of the last known holders of all Bonds payable to bearer and believed to be held by each of such last known holders. Any Bondholder may request that his name and address be placed on said list by filing a written request with the County or with the Trustee, which request shall include a statement of the principal amount of Bonds held by such holder and the numbers of such Bonds. The Trustee shall be under no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Lessee or by holders and/or owners (or a designated representative thereof) of twenty-five percent or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

SECTION 409. Recording and Filing. This Indenture shall be recorded and indexed as mortgage of real estate in the Office of the Clerk of Court for Lexington County, South Carolina, or in such other office as may be at the time provided by law as the proper place for the recordation thereof. The security interest of the Trustee created by this Indenture in any personal property and fixtures which are to be part of the Project, shall be perfected by the filing in the office of the said Clerk of Court for Lexington County and in the office of the Secretary of State of South Carolina in the City of Columbia, South Carolina, of financing statements

which fully comply with the South Carolina Uniform Commercial Code--Secured Transactions. Such financing or continuation statements shall be filed from time to time in said offices of the said Clerk of Court for Lexington County and of the Secretary of State of South Carolina as in the opinion of counsel, as provided in Section 13.5(a)(4) of the Lease Agreement or otherwise, are necessary to preserve the lien of this Indenture.

ARTICLE V

REVENUES AND FUNDS

SECTION 501. Source of Payment of Bonds. The Bonds herein authorized and all payments by the County hereunder are not general obligations of the County but are limited obligations payable solely from the lease rentals, revenues and receipts derived from the Project and as authorized and provided in this Indenture.

The Project has been leased under the Lease Agreement and the rental payments provided for in Section 5.3 of the Lease Agreement are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. Said rental payments are sufficient in amount to pay the principal of, premium, if any, and interest on the Bonds, and the entire amount of lease rentals, revenues and receipts from said Lease Agreement (except amounts paid by the Lessee to local taxing authorities in lieu of taxes pursuant to Section 5.5 and amounts paid pursuant to Section 8.7 of the Lease Agreement) are pledged to the payment of the principal of, premium, if any, and interest on the Bonds. The County hereby covenants and agrees that it will not create any lien upon said lease rentals, revenues and receipts or the Project other than the lien hereby created.

SECTION 502. Creation of the Bond Fund. There is hereby created by the County and ordered established with the Trustee a trust fund to be designated "Lexington County Industrial Revenue Bond Fund-Communication Specialties Project" (which is sometimes referred to herein as the "Bond Fund"), which shall be used to pay the principal of, premium, if any, and interest on the Bonds.

SECTION 503. Payments into the Bond Fund. There shall be deposited into the Bond Fund all accrued interest derived from the sale of the Bonds. In addition, there shall be deposited into the Bond Fund, as and when received (a) any amount remaining in the Construction Fund to the extent provided in Section 4.3(k) of the Lease Agreement except as otherwise directed pursuant to said Section 4.3(k); (b) all rental payments specified in Section 5.3 of the Lease Agreement; and (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement when accompanied by directions by Lessee that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited, in the Bond Fund for its account sufficient sums from lease rentals, revenues and receipts derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable and to this end the County covenants and agrees that, so long as any Bonds issued hereunder are outstanding, it will cause the Project to be continuously and efficiently leased as a revenue and income producing undertaking, and that, should there be a default under the Lease Agreement with the result that the right of possession of the Project under the Lease Agreement is returned to the County, the County shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and the bearers of coupons appertaining to the Bonds and shall diligently proceed in good faith and use its best effort to secure another tenant for the premises to the end that at all times sufficient lease rentals, revenues

and receipts will be derived from the Project promptly to meet and pay the principal of, interest and premium, if any, on the Bonds as the same become due and payable, as well as covering the cost of maintaining and insuring the Project. Nothing herein shall be construed as requiring the County to operate the Project or to use any funds or revenues from any source other than lease rentals, revenues and receipts derived from the Project.

SECTION 504. Use of Moneys in the Bond Fund. Except as provided in Section 510 hereof, moneys in the Bond Fund shall be used solely for the payment of the principal of, and interest on, and premium, if any, on the Bonds and for the redemption of the Bonds at or prior to maturity. No part of said rental payments in the Bond Fund shall be used to redeem, prior to maturity, a part of the Bonds outstanding; provided, that whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Bonds outstanding hereunder and to pay interest to accrue thereon prior to such redemption, the County covenants and agrees to take and cause to be taken the necessary steps to redeem all of said Bonds on the next succeeding redemption date for which the required redemption notice may be given; and provided further that any moneys in the Bond Fund other than rental payments may be used at the request of the County to redeem a part of the Bonds outstanding on the next succeeding redemption date for which the required notice of redemption may be given so long as the Lessee is not in default with respect to any rental payments under the Lease Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds or coupons have not been presented for payment.

SECTION 505. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the County and the County hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay principal of and interest and premium, if any, on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and to the paying agent or agents for the purpose of paying said principal and interest, and premium, if any, which authorization and direction the Trustee hereby accepts.

SECTION 506. Non-presentment of Bonds or Coupons. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bonds or coupons shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the County to the holder thereof for the payment of such Bond or coupon, as the case may be, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of such Bond, or the bearer of such coupon, as the case may be, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or coupon.

SECTION 507. Trustee's and Paying Agents' Fees, Charges and Expenses. Pursuant to the provisions of the Lease Agreement, the Lessee has agreed to pay the Trustee, until the principal

of, interest and premium, if any, on the Bonds shall have been fully paid: (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered, as trustee, and its Ordinary Expenses incurred, as trustee, under this Indenture, as and when the same becomes due, (ii) the reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any paying agents for acting as paying agent as and when the same become due, and (iii) the reasonable fees and charges for the necessary Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due. It is further understood and agreed that the initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee and paying agent referred to in the preceding sentence which become due prior to the Completion Date (as defined in the Lease Agreement) will be paid to the Trustee from the Construction Fund as and when the same shall become due. The Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any of the fees, charges or expenses referred to herein.

SECTION 508. Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund or the Construction Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 509. Insurance and Condemnation Proceeds. Reference is hereby made to Article VII of the Lease Agreement

whereunder it is provided that under certain circumstances the net proceeds of insurance and condemnation awards are to be paid to the Trustee and deposited in separate trust accounts and to be disbursed and paid out as therein provided. The Trustee hereby accepts and agrees to perform the duties and obligations as therein specified.

SECTION 510. Repayment to the Lessee from the Bond Fund.

Any amounts remaining in the Bond Fund after payment in full of the principal of, interest and premium, if any, on Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Trustee and any paying agents and all other amounts required to be paid hereunder shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease Agreement as provided in Section 13.8 of the Lease Agreement.

ARTICLE VI

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 601. Deposits in the Bond Fund. From the proceeds of the issuance and delivery of Bonds there shall be deposited in the Bond Fund all accrued interest received upon the sale of the Bonds.

SECTION 602. Construction Fund; Disbursement. There is hereby created and established with the Trustee a trust in the name of the County to be designated "Lexington County Industrial Revenue Construction Fund - Communication Specialties Project." The balance of the proceeds of the issuance and delivery of Bonds remaining after the deduction provided by Section 601 hereof shall have been made shall be deposited in the Construction Fund. Moneys in the Construction Fund shall be expended in accordance with the provisions of the Lease Agreement and particularly Section 4.3 thereof.

The Trustee is hereby authorized and directed to issue its checks for each disbursement required by the aforesaid provisions of the Lease Agreement.

The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and after the Project shall have been completed and a certificate of payment of all costs filed as provided in Section 603 hereof, the Trustee shall, if requested by the Lessee, file an accounting thereof with the County and with the Lessee.

SECTION 603. Completion of the Project. The completion of the Project and the payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of (i) the certificate of the Authorized Lessee Representative (as defined in the Lease Agreement) required by the provisions of Section 4.5 of the Lease Agreement and (ii) a certificate

signed by the Chairman of the County Board and by the Lessee (by one of the authorized officers of the Lessee), which certificate shall state that all obligations and costs in connection with the Project and payable out of the Construction Fund have been paid and discharged except for amounts retained by the Trustee with the approval of the said Authorized Lessee Representative for the payment of costs of the Project not then due and payable as provided in the Lease Agreement. As soon as practicable and in any event after sixty days from the date of the certificate referred to in clause (ii) of the preceding sentence any balance remaining in the Construction Fund (other than the amounts retained by the Trustee referred to in the preceding sentence) shall without further authorization be deposited in the Bond Fund by the Trustee with advice to the County and to the Lessee of such action unless the Lessee shall have directed the Trustee to purchase Bonds in the open market for the purpose of cancellation in accordance with Section 4.3(k) of the Lease Agreement.

ARTICLE VII

INVESTMENTS

SECTION 701. Investment of Construction Fund Moneys.

Any moneys held as part of the Construction Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested and reinvested by the Trustee in accordance with the provisions of Section 4.9 of the Lease Agreement. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Construction Fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investments shall be charged to such fund. The Trustee is directed to sell and reduce to cash funds a sufficient amount of such investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented.

SECTION 702. Investment of Bond Fund Moneys. Any moneys

held as part of the Bond Fund shall, at the written request of and as specified by the Authorized Lessee Representative (as defined in the Lease Agreement), be invested or reinvested by the Trustee in any bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America. Any such investment shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bond Fund and the interest accruing thereon and any profit realized therefrom shall be credited to such fund and any loss resulting from such investments shall be charged to such fund. The Trustee shall sell and reduce to cash funds a sufficient portion of investments under the provisions of this Section 702 whenever the cash balance in the Bond Fund

is insufficient to pay the current interest and principal requirements.

SECTION 703. Trustee's Own Bond Department. The Trustee may make any and all investments permitted under Section 701 and Section 702 through its own Bond Department.

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF LEASED PROPERTY

SECTION 801. Subordination to Rights of the Lessee.

This Indenture and the rights and privileges hereunder of the Trustee and the holders of the Bonds and bearers of coupons appertaining thereto are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease Agreement. So long as not otherwise provided in this Indenture the County shall be suffered and permitted to possess, use and enjoy the Mortgaged Property and appurtenances so as to carry out its obligations under the Lease Agreement.

SECTION 802. Release of Leased Land. Reference is made

to the provisions of the Lease Agreement, including without limitation Sections 8.5 and 11.3 thereof, whereby the County and the Lessee have reserved the right to withdraw certain portions of the Leased Land (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall release from the lien of this Indenture any such land upon compliance with the provisions of the Lease Agreement.

SECTION 803. Release of Leased Equipment. Reference

is made to the provisions of the Lease Agreement, including without limitation Section 6.2 thereof, whereby the Lessee may withdraw certain items of equipment constituting Leased Equipment (as defined in the Lease Agreement) upon compliance with the terms and conditions of the Lease Agreement. The Trust shall release from the lien of this Indenture any such item of equipment upon compliance with the provisions of the Lease Agreement.

SECTION 804. Granting of Easements. Reference is made

to the provisions of the Lease Agreement, including, without limitation Section 8.6 thereof, whereby the Lessee may grant easements and take other action upon compliance with the terms and conditions of the Lease Agreement. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights of way and other rights and privileges permitted by Section 8.6 thereof upon compliance with the provisions of the Lease Agreement.

ARTICLE IX

DISCHARGE OF LIEN

SECTION 901. Discharge of Lien of the Indenture. If the County shall pay or cause to be paid to the holders and owners of the Bonds and bearers of coupons the principal, interest and premium, if any, to become due thereon at the times and in the manner stipulated therein and herein, and shall have paid all fees and expenses of the Trustee and each paying agent, and if the County shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Indenture expressed as to be kept, performed and observed by it or on its part, or if the issuance of the Bonds is not made within the time provided in Section 4.2 of the Lease Agreement, then these presents and the estate and rights hereby granted shall, at the option of the County, cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of this Indenture and execute and deliver to the County such instruments in writing as shall be requisite to satisfy the lien hereof, and re-convey to the County the estate hereby conveyed, and assign and deliver to the County any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in the Bond Fund required to be paid to the Lessee under Section 510 hereof and except funds held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds.

Bonds and coupons for the payment or redemption of which moneys shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) shall be deemed to be paid within the meaning of this Article; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001. Defaults; Events of Default. If any of the following events occur, subject to the provisions of Sections 1012 and 1013 hereof, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal of any Bonds (or premium thereof, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration.

(c) The occurrence of an "event of default" under Section 10.1(a) of the Lease Agreement.

(d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the County in this Indenture or in the Bonds contained; or

(e) The occurrence of an "event of default" under Section 10.1 of the Lease Agreement arising out of matters referred to in Section 404, 405 and 507 hereof.

The term "default" shall mean default by the County in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, exclusive of any period of grace required to constitute a default an "event of default" as in this Article X provided and shall mean the occurrence of an "event of default" under Section 10.1 of the Lease Agreement arising out of matters referred to in Sections 404, 405 and 507 hereof.

SECTION 1002. Acceleration. Upon the occurrence of an event of default the Trustee may, and upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the County, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

SECTION 1003. Surrender of Possession of Mortgaged Property; Rights and Duties of Trustee in Possession; Other Remedies. Upon the occurrence of an event of default the County, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Mortgaged Property together with the books, papers and accounts of the County pertaining thereto, and including the rights and the position of the County under the Lease Agreement, and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee may lease the Project or any part thereof in the name and for account of the County and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such

repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 1008 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the County; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the County and the Lessee and also to the Bondholders, at their addresses set forth in the list required by Section 408 hereof and to the holders of all Bonds then registered as to principal (except to bearer) at their addresses shown by the registration books, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of an event of default the lien on the Project created and vested by this Indenture may be foreclosed either by sale at public outcry or by proceedings in equity and the Trustee or the holder or holders of any of the Bonds then outstanding, whether or not then in default of payment of principal or interest, may become the purchaser at any foreclosure sale if the highest bidder.

Upon the occurrence of an event of default, Trustee shall have the power to proceed with any right or remedy granted by the Constitution and laws of the State of South Carolina, as it may deem best, including any suit, action or special proceeding in equity or at law for the special performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law, and the right to appointment, as a matter of right and without regard to the sufficiency of the security afforded by

the Mortgaged Property, of a receiver for all or any part of the Mortgaged Property and the earnings, rents and income thereof; the rights here specified are to be cumulative to all other available rights, remedies or powers and shall not exclude any such rights, remedies or powers.

SECTION 1004. Rights of Bondholders. If an event of default shall have occurred, and if requested so to do by the holders of not less than twenty-five per cent in the aggregate principal amount of Bonds then outstanding and if indemnified as provided in Section 1101(1) hereof, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred by this Section and by Section 1003 as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 1005. Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then outstanding (determined subject to the provision of Section 1401(e) hereof) shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 1006. Appointment of Receivers. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders or the bearers of the coupons under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Mortgaged Property and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 1007. Foreclosure of Indenture. Upon the occurrence of an event of default, to the extent that such right may then lawfully be waived, neither the County, nor anyone claiming through or under it, shall set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or hereinafter in force, in order to prevent or hinder the enforcement of the Indenture or the foreclosure of the Indenture, and the County, for itself and all who may claim through

or under it, thereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisal and redemption to which it may be entitled under the laws of South Carolina.

SECTION 1008. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the

respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full principal of, premium, if any, and interest on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal, interest, and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times,

and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupon or the holder of any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 1008 and all expenses and charges of the Trustee shall have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 510 hereof.

SECTION 1009. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds or bearers of coupons, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds and the bearers of the outstanding coupons.

SECTION 1010. Rights and Remedies of Bondholders. No holder or bearer of any Bond or coupon, as the case may be, shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless also a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 1101, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default and the holders of at least twenty-five per cent in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1101(1) nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders or bearers of the Bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that

all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds and the bearers of all coupons then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest of any Bond at and after the maturity thereof, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof and to the bearers of the coupons at the time, place from the source and in the manner in said said Bonds and the coupons expressed.

SECTION 1011. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the County and the Trustee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Property herein conveyed, and all rights and remedies and powers of the trustee shall continue as if no such proceedings had been taken.

SECTION 1012. Waivers of Events of Default. The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of a majority in aggregate principal amount of all Bonds then outstanding; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest or

premium on any such Bonds unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal or premium when due (whether at the stated maturity thereof or upon proceedings for redemption) as the case may be, and all expenses of the Trustee, in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, Trustee and Bondholders and bearers of coupons shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 1013. Notice of Defaults; Opportunity of the County and Lessee to Cure Defaults. Anything herein to the contrary notwithstanding, no default (other than a default under Section 1001(a), Section 1001(b) or Section 1001(c) hereof, to which this Section 1013 shall not be applicable) shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than twenty-five per cent of the aggregate principal amounts of Bonds then outstanding to the Lessee and the County, and the County shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, if said default be such that it cannot be corrected within the applicable period, it

shall not constitute an event of default if corrective action is instituted by the Lessee or the County as the case may be, within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Lessee under the provision of this Section 1013, the County hereby grants the Lessee full authority for account of the County to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the County with full power to do any and all things and acts to the same extent that the County could do and perform any such things and acts and with power of substitution.

In the event that the Trustee fails to receive, at least seven days prior to any semi-annual interest payment date, the rental payable by the Lessee under Section 5.3 of the Lease Agreement, the Trustee shall forthwith give notice by telegram, or if telegraphic service is not available then by mail to the Lessee and to the Guarantor specifying such failure.

SECTION 1014. Powers of Trustee upon Event of Default under Lease Agreement or in Payment of Bonds. If the rents required to be paid under Section 5.3 of the Lease Agreement are not paid at least seven days prior to the semi-annual interest payment date before which such rents are due, or in case of an event of default, as defined in Section 1001 hereof in the payment of principal of, premium, if any, or interest on any Bonds shall occur and be continuing, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of all sums due and unpaid under the Lease Agreement, the Lease Guaranty Agreement or the Bonds,

and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against any obligor thereon, and collect in the manner provided by law out of the property of any obligor thereon wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of any obligor under the Lease Agreement (including the Guarantor) under the National Bankruptcy Act or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of any such obligor, or in case any other judicial proceedings relative to any obligor under the Lease Agreement, or to the creditors or property of any such obligor, the Trustee, irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the power vested in it by the Indenture, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith) and of the Bondholders allowed in any such judicial proceedings relative to the Lessee or any other obligor under the Lease Agreement or to the creditors or property of the Lessee, or any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such

claims, and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Bondholders to make payments to the Trustee and, in the event that the Trustee shall consent to the making of payments directly to the Bondholders, to pay to the Trustee such amount as shall be sufficient to cover reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its negligence or bad faith.

In case of a default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture, the Lease Agreement, and the Lease Guaranty Agreement by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture, or the Lease Agreement or the Lease Guaranty Agreement or in aid of the exercise of any power granted in this Indenture, the Lease Agreement or the Lease Guaranty Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Lease Agreement, the Lease Guaranty Agreement or by law.

except that in the event the Trustee enters into possession of a part or all of the property conveyed hereby pursuant to any provision of this Indenture it shall use due diligence in preserving such property; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the County or on the part of the Lessee under the Lease Agreement, except as herein expressly set forth; but the Trustee may require of the County or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property conveyed hereby. Except as otherwise provided in Section 1003 hereof, the Trustee shall have no obligation to perform any of the duties or obligations of the County, as lessor, under the Lease Agreement.

(c) The Trustee shall not be accountable for the use of the proceeds from the sale of the Bonds disbursed in accordance with the provisions of Sections 4.2 and 4.3 of the Lease Agreement. The Trustee may become the owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such

ARTICLE XI

THE TRUSTEE

SECTION 1101. Acceptance of the Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the County or the Lessee). The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the authentication certificate of the Trustee endorsed on the Bonds), or for insuring the property conveyed hereby, or for collecting any insurance moneys, or for the validity of the execution by the County of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the property conveyed hereby or otherwise as to the maintenance of the security hereof;

authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the County Board by its Chairman and attested by its Clerk as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Clerk of the County Board under its seal to the effect that a resolution in the form therein set forth has been adopted by the County Board as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except (i) failure by the County to cause to be made any of the payments to the Trustee required to be made by Article V and (ii) failure by the Lessee to make any of the payments to the Trustee required to be made by Section 5.3 of the Lease Agreement, unless the Trustee shall be specifically notified in writing of such default by the County or by the holders of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(h) The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damages, or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the Mortgaged Property as in this Indenture provided.

(i) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the Project, including all books, papers and records of the County pertaining to the Project and the Bonds, and to take such memoranda from and in regard thereto as may be desired; subject to the limitations imposed upon such

rights of inspection pursuant to Section 8.2 of the Lease Agreement.

(j) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(k) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals, or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

(l) Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

(m) All moneys received by the Trustee or paying agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other

funds except to the extent required by law or by this Indenture. Neither the Trustee nor paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

SECTION 1102. Fees, Charges and Expenses of Trustee.

The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder, and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the Bonds and coupons as hereinabove provided. The Trustee shall have a lien with right of payment prior to payment on account of interest or principal of any Bond upon the Project for the foregoing advances, fees, costs, and expenses incurred.

SECTION 1103. Notice to Bondholders If Default Occurs.

If a default occurs of which the Trustee is by subsection (g) of Section 1101 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give such notice to the Lessee and the County as is specified in Section 1013 hereof, and such notice to the Lessee and to the Guarantor as is specified in Section 10.1 of the Lease Agreement, in order to have such default mature

as an event of default upon the passage of the period of time therein specified and shall give written notice thereof by mail to the last known holders or owners of all Bonds then outstanding shown by the list of Bondholders required by the terms of Section 408 hereof to be kept at the office of the Trustee and by the registration books maintained by the Trustee pursuant to Section 208 hereof.

SECTION 1104. Intervention by Trustee. In any judicial proceeding to which the County is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five per cent in aggregate principal amount of all Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 1105. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 1106. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty days' written notice to the County, to the Lessee and by registered or certified mail to each registered owner of Bonds then outstanding and to each holder of Bonds as shown by the list of Bondholders required by Section 408 hereof to be kept at the office of the Trustee, and such resignation shall take effect at the end of such thirty days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County. Such notice to the County and to the Lessee may be served personally or sent by registered mail.

SECTION 1107. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the County, and signed by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

SECTION 1108. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of vacancy the County by an instrument executed and signed by the Chairman of the County Board and attested by the Clerk of the County Board under

its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by such Bondholders in the manner above provided; and any such temporary Trustee so appointed by the County shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank organized under the laws of the United States of America or any state thereof and which is in good standing, within or outside the State of South Carolina, having a reported capital and surplus of not less than \$12,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become duly vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts due such predecessor pursuant to Section 1102 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing, shall,

on request, be executed, acknowledged and delivered by the County. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

SECTION 1110. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the property herein conveyed is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate of seven per cent per annum, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the revenues herein pledged to the payment of the Bonds if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the holders of at least twenty-five per cent in the aggregate principal amount of all Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 1111. Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1112. Successor Trustee as Trustee of Bond Fund and Construction Fund, Paying Agent and Bond Registrar. In the event of a change in the office of Trustee the predecessor Trustee which has resigned or has been removed shall cease to be trustee of the Bond Fund and the Construction Fund, and paying agent for principal of and interest and premium, if any, on the Bonds and Bond Registrar and the successor Trustee shall become such Trustee, paying agent and Bond Registrar.

SECTION 1113. Trust Estate May Be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of South Carolina) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture of the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Mortgaged Property, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 1113 are adapted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee (and the Trustee is hereby expressly granted such power), each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the

Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the County be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances, and instruments in writing shall, on request, be executed, acknowledged and delivered by the County. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 1201. Supplemental Indentures Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) to subject to the lien and pledge of this Indenture additional revenues, properties or collateral; and

(d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar Federal statute hereafter in effect or under any state Blue Sky Law.

The County and the Trustee shall without the consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to this Indenture (i) to the extent necessary with respect to the land and interests in land, buildings, machinery and equipment forming a part of the Project and generally described as Exhibits A and B attached hereto so as to more precisely identify the same or to substitute or add additional

land or interests in land, buildings, machinery and equipment, (ii) with respect to any changes required to be made in the description of the Mortgaged Property in order to conform with similar changes made in the Lease Agreement as permitted by Section 1301.

SECTION 1202. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of indentures supplemental hereto covered by Section 1201 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate, or extension of the time of payment, of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holder of such Bonds, or (b) the creation of any lien (other than any Permitted Encumbrances as defined in the Lease Agreement) prior to or on a parity with the lien of this Indenture, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding which would be affected by the action to

be taken, or (d) the modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the County shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be published as shall be requested by the County and in any event one time in a newspaper or financial journal of general circulation published in the City of New York, New York, and shall also cause a similar notice to be mailed, postage prepaid, to all registered Bondholders; provided, however, that no publication of such notice shall be required and notice by mail as aforesaid shall be deemed sufficient notice where all Bonds outstanding are registered. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the final publication of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture

as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture together with a copy of the proposed supplemental indenture to be mailed by certified or registered mail to the Lessee at least fifteen days prior to the proposed date of execution and delivery of any supplemental indenture. The Lessee shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Lessee on or before 2:30 o'clock P. M., E. S. T., of the fifteenth day after mailing of said notice and a copy of the proposed supplemental indenture. The Trustee may rely upon an opinion of counsel as conclusive evidence that execution and delivery of a supplemental indenture has been effected in compliance with the provisions of this Article XII.

ARTICLE XIII

AMENDMENT OF LEASE AGREEMENT

SECTION 1301. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The County and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the lands and interests in land, buildings, machinery and equipment described in Exhibits A and B to the Lease Agreement so as to identify more precisely the same or substitute or add additional land or interests in land, buildings, machinery and equipment, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders of the Bonds.

SECTION 1302. Amendments, etc., to Lease Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, neither the County nor the Trustee shall consent to any other amendment, change or modification of the Lease Agreement without notice to and the written approval or consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as in Section 1202 provided. If at any time the County and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification

of the Lease Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 1202 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of such proposed amendment shall have consented to and approved the execution thereof as herein provided, no holder of any Bond and no bearer of any coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from consenting to the execution thereof or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment as in this Section permitted and provided, the Lease Agreement shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE XIV

MISCELLANEOUS

SECTION 1401. Consents, etc., of Bondholders. Any consent, request, direction, approval, waiver, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such affidavit or certificate shall also constitute sufficient proof of his authority.

(b) The amount of Bonds, transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Bondholder, and the

distinguishing numbers of the Bonds held by such person, and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker, or other depository (wherever situated), showing that at the date therein mentioned such person had on deposit with such depository, or exhibited to it, the Bonds therein described, or such facts may be proved by the certificate or affidavit of the person executing such request, consent or other instrument or writing as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the County may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent, or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) The ownership of registered Bonds shall be proved by the register of such Bonds.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the County in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds have

concurrent in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the County, by the Lessee, or by any other obligor under the Lease Agreement or on the Bonds, or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the County, the Lessee, or any other obligor under the Lease Agreement or on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 1401 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the County or any other obligor under the Lease Agreement or on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 1402. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds and the bearers of coupons appertaining thereto, any legal or equitable

right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided.

SECTION 1403. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any Constitution or statute or rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

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

SECTION 1404. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, or given when dispatched by telegram when telegraphic notice is permitted by express provisions of this Agreement, addressed as follows: if to the County, to the County Board of Commissioners of Lexington County, Lexington County Courthouse, Lexington, South Carolina; if to the Lessee at \_\_\_\_\_, Attention: \_\_\_\_\_;

if to the Guarantor at \_\_\_\_\_,  
Attention: \_\_\_\_\_; if to the Trustee at \_\_\_\_\_,  
\_\_\_\_\_, Attention: Corporate Trust Department. The  
County, the Lessee, the Guarantor and the Trustee may, by notice  
given to all parties to this Agreement and the Indenture, design-  
nate any further or different addresses to which subsequent  
notices, certificates or other communications shall be sent.

SECTION 1405. Trustee as Paying Agent and Registrar.

The Trustee is hereby designated and agrees to act as a paying  
agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1406. Payments Due on Sundays and Holidays.

In any case where the date of maturity of interest on or principal  
of the Bonds or the date fixed for redemption of any Bonds shall  
be a Sunday or shall be in South Carolina a legal holiday or  
a day on which banking institutions are authorized by law to  
close, then payment of interest or principal (and premium, if  
any) need not be made on such date in such city but may be made  
on the next succeeding business day not a Sunday or a legal  
holiday or a day upon which banking institutions are authorized  
by law to close with the same force and effect as if made on  
the date of maturity or the date fixed for redemption, and no  
interest shall accrue for the period after such date.

SECTION 1407. Counterparts. This Indenture may be executed  
in several counterparts, each of which shall be an original  
and all of which shall constitute but one and the same instrument.

SECTION 1408. Laws Governing Indenture and Situs and  
Administration of Trust. The effect and meaning of this Indenture  
and the rights of all parties hereunder shall be governed by,  
and construed according to, the laws of the State of South Carolina,  
but it is the intention of the County that the situs of the  
trust created by this Indenture to be in the state in which

is located the corporate trust office of the Trustee from time to time acting under this Indenture. The word "Trustee" as used in the preceding sentence shall not be deemed to include any additional individual or institution appointed as a separate or co-trustee pursuant to Section 1113 of this Indenture. It is the further intention of the County that the Trustee administer said trust in the state in which is located, from time to time, the situs of said trust.

IN WITNESS WHEREOF, LEXINGTON COUNTY has caused these presents to be signed in its name and behalf by the Chairman of the County Board of Commissioners of Lexington County and its corporate seal to be hereunto affixed and attested by the Clerk of the County Board of Commissioners of Lexington County and to evidence its acceptance of the trusts hereby created, BANKERS TRUST OF SOUTH CAROLINA has caused these presents to be signed in its name and behalf by one of its Trust Officers, its official seal to be hereunto affixed, and the same to be attested by one of its Assistant Trust Officers, all as of the day and year first hereinabove written.

LEXINGTON COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman of the County Board of  
Commissioners of Lexington County

Attest:

\_\_\_\_\_  
Clerk of the County Board of  
Commissioners of Lexington County

In the presence of:

\_\_\_\_\_  
\_\_\_\_\_

BANKERS TRUST OF SOUTH CAROLINA, Trustee

(SEAL)

By \_\_\_\_\_  
Trust Officer

Attest:

\_\_\_\_\_  
Assistant Trust Officer

In the presence of:

\_\_\_\_\_  
\_\_\_\_\_

STATE OF SOUTH CAROLINA,  
COUNTY OF RICHLAND.

SS:

PERSONALLY appeared before me \_\_\_\_\_  
who being duly sworn says that he saw the corporate seal of  
Bankers Trust of South Carolina, as Trustee, affixed to the  
foregoing Trust Indenture, and that he also saw \_\_\_\_\_  
\_\_\_\_\_ as Trust Officer and \_\_\_\_\_  
as an Assistant Trust Officer of \_\_\_\_\_,  
as Trustee, sign and attest the same, and that he with \_\_\_\_\_  
\_\_\_\_\_ witnessed the execution and delivery  
thereof as the act and deed of the said Bankers Trust of South  
Carolina, as Trustee.

\_\_\_\_\_

SWORN to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1971.

\_\_\_\_\_  
(L.S.)  
Notary Public for the State South Carolina.

My Commission Expires \_\_\_\_\_.

STATE OF SOUTH CAROLINA,

COUNTY OF LEXINGTON.

SS:

PERSONALLY appeared before me \_\_\_\_\_  
 who being duly sworn says that he saw the corporate seal of  
 Lexington County, S. C., affixed to the foregoing Trust Indenture,  
 and that he also saw \_\_\_\_\_, as Chairman  
 of the County Board of Commissioners of Lexington County, S.C.,  
 and \_\_\_\_\_ as Clerk of the County Board of  
 Commissioners of Lexington County, S.C., sign and attest the  
 same and that he with \_\_\_\_\_ witnessed  
 the execution and delivery thereof as the act and deed of the  
 said Lexington County, S. C.

\_\_\_\_\_  
 SWORN to before me this

\_\_\_\_\_ day of \_\_\_\_\_, 1971.

(L.S.)

\_\_\_\_\_  
 Notary Public for the State of  
 South Carolina

My Commission Expires \_\_\_\_\_.

EXHIBIT "A"

DESCRIPTION OF LEASE LAND

(Attached to Trust Indenture inter Lexington County, South Carolina, and Bankers Trust of South Carolina, as Trustee, dated as of September 1, 1971).

EXHIBIT "B"

DESCRIPTION OF LEASED EQUIPMENT

(Attached to Trust Indenture inter Lexington County, South Carolina, and Bankers Trust of South Carolina, as Trustee, dated as of September 1, 1971).

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E N D