

MINUTES OF
Budget and
Control Board
Meeting

June 7, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

JUNE 7, 1978 12:00 NOON

The Budget and Control Board met in the Governor's Conference Room for lunch at 12:00 noon, June 7, 1978 and, after Governor Edwards' delayed return from an out-of-state industry-seeking trip, convened at 12:30 p.m. with the following members in attendance:

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

Also attending were Board Secretary State Auditor William T. Putnam, Governor's Executive Assistant Walter R. Pettiss, A. E. Reiser, Donna K. Clark and William A. McInnis.

The following items of business were considered:

MINUTES OF PREVIOUS MEETING - Draft versions of the minutes of the meeting of the Budget and Control Board and of the Education Assistance Authority held on May 23, 1978 previously had been furnished to the members.

Upon a motion by Senator Dennis, seconded by Mr. Morris, the referenced minutes were approved as written.

GRANTS AND CONTRACTS REVIEW UNIT - PATRIOTS POINT REQUEST - At the request of Senator Dennis, who noted the presence of Senator Allen Carter of Charleston, accompanied by Patriots Point Development Authority Executive Director J. E. Guerry, Jr., and Authority Attorney William Prioleau, Jr., the Budget and Control Board considered request number 69 included in Agenda Item 6. This request by the Authority is for \$1,145,723 of federal funds to be matched by \$600,000 of State bond funds for the purpose of acquiring and installing at Patriots Point the Nuclear Ship Savannah. Mr. Putnam noted that the Board Grants and Contracts Review Subcommittee did not approve or disapprove this request because of statements on the safety of the Savannah but he also pointed out that letters

included in the material submitted bear out that this ship would be safe in all respects.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Senator Dennis, the Budget and Control Board approved the referenced Patriots Point Authority request. Governor Edwards abstained.

Authority Attorney Prioleau requested Budget and Control Board assistance in expediting approval of the acceptance of credit cards for sales at Patriots Point. Mr. Putnam noted that negotiations have been underway between the State and several banking institutions and that Board approval of the use of credit cards is required.

Information relating to this matter is filed in the exhibit relating to the Grants and Contracts Review Subcommittee agenda item (Exhibit IX).

DEPARTMENT OF SOCIAL SERVICES - COMPUTER SUPPORT ALTERNATIVE - DSS

Chairman Robert E. Kneece, accompanied by Clemson University President Robert C. Edwards, DSS Commissioner Virgil Conrad and Division of Computer Systems Management Director Charles Burr, appeared before the Budget and Control Board on this matter. Chairman Kneece read a memorandum on the subject of data processing requirements of the State Department of Social Services from the referenced individuals which set forth the following points:

(a) That the Budget and Control Board approve and recommend to the General Assembly, for action prior to the adjournment of the 1978 Session, that Clemson University be authorized to install a computer having a capacity of an IBM System 3033 or equal and that funding for the purchase of such a computer in the amount of \$4,000,000 be provided;

(b) That the DSS, with assistance from Clemson University and the Division of Computer Systems Management, develop detailed plans to enable it to efficiently handle the processing of all data required in the administration, management and delivery of program services, and that the decision as to the most appropriate disposition of the IBM 370/165-II computer now at Clemson be

made as the plans for equipping and staffing DSS are being developed; and

(c) That progress reports be made regularly to the Budget and Control Board and to appropriate committees of the General Assembly.

These points were prefaced by the statement that, while the development of the major Medicaid Management Information System subsystems can be completed on schedule, that system cannot become operational until additional data processing capability is installed at Clemson and, further, that until this additional capability is available, the subsystem for food stamps and other data processing needs of DSS cannot be met.

In the ensuing discussion, Dr. Edwards estimated that the value of the 370/165-II computer will be about equal to the unpaid balance on the notes at the time that computer is sold and that a balance of about \$1.1 million will remain at 6/30/79. Chairman Kneece, in response to Representative Mangum's query, indicated that the proposed new computer could not be handled on the same basis as the present computer.

Following this discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board adopted the resolution presented by DSS Chairman Kneece.

Governor Edwards and Mr. Morris commended Clemson University and President Edwards for the work done on the DSS computer situation.

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

STATE HOUSING AUTHORITY - RIDGELAND PROJECT - State Housing Authority Executive Director Steve Mayfield, accompanied by Finance Administrator Charles B. Thompson, appeared before the Budget and Control Board in support of a resolution request by the Authority for permission to acquire and construct and to borrow the moneys required to finance a rental project to be located in Ridgeland which is to provide housing for approximately 120 persons and families of low income. The financing approval requested extends to the temporary

financing or construction loan to be made to the Authority by the SCN Bank, acting for itself and for Bankers Trust, Citizens and Southern, and First National, and to the permanent loan to be made to the Authority by the Farmers Home Administration.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board adopted a resolution granting approval to the State Housing Authority to undertake the acquisition, construction and financing of a rental project in the Town of Ridgeland to be owned and operated by the Authority, as requested in a resolution adopted by the Authority.

Copies of the referenced resolutions have been retained in these files and are identified collectively as Exhibit II.

POLL AGENDA - State Auditor Putnam noted that the Division of General Services has requested that consideration of the Management Specialist I position in Poll Item 2 be postponed to a future meeting. Mr. Putnam also pointed out that the purchaser of the Anderson County Industrial Revenue Bonds described in Poll Item 3 has agreed to provide an investment letter and on that basis recommended Board approval of that petition. Poll items are specifically identified as such in these minutes.

HIGHWAYS AND PUBLIC TRANSPORTATION - SELECTION OF A&E FIRM (POLL ITEM 1) - Department of Highways and Public Transportation Commissioner Paul W. Cobb advised the Budget and Control Board that the following firms, listed in preference order, have been selected to provide the services required in connection with a district license sales and patrol office building to be located in Orangeburg:

	<u>Firm</u>	<u>Location</u>	<u>Reported State Work in Prior Two Years</u>
(1)	Summers & Gardner	Orangeburg	\$-0-
(2)	McMillan Associates	Greenville	-0-
(3)	Carlisle Associates	Columbia	-0-

After being assured that the required selection procedure had been followed, the Budget and Control Board, upon a motion by Senator Dennis, seconded by Mr. Morris, approved the selection of Summers & Gardner for the referenced project, as requested by Commissioner Cobb.

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

DIVISION OF GENERAL SERVICES - POSITION ABOVE AUTHORIZED NUMBER
(POLL ITEM 2) - Upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved one Centrex Operator position above the number authorized, as requested by Division Director McEachern. This grade 11 position is to be filled on a part-time basis and utilized only when permanent employees are out due to illness or vacation and the position will be supported by Centrex revenues.

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

INDUSTRIAL REVENUE BONDS - ANDERSON COUNTY (POLL ITEM 3) - The Budget and Control Board was presented with a Petition from Anderson County for the issuance of \$4,000,000 Industrial Revenue Bonds on behalf of Jackson Mills. The proposed project is for the expansion, improvement and equipping of existing textile manufacturing facilities located in Iva and, when completed, is expected to provide additional man-hour employment plus employment for six additional persons.

After being advised by State Auditor Putnam that the required reviews had been completed and that the purchaser of the bonds had agreed to provide an investment letter, the Budget and Control Board, upon a motion by Mr. Morris, seconded by Senator Dennis, adopted a resolution approving the Anderson County proposal to issue \$4,000,000 Industrial Revenue Bonds on behalf of Jackson Mills, pursuant to 1976 Code Sections 4-29-10 et seq, contingent upon the receipt by the State Auditor of an appropriate investment letter from

the purchaser of the referenced bonds.

(SECRETARY'S NOTE: Subsequent to the meeting, an acceptable investment letter was received from Northwestern National Life Insurance Company of Minneapolis, Minnesota, purchaser of the referenced bonds.)

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

DEPARTMENT OF CORRECTIONS - POSITIONS ABOVE AUTHORIZED NUMBER (POLL ITEM 4) - State Auditor Putnam advised the Board that Commissioner Leeke has requested permission to establish seven new positions (one Director of Internal Affairs, Grade 31; two Budget Analyst III, Grade 26; one Assistant Project Administrator, Grade 26; one Record Analyst II, Grade 21; one Staff Assistant I, Grade 16; and one Dentist II, Grade 35) which are above the number presently authorized. Mr. Putnam indicated that these seven additional positions are included in the 1978-79 Appropriation Bill as it now stands and that their approval would require no new State moneys in the current fiscal year or in 1978-79.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved the seven referenced positions, as requested by the Department of Corrections.

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

STATE ENGINEER - PENDING A&E SELECTIONS - State Auditor Putnam introduced this item by noting that the three A&E selection approval requests under consideration at the present meeting (by The Citadel, Department of Corrections and Lander College) have been carried over on two prior occasions. Mr. Putnam also pointed out that the amount of State work in the prior two years by the Johnny T. Johnson & Associates firm should be \$347,500 rather than the \$3,475,000 reported by the Department of Corrections.

After Governor Edwards entertained a motion to approve the firms

which have had no State work during the prior two years, State Engineer John McPherson advised the Board that Code Section 10-5-80 authorizes the Board only to reject the firm recommended by an agency. Mr. Putnam noted that the Board has asked that agencies submit the names of the three firms selected in any instance and that he is not sure that the Board could not approve a firm listed second in preference order by an agency. Governor Edwards expressed the view that the precedent has been established that the Board may select a firm other than the one listed first by an agency and that the law gives the Board responsibility for making the final selection.

Senator Dennis took the position that the law does not authorize the Board to approve any firm other than the one recommended by an agency and that the staff should, on the basis of facts and figures, make recommendations to the Board in these matters.

State Engineer McPherson expressed the view that each of the firms selected in the three requests under consideration is qualified but he also indicated that he preferred not to become involved in selecting A&E firms because his duties require that he work with all such firms.

An extended discussion of the selection procedure contained in Code Sections 10-5-50 and 10-5-80 ensued during which:

(a) Governor Edwards maintained that it is the Board's responsibility to ensure the equitable distribution of contracts among qualified firms as intended by the law and that the discharge of that responsibility means that the Board may select any one of the three firms submitted by an agency in accord with established Board procedures;

(b) Senator Dennis took the position that Section 10-5-50 gives to each agency the responsibility for selecting A&E firms and that, if the Board is to make these selections, the staff will have to present recommendations as a basis for Board action;

(c) Mr. Putnam indicated that he did not object to the idea of

the staff making recommendations on A&E selection approval requests but that parameters would have to be established by the Board;

(d) Mr. Morris called attention to a letter to the Board from the South Carolina Chapter of the American Institute of Architects which endorses the primary role of the agencies in the selection process; and

(e) Representative Mangum pointed out that any agency which requests Board approval of a firm which has had more State work than another firm considered may not have carried out the intent of the law as expressed in Section 10-5-50.

Senator Dennis suggested the possibility of an approach similar to that taken in connection with Board action on petitions for the issuance of Industrial Revenue Bonds which includes a statement from the Attorney General that the law has been complied with. Senator Dennis further noted that clarifying legislation may be required and that the issue requires close legal scrutiny.

Following this extended discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board agreed that an opinion on this matter should be sought from the Attorney General and carried over to a future meeting action on the three selection approval requests under consideration.

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

COMPUTER SYSTEMS MANAGEMENT - CRIMINAL JUSTICE PROGRAM SECURITY AND PRIVACY AUDIT FUNCTION - State Auditor Putnam advised the Board that, in order to meet federal requirements, it has been proposed that the security and privacy audit function for criminal justice computer programs be assigned to the Division of Computer Systems Management. Mr. Putnam also pointed out that several alternative arrangements had been considered but that the parties involved had concluded that the assignment of this function to the Computer

Systems Management Division would be the best choice and that the matter was brought to the Board because this function represents a slight departure from responsibilities previously assigned to that Division. Mr. Putnam also noted that the required staff for this function will be one person for 1978-79 and three for succeeding years and that federal funds would pay all costs of the function in the first year but would decrease to 80% in the second year, 60% in the third year and would be funded entirely from State moneys in the fourth and succeeding years. Computer Systems Management Division Director Charles Burr observed that the function includes auditing the completeness of records contained in the system, the security of the system and how well the users relate to the system.

Following a brief discussion, upon a motion by Mr. Morris, seconded by Representative Mangum, the Budget and Control Board approved the assignment of the security and privacy audit function for criminal justice programs to the Division of Computer Systems Management.

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

GRANTS AND CONTRACTS REVIEW SUBCOMMITTEE - GRANT AND CONTRACT REQUESTS -

Deputy Grants Services Administrator R. Archie Ellis presented a list of 68 projects approved by the Board Subcommittee involving the following funds: \$27,419,102 federal; \$73,437,749 State; and \$9,596,477 other, for a total of \$110,453,328.

Governor Edwards called attention to some \$2.5 billion of future obligations of South Carolina taxpayers represented by the personnel included in the grant and contract requests approved during this fiscal year by the Board.

Representative Mangum questioned the relatively high State matching involved in these projects and was informed that some \$71.6 million of State funds are shown in request number 46 which represents the entire vocational

education program.

Following this discussion, the Budget and Control Board without objection approved the recommendations of the Grants and Contracts Review Subcommittee on the 68 projects included on the list presented by Dr. Ellis. Dr. Ellis also distributed a summary of Budget and Control Board action on federal grant and contract requests through the May 23, 1978 meeting.

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

DIVISION OF GENERAL SERVICES - PROPERTY EXCHANGE WITH ADJUTANT GENERAL -

Division Director Furman McEachern recommended Board approval of the reassignment of the present West Columbia Armory property (about 1 acre of land with a 12,000 square foot building valued at \$160,000) to the Division of General Services in exchange for 13.64 acres of vacant land (estimated value \$120,000) located on Platt Springs Road. Mr. McEachern pointed out that both of these properties presently are titled in the name of the State of South Carolina and that the proposed exchange will be to the advantage of both parties. Mr. McEachern also noted that customarily localities provide land for armory construction but that the City of West Columbia does not have an acceptable site available. He also pointed out that the Division of General Services would use the existing armory building for warehouse space should the exchange be approved.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved the reassignment of the referenced properties, as recommended by Mr. McEachern.

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

DIVISION OF GENERAL SERVICES - TRANSFER OF APPROPRIATED FUNDS - The

Budget and Control Board without objection agreed to consider a request by the Division of General Services for permission to transfer \$60,000 of funds appropriated for contractual services and use this amount to upgrade energy control

systems.

Following a brief discussion in which Assistant Division Director Counts noted that by upgrading the control systems about \$150,000 of costs can be avoided annually, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved the referenced request.

STATE PERSONNEL DIVISION - SPECIAL EDUCATION LEAVE SYSTEM FOR MENTAL HEALTH LPN'S - After a brief discussion, the Budget and Control Board decided to carry over to a future meeting its consideration of a Department of Mental Health request for approval of a special educational leave system for Licensed Practical Nurses.

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

STATE PERSONNEL DIVISION - DUAL EMPLOYMENT REPORTING PROCEDURES - Following a brief discussion, upon a motion by Mr. Morris, seconded by Representative Mangum, the Budget and Control Board approved a revision of Article VIII of the Dual Employment Policies to incorporate different reporting procedures which have been developed by the Comptroller General's Office and the State Personnel Division.

A copy of the revised Article VIII has been retained in these files and is identified as Exhibit XII.

STATE PERSONNEL DIVISION - PROPOSED LEGISLATION ON INSURANCE PREMIUM AND EMPLOYER CONTRIBUTION PAYMENTS - Following Dr. Mullins' brief review of draft legislation designed to facilitate the prompt payment of premiums due from State agencies and school districts and to require employer contributions for federally-funded school district positions to be paid from federal funds, Governor Edwards appointed a subcommittee comprised of Mr. Morris, Senator Dennis and Representative Mangum to work out any needed modifications of the draft in order that it might be included in the 1978-79 Appropriation Act.

Information relating to this matter has been retained in these files

and is identified as Exhibit XIII.

FUTURE MEETING - The Budget and Control Board agreed to meet at 3:30 p.m. on Tuesday, June 27, 1978.

EXECUTIVE SESSION - State Auditor Putnam announced that two contractual items and three personnel matters have been proposed for consideration in Executive Session. Mr. Putnam also requested that State Engineer John McPherson remain for the Executive Session. The Budget and Control Board without objection agreed to consider the matters announced by Mr. Putnam and that State Engineer McPherson should remain whereupon Governor Edwards declared the meeting to be in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTION - Following the Board's consideration of Executive Session items, the meeting was opened and the following actions taken by the Board in Executive Session were ratified without objection:

- (1) Approved the selection of Touche Ross and Company as the vendor to assist the Department of Social Services and Clemson University in the installation of a Medicaid Management Information System;
- (2) Carried over to a future meeting the award of a contract for life, accidental death and dismemberment, and long term disability insurance coverage for State and public school employees;
- (3) Denied a request by the School for the Deaf and the Blind for a waiver of Board policy requiring a \$500 differential between the salaries of the agency head and any employee;
- (4) After a review of the record, received as information the recommendation of the State Employee Grievance Committee in a case involving the Department of Corrections;
- (5) Approved a request by the Department of Health and Environmental Control to extend the service of Dr. Albert E. Pugh for fiscal year 1978-79; and
- (6) Authorized the University of South Carolina to pay an annual

salary of \$48,000 to a new Provost.

The meeting was adjourned at 3:40 p.m.

EXHIBIT I
6/7/78

MEMORANDUM TO: State Budget and Control Board

FROM: Robert C. Edwards, President, Clemson University

Charles H. Burr, Computer Systems Management, State Auditor's Office

Robert E. Kneece, Chairman of the Board of Social Services
State Department of Social Services

Virgil L. Conrad, State Commissioner, Department of Social Services

SUBJECT: Data Processing Requirements of the State Department of Social Services

PREAMBLE:

In late July, 1975, Clemson University was requested by the Department of Social Services to provide technical assistance in the development and implementation of a data processing system to enable the agency to meet the October 1, 1975 deadline for obtaining federal funds under Title XX. Clemson responded to this request and the system required was placed in service on schedule.

In May of 1976, the Board of Social Services requested that Clemson University provide technical assistance in the development of the additional subsystems required by the agency. The Board also requested that Clemson provide data processing services for the Department until such time in the future as the agency could develop in-house capability and resources to provide these services for itself.

In response to this urgent request and with the approval of the General Assembly as provided in Section 15, Part II of the General Appropriation Bill for Fiscal Year 1976-77, Clemson University purchased an IBM 370/165-II computer; entered into a long-term contract to provide data processing services for the Department; and an annually renewable short-term contract for research and development and other technical services, including training, as would be required and specified by the Department.

Under the terms of the long-term contract referred to above, one-third of the capacity of the 370/165-II computer was dedicated to serving the Department. Both the technical and production services provided for under these contracts have and are being delivered as scheduled, and all commitments for program development and implementation have been met on schedule.

The purpose of this memorandum is:

(1) To inform the members of the State Budget and Control Board relative to the current status of the DSS-Clemson data processing relationship; and (2) to present recommendations, and to request the Board's approval for authorization to proceed with the development and implementation of plans to provide the additional data processing capacity which must be installed at Clemson immediately. Failure to recognize this problem, and to provide a solution, will result in a serious interruption of the carefully planned program that is well advanced for developing for DSS a totally integrated data processing system. The availability of this capability is essential if the agency is to deliver services to eligible clientele in the most efficient and cost effective manner, and only to those clients who are eligible for the services provided; and (3) to request the Board's approval and authorization to carefully study and develop the most cost effective plan of organization and resources necessary to enable the Department to efficiently handle the agency's data processing production needs at both the state and county levels.

In this connection, it should be noted that when the present computer was installed at Clemson and one-third of its capacity dedicated to serve the Department, it was impossible to then anticipate the total computer processing requirements that would be needed. For example, it was not until mid-1976 that the DSS Board made the decision to develop a Management Accounting and Control System (MACS). This

system has been developed and will become operational on July 1. It was not until early 1977 that the DSS Board made a commitment to develop a Medicaid Management Information System (MMIS). Our recommendation for technical assistance on MMIS has been transmitted to you for approval.

The General Appropriation Bill for FY 1978-79 (H 3881), now in process of enactment, directs the Department to have in operation a certified MMIS not later than April 1, 1979.

The current status report and our recommendations are set forth in the form of the resolution which follows:

WHEREAS, Clemson, in response to specific instructions from DSS, has provided both the technical and data processing services required by DSS in accordance with existing contracts, and

WHEREAS, as of June 1, 1978, the following subsystems are fully operational and in a test status: Title XX, Title IV-D, and MACS, and

WHEREAS, the research and development for the MMIS subsystem will be completed by April 1, 1979, and

WHEREAS, while the development of the major MMIS subsystems can be completed on schedule, it cannot become operational until additional data processing capability is installed at Clemson. Further, until this additional capability is available, the subsystem for food stamps and other data processing needs of the Department cannot be met.

NOW THEREFORE BE IT RESOLVED, (a) That the State Budget and Control Board approve and recommend to the General Assembly for action, prior to adjournment of the 1978 Legislative Session, authorization for Clemson to install a computer having the capacity of an IBM System 3033, or equal.

(b) That the Department of Social Services, with assistance from Clemson University, and the Division of the Computer Systems Management of the State Budget and Control Board develop detailed plans to include staffing, hardware and software requirements, costs and time frame for implementation of the resources necessary to enable the Department to efficiently handle the processing of all data required in the administration, management and delivery of program services.

(c) That the State Budget and Control Board recommend to the General Assembly funding for the purchase of the computer in the sum of four million dollars.

(d) The decision as to the most appropriate disposition of the IBM 370/165-II computer can best be made as the plans for equipping and staffing the Department of Social Services is being developed.

(e) Progress reports should be made regularly to the State Budget and Control Board and to the appropriate Legislative Committees to insure adequate communications and understanding on the part of all parties concerned.

The urgency of the situation as set forth in this memorandum cannot be overemphasized. If the total data processing needs of the Department of Social Services are to be provided at the earliest possible date, we must have installed at Clemson as early as possible in 1979 a computer with sufficient capacity to take care of the needs of the University and the Department of Social Services. No funds will be required by Clemson until the computer is delivered in 1979. Our best estimate as to time frame within which the Department of Social Services will be in a position to begin accepting transfer of the various systems from Clemson would be January 1, 1980 to June 30, 1981. This assumes that the plans for equipping and staffing within DSS will be completed and approved by December 31, 1978.

Memo: State Budget & Control Board
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The additional capacity of the computer to be installed at Clemson will unquestionably be required to assist in meeting data processing needs of the University and state agencies and departments that may request assistance.

CLEMSON
UNIVERSITY

PRESIDENT

June 2, 1978

Mr. Walter R. Pettiss
Administrative Assistant
Governor's Office
P. O. Box 11450
Columbia, South Carolina 29211

Dear Mr. Pettiss:

First, and I am sure I speak for everyone in attendance, I want you to know how much we appreciated the opportunity to meet with the Governor, the members of the State Budget and Control Board, Senator Gressette and you on May 31. Following adjournment of the meeting, Messrs. Kneece, Conrad, Jackson, Colonel Burr, Arnie Schwartz and I met to discuss in detail our understanding of the material to be prepared for presentation to the State Budget and Control Board at a meeting to be held on June 7.

The information prepared in the attached draft of a proposed memorandum to the Board was prepared in accordance with the unanimous consensus reached in our discussion, and the draft, in duplicate, is being forwarded to you in accordance with the understanding reached in our telephone conversation on the evening of May 31.

In reviewing the draft with Mr. Conrad, he agrees that information presented is accurate and that in addition to mailing copies to you and to him, copies are going to Colonel Burr and Pat Smith. I briefed Pat on our meeting of May 29 and 31 by telephone yesterday morning. I will brief Bill Putnam as soon as I can reach him. You know he is deeply involved with the General Appropriation Bill.

To supplement the information in the draft, I wish to make the following additional comments.

(1) It was unanimously agreed that before the General Assembly concludes its 1978 Legislative Session that authorization and funding to install the additional computer processing capacity at Clemson be obtained.

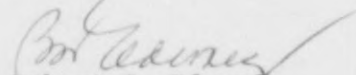
(2) It was also unanimously agreed that during the remainder of 1978 complete plans to include staffing, hardware and software requirements, cost estimates, etc. required to enable DSS to have the in-house capability to accept the transfer of all systems in production at Clemson be completed and approved not later than December 31, 1978.

Mr. Walter R. Pettiss
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(3) The decision on the ultimate disposition of our 370/165-II computer does not have to be made now. Once the DSS data processing requirements have been established and approved, the issue of disposal of the 370/165-II will be simple. From our preliminary investigations we are confident that the computer can be sold in the open market at a price not less than the unpaid balance that will be due the banks at the time the computer is available for sale in 1979.

I appreciate your plans to review the information in this draft with the Governor, and we look forward to the Budget and Control Board meeting on June 7.

Sincerely,


Robert C. Edwards
President

RCE/ew
Enclosures

xc: Mr. Virgil Conrad
Colonel Charles H. Burr

bxc: Mr. William T. Putnam ✓

DRAFT

MEMORANDUM TO: State Budget and Control Board

FROM: Robert E. Kneece, Chairman of the Board of Social Services,
State Department of Social Services

Virgil Conrad, State Commissioner, Department of Social Services

Robert C. Edwards, President, Clemson University

SUBJECT: Data Processing Requirements of the State Department of Social
Services

PREAMBLE

In late July 1975, Clemson University was requested by the Department of Social Services to provide technical assistance in the development and implementation of a data processing system to enable the agency to meet the October 1, 1975 deadline for obtaining federal funds under Title XX. Clemson responded to this request and the system required was placed in service on schedule.

In May of 1976, the Board of Social Services requested that Clemson University provide technical assistance in the development of the additional subsystems required by the agency. The Board also requested that Clemson provide data processing services for the Department until such time in the future as the agency could develop in-house capability and resources to provide these services for itself.

In response to this urgent request and with the approval of the General Assembly as provided in Section 15, Part II of the General Appropriation Bill for Fiscal Year 1976-77, Clemson University purchased an IBM 370/165-II computer; entered into a long-term contract to provide data processing services for the Department; and an annually renewable short-term contract for research and development and other technical services, including training, as would be required and specified by the Department.

Under the terms of the long-term contract referred to above, one-third of the capacity of the 370/165-II computer was dedicated to serving the Department. Both the technical and production services provided for under these contracts have and are being delivered as scheduled, and all commitments for program development and implementation have been met on schedule.

The purpose of this memorandum is:

(1) To inform the members of the State Budget and Control Board relative to the current status of the DSS-Clemson data processing relationship; and (2) to present recommendations, and to request the Board's approval for authorization to proceed with the development and implementation of plans to provide the additional data processing capacity which must be installed at Clemson immediately. Failure to recognize this problem, and to provide a solution, will result in a serious interruption of the carefully planned program that is well advanced for developing for DSS a totally integrated data processing system. The availability of this capability is essential if the agency is to deliver services to eligible clientele in the most efficient and cost effective manner, and only to those clients who are eligible for the services provided; and (3) to request the Board's approval and authorization to carefully study and develop the most cost effective plan of organization and resources necessary to enable the Department to efficiently handle the agency's data processing production needs at both the state and county levels.

In this connection, it should be noted that when the present computer was installed at Clemson and one-third of its capacity dedicated to serve the Department, it was impossible to then anticipate the total computer processing requirements that would be needed. For example, it was not until mid-1976 that the DSS Board made the decision to develop a Management Accounting and Control System (MACS). This

system has been developed and will become operational on July 1. It was not until early 1977 that the DSS Board made a commitment to develop a Medicaid Management Information System (MMIS). A contract for technical advice on programs involved has just been executed.

The General Appropriation Bill for FY 1978-79 (H 3881), now in process of enactment, directs the Department to have in operation a certified MMIS not later than April 1, 1979.

The current status report and our recommendations are set forth in the form of the resolution which follows.

WHEREAS, Clemson, in reponse to specific instructions from DSS, has provided both the technical and data processing services required by DSS in accordance with existing contracts, and

WHEREAS, as of June 1, 1978, the following subsystems are fully operational and/or are ready for production: Title XX, Title IV-D, and MACS, and

WHEREAS, the research and development for the MMIS subsystem will be completed by April 1, 1979, and

WHEREAS, while the development of MMIS subsystem can be completed on schedule, it cannot become operational until additional data processing capability is installed at Clemson. Further, until this additional capability is available, the subsystem for food stamps and other data processing needs of the Department cannot be met.

NOW THEREFORE BE IT RESOLVED, (a) That the State Budget and Control Board approve and recommend to the General Assembly for action, prior to adjournment of the 1978 Legislative Session, authorization for Clemson to install a computer having the capacity of an IBM System 3033, or equal.

(b) That the Department of Social Services, with assistance from Clemson University, and the Division of the Computer Systems Management of the State Budget and Control Board develop detailed plans to include staffing, hardware and software requirements, costs and time frame for implementation of the resources necessary to enable the Department to efficiently handle the processing of all data required in the administration, management and delivery of program services.

(c) That the State Budget and Control Board recommend to the General Assembly funding for the purchase of the computer in the sum of four million dollars.

(d) The decision as to the most appropriate disposition of the IBM 370/165-II computer can best be made as the plans for equipping and staffing the Department of Social Services is being developed.

(e) Progress reports should be made regularly to the State Budget and Control Board and to the appropriate Legislative Committees to insure adequate communications and understanding on the part of all parties concerned.

The urgency of the situation as set forth in this memorandum cannot be overemphasized. If the total data processing needs of the Department of Social Services are to be provided at the earliest possible date, we must have installed at Clemson as early as possible in 1979 a computer with sufficient capacity to take care of the needs of the University and the Department of Social Services. No funds will be required by Clemson until the computer is delivered in 1979. Our best estimate as to time frame within which the Department of Social Services will be in a position to begin accepting transfer of the various systems from Clemson would be January 1, 1980 to June 30, 1981. This assumes that the plans for equipping and staffing within DSS will be completed and approved by December 31, 1978.

Memo: State Budget & Control Board
Page 5

The additional capacity of the computer to be installed at Clemson will unquestionably be required to assist in meeting data processing needs of the University and state agencies and departments that may request assistance.

STATE BUDGET AND CONTROL BOARD

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

EXHIBIT II
3 6/7/78

Agency: State Housing Authority

Subject: Acquisition, Construction and Financing of Ridgeland Project

By means of a Resolution (to be adopted by the State Housing Authority prior to the Budget and Control Board meeting), the State Housing Authority is requesting permission to acquire and construct the project and to borrow the moneys required to finance the Ridgeland rental project which is to provide housing for approximately 120 persons and families of low income. The financing approval requested extends to the temporary financing or construction loan to be made to the Authority by the SCN Bank, acting for itself and for Bankers Trust, Citizens & Southern and First National, and to the permanent loan to be made to the Authority by the Farmers Home Administration.

The Board authorized the Housing Authority to invite construction bids on this project on 5/4/77. Authorization to execute a construction contract on this project was granted by the Board on 9/14/77.

On 11/17/77, the Board approved a similar financing arrangement on a Walterboro Project.

Board Action Requested:

Adopt Resolution granting approval to the State Housing Authority to undertake the acquisition, construction and financing of a rental project in the Town of Ridgeland to be owned and operated by the Authority, as requested in a Resolution adopted by the Authority.

Staff Comment:

Attachments:

- (1) Copy of Resolution by Budget and Control Board;
- (2) Copy of State Housing Authority Resolution.

ORIGINAL
6/7/78

A RESOLUTION
OF THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA
GRANTING APPROVAL TO THE SOUTH CAROLINA STATE HOUSING
AUTHORITY TO ACQUIRE, CONSTRUCT AND FINANCE A RENTAL PROJECT
IN THE TOWN OF RIDGELAND, JASPER COUNTY, SOUTH CAROLINA,
INTENDED TO PROVIDE RENTAL HOUSING FOR APPROXIMATELY 120
PERSONS AND FAMILIES OF LOW INCOME.

WHEREAS, The South Carolina State Housing Authority
(the Authority), has presented to the State Budget and
Control Board of South Carolina (the State Board), a copy of
a Resolution to be adopted by the Authority which authorizes
the acquisition, construction and financing of a rental
project in the Town of Ridgeland, in Jasper County, South
Carolina, intended to provide housing for approximately 120
persons and families of low income; and

WHEREAS, it was intended that such copy should serve as
a request of the Authority to the State Board for its per-
mission to borrow the moneys required to finance the pro-
ject, including both the construction loan and the permanent
loan; and

WHEREAS, the State Board has reviewed the Resolution of
the Authority and its attachments and agrees to give appro-
val to the action of the Authority proposed in the said
Resolution;

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF
SOUTH CAROLINA:

Section 1.

After due investigation, the State Board finds that the matters recited in the preambles to this Resolution are in all respects true and correct.

Section 2.

Approval is hereby granted to the Authority to undertake the acquisition, construction and financing of a rental project in the Town of Ridgeland, in Jasper County, South Carolina, to be owned and operated by the Authority and to be rented by the Authority to persons and families of low income. The project is intended to provide housing for approximately 120 persons and families of low income. The approval herewith granted shall extend to the temporary financing or construction loan to be made to the Authority by The South Carolina National Bank, acting for itself and for Bankers Trust of South Carolina, The Citizens and Southern National Bank of South Carolina, and First National Bank of South Carolina, and to the permanent loan to be made to the Authority, by Farmers Home Administration of the United States Government.

ORIGINAL

A RESOLUTION
AUTHORIZING THE ACQUISITION, CONSTRUCTION AND FINANCING OF A
RENTAL PROJECT IN THE TOWN OF RIDGELAND, JASPER COUNTY,
INTENDED TO PROVIDE HOUSING FOR APPROXIMATELY 120 PERSONS OR
FAMILIES OF LOW INCOME.

BE IT RESOLVED BY THE COMMISSIONERS OF THE SOUTH CARO-
LINA STATE HOUSING AUTHORITY, IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS OF FACT

Section 1.01

As an incident to the adoption of this Resolution, the
Commissioners of the South Carolina State Housing Authority,
find, as a fact, that each of the statements hereinafter set
forth is in all respects true and correct;

1. The South Carolina State Housing Authority (the
Authority) is duly empowered by both Article 3 of Chapter 3
of Title 31, Code of Laws of South Carolina, 1976 (Article
3), and by Act No. 76 of the Acts of the General Assembly of
the State of South Carolina for the year 1977 (the Act), to
acquire and construct rental projects for persons and fami-
lies of low income, as such term is defined in the Act.

2. The Authority has found that there is no existing
housing authority operating in the Town of Ridgeland and
that sufficient persons or families of low income who are
unable to pay the amounts at which private enterprise is
providing decent, safe and sanitary housing reside within
the area who would greatly benefit by the availability of
decent, safe and sanitary housing.

3. The Authority has also determined that there is no housing sponsor capable of undertaking the specific project in the Town of Ridgeland hereafter described.

4. The Authority proposes to acquire a tract of land containing 6.23 acres more or less in the Town of Ridgeland in Jasper County and to construct thereon 40 units designed to provide housing for approximately 120 persons and families of low income (the Project).

5. The Authority has obtained the written approval of the Town Council of Ridgeland to this undertaking.

6. Heretofore, the Authority has obtained authorization from the State Budget and Control Board of South Carolina (the State Board) to the letting of a construction contract for the construction of the Project.

7. It is now necessary that the Authority obtain the approval of the State Board to the plan of financing of the Project hereafter outlined.

ARTICLE II

PLAN OF FINANCING

Section 2.01

The Authority has obtained a commitment from the Farmers Home Administration of the United States Government (the Government), to lend to the Authority following the construction of the Project the sum of \$866,000, which includes a loan in the amount of \$806,100, to bear interest at the rate of 8% and a loan in the amount of \$59,900, to

bear interest at the rate of 8.25%, both of which to be repayable, both principal and interest, in installments over a period of 40 years.

The permanent loans which will be effected simultaneously will be secured by a first and forecloseable mortgage on the Project and by a pledge of the rents and revenues derived therefrom. The Notes evidencing the loans will expressly provide that they shall not then nor thereafter constitute an indebtedness of the State of South Carolina nor give rise to a pecuniary liability of the State of South Carolina (except to the extent of the revenues from the Project) or become a charge against its general credit or taxing powers.

Section 2.02

The commitment of the Government requires the Authority to arrange temporary financing in order to provide funds for the acquisition of the site and to pay the cost of the construction of the Project. Such a loan (the Construction Loan) has been arranged with The South Carolina National Bank which will participate the loan with each of The Citizens and Southern National Bank of South Carolina, First National Bank of South Carolina and Bankers Trust of South Carolina.

Section 2.03

The Construction Loan will bear interest at the rate of 5.25% per annum and will mature one year from its date. The

proceeds of the Construction Loan will be deposited with The South Carolina National Bank, as Trustee in a Construction Fund which will invest and reinvest the proceeds pending their actual use. All earnings from investments shall be deposited in and become a part of the Construction Fund. The proceeds of the Construction Loan will be paid out for costs incident to the Project and only upon the warrant or order of the Authority approved by a duly authorized representative of the Government. The Construction Loan will be secured by

- (1) a first forecloseable mortgage upon the Project;
- (2) any unexpended balance of the Construction Loan, including earnings from investments;
- (3) any proceeds resulting from payments received by the Authority pursuant to insured losses resulting from any casualty insurance, contractors bond, fidelity bond, or Title Insurance Policy carried by the Authority in connection with the Project; and
- (4) revenues derived from the use or rental of the Project, if any, during the life of the Construction Loan.

The Note evidencing the Construction Loan will expressly provide that it shall not then nor thereafter constitute an indebtedness of the State of South Carolina nor

give rise to a pecuniary liability of the State of South Carolina or become a charge against its general credit or taxing powers.

ARTICLE III

AUTHORIZATIONS

Section 3.01

The Authority, having made all findings required of it by Article 3 and the Act, and having determined that the financial arrangements set forth in Article II hereof will provide the necessary funds to acquire and construct the Project, herewith authorizes

1. The acquisition and construction of the Project; and
2. The making, entering into and securing of the Construction Loan and the permanent loan.

Section 3.02

The Authority shall borrow from The South Carolina National Bank the sum of \$866,000 upon the terms and conditions set forth herein. Such loan shall be evidenced by a Note of the Authority in form substantially as Exhibit A hereto which shall be executed by the Chairman of the Authority and its Secretary. The Note shall mature one year from its date, shall bear interest on the unpaid balance thereon at the rate of 5.25% per annum, payable semi-annually, and shall be subject to prepayment at any time without penalty.

Section 3.03

The Authority shall secure the loan from the Bank by a first forecloseable mortgage in form substantially as Exhibit B hereto, which shall be executed by the Chairman of the Authority and its Secretary and by a first security interest in funds described in paragraphs (2), (3) and (4) of Section 2.03 hereof.

Section 3.04

The Authority shall enter into a Loan and Security Agreement with The South Carolina National Bank in substantially the form as Exhibit C hereto to be executed by the Chairman of the Authority and its Secretary.

Section 3.05

The Authority has reviewed the proposed Resolution, Note, Mortgage and Security Agreement submitted to it by the Government in connection with the permanent loan and approves the form and content thereof and agrees to adopt the Resolution in substantially the form presented to it by the Government at the appropriate time. It further agrees to execute and deliver when so required the Note to the Government evidencing the permanent loan and to secure the same by a Mortgage and a Security Agreement in form substantially as submitted by the Government.

Section 3.06

The proceeds of the permanent loan shall be applied to the payment of the Construction Loan and thereafter if any

proceeds remain in accordance with the Resolution which the Authority will adopt authorizing the permanent loan.

ARTICLE IV

FURTHER ACTION

Section 4.01

The Chairman, Secretary and all other officers or employees of the Authority are authorized and empowered to execute such further documents as may be necessary or desirable to fully implement the action herewith taken.

Section 4.02

A copy of this Resolution, duly certified, shall be delivered to the State Board and shall serve as a request for the approval by the State Board as required by Section 7 of the Act.

DONE IN MEETING DULY ASSEMBLED, this 6th day of JUNE, A. D. 1978.

SOUTH CAROLINA STATE HOUSING
AUTHORITY

(SEAL)

BY

[Signature]
Chairman

Attest:

[Signature]
Secretary

EXHIBIT "A"

STATE OF SOUTH CAROLINA
SOUTH CAROLINA STATE HOUSING AUTHORITY
HOUSING DEVELOPMENT CONSTRUCTION NOTE
(RIDGELAND PROJECT)

Dated: June __, 1978

\$866,000

FOR VALUE RECEIVED, the SOUTH CAROLINA STATE HOUSING AUTHORITY, a body politic and corporate and an agency of the State of South Carolina (herein the "Authority"), promises to pay, but solely from the sources hereinafter described, to the order of The South Carolina National Bank (herein, sometimes the "Lender"), at its principal office in the City of Columbia, South Carolina, the principal sum of EIGHT HUNDRED SIXTY-SIX THOUSAND AND NO/100 (\$866,000.00) DOLLARS, on the ____ day of June, 1979, with interest from the date hereof on the unpaid principal balance, at the rate of Five and Twenty Five Hundredths percent (5.25%) per annum, payable semi-annually.

This Note may be prepaid in whole or in part at any time without penalty.

This Note is issued by the Authority pursuant to and for purposes permitted by Article 3 of Chapter 3 of Title 31, Code of Laws of South Carolina, 1976, and Act No. 76 of

the Acts of the General Assembly of the State of South Carolina for the year 1977, in order to obtain funds with which to acquire and construct 40 housing units in the Town of Ridgeland, in Jasper County, in order to provide housing for approximately 120 persons or families of low income (the Project).

The issuance of this Note has been authorized by a Resolution duly adopted by the Authority and its issuance has received the approval of the State Budget and Control Board of South Carolina required by Act No. 76 of 1977. This Note has been issued in compliance with the terms and provisions of a Loan and Security Agreement of even date herewith between the Authority and the Lender and is secured by the properties, moneys and property rights set forth in said Loan and Security Agreement and by a first and fore-closeable Mortgage on the Project.

This Note is a limited obligation of the Authority which is an agency of the State of South Carolina with limited statutory powers. It is payable solely from the properties, moneys and property rights described in the said Loan and Security Agreement and in the said Mortgage. The faith and credit of the State of South Carolina are not pledged to the payment of this Note and this Note does not constitute an indebtedness of the State of South Carolina and shall never give rise to a pecuniary liability of the State of South Carolina or the Authority except to the

extent set forth in the Resolution of the Authority authorizing this Note and as further set forth in the Loan and Security Agreement and in the Mortgage.

The Authority has secured a commitment from the Farmers Home Administration of the United States Government (the Government), pursuant to which it will make permanent loans to finance the Project. The Authority agrees to perform all acts required of it to implement such agreement and to apply the proceeds of the permanent loan to the extent necessary to the payment of this Note.

It is hereby certified and recited that all acts, conditions and things required by the laws of the State of South Carolina to exist, to happen and to be performed precedent to or in the issuance of this Note, exist, have happened and have been performed in regular and due time, form and manner and that the amount of this Note does not exceed any statutory limitation thereon.

IN WITNESS WHEREOF, the SOUTH CAROLINA STATE HOUSING AUTHORITY has caused these presents to be executed by its Chairman and attested by its Secretary, the Seal of the

to be impressed hereon, and this Note to be dated the ____
day of June, A. D. 1978.

SOUTH CAROLINA STATE HOUSING
AUTHORITY

(SEAL)

BY _____
Chairman

Attest:

Secretary

EXHIBIT "B"

STATE OF SOUTH CAROLINA)
)
COUNTY OF JASPER) M O R T G A G E

WHEREAS, the SOUTH CAROLINA STATE HOUSING AUTHORITY, (the "Authority") is justly indebted to THE SOUTH CAROLINA NATIONAL BANK (the "Mortgagee"), in the principal amount of EIGHT HUNDRED SIXTY-SIX THOUSAND AND NO/100 (\$866,000.00) DOLLARS, with interest thereon at the rate of Five and Twenty Five Hundredths percent (5.25%) per annum, payable semi-annually, all as set forth in the Note of the Authority to the Mortgagee of even date herewith; and

WHEREAS, the said Note is issued pursuant to the provisions of Article 3, Chapter 3, Title 31, Code of Laws of South Carolina, 1976, and Act No. 76 of the Acts of the General Assembly of the State of South Carolina for the year 1977, and is a limited obligation of the Authority payable solely from the sources therein set forth and secured solely by this Mortgage and the properties, moneys and property rights set forth in a certain Loan and Security Agreement of even date herewith between the Authority and the Mortgagee; and

WHEREAS, in order to secure the said Note the Authority is obligated to and desires to secure the same by this forecloseable Mortgage.

NOW, KNOW ALL MEN, that the Authority, in consideration of the said debt, and for the better securing the payment

thereof, and all extensions, renewals and modifications thereof, according to the conditions of the said Note; which with all its provisions is hereby made a part hereof; and also in consideration of Three and No/100 (\$3.00) Dollars, to the said Authority in hand well and truly paid, by the said Mortgagee, at and before the sealing and delivery of these Presents, the receipt whereof is hereby acknowledged, has granted, bargained, sold and released and by these Presents does grant, bargain, sell and release unto the said THE SOUTH CAROLINA NATIONAL BANK, its successors and assigns, the following described property, to-wit:

"ALL that certain piece, parcel or tract of land, situate, lying and being in the Town of Ridgeland, County of Jasper, State of South Carolina, containing six and twenty three one-hundredths (6.23) acres, more or less, and being bound on the North and Northeast by lands of Marie H. Weathersbee and Carolyn W. Hill; and lands of Charles Broxton; on the East and Southeast by the right-of-way of S. C. Highway S-27-68; on the Southwest by lands of C. W. Malphrus, Joe Branch, Sarah Branch and Hazel Priester and on the Northwest by other lands of Marie H. Weathersbee and Carolyn W. Hill. Commencing at a point separating these lands from lands of C. W. Malphrus for a distance of 214.08' feet northwest of the center of S. C. Highway S-27-116; said line measured along the right-of-way of S. C. Highway S-27-68; said point being considered as Point A; thence running North 33° 37 min. 35 sec. West for a distance of 307.28' to Point B; thence North 47° 54 min. East for a distance of 114.07' feet; thence North 55° 32 min. East for a distance of 119.94'; thence North 73° 44 min. East for a distance of 421.90' feet; thence North 78° 51 min. East for a distance of 113.03' feet; thence North 89° 34 min. East for a distance of 419.01' feet; thence South 25° 31 min. West for a distance of 92.80' feet; thence South 78° 10 min. 12 sec. West for a distance of 78.18' feet; thence South 61° 54 min. West for a distance of 943.28' feet to the point of beginning.

Said piece, parcel or tract of land being a portion of those lands devised to Marie H. Weathersbee and Carolyn W. Hill by Will of Y. C. Weathersbee shown on File #10, Office of the Probate Judge for Jasper County, South Carolina; the said Marie H. Weathersbee having served as Executrix of the Estate of Y. C. Weathersbee and Letters Dismissory having been filed on April 12, 1965.

For a more particular description, reference is asked to that Plat prepared by Davis & Floyd, Engineers, Inc., dated April, 1978, Albert Heatly, Jr., R. L. S.

TOGETHER with all and singular the rights, members, hereditaments and appurtenances to the said premises belonging, or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular the said Premises unto the said THE SOUTH CAROLINA NATIONAL BANK, its successors and assigns forever.

AND the Authority does hereby bind itself and its successors and assigns to procure or execute any further necessary assurances of title to the said premises, the title to which is unencumbered, and also to warrant and forever defend all and singular the said Premises unto the said Mortgagee, its successors and assigns, from and against the Authority and its successors and assigns and all persons lawfully claiming, or to claim the same or any part thereof.

AND IT IS AGREED, by and between the said parties, that this Mortgage shall secure:

(1) all indebtedness of the Authority to the Mortgagee (including, but not limited to, the above described Note) evidenced by any promissory note or any other instrument, renewals, reamortizations, exten-

sions, deferments or other arrangements with respect thereto, together with interest thereon as provided herein), relating to the Project described in the Note;

(2) all future advances relating to the Project described in the Note that subsequently may be made to the Authority and evidenced by any promissory note or any other instruments, and all renewals, reamortizations, extensions, deferments or other rearrangements with respect thereto, together with interest thereon as provided herein, said future advances, if any, to be made solely at the option of the Mortgagee; and

(3) all other indebtedness of the Authority to the Mortgagee relating to the Project described in the Note to become due or hereafter contracted, and all renewals, reamortizations, extensions, deferrments or other arrangements thereof, together with interest thereon as provided for herein.

THE MAXIMUM PRINCIPAL AMOUNT OF ALL EXISTING INDEBTEDNESS, FUTURE ADVANCES AND ALL OTHER INDEBTEDNESS OUTSTANDING AT ANY ONE TIME SHALL NOT EXCEED \$1,200,000, PLUS INTEREST THEREON, ATTORNEYS' FEES, COURT COSTS AND ANY ADVANCES NECESSARY FOR THE PROTECTION OF THE SECURITY OR TITLE THERETO, SUCH AS, BUT NOT LIMITED TO, ADVANCES FOR TAXES AND INSURANCE PREMIUMS, ALL OF WHICH ARE SECURED BY THIS MORTGAGE.

AND IT IS AGREED, by and between the parties hereto, that the Authority, its successors and assigns, shall keep the buildings erected on said premises, insured against loss or damage by fire, for the benefit of the said Mortgagee, for an amount not less than that specified in a certain Loan and Security Agreement between the parties hereto of even date herewith, in such company as shall be approved by the said Mortgagee, and shall deliver the policy to the said Mortgagee, and in default thereof, the said Mortgagee, or its successors and assigns, may effect such insurance and reimburse itself under this Mortgage for the expense thereof, with interest thereon, from the date of its payment. And it is further agreed, in the event of other insurance and contribution between the insurers, that the said Mortgagee, its successors and assigns, shall be entitled to receive from the aggregate of the insurance moneys to be paid, a sum equal to the amount of the debt secured by this Mortgage.

AND IT IS AGREED, by and between the said parties, that if the Authority, its successors or assigns, shall fail to pay all taxes and assessments upon the said premises when the same shall first become payable, then the said Mortgagee, its successors or assigns, may cause the same to be paid, together with all penalties and costs incurred thereon, and reimburse itself under this Mortgage for the sums so paid, with interest thereon, from the dates of such payments.

1
AND IT IS AGREED, by and between the said parties, that upon any default being made in the payment of the interest or principal of the Note, or of the insurance premiums, or of the taxes, or of the assessments hereinabove mentioned, when the same shall severally first become payable, or in any other of the provisios of this Mortgage, or in the Loan and Security Agreement between the parties above referred to, that then the entire amount of the debt secured, or intended to be secured hereby, shall forthwith become due, at the option of the said Mortgagee, its successors or assigns, although the period for the payment of the said debt may not then have expired.

AND IT IS AGREED, that if the holder of the Note secured hereby is compelled to pay any taxes upon the debt represented by said Note, or by this Mortgage, then, and in that event, unless the said taxes are paid by some party other than the said holder, that then the entire amount of the debt secured, or intended to be secured, shall forthwith become due at the option of the said Mortgagee, its successors or assigns, although the period for its payment may not then have expired.

AND IT IS AGREED, by and between the said parties, that, should legal proceedings be instituted for the collection of the debt secured hereby, then and in that event, the said Mortgagee, its successors or assigns, shall have the right to have a Receiver appointed of the rents and profits of the above described premises, with power to

forthwith lease out the said premises anew if he should so elect, who, after deducting all charges and expenses attendant to such proceedings, and the execution of the said trust as Receiver, shall apply the residue of the said rents and profits towards the payment of the debts secured hereby.

AND IT IS FURTHER AGREED, by and between the said parties, that should legal proceedings be instituted for the foreclosure of this Mortgage, or for any purpose involving this Mortgage, or should the debt hereby secured be placed in the hands of the attorney at law for collection, by suit or otherwise, that all costs and expenses incurred by the Mortgagee, its successors or assigns, including a reasonable counsel fee, as provided in the Loan and Security Agreement above referred to, shall thereupon become due and payable as a part of the debt secured hereby, and may be recovered and collected hereunder.

PROVIDED that the Authority, as an agency of the State of South Carolina with limited statutory powers cannot and does not incur any obligation hereunder which constitutes a general obligation of the Authority or a general obligation of the State of South Carolina, or as to which the State shall incur or shall have incurred pecuniary liability or a charge against its credit or taxing power and each and every covenant herein (and in the Note made) is payable and dischargeable solely from the proceeds of the sale of the mortgaged property and from the property, moneys and pro-

perty rights granted under the Loan and Security Agreement between the parties hereinabove spoken of.

PROVIDED, ALWAYS, and it is the true intent and meaning of the parties to these Presents, that when the Authority, its successors and assigns, shall pay, or cause to be paid unto the said Mortgagee, its successors, certain attorneys, or assigns, the said debt, with interest thereon, if any shall be due, and also all sums of money paid by the said Mortgagee, its successors or assigns, according to the conditions and agreements of the said Note, and of this Mortgage and the said Loan and Security Agreement and shall perform all the obligations according to the true intent and meaning of the said Note and Mortgage and Loan and Security Agreement and the conditions thereunder written, then this Deed of Bargain and Sale shall cease, determine and be void, otherwise it shall remain in full force and virtue.

AND IT IS LASTLY AGREED, by and between the said parties, that the Authority, its successors and assigns, shall hold and enjoy the said premises until default of payment shall be made.

IN WITNESS WHEREOF, the SOUTH CAROLINA STATE HOUSING AUTHORITY has caused these presents to be executed by its Chairman and attested by its Secretary and the seal of the

Authority to be impressed hereon, and this Mortgage to be dated this the ____ day of June, A. D. 1978.

WITNESSES:

SOUTH CAROLINA STATE HOUSING
AUTHORITY

BY _____
Chairman

Attest:

(SEAL)

BY _____
Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF JASPER)

PERSONALLY appeared before me _____ who
being duly sworn, deposes and says that (s)he saw the cor-
porate seal of South Carolina State Housing Authority af-
fixed to the foregoing Mortgage, and that (s)he also saw
_____ as Chairman of the South Carolina State
Housing Authority, and _____ as Secretary of the
South Carolina State Housing Authority, sign and attest the
same and that (s)he with _____ witnessed the
execution and delivery thereof as the act and deed of the
South Carolina State Housing Authority.

SWORN to before me this

____ day of _____, 1978.

_____(L.S.)
Notary Public for South Carolina
My Commission Expires: _____.

EXHIBIT "C"

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement (the "Agreement") made and entered into by and between the South Carolina State Housing Authority (the "Authority") and The South Carolina National Bank, a banking corporation in the City of Columbia, State of South Carolina (the "Bank"):

WITNESSETH:

The Authority has applied to the Bank for a construction loan (the "Loan") to provide funds with which the Authority will acquire a tract of land containing approximately 6.23 acres more or less in the Town of Ridgeland, Jasper County, and will construct thereon 40 housing units which are intended to provide housing for approximately 120 persons or families of low income (the "Project"). The Loan is to be evidenced by a Note of the Authority (the "Note") authorized by a resolution of the Authority (the "Resolution") which prescribes the sources from which the Note is to be paid and the manner in which it is to be secured. The undertaking of the Authority in its Resolution has been duly approved by the Budget and Control Board of the State of South Carolina (the "State Board").

The Bank has agreed to make the Loan and the Authority and the Bank enter into this Agreement to evidence the terms and conditions under which the Loan is to be made, disbursed and secured.

NOW THEREFORE, in consideration of the matters of inducement above recited and the sum of One Dollar (\$1.00) in hand paid to the Authority by the Bank, the receipt and sufficiency of which the Authority acknowledges the parties hereto agree as follows:

ARTICLE I

LOAN DOCUMENTS

The Authority has duly authorized, executed and delivered to the Bank the following documents which together with this Agreement constitute the loan documents (the "Loan Documents").

1. A certified copy of the Resolution.
2. The Note in the principal amount of \$866,000, dated as of the date hereof, bearing interest at the rate of 5.25% per annum, payable semiannually from the date thereof, and maturing one year from its date.
3. A first forecloseable mortgage on the Project (the "Mortgage").
4. UCC Financing Statements giving notice of the security interests created hereunder (the "Financing Statements").

ARTICLE II

REPRESENTATIONS AND WARRANTIES

The Authority makes the following representations and warranties:

1. The Authority is a duly constituted agency of the State of South Carolina and is duly authorized by the provisions of the laws of South Carolina recited in the Resolution to acquire, construct and finance the Project.

2. All conditions, acts and things, including governmental approvals, required by the laws of South Carolina to exist, to happen and to be performed precedent to the undertakings of the Authority to acquire, construct and finance the Project have happened and have been performed in regular and due time, form and manner.

3. Plans and specifications (the "Plans") for the Project have been prepared and a copy thereof has been delivered to the Bank.

4. The Authority has applied for and has obtained from the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (FmHA) a commitment or allocation of funds pursuant to which FmHA will make a permanent loan to the Authority to finance the Project upon its completion (the "Commitment").

5. The Authority has an enforceable option to purchase the site of the Project and has entered into a construction contract (the "Construction Contract") pursuant to which the Project will be constructed in accordance with the Plans.

6. The Note, the Mortgage and this Agreement are in all respects legal, valid and binding documents according to their terms and grant to the Bank valid and enforceable

security in the Project, property, moneys and the property rights herein described.

7. No chattel mortgage, Bill of Sale, security agreement, financing statement or title retention contract (except those executed to the Bank) has been or will be executed with respect to the Project and the property, moneys and property rights herein granted to the Bank as security for the Loan.

8. The consummation of the transactions hereby contemplated and the performance of the obligations of the Authority under and by virtue of the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, security deed, deed of trust, lease, bank loan or credit agreement, by-laws, or other instrument to which the Authority is a party or by which it may be bound or affected.

9. There are no actions, suits, or proceedings pending, or, to the knowledge of the Authority, threatened against or affecting the Authority or the Project, or involving the validity or enforceability of any of the Loan Documents or the priority of the lien thereof, at law or in equity, or before or by any governmental authority.

10. The Authority has no knowledge of any violations or notices of violations of any Federal law or municipal or county ordinance or order or requirement or any municipal department or other governmental authority having jurisdiction affecting the Project, which violations in any way re-

late to or affect the Project.

11. The Plans and construction pursuant thereto and the use of the Project contemplated thereby comply and will comply with all governmental laws and regulations, and requirements, standards and regulations of appropriate supervising boards of fire underwriters and similar agencies.

12. All utility servies necessary for the construction of the Project and the operation thereof for their intended purposes are available at the boundaries of the Project, including water supply, storm and sanitary sewer facilities, electric and telephone facilities.

13. All building permits required for the construction of the Project have been or will be obtained and copies furnished prior to any construction disbursement.

14. The site of the Project is not now damaged or injured as a result of any fire, explosion, accident, flood or other casualty.

ARTICLE III

COVENANTS OF AUTHORITY

The Authority hereby covenants and agrees with the Bank as follows:

1. Commitment: To permit no default under the terms of the Commitment to the Authority from FmHA.

2. Construction Contract: (i) To deliver to the Bank prior to any withdrawal a general waiver of mechanic's liens executed by the General Contractor, (ii) To permit no de-

fault under the terms of the Construction Contract, (iii) to waive none of the obligations of the Contractor thereunder, (iv) to do no act which would relieve Contractor from its obligations to construct the Project according to the Plans, (v) to make no material amendments to the Construction Contract, without the prior written consent of the Bank, FmHA and the Surety on the Payment and Performance Bond given by the General Contractor, and (vi) to furnish the Bank, prior to any disbursement, with an agreement by Contractor that, in the event of default by Authority under the terms of any of the Loan Documents, the Contractor will, at the request of the Bank continue performance pursuant to the Construction Contract until completion of construction of the Project, provided the Contractor is reimbursed in accordance with the Construction Contract for all such services rendered.

3. Agreement of Architect: To furnish to the Bank, at its request, with an agreement by the Architect that, in the event of default by the Authority under the terms of any of the Loan Documents, the Architect will, at the request of the Bank (i) continue performance pursuant to its contract with the Authority until completion of construction of the Project provided Architect is reimbursed in accordance with said contract for all such services rendered and (ii) permit the Bank to use the Plans and Specifications at no

cost to the Bank.

4. Insurance: To obtain such insurance or evidence of insurance as the Bank or FmHA may require, including but not limited to the following:

(i) Title Insurance: A mortgagee title insurance policy providing coverage in the amount of \$866,000, and as to form and substance and written by a title insurance company satisfactory to the Bank insuring a valid first lien upon the Project by virtue of the Mortgage, specifically insuring against unfiled mechanic's liens, the original of which policy shall be promptly delivered to the Bank. The policy shall contain no exceptions except standard printed exceptions, those exceptions referred to in the Mortgage and those specifically waived in writing by the Bank.

(ii) Builder's Risk Insurance: Builder's risk and such other hazard insurance as the Bank may require with standard non-contributing mortgagee clauses and standard subrogation clauses, such insurance to be in such amounts and form and by such companies as shall be approved by the Bank, and the originals of such policies (together with appropriate endorsements thereto, evidence of payment of premiums thereon and written agreements by the insurer or insurers therein to give the Bank twenty (20) days' prior written notice of intention to cancel) shall be promptly delivered to the Bank; said insurance coverage to be kept in full force

and effect at all times until the completion of construction of the Project. In the event that any portion of the Project is completed and possession of said portion is given to the Authority, and tenants, or invitees of the Authority take possession of said completed portion, the builder's risk insurance policy shall be endorsed to provide specifically for the coverage of any such completed portion of the Project under the terms and conditions of the policy, so as to preclude the assertion of any and all defenses predicated on the possession and use of the completed portion of the Project.

(iii) Hazard Insurance: Fire and extended coverage insurance, flood insurance, and such other hazard insurance as the Bank may require with standard non-contributing mortgagee clauses and standard subrogation clauses, such insurance to be in such amounts and form and by such companies as shall be approved by the Bank, and the originals of such policies (together with appropriate endorsements thereto, evidence of payment of premiums thereon and written agreement by the insurer or insurers therein to give the Bank twenty (20) days' prior written notice of intention to cancel) shall be promptly delivered to the Bank; such insurance to be obtained immediately upon completion of construction of the Project and before any portion of the

Premises is occupied by the Authority or any tenant of the Authority with such insurance to be kept in full force and effect at all times thereafter until the payment in full of the Note.

(iv) Public Liability and Workmen's Compensation Insurance: A certificate from an insurance company indicating that the General Contractor is covered to the satisfaction of the Bank by public liability and workmen's compensation insurance.

5. Collection of Insurance Proceeds: To cooperate with the Bank in obtaining for the Bank the benefits of any insurance or other proceeds lawfully payable to it in connection with the transactions contemplated hereby and the collection of any indebtedness or obligation of the Authority to the Bank incurred hereunder (including the payment by the Authority of the expense of an independent appraisal on behalf of the Bank in case of a fire or other casualty affecting the Project) the Authority understands and agrees that in the event the Bank shall lawfully collect either all or a portion of the insurance proceeds payable under insurance policies required by subparagraph 4 of this Article III, the Bank may, at its sole option and in its sole discretion, either apply such proceeds to the restoration of the Project or to the reduction of the unpaid principal indebtedness evidenced by the Note.

6. Expenses: To pay all costs of closing and administering the Loan contemplated hereunder and all reasonable expenses of the Bank with respect thereto including, but not limited to, legal fees of counsel, including legal fees incurred by the Bank subsequent to the closing of the loan, but incurred in connection with the disbursement, administration, or collection of the loan, advances, recording expenses, surveys, other recording taxes, expenses or foreclosure (including reasonable attorneys' fees) and similar items, specifically including reasonable attorneys' fees and all reasonable expenses incurred by the Bank in the defense or prosecution of any litigation to which the Bank becomes or is made a party or because the Bank is the holder of the Mortgage or security interest hereinafter granted.

7. Commencement and Completion of Construction: To diligently pursue the construction of the Project to completion, and to perform such duties as may be necessary to complete the construction of the Project pursuant to Plans and in full compliance with all terms and conditions of the Commitment and the Loan Documents, all of which shall be accomplished within twelve (12) months from the date hereof.

8. Right of Lender to Inspect Premises: The Bank and its representatives and agents shall have the right, but not a duty, to enter upon the Project and to inspect the same and all materials to be used in the construction thereof and the Authority shall cause the Contractor to cooperate with

the Bank and its representatives and agents during such inspections; provided, however, that this provision shall not be deemed to impose upon the Bank any obligation to undertake such inspections, and any such inspections and the results thereof shall be solely for the use and benefit of the Bank.

9. Correction of Defects. To promptly correct any structural defects in the Project and to promptly correct any departure from the Plans not previously approved by the Bank and FmHA. The advance of any loan proceeds shall not constitute a waiver of the Bank's right to require compliance with this covenant.

10. Restriction on Secondary Financing and Sale of Premises: To keep the Project and the personal property, upon which the Bank has a first lien as evidenced herewith and by the Mortgage, free and clear of all other encumbrances, liens, mortgages, security interest and secondary financing, and the Authority shall not, without the prior written consent of the Bank and FmHA, voluntarily or by operation of law, sell, transfer or convey all or any part of its interest in the Project or any portion thereof except as otherwise may be permitted in this Agreement.

11. Additional Documents: To perform hereunder as follows:

(i) Regarding Construction: To furnish to the Bank all notices received by the Authority from the

Contractor and all instruments, documents, initial surveys, footing or foundation surveys, certificates, Plans, appraisals, title and other insurance, reports and agreements and each and every other document and instrument either required to be furnished by the terms hereof or which the Bank may reasonably request.

(ii) Regarding Preservation of Security: To sign and deliver to the Bank such documents, instruments, assignments and other writings, and to do such other acts necessary or desirable to preserve and protect the mortgage lien, assignment and security interest held by the Bank in the collateral at any time securing or intended to secure the Note, as the Bank may require.

(iii) Regarding this Agreement: To do and execute all such further lawful and reasonable acts, and assurances in the law for the better and more effective carrying out of the intents and purposes of this Agreement as the Bank shall reasonably require from time to time.

ARTICLE IV

USE AND DISPOSITION OF PROCEEDS OF LOAN

1. Upon the delivery of the Note to the Bank, the Bank shall pay to the Authority the sum of \$866,000. Simultaneously, therewith the Authority shall deposit the same in a project construction fund (the "Construction Fund") which shall be held in trust by the Bank, invested

and reinvested, and disbursed only in the manner herein prescribed by the remaining paragraphs of this Article.

2. Unexpended balances in the Construction Fund shall be invested and reinvested in securities of the sort permitted by Chapter 5, Title 6, Code of Laws of South Carolina, 1976, and within maturities consonant with the anticipated uses for funds as indicated by the Authority to the Bank but in no event maturing after the maturity of the Note. All income received from such investments shall be deposited in and become a part of the Construction Fund. The Bank may use its own Bond department to effect investments.

3. Simultaneously with the closing, the Bank shall, upon approval of the Authority and FmHA, disburse the costs of acquiring the site of the Project and all other initial Project costs. Thereafter, and provided that no default hereunder or with respect to the Note and the Mortgage shall have occurred and shall then exist, disbursements for costs and expenses incident to the financing, including interest thereof, and the construction of the Project may be made upon the order or certificate of the Authority approved or countersigned by a duly authorized representative of FmHA (the "Certificate for Payment"). The Certificate for Pay-

ment shall, upon the request of the Bank, be accompanied by evidence in form and content satisfactory to the Bank including, but not limited to, certificate and affidavits of the Authority and the Contractor or such other person as the Bank may require, showing:

(i) The value of that portion of the Project completed at that time;

(ii) That all outstanding claims for labor, materials and fixtures, other than claims which are contested in good faith and for which adequate reserves satisfactory to the Bank are maintained, have been paid or will be paid using proceeds of disbursements then requested;

(iii) That there are no liens outstanding against the Project, except for the Bank's security interest, inchoate liens for property taxes not yet due or for labor or materials to be paid out of proceeds from requested disbursement;

(iv) That the Authority has complied with all of its obligations as to the date thereof, under the Loan Documents;

(v) That all construction prior to the date of the request for an advance has been done in accordance with the Plans.

(vi) That all funds previously disbursed by the Bank have been applied directly to the cost of the

construction of the Project or such other incidental costs as the Bank shall have approved in writing; and that the remaining non-disbursed portion of the Loan is adequate to complete the Project.

4. Conditions Precedent to Construction
Disbursements: At no time and in no event shall the Bank be obligated to disburse additional funds:

(i) in excess of the amount recommended by any inspector or architect then employed by the Bank.

(ii) if any event of default as set forth in Article VI hereof shall have occurred and shall not have been cured prior to time of disbursement;

(iii) if in the opinion of the Bank the estimated remaining cost of construction in accordance with the Plans exceeds the remaining undisbursed portion of the Construction Fund reduced by any reserve required hereunder and such opinion is confirmed in writing by an inspector or architect appointed by the Bank after consultation with the General Contractor, the Authority and the Authority's Architect; and the Authority is unable to provide such funds or to secure an increase in the Commitment from FmHA for such excess funds;

(iv) if the Project shall have been damaged by fire, flood or other casualty and the Bank shall not have received insurance proceeds sufficient in the sole judgment of the Bank to effect the restoration of the

Project in accordance with the Plans and to permit the completion of the Project on or before the completion date and the Authority is unable to secure an increase in the commitment from FmHA, for such additional funds;

(v) if Authority has not paid when due all obligations for the cost of constructing the Project or for any restoration thereof required hereunder or by FmHA.

5. Retainage: Ten percent (10%) of each disbursement from the Construction Fund for the General Contractor shall be withheld by the Authority which ten percent (10%) shall be disbursed only upon compliance with the following requirements in addition to the requirements for all other disbursements:

(i) Receipt by Authority of satisfactory evidence of the completion of the Project in accordance with Plans and approval of such completion by FmHA.

(ii) Receipt by the Bank of a satisfactory "as-built" survey by a registered land engineer approved by FmHA reflecting the location of the units of the Project on the site in accordance with the Plans, and said Survey is to be accepted by FmHA prior to such disbursement

(iii) Receipt by the Bank of the requisite lien waivers and affidavit of Contractor sufficient in the opinion of counsel to the Bank to dissolve any mechanic's and materialmen's liens (inchoate or otherwise) affecting title to the Project.

6. Notice, Frequency and Place of Disbursements: At the option of the Bank (i) the above said Certificate for Payment shall be submitted to the Bank at least five (5) business days prior to the date of the requested advance, (ii) disbursements shall be made no more frequently than monthly, and (iii) all disbursements shall be made at the office of the Bank in the City of Columbia, or at such other place as the Bank may designate.

7. Advances Do Not Constitute a Waiver: No advance from the Construction Fund shall constitute a waiver of any of the conditions of the Banks obligation to make further advances nor, in the event the Authority is unable to satisfy any such condition, shall any such waiver have the effect of precluding the Bank from thereafter declaring such inability to be an event of default under Article VI hereof.

8. Approval of Construction Contract and Contractor: The General Contractor and the form and substance of the General Construction Contract shall be subject to the approval of the Bank.

9. Payment and Performance Bond: Prior to any advance, the obligations of the General Contractor shall be guaranteed by a Payment and Performance Bond in the full amount of the contract and in such form as approved by the Bank and written by a surety acceptable to the Bank, with a dual-obligee rider in favor of the Bank.

ARTICLE V
CREATION OF SECURITY INTERESTS

1. To secure the payment and performance of the obligations of the Authority to the Bank pursuant to the Note, the Mortgage and this Agreement, the Authority hereby grants to the Bank, a present security interest in the Collateral described in paragraph 2 hereof.

2. The Collateral is and shall be

(a) Any and all fixtures, equipment, appliances and other personal property, whether now owned or hereafter acquired, or in which the Authority now has or shall hereafter acquire any right, title or interest whatsoever (whether by bill of sale, lease, conditional sales contract, other title retention document or otherwise) which is, are or shall be located upon and used in the Project or other operations or enterprises carried out upon the real property more particularly described in the Mortgage, together with any and all replacements or substitutions thereof or therefor as well as the proceeds thereof or therefrom regardless of form.

(b) All moneys not then disbursed in the Construction Fund.

(c) All proceeds resulting from any payment to the Authority on account of any insurance policy, contractor's bond, fidelity bond, title insurance

policy obtained by the Authority in connection with the Project.

(d) All proceeds payable to the Authority pursuant to the Commitment from FmHA.

(e) The proceeds of all rents and revenues which the Authority may derive from the use or rental of the Project prior to the payment in full of the principal of and interest on the Note.

3. The Authority shall take any and all steps required to protect the Collateral described in paragraph 2 hereof and pursuant to this obligation the Authority agrees that the Collateral:

(i) Will be used primarily in the construction or operation of the Project; and

(ii) Will not be misused, wasted or allowed to deteriorate, except for the ordinary wear and tear of its intended primary use; and

(iii) Will at all times be insured against loss, damage, theft, and such other risks as the Bank may require in such amounts, with such companies, under such policies, in such form and for such periods as shall be satisfactory to the Bank, and each such policy shall provide that the loss thereunder and the proceeds payable thereunder shall be payable to the Bank as its interest may appear, and the Bank may apply any proceeds of such insurance which may be received by the

Bank toward the payment of the Note, whether due or not due, in such order as the Bank may determine; and

(iv) Will be kept at the Project where the Bank may inspect it at any time, except for its temporary removal for maintenance or repair in connection with its ordinary use; and

(v) Will not be used in violation of any statute or ordinance; and

(vi) May be examined and inspected by the Bank at any time, wherever located.

4. Protection of Security Interest: The Authority shall take any and all steps necessary to protect the priority of the security interest granted herein, and in pursuance of this obligation, the Authority agrees that:

(i) It will not sell, transfer, lease or otherwise dispose of any of the Collateral or any interest therein or offer to do so without the prior written consent of the Bank, or permit anything to be done that may impair the value of any of the Collateral or the security intended to be afforded herein, except as herein provided; and

(ii) It will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation; and

(iii) It will sign and execute, alone or with the Bank, any financing statement or other document or

procure any documents and pay all connected costs necessary to protect the security interest hereunder against the rights or interests of third persons; and

(iv) It will reimburse the Bank for all costs, including reasonable attorneys' fees, incurred for any action taken by the Bank to remedy a default of the Authority.

ARTICLE VI

DEFAULTS

An event of default shall be deemed to have occurred hereunder if:

1. Default Under Loan Documents: Any event of default occurs under any of the Loan Documents; or

2. Failure to Obtain an Advance: The Authority is unable to satisfy any condition of its right to obtain a disbursement from the Construction Fund for a period in excess of thirty (30) days following request and refusal of request for disbursement; or

3. Breach of Covenant: The Authority breaches or fails to perform, observe or meet any covenant or condition made in any of the Loan Documents; or

4. Breach of Warranty: Any warranties made or agreed to be made in any of the Loan Documents shall be breached by the Authority or shall prove to be materially false or misleading; or

5. Filing of Liens Against the Premises: Any lien for labor, material, taxes or otherwise shall be filed against the Project and such lien or liens shall not be discharged or released prior to or immediately after commencement of a suit to enforce such lien, either by payment in satisfaction of such lien, or by securing such lien with a surety bond, or by establishing adequate reserves satisfactory to the Bank.

6. Other Agreements and Litigation: If the Authority shall fail to perform or observe any term, covenant or agreement contained in any Loan Document and such failure remains unremedied beyond the period of grace, if any, contained therein or if any suit shall be filed against the Authority, which, in the opinion of counsel for the Bank, if adversely determined, could impair the ability of the Authority to perform any one of its obligations under and by virtue of the Loan Documents and for which adequate reserves or surety, satisfactory to the Bank, are not maintained or secured to satisfy any judgment which might result from such filing; or

7. Levy Upon the Premises: A levy be made under any process on, or a receiver be appointed for, the Project.

8. Transfer of Premises: The Authority shall, without the prior written consent of the Bank voluntarily or by operation of law, sell, transfer or convey (except as may be provided in the Loan Documents) all or any part of its

interest in the Project or in any of the personalty located thereon, and used or intended to be used in connection therewith.

9. The Authority shall fail to fully discharge its obligations with respect to the Collateral described in Article V hereof; or

10. Grace Period: Other than a default in payment of principal and/or interest when due or a violation of Article V, or a voluntary petition for bankruptcy, receivership or reorganization, the Authority shall have a period of thirty days from written notice by the Bank of an event of default under the Loan Documents in which to cure such default, but during such thirty day period, the Bank shall not be required to allow withdrawals from the Construction Fund.

ARTICLE VII

REMEDIES OF THE BANK

Upon the occurrence of any one or more of the events of default set out in Article VI hereof, the Bank shall at its option be entitled, in addition to, and not in lieu of the remedies provided for in the Loan Documents or otherwise provided by law:

(i) To demand payment on the Note and to declare the Note and Mortgage in default;

(ii) To perform or cause to be performed any and all work, and labor necessary to complete the Project in accordance with Plans;

(iii) To employ security watchmen to protect the Project;

(iv) To protect the Collateral and to collect the proceeds therefrom; and

(v) To disburse that portion of the Construction Fund not previously disbursed (including any retainage) to the extent necessary to complete construction of the Project in accordance with the Plans and if the completion requires a larger sum than the remaining undisbursed portion of the loan, to disburse such additional funds, all of which funds so disbursed by the Bank shall be deemed to have been disbursed to the Authority and shall be secured by the Mortgage and by the security interest granted herein. For this purpose, the Authority hereby constitutes and appoints the Bank its true and lawful attorney-in-fact with full power of substitution to complete the construction of the Project in the name of the Authority, and hereby empowers the Bank as said attorney to take all actions necessary in connection therewith including, but not limited to, the following: To use any funds in the Construction Fund for the purpose of completing the Project in the manner called for by the Plans; to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purposes; to pay, settle or compromise all existing or future bills and claims which are or may be liens against the Project, or may be necessary or desirable for the com-

pletion of the Project or the clearance of title to the Project; to execute all applications and certificates in the name of the Authority which may be required by any Construction Contract and do any and every act with respect to the construction of the Project which the Authority might do in its own behalf. Said attorney-in-fact shall also have power to prosecute and defend all actions or proceedings in connection with the construction of the Project and to take such action and require such performance as it deems necessary. In accordance therewith, the Authority hereby assigns and quit-claims to the Bank all sums to be advanced hereunder including retainage and any sums in escrow conditioned upon the use of said sums, if any, for the completion of the Project.

(vi) To exercise any and all rights granted to a secured party under the Uniform Commercial Code of South Carolina.

It is agreed by the Authority that the remedies herein granted are cumulative to the other remedies provided for in the other Loan Documents and provided by law.

ARTICLE VIII

GENERAL CONDITIONS

The following conditions shall be applicable throughout the term of this Agreement:

1. Rights of Third Parties: All conditions of the obligations of the Bank hereunder, including the obligation

to make advances, are imposed solely and exclusively for the benefit of the Bank and its successors and assigns and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Bank will make advances in the absence of strict compliance with any or all the terms and conditions hereof and no other person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by the Bank at any time and from time to time, in its sole discretion. In this connection the Authority agrees to and shall indemnify the Bank from any liability, claims or losses resulting from the disbursement of the loan proceeds or from the condition of the Project whether related to the quality of construction or otherwise and whether arising during or after the term of the Note. This provision shall survive the payment of the Note and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.

2. Agreement Survives Closing: The Bank makes the Loan in reliance upon the warranties and covenants of the Authority in this Agreement and the other Loan Documents and such warranties and covenants shall survive the execution and delivery of the Loan Documents and shall continue until the Note and any other sums to be paid under the terms of the Loan Documents are paid in full.

3. Evidence of Satisfaction of Conditions: With respect to any condition of this Agreement which requires the submission of evidence of the existence of non-existence of a specified fact or facts, the Bank shall, at all times, be free to establish independently to its satisfaction and in its absolute discretion such existence or non-existence.

4. Assignment by Bank: The Bank may assign all or any portion of its rights in the Loan Documents and all of the provisions hereof shall continue in full force and effect and any advances made by any assignee shall be deemed made in pursuance and not in modification hereof and shall be evidenced by the Note and secured by the Mortgage and this Agreement.

5. Headings: The heading of the sections, paragraphs and subdivisions of this Agreement are for the convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

6. Invalid Provisions to Affect No Others: If fulfillment of any provision hereof or any transaction related hereto at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clauses or provisions herein contained operate or would prospectively operate to invalidate this Agreement in

whole or in part, then such clause or provision only shall be held for naught, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.

7. Each and every covenant herein made by the Authority is subject to the condition that it shall not create or give rise to any obligation of the State of South Carolina which would create a pecuniary liability of the State of South Carolina or constitute a charge against its credit or taxing power and all obligations to pay or to reimburse hereunder shall be discharged only from the Mortgage and the Collateral.

8. Number and Gender: Whenever the singular or plural number, masculine or feminine or neuter gender, is used herein, it shall equally include the other and the words hereof, herein, hereunder refer to this Agreement in its entirety. .

9. Amendments: Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

IN WITNESS WHEREOF, The Authority and the Bank have hereunto caused these presents to be executed on the date and year first hereinabove written.

SOUTH CAROLINA STATE HOUSING
AUTHORITY

(SEAL)

BY _____
Chairman, Commissioners of
South Carolina State Housing
Authority

Attest:

Secretary, Commissioners of
South Carolina State Housing
Authority

_____, 1978.

THE SOUTH CAROLINA NATIONAL
BANK

(SEAL)

BY _____
ITS _____

Attest:

Its _____

_____, 1978.

STATE OF SOUTH CAROLINA

I, Secretary of the Commissioners of the South Carolina State Housing Authority, DO HEREBY CERTIFY:

That the said Commissioners of the South Carolina State Housing Authority are as follows:

Mr. Hugh C. Lane	Governor James B. Edwards
Mr. John Hardin	Dr. Albert G. Randall
Mr. R. V. Mathison	Senator John C. Lindsay
Mr. Isaac Washington	Hon. William T. Putnam
Mrs. Jewel Baskin	Rep. Nick A. Theodore

That notice of meeting of a majority of said Commissioners was called at 11:00 A.M., June, 6th, 1978; that the following Commissioners participated in said meeting:

Mr. Hugh C. Lane	Ms. Beth McPherson for Governor James B. Edwards
Mr. R. V. Mathison	Senator John C. Lindsay
Mr. Isaac Washington	
Mrs. Jewel Baskin	

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

FOR MOTION

AGAINST MOTION

Mr. Lane	None
Mr. Mathison	
Mr. Washington	
Mrs. Baskin	
Ms. Beth McPherson for Gov. Edwards	
Senator Lindsay	

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

L. Steve Mayfield
L. Steve Mayfield
Secretary

June 6, 1978.

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

I, Charles B. Thompson, III, Housing Finance Administrator of the South Carolina State Housing Authority (the Authority), do hereby certify that heretofore the Authority pursuant to a Resolution duly adopted by the Commissioners of the Authority, was authorized to acquire and construct a rental project for persons and families of low income residing in the area of the Verdier Township of Colleton County. In order to raise the necessary funds for this project, the Authority obtained a commitment from the Farmers Home Administration of the United States Government to lend to the Authority following the construction of the said project the sum of \$1,387,900 to bear interest at the rate of 8% and to be repayable, both principal and interest, in installments over a period of 40 years. This permanent loan will be secured by a first, forecloseable mortgage on the said project and by a pledge of the rents and revenues derived therefrom.

The commitment of the Farmers Home Administration required the Authority to arrange temporary financing in order to provide funds for the acquisition of the site and to pay the cost of the construction of the said project. Pursuant to this, the Authority arranged such a loan with The South Carolina National Bank which is participating the

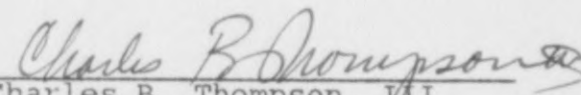
loan with each of The Citizens and Southern National Bank of South Carolina, First National Bank of South Carolina and Bankers Trust of South Carolina. This construction loan which was entered into November 21, 1977 bears interest at the rate of 4.9% per annum and matures one year from its date.

I do further certify that the above-described indebtedness constitutes the only outstanding indebtedness of the Authority.

This Certificate is given pursuant to the requirements of Section 6 of Act No. 76 of the 1977 Acts and Joint Resolutions of the General Assembly of the State of South Carolina.

WITNESS my Hand and the Seal of the South Carolina State Housing Authority, this 7th day of June, A. D. 1978.

(SEAL)


Charles B. Thompson, III
Finance Administrator

STATE BUDGET AND CONTROL BOARD

POLL OF June 7, 1978

POLL ITEM NUMBER 1

EXHIBIT III
6/7/78

Agency: Highways and Public Transportation

Subject: Selection of A&E Firm

Commissioner Cobb advises that the following firms, listed in preference order, have been selected for a district license sales and patrol office building to be located in Orangeburg:

	<u>Firm</u>	<u>Location</u>	<u>Reported State Work in Prior Two Years</u>
(1)	Summers & Gardner	Orangeburg	\$-0-
(2)	McMillan Associates	Greenville	-0-
(3)	Carlisle Associates	Columbia	-0-

The required selection procedure has been followed.

Board Action Requested:

Approve selection of Summers & Gardner for referenced project, as requested by Commissioner Cobb

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

 I approve of the above action.

 I disapprove of the above action.

 Hold for regular meeting.

Attachments:

Cobb 5/11/78 letter to Putnam plus attachments



SOUTH CAROLINA

DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

BOX 191

COLUMBIA, S. C. 29202

May 11, 1978

Mr. William T. Putnam
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

On Friday, December 30, 1977, a notice was published in "The State" newspaper requesting resumes of qualifications from architectural firms interested in developing plans for a district license sales and patrol office building to be located at the intersection of U. S. Route 21/178 Bypass with Road S-224 in Orangeburg. Attached is a copy of the legal notice which was published by "The State" newspaper.

The seventeen firms submitting resumes and the total amount of contracts these firms have executed with the State in the past two years are as follows:

ADEP Charlotte, N. C.	\$ - 0 -	Coulter & Gasque Assocs. Columbia, S. C.	\$ - 0 -
Alexander-Moormann & Assocs. Aiken, S. C.	\$497,000	Craig & Gaulden Greenville, S. C.	\$4,950,000
Paul E. Allen Columbia, S. C.	\$ - 0 -	William O. Fulmer Columbia, S. C.	\$ 524,000
William Anderson Columbia, S. C.	\$250,000	McMillan Associates Greenville, S. C.	\$ - 0 -
Carlisle Associates, Inc. Columbia, S. C.	\$ - 0 -	McMillan, Bunes, Townsend & Bowen-Greenville, S. C.	\$ 900,000
Carson and Williams Columbia, S. C.	\$ - 0 -	Fred J. Parrish Columbia, S. C.	\$ - 0 -
Ben Compton West Columbia, S. C.	\$576,000	Russell & Axon Anderson, S. C.	\$ 8,000

Mr. William T. Putnam

- 2 -

May 11, 1978

Wilbur Smith & Assocs.
Columbia, S. C.

\$1,144,400

Stephen A. Usry \$ - 0 -
Myrtle Beach, S. C.

Summers & Gardner
Orangeburg, S. C.

\$ - 0 -

The Department of Highways and Public Transportation has awarded the following A & E contract during the past three years:

<u>Year</u>	<u>Firm</u>	<u>Construction Cost</u>
1977	Craig & Gaulden Greenville, S. C.	\$245,159.00

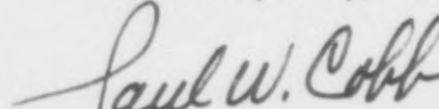
Based on proposed fees and the qualifications of firms submitting proposals, the Department has selected three architectural firms. The firms recommended and listed in priority order are as follows:

- (1) Summers & Gardner, Architects
- (2) McMillan Associates
- (3) Carlisle Associates, Inc.

The Department recommends that the Budget and Control Board approve its employing Summers and Gardner, Architects, to design the proposed building.

If additional information is needed, please let me know.

Yours very truly,



Paul W. Cobb
Chief Commissioner

Attachment



SOUTH CAROLINA

DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION

BOX 191

COLUMBIA, S.C. 29202

May 18, 1978

Mr. William T. Putnam
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

Addendum to our letter of May 11, 1978, this is to certify
that consideration of prior State work was taken into consideration
in the selection of the architectural firms recommended.

Yours very truly,

W. T. Brooks
Secretary-Treasurer

STATEMENT

Columbia Newspapers, Inc.

Publishers of

The State

SOUTH CAROLINA'S LARGEST MORNING NEWSPAPER

P. O. BOX 150

COLUMBIA, S. C. 29202

The Columbia Record

SOUTH CAROLINA'S LARGEST AFTERNOON NEWSPAPER

- S.C. State Highway Dept.
- P.O. Box 191
- Columbia, S.C. 29202

Attn: W.T. Brooks

PAY
LAST
AMOUNT

DESCRIPTION	DATE	SPACE		CHARGES	C O D E	CREDITS	TOTAL INCHES FOR MONTH	BALANCE DUE
		RATE	INCHES					
BALANCE FORWARD								
LEGAL NOTICE NOTICE TO ALL ARCHITECTURAL FIRMS P O BOX 24396	DEC 30 71	7.90	3.25	25.68			3.25	25.68
LEGAL NOTICE								
NOTICE TO ALL ARCHITECTURAL FIRMS: The South Carolina Department of Highways and Public Transportation requests a resume of qualifications from all interested architectural firms prior to January 18, 1978 for the purpose of developing plans for an office building containing license sales and patrol office (approximately 13,500 sq. ft.) to be located at the intersection of U.S. Route 21/178 Bypass with Road S-224 in Orangeburg, South Carolina. This work will include developing plans, advertising for and receiving bids and supervising construction. All information should be addressed to W. T. Brooks, Secretary-Treasurer, P.O. Box 191, Columbia, South Carolina 29202.								

THE AMERICAN INSTITUTE OF ARCHITECTS



AIA Document B141

Standard Form of Agreement Between Owner and Architect

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH
AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION

AGREEMENT

made this twenty-fourth day of May in the year of Nineteen
Hundred and seventy-eight

BETWEEN the Owner: South Carolina Department of Highways and
Public Transportation

and the Architect: Summers and Gardner AIA
Orangeburg, S. C.

For the following Project:
(Include detailed description of Project location and scope)

A District License Sales and Patrol
Office Building for Orangeburg, S. C.
The building is to be designed as per
the Owner's program and requirements
on their property at Chestnut and Ellis
Avenue in Orangeburg, S. C.
The approximate size of the building
is estimated at 10,000 sq. ft. and the
estimated construction cost at
\$35.00/sq. ft. is \$350,000.

The Owner and the Architect agree as set forth below.

PERCENTAGE OF CONSTRUCTION COST

- I. THE ARCHITECT shall provide professional services for the Project in accordance with the Terms and Conditions of this Agreement.
- II. THE OWNER shall compensate the Architect, in accordance with the Terms and Conditions of this Agreement.

A. *FOR BASIC SERVICES*, as described in Paragraph 1.1, Basic Compensation shall be computed on the basis of one of the following PERCENTAGES OF CONSTRUCTION COST, as defined in Article 3, for portions of the Project to be awarded under

A Single Stipulated Sum Construction Contract	seven	percent (7 %)
Separate Stipulated Sum Construction Contracts		percent (%)
A Single Cost Plus Fee Construction Contract		percent (%)
Separate Cost Plus Fee Construction Contracts		percent (%)

B. *FOR ADDITIONAL SERVICES*, as described in Paragraph 1.3, compensation computed as follows:

1. Principals' time at the fixed rate of twenty-five dollars (\$ 25) per hour.
For the purpose of this Agreement, the Principals are:

J. West Summers
Marshall C. Gardner, Jr.

2. Employees' time (other than Principals) at a multiple of two and one-half
(2 1/2) times the employees' Direct Personnel Expense as defined in Article 4.
3. Services of Professional consultants at a multiple of two and one-half
(2 1/2) times the amount billed to the Architect for such services.

C. AN INITIAL PAYMENT of

~~XX~~
shall be made upon the execution of this Agreement and credited to the Owner's account.

D. *FOR REIMBURSABLE EXPENSES*, amounts expended as defined in Article 5.

III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:

- A. IF SCOPE of the Project is changed materially, compensation shall be subject to renegotiation.
- B. IF THE SERVICES covered by this Agreement have not been completed within 36
thirty-six () months of the date hereof, the amounts of compensation, rates and multiples set forth in Paragraph II shall be subject to renegotiation.

TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT

ARTICLE 1

ARCHITECT'S SERVICES

1.1 BASIC SERVICES

The Architect's Basic Services consist of the five phases described below and include normal structural, mechanical and electrical engineering services and any other services included in Article 14 as Basic Services.

SCHEMATIC DESIGN PHASE

1.1.1 The Architect shall review the program furnished by the Owner to ascertain the requirements of the Project and shall confirm such requirements to the Owner.

1.1.2 Based on the mutually agreed upon program, the Architect shall prepare Schematic Design Studies consisting of drawings and other documents illustrating the scale and relationship of Project components for approval by the Owner.

1.1.3 The Architect shall submit to the Owner a Statement of Probable Construction Cost based on current area, volume or other unit costs.

DESIGN DEVELOPMENT PHASE

1.1.4 The Architect shall prepare from the approved Schematic Design Studies, for approval by the Owner, the Design Development Documents consisting of drawings and other documents to fix and describe the size and character of the entire Project as to structural, mechanical and electrical systems, materials and such other essentials as may be appropriate.

1.1.5 The Architect shall submit to the Owner a further Statement of Probable Construction Cost.

CONSTRUCTION DOCUMENTS PHASE

1.1.6 The Architect shall prepare from the approved Design Development Documents, for approval by the Owner, Drawings and Specifications setting forth in detail the requirements for the construction of the entire Project including the necessary bidding information, and shall assist in the preparation of bidding forms, the Conditions of the Contract, and the form of Agreement between the Owner and the Contractor.

1.1.7 The Architect shall advise the Owner of any adjustments to previous Statements of Probable Construction Cost indicated by changes in requirements or general market conditions.

1.1.8 The Architect shall assist the Owner in filing the required documents for the approval of governmental authorities having jurisdiction over the Project.

BIDDING OR NEGOTIATION PHASE

1.1.9 The Architect, following the Owner's approval of the Construction Documents and of the latest Statement

of Probable Construction Cost, shall assist the Owner in obtaining bids or negotiated proposals, and in awarding and preparing construction contracts.

CONSTRUCTION PHASE — ADMINISTRATION OF THE CONSTRUCTION CONTRACT

1.1.10 The Construction Phase will commence with the award of the Construction Contract and will terminate when the final Certificate for Payment is issued to the Owner.

1.1.11 The Architect shall provide Administration of the Construction Contract as set forth in AIA Document A201, General Conditions of the Contract for Construction, and the extent of his duties and responsibilities and the limitations of his authority as assigned thereunder shall not be modified without his written consent.

1.1.12 The Architect, as the representative of the Owner during the Construction Phase, shall advise and consult with the Owner and all of the Owner's instructions to the Contractor shall be issued through the Architect. The Architect shall have authority to act on behalf of the Owner to the extent provided in the General Conditions unless otherwise modified in writing.

1.1.13 The Architect shall at all times have access to the Work wherever it is in preparation or progress.

1.1.14 The Architect shall make periodic visits to the site to familiarize himself generally with the progress and quality of the Work and to determine in general if the Work is proceeding in accordance with the Contract Documents. On the basis of his on-site observations as an architect, he shall endeavor to guard the Owner against defects and deficiencies in the Work of the Contractor. The Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. The Architect shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, and he shall not be responsible for the Contractor's failure to carry out the Work in accordance with the Contract Documents.

1.1.15 Based on such observations at the site and on the Contractor's Applications for Payment, the Architect shall determine the amount owing to the Contractor and shall issue Certificates for Payment in such amounts. The issuance of a Certificate for Payment shall constitute a representation by the Architect to the Owner, based on the Architect's observations at the site as provided in Subparagraph 1.1.14 and the data comprising the Application for Payment, that the Work has progressed to the point indicated; that to the best of the Architect's knowledge, information and belief, the quality of the Work is in accordance with the Contract Documents (subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to the results of any subsequent tests required by the Contract

Documents, to minor deviations from the Contract Documents correctable prior to completion, and to any specific qualifications stated in the Certificate for Payment); and that the Contractor is entitled to payment in the amount certified. By issuing a Certificate for Payment, the Architect shall not be deemed to represent that he has made any examination to ascertain how and for what purpose the Contractor has used the moneys paid on account of the Contract Sum.

1.1.16 The Architect shall be, in the first instance, the interpreter of the requirements of the Contract Documents and the impartial judge of the performance thereunder by both the Owner and Contractor. The Architect shall make decisions on all claims of the Owner or Contractor relating to the execution and progress of the Work and on all other matters or questions related thereto. The Architect's decisions in matters relating to artistic effect shall be final if consistent with the intent of the Contract Documents.

1.1.17 The Architect shall have authority to reject Work which does not conform to the Contract Documents. Whenever, in his reasonable opinion, he considers it necessary or advisable to insure the proper implementation of the intent of the Contract Documents, he will have authority to require special inspection or testing of any Work in accordance with the provisions of the Contract Documents whether or not such Work be then fabricated, installed or completed.

1.1.18 The Architect shall review and approve shop drawings, samples, and other submissions of the Contractor only for conformance with the design concept of the Project and for compliance with the information given in the Contract Documents.

1.1.19 The Architect shall prepare Change Orders.

1.1.20 The Architect shall conduct inspections to determine the Dates of Substantial Completion and final completion, shall receive and review written guarantees and related documents assembled by the Contractor, and shall issue a final Certificate for Payment.

1.1.21 The Architect shall not be responsible for the acts or omissions of the Contractor, or any Subcontractors, or any of the Contractor's or Subcontractors' agents or employees, or any other persons performing any of the Work.

1.2 PROJECT REPRESENTATION BEYOND BASIC SERVICES

1.2.1 If more extensive representation at the site than is described under Subparagraphs 1.1.10 through 1.1.21 inclusive is required, and if the Owner and Architect agree, the Architect shall provide one or more Full-Time Project Representatives to assist the Architect.

1.2.2 Such Full-Time Project Representatives shall be selected, employed and directed by the Architect, and the Architect shall be compensated therefor as mutually agreed between the Owner and the Architect as set forth in an exhibit appended to this Agreement.

1.2.3 The duties, responsibilities and limitations of authority of such Full-Time Project Representatives shall be set forth in an exhibit appended to this Agreement.

1.2.4 Through the on-site observations by Full-Time Project Representatives of the Work in progress, the Architect shall endeavor to provide further protection for the Owner against defects in the Work, but the furnishing of such project representation shall not make the Architect responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs, or for the Contractor's failure to perform the Work in accordance with the Contract Documents.

1.3 ADDITIONAL SERVICES

The following Services shall be provided when authorized in writing by the Owner, and they shall be paid for by the Owner as hereinbefore provided.

1.3.1 Providing analyses of the Owner's needs, and programming the requirements of the Project.

1.3.2 Providing financial feasibility or other special studies.

1.3.3 Providing planning surveys, site evaluations, environmental studies or comparative studies of prospective sites.

1.3.4 Providing design services relative to future facilities, systems and equipment which are not intended to be constructed as part of the Project.

1.3.5 Providing services to investigate existing conditions or facilities or to make measured drawings thereof, or to verify the accuracy of drawings or other information furnished by the Owner.

1.3.6 Preparing documents for alternate bids or out-of-sequence services requested by the Owner.

1.3.7 Providing Detailed Estimates of Construction Cost or detailed quantity surveys or inventories of material, equipment and labor.

1.3.8 Providing interior design and other services required for or in connection with the selection of furniture and furnishings.

1.3.9 Providing services for planning tenant or rental spaces.

1.3.10 Making revisions in Drawings, Specifications or other documents when such revisions are inconsistent with written approvals or instructions previously given and are due to causes beyond the control of the Architect.

1.3.11 Preparing supporting data and other services in connection with Change Orders if the change in the Basic Compensation resulting from the adjusted Contract Sum is not commensurate with the services required of the Architect.

1.3.12 Making investigations involving detailed appraisals and valuations of existing facilities, and surveys or inventories required in connection with construction performed by the Owner.

1.3.13 Providing consultation concerning replacement of any Work damaged by fire or other cause during construction, and furnishing professional services of the type

set forth in Paragraph 1.1 as may be required in connection with the replacement of such Work.

1.3.14 Providing professional services made necessary by the default of the Contractor or by major defects in the Work of the Contractor in the performance of the Construction Contract.

1.3.15 Preparing a set of reproducible record prints of drawings showing significant changes in the Work made during the construction process, based on marked-up prints, drawings and other data furnished by the Contractor to the Architect.

1.3.16 Providing extensive assistance in the utilization of any equipment or system such as initial start-up or testing, adjusting and balancing, preparation of operation and maintenance manuals, training personnel for operation and maintenance, and consultation during operation.

1.3.17 Providing services after issuance to the Owner of the final Certificate for Payment.

1.3.18 Preparing to serve or serving as an expert witness in connection with any public hearing, arbitration proceeding or legal proceeding.

1.3.19 Providing services of professional consultants for other than the normal structural, mechanical and electrical engineering services for the Project.

1.3.20 Providing any other services not otherwise included in this Agreement or not customarily furnished in accordance with generally accepted architectural practice.

ARTICLE 2

THE OWNER'S RESPONSIBILITIES

2.1 The Owner shall provide full information, including a complete program, regarding his requirements for the Project.

2.2 The Owner shall designate, when necessary, a representative authorized to act in his behalf with respect to the Project. The Owner shall examine documents submitted by the Architect and shall render decisions pertaining thereto promptly, to avoid unreasonable delay in the progress of the Architect's services.

2.3 The Owner shall furnish a certified land survey of the site giving, as applicable, grades and lines of streets, alleys, pavements and adjoining property; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and complete data pertaining to existing buildings, other improvements and trees; and full information concerning available service and utility lines both public and private, above and below grade, including inverts and depths.

2.4 The Owner shall furnish the services of a soils engineer or other consultant when such services are deemed necessary by the Architect, including reports, test borings, test pits, soil bearing values, percolation tests, air and water pollution tests, ground corrosion and resistivity tests and other necessary operations for determining subsoil, air and water conditions, with appropriate professional recommendations.

2.5 The Owner shall furnish structural, mechanical, chemical and other laboratory tests, inspections and reports as required by law or the Contract Documents.

2.6 The Owner shall furnish such legal, accounting, and insurance counseling services as may be necessary for the Project, and such auditing services as he may require to ascertain how or for what purposes the Contractor has used the moneys paid to him under the Construction Contract.

2.7 The services, information, surveys and reports required by Paragraphs 2.3 through 2.6 inclusive shall be furnished at the Owner's expense, and the Architect shall be entitled to rely upon the accuracy and completeness thereof.

2.8 If the Owner becomes aware of any fault or defect in the Project or non-conformance with the Contract Documents, he shall give prompt written notice thereof to the Architect.

2.9 The Owner shall furnish information required of him as expeditiously as necessary for the orderly progress of the Work.

ARTICLE 3

CONSTRUCTION COST

3.1 If the Construction Cost is to be used as the basis for determining the Architect's Compensation for Basic Services, it shall be the total cost or estimated cost to the Owner of all Work designed or specified by the Architect. The Construction Cost shall be determined as follows, with precedence in the order listed:

3.1.1 For completed construction, the cost of all such Work, including costs of managing construction;

3.1.2 For Work not constructed, (1) the lowest bona fide bid received from a qualified bidder for any or all of such Work, or (2) if the Work is not bid, the bona fide negotiated proposal submitted for any or all of such Work; or

3.1.3 For Work for which no such bid or proposal is received, (1) the latest Detailed Estimate of Construction Cost if one is available, or (2) the latest Statement of Probable Construction Cost.

3.2 Construction Cost does not include the compensation of the Architect and his consultants, the cost of the land, rights-of-way, or other costs which are the responsibility of the Owner as provided in Paragraphs 2.3 through 2.6 inclusive.

3.3 The cost of labor, materials and equipment furnished by the Owner for the Project shall be included in the Construction Cost at current market rates including a reasonable allowance for overhead and profit.

3.4 Statements of Probable Construction Cost and Detailed Cost Estimates prepared by the Architect represent his best judgment as a design professional familiar with the construction industry. It is recognized, however, that neither the Architect nor the Owner has any control over the cost of labor, materials or equipment, over the contractors' methods of determining bid prices, or over competitive bidding or market conditions. Accordingly, the

Architect cannot and does not guarantee that bids will not vary from any Statement of Probable Construction Cost or other cost estimate prepared by him.

3.5 When a fixed limit of Construction Cost is established as a condition of this Agreement, it shall be in writing signed by the parties and shall include a bidding contingency of ten percent unless another amount is agreed upon in writing. When such a fixed limit is established, the Architect shall be permitted to determine what materials, equipment, component systems and types of construction are to be included in the Contract Documents, and to make reasonable adjustments in the scope of the Project to bring it within the fixed limit. The architect may also include in the Contract Documents alternate bids to adjust the Construction Cost to the fixed limit.

3.5.1 If the Bidding or Negotiating Phase has not commenced within six months after the Architect submits the Construction Documents to the Owner, any fixed limit of Construction Cost established as a condition of this Agreement shall be adjusted to reflect any change in the general level of prices which may have occurred in the construction industry for the area in which the Project is located. The adjustment shall reflect changes between the date of submission of the Construction Documents to the Owner and the date on which proposals are sought.

3.5.2 When a fixed limit of Construction Cost, including the Bidding contingency (adjusted as provided in Subparagraph 3.5.1, if applicable), is established as a condition of this Agreement and is exceeded by the lowest bona fide bid or negotiated proposal, the Detailed Estimate of Construction Cost or the Statement of Probable Construction cost, the Owner shall (1) give written approval of an increase in such fixed limit, (2) authorize rebidding the Project within a reasonable time, or (3) cooperate in revising the Project scope and quality as required to reduce the Probable Construction Cost. In the case of (3) the Architect, without additional charge, shall modify the Drawings and Specifications as necessary to bring the Construction Cost within the fixed limit. The providing of such service shall be the limit of the Architect's responsibility in this regard, and having done so, the Architect shall be entitled to compensation in accordance with this Agreement.

ARTICLE 4

DIRECT PERSONNEL EXPENSE

Direct Personnel Expense is defined as the salaries of professional, technical and clerical employees engaged on the Project by the Architect, and the cost of their mandatory and customary benefits such as statutory employee benefits, insurance, sick leave, holidays, vacations, pensions and similar benefits.

ARTICLE 5

REIMBURSABLE EXPENSES

5.1 Reimbursable Expenses are in addition to the Compensation for Basic and Additional Services and include actual expenditures made by the Architect, his employ-

ees, or his professional consultants in the interest of the Project for the expenses listed in the following Subparagraphs:

5.1.1 Expense of transportation and living when traveling in connection with the Project; long distance calls and telegrams; and fees paid for securing approval of authorities having jurisdiction over the Project.

5.1.2 Expense of reproductions, postage and handling of Drawings and Specifications excluding duplicate sets at the completion of each Phase for the Owner's review and approval.

5.1.3 If authorized in advance by the Owner, expense of overtime work requiring higher than regular rates and expense of renderings or models for the Owner's use.

5.1.4 Expense of computer time for professional services when included in Paragraph II.

5.1.5 Expense of computer time when used in connection with Additional Services.

ARTICLE 6

PAYMENTS TO THE ARCHITECT

6.1 Payments on account of the Architect's Basic Services shall be made as follows:

6.1.1 An initial payment as set forth in Paragraph II is the minimum payment under this Agreement.

6.1.2 Subsequent payments for Basic Services shall be made monthly in proportion to services performed so that the compensation at the completion of each Phase, except when the compensation is on the basis of a Multiple of Direct Personnel Expense, shall equal the following percentages of the total Basic Compensation:

Schematic Design Phase	15%
Design Development Phase	35%
Construction Documents Phase ...	75%
Bidding or Negotiation Phase	80%
Construction Phase	100%

6.1.3 If the Contract Time initially established in the Construction Contract is exceeded by more than thirty days through no fault of the Architect, compensation for Basic Services performed by Principals, employees and professional consultants required to complete the Administration of the Construction Contract beyond the thirtieth day shall be computed as set forth in Paragraph II for Additional Services.

6.2 Payments for Additional Services of the Architect as defined in Paragraph 1.3, and for Reimbursable Expenses as defined in Article 5, shall be made monthly upon presentation of the Architect's statement of services rendered.

6.3 No deductions shall be made from the Architect's compensation on account of penalty, liquidated damages, or other sums withheld from payments to contractors.

6.4 If the Project is suspended for more than three months or abandoned in whole or in part, the Architect

shall be paid his compensation for services performed prior to receipt of written notice from the Owner of such suspension or abandonment, together with Reimbursable Expenses then due and all termination expenses as defined in Paragraph 8.3 resulting from such suspension or abandonment. If the Project is resumed after being suspended for more than three months, the Architect's compensation shall be subject to renegotiation.

6.5 Payments due the Architect under this Agreement shall bear interest at the legal rate commencing sixty days after the date of billing.

ARTICLE 7

ARCHITECT'S ACCOUNTING RECORDS

Records of Reimbursable Expenses and expenses pertaining to Additional Services on the Project and for services performed on the basis of a Multiple of Direct Personnel Expense shall be kept on a generally recognized accounting basis and shall be available to the Owner or his authorized representative at mutually convenient times.

ARTICLE 8

TERMINATION OF AGREEMENT

8.1 This Agreement may be terminated by either party upon seven days' written notice should the other party fail substantially to perform in accordance with its terms through no fault of the party initiating the termination.

8.2 In the event of termination due to the fault of parties other than the Architect, the Architect shall be paid his compensation for services performed to termination date, including Reimbursable Expenses then due and all termination expenses.

8.3 Termination Expenses are defined as Reimbursable Expenses directly attributable to termination, plus an amount computed as a percentage of the total compensation earned to the time of termination, as follows:

- 20 percent if termination occurs during the Schematic Design Phase; or
- 10 percent if termination occurs during the Design Development Phase; or
- 5 percent if termination occurs during any subsequent phase.

ARTICLE 9

OWNERSHIP OF DOCUMENTS

Drawings and Specifications as instruments of service are and shall remain the property of the Architect whether the Project for which they are made is executed or not. They are not to be used by the Owner on other projects or extensions to this Project except by agreement in writing and with appropriate compensation to the Architect.

ARTICLE 10

SUCCESSORS AND ASSIGNS

The Owner and the Architect each binds himself, his partners, successors, assigns and legal representatives to

the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither the Owner nor the Architect shall assign, sublet or transfer his interest in this Agreement without the written consent of the other.

ARTICLE 11

ARBITRATION

11.1 All claims, disputes and other matters in question between the parties to this Agreement, arising out of, or relating to this Agreement or the breach thereof, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then obtaining unless the parties mutually agree otherwise. No arbitration, arising out of, or relating to this Agreement, shall include, by consolidation, joinder or in any other manner, any additional party not a party to this Agreement except by written consent containing a specific reference to this Agreement and signed by all the parties hereto. Any consent to arbitration involving an additional party or parties shall not constitute consent to arbitration of any dispute not described therein or with any party not named or described therein. This Agreement to arbitrate and any agreement to arbitrate with an additional party or parties duly consented to by the parties hereto shall be specifically enforceable under the prevailing arbitration law.

11.2 Notice of the demand for arbitration shall be filed in writing with the other party to this Agreement and with the American Arbitration Association. The demand shall be made within a reasonable time after the claim, dispute or other matter in question has arisen. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations.

11.3 The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

ARTICLE 12

EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Owner and the Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Architect.

ARTICLE 13

GOVERNING LAW

Unless otherwise specified, this Agreement shall be governed by the law of the principal place of business of the Architect.

ARTICLE 14
OTHER CONDITIONS OR SERVICES

This Agreement executed the day and year first written above.

OWNER South Carolina Department
of Highways and Public
Transportation

ARCHITECT Summers & Gardner, AIA
J. West Summers, Architect

Paul W. Cobb

J. West Summers

STATE BUDGET AND CONTROL BOARD

POLL OF June 7, 1978

POLL ITEM NUMBER

EXHIBIT IV
6/7/78
2

Agency: Division of General Services

Subject: Positions Above Authorized Number (Other Funds)

Request, carried over from 5/23/78 meeting, is for the approval of the following positions:

Carried over (a) One Management Specialist I (position has been approved by State Personnel at Grade 23 with a salary range of \$11,243 - \$15,626). To be funded from Division revenues.

OK (b) One Centrex Operator part-time position approved by State Personnel at grade 11, salary range \$6,177 - \$8,382. To be funded from Centrex revenues.

(See attachment for more detailed justifications for these positions.)

Board Action Requested:

Approve

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

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

McEachern agenda notes

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
AGENDA

June 7, 1978

→ I. New Positions

- Carried over*
- A. We request authorization to employ a Management Specialist I in our Internal Audit section to provide technical planning of the Division Five Year Plan and support schedules for annual budget. Additional duties will include cost studies on all sections of the Division, price decisions for services provided by the Division, monthly management report, and interpret and implement federal cost allocation plan. Last year, with our present staff, we were able to pass through almost \$1 million for use by agencies in federal cost recovery. We anticipate this person will further develop these programs to provide additional resources to the state through federal cost allocations. We propose to review all intragovernmental service accounts to provide further cost avoidance and improve the service to all agencies using services provided by this Division. These cost avoidances and the federal allocations will provide cost avoidances considerably in excess of the salary necessary to fund this position. This position has been approved by State Personnel at grade 23 with a salary range of \$11,243-15,626. This position can be funded from revenue portion of our budget. It is respectfully requested that the Board approve this position.
- B. We request authorization to employ a Centrex Operator grade 11 with salary range of \$6,177-8,382 on a parttime basis. This operator will be used in the Columbia Centrex office when permanent operators are out due to illness and during vacations. The volume of calls through the Centrex system requires that the switchboards have a full staff twenty-four hours per day, and this will afford the most economical means of providing this service. This employee will be paid on an hourly basis and only utilized when permanent employees are not available. Funding for this position will come from Centrex revenue sources. This position has been approved by State Personnel. It is respectfully requested that the Board approve this position.

II. Exchange of Property

The office of the Adjutant General proposes to construct a new West Columbia Armory for military training purposes. The present armory building is situated on a parcel of land slightly larger than one (1) acre and located on Eleventh and "B" Streets in West Columbia. The Adjutant General's office has requested an exchange of the existing property with improvements for 13.64 acres of land on Platt Springs Road (part of the Airport property acquisition from the Federal Government.)

It is recommended that the Budget and Control Board approve the reassignment of the present West Columbia armory property with improvements to the Division of General Services in exchange for 13.64 acres of unoccupied land on Platt Springs Road.

The State of South Carolina



Office of the Attorney General

KAREN LeCRAFT HENDERSON
ASSISTANT ATTORNEY GENERAL

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

DANIEL R. McLEOD
ATTORNEY GENERAL

June 5, 1978

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

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978 (Jackson
Mills - Lessee)

Dear Mr. Putnam:

Regarding the above referenced bonds, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Sections 4-29-10 et seq., CODE OF LAWS OF SOUTH CAROLINA, 1976, and the same appear, in our opinion, to be in order.

With kind regards,

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

Karen LeCraft Henderson
Senior Assistant Attorney General

KLH:jvh

EXHIBIT V
6/7/78

MST

LAW OFFICES

Anderson, Kenyon, & Epps

ATTORNEYS AND COUNSELORS-AT-LAW

230 WEST WHITNER STREET

Anderson, South Carolina

29621

G. ROSS ANDERSON, JR.

KARL L. KENYON

WILLIAM N. EPPS, JR.

TELEPHONE 224-2111

AREA CODE 803

May 17, 1978

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

Dear Mr. Putnam:

Please find enclosed Petition to The State Budget and Control Board of South Carolina that has been properly executed by the Chairman of the County Council of Anderson County, along with the Clerk.

With kind regards, I am

Sincerely yours,

ANDERSON, KENYON & EPPS

Robert P. Lusk

Robert P. Lusk

RPL/dh

cc: Mr. Theodore B. Guerard

GUÉRARD AND APPEGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

P. O. Box 1119
Zip Code 29402

July 17, 1978

Mr. William A. McInnis
Assistant to State Auditor
200 Hampton Office Building
Columbia, South Carolina 29211

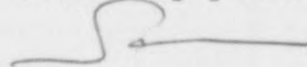
Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

Dear Bill:

Pursuant to your telephone conversation with Teddy of last week,
I enclose herewith revised Letter of Commitment from
Northwestern National Life Insurance Company. If this
meets with State Board approval, please return to me the
ten executed certificates previously forwarded to you.

Thank you very much for your assistance in this matter,
and with kind regards, I am

Sincerely yours,



W. E. Applegate, III

WEA/cko
Enclosure



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

June 26, 1978

State Budget and Control Board
of South Carolina

Attn: William T. Putnam, Secretary

Re: Anderson County, South Carolina
Industrial Revenue Bond
(Jackson Mills Project)

Gentlemen:

Please be advised that Northwestern National Life Insurance Company ("Northwestern") has investigated the financial strength of Jackson Mills. Based upon this investigation, Northwestern has committed to purchase the above-referenced Bond, subject to the execution of definitive documents, acceptable to Northwestern, relating to the purchase, and further subject to the satisfaction of the conditions set forth therein on or before the date of purchase.

Northwestern will purchase the Bond for investment and not with a view to distribution. Although Northwestern will reserve the right to exchange the Bond for Bonds each having a denomination of not less than \$100,000, and will reserve the right to transfer the Bond or Bonds, please be advised that Northwestern has no present intention of exchanging or transferring the Bond.

Very truly yours,

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

By *S. W. Schmitt* *gm*
Its Vice President

6/7/78

A RESOLUTION

APPROVING AN UNDERTAKING BY THE COUNTY COUNCIL OF ANDERSON COUNTY PURSUANT TO CHAPTER 29, TITLE 4, VOLUME 1, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED AND CONTINUED BY ACT NO. 125 OF THE ACTS AND JOINT RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA, REGULAR SESSION OF 1977, TO ACQUIRE, EXPAND, IMPROVE, AND EQUIP AN INDUSTRIAL PROJECT THROUGH THE ISSUANCE OF \$4,000,000 ANDERSON COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1978 (JACKSON MILLS - LESSEE).

O WHEREAS, heretofore the County Council of Anderson
R County (County Council) did, pursuant to Chapter 29, Title
I 4, Volume 1, Code of Laws of South Carolina 1976, as amended
G and continued by Act No. 125 of the Acts and Joint Resolu-
I tions of the General Assembly of the State of South
N Carolina, Regular Session of 1977 (the Enabling Statute),
A petition the State Budget and Control Board of South
L Carolina (the State Board) seeking approval of the State
Board to an undertaking by the County Council pursuant to
the Enabling Statute; and

WHEREAS, the undertaking provides for the issuance of
\$4,000,000 Anderson County, South Carolina, Industrial
Revenue Bonds pursuant to the Enabling Statute (the Bonds)
to finance the expansion, improvement, and equipping of
existing textile manufacturing facilities, consisting of a
tract of land with the buildings and improvements thereon
and the machinery and equipment therein, located in the Town
of Iva, in Anderson County, South Carolina, which existing
facilities will be conveyed to the County at no cost by

Jackson Mills, a South Carolina corporation, for the manufacture of textiles and such other products as the lessee may deem appropriate (said existing textile manufacturing facilities, as so expanded, improved, and equipped, being hereinafter referred to as the Project); and

WHEREAS, the Project is to be acquired by the County and leased to Jackson Mills, a South Carolina corporation, at a rental sufficient to provide for the payment of the Bonds of Anderson County heretofore referred to and costs and expenses resulting from the issuance thereof; and

WHEREAS, the Bonds will be secured by a pledge of the rents to be paid under the Lease Agreement between the County and Jackson Mills, by the mortgage lien and security interest of a Trust Indenture between Anderson County and a bank yet to be named as Trustee, and by the unconditional guarantee of the Jackson Mills under a Guaranty Agreement with the Trustee; and

WHEREAS, the form of the Lease Agreement, of the Trust Indenture, and of the Guaranty Agreement have been reviewed by the Attorney General of South Carolina, on behalf of the State Board; and

WHEREAS, the State Board has made such independent investigation as it deems advisable;

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

1. That it has been found and determined by the State Board as follows:

a. The statement of facts set forth in the recitals of this Resolution are in all respects true and correct;

b. County Council 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 Agreement and the Trust Indenture to be made by County Council, and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 4-29-60 of the Enabling Statute;

c. The Project will provide additional manhour employment as well as employment for at least six (6) additional persons and will be of benefit to Anderson County and adjoining areas; and

d. The Project is intended to promote the purposes of the Enabling Statute and is reasonably anticipated to effect such results.

2. That, on the basis of the foregoing findings, the proposed undertaking of the County Council to finance the expansion, improvement and equipping of existing textile manufacturing facilities, through the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, payable from the revenues to be derived from the leasing of the Project and additionally, to be secured by the said Trust Indenture, the pledge of rents to be paid under the

Lease Agreement and by the unconditional guarantee of Jackson Mills, under a Guaranty Agreement with the Trustee, all pursuant to the Enabling Statute (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, conditioned upon receipt of a letter of commitment from the purchaser of the Bonds in form satisfactory to the State Auditor.

3. Notice of the action taken by the State Board in giving approval to the undertaking of Anderson County above described in Paragraph 2, supra, shall be published one time in the ANDERSON INDEPENDENT, a daily newspaper published in the City of Anderson, South Carolina, which has general circulation in Anderson County.

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

Lease Agreement and by the unconditional guarantee of Jackson Mills, under a Guaranty Agreement with the Trustee, all pursuant to the Enabling Statute (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, conditioned upon receipt of a letter of commitment from the purchaser of the Bonds in form satisfactory to the State Auditor.

3. Notice of the action taken by the State Board in giving approval to the undertaking of Anderson County above described in Paragraph 2, supra, shall be published one time in the ANDERSON INDEPENDENT, a daily newspaper published in the City of Anderson, South Carolina, which has general circulation in Anderson County.

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

EXHIBIT A

NOTICE PURSUANT TO
CHAPTER 29, TITLE 4, VOLUME 1,
CODE OF LAWS OF SOUTH CAROLINA 1976
AS AMENDED AND CONTINUED BY ACT
NO. 125 OF THE ACTS AND JOINT RESOLUTIONS
OF THE GENERAL ASSEMBLY OF THE
STATE OF SOUTH CAROLINA,
REGULAR SESSION OF 1977

Notice is hereby given that, following the filing of a Petition by the County Council of Anderson County (the County Council) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board, conditioned upon receipt of a letter of commitment from the purchaser of the bonds hereinafter described in form satisfactory to the State Auditor, to the following undertaking (including any changes in any details of the said financing as finally consummated which do not materially affect the said undertaking), viz:

The financing by County Council of the expansion, improvement, and equipping of existing textile manufacturing facilities, consisting of a tract of land with the buildings and improvements thereon and the machinery and equipment therein, located in the Town of Iva, in Anderson County, South Carolina, which existing facilities will be conveyed to the County at no cost by Jackson Mills, a South Carolina corporation (the Lessee), for the manufacture of textiles and such other products as the Lessee may deem appropriate (said existing textile manufacturing facilities, as so expanded, improved, and equipped being hereinafter referred

to as the Project). To finance the expansion, improvement, and equipping of the Project, the County Council will issue \$4,000,000 of Anderson County, South Carolina, Industrial Revenue Bonds (the Bonds), pursuant to Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977. The County Council will lease the Project to the Lessee under a Lease Agreement, and the Bonds of Anderson County will be payable by the County solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay, when due, all sums required for the principal and interest thereon, and the Bonds will be secured by a pledge of rents to be paid under the Lease Agreement, by the mortgage lien and security interest of a Trust Indenture, which will constitute a forecloseable lien upon the Project, and by the unconditional guarantee of the Lessee, under the Guaranty Agreement with the Trustee.

In addition, the Lessee has agreed to pay as additional rentals to Anderson 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 Anderson County, the said School District, and the said other political units wherein the Project is situate, 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.

The Lease Agreement by which Anderson County will lease the Project to the Lessee will provide that the Lessee 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 additional manhour employment as well as employment for at least six (6) additional 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 Council by action de novo instituted in the Court of Common Pleas for Anderson County.

STATE BUDGET AND CONTROL BOARD OF
SOUTH CAROLINA

By: William T. Putnam, Secretary

Publication Date:

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

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

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

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

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

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

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

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

That due notice of the 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., on _____, 1978, 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 the Chairman thereupon delivered the Resolution unanimously adopted, and the original thereof has been duly entered in the permanent records of minutes of said Board, in my custody as its Secretary.

William T. Putnam, Secretary

_____, 1978

CERTIFICATE

WHEREAS, the State Budget and Control Board adopted a Resolution on June 7, 1978 (the Resolution), approving the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) (the Bonds), conditioned upon receipt of a letter of commitment from the purchaser of the Bonds in form satisfactory to the State Auditor; and

WHEREAS, I am in receipt of a letter of commitment from Northwestern National Life Insurance Company, a copy of which is attached hereto (the Commitment Letter), dated June 26, 1978, the form of which is satisfactory to me.

NOW, THEREFORE, I HEREBY CERTIFY that the Commitment Letter is in form satisfactory to me and satisfies the condition of the Resolution.

William A. McInnis
Assistant State Auditor and Assistant
Secretary of State Budget and Control Board

for William T. Putnam
State Auditor

Columbia, South Carolina

July 7, 1978



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

June 26, 1978

State Budget and Control Board
of South Carolina

Attn: William T. Putnam, Secretary

Re: Anderson County, South Carolina
Industrial Revenue Bond
(Jackson Mills Project)

Gentlemen:

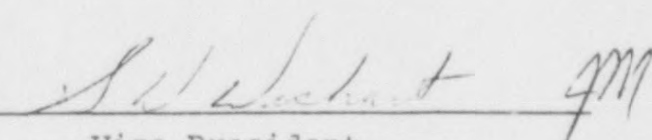
Please be advised that Northwestern National Life Insurance Company ("Northwestern") has investigated the financial strength of Jackson Mills. Based upon this investigation, Northwestern has committed to purchase the above-referenced Bond, subject to the execution of definitive documents, acceptable to Northwestern, relating to the purchase, and further subject to the satisfaction of the conditions set forth therein on or before the date of purchase.

Northwestern will purchase the Bond for investment and not with a view to distribution. Although Northwestern will reserve the right to exchange the Bond for Bonds each having a denomination of not less than \$100,000, and will reserve the right to transfer the Bond or Bonds, please be advised that Northwestern has no present intention of exchanging or transferring the Bond.

Very truly yours,

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

By


Its Vice President

JUL 21 1978

GUÉRARD AND APPLGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7803

Theodore B. Guérard
W. E. Applegate, III

P. O. Box 1119
Zip Code 29402

July 20, 1978

Mr. William A. McInnis
Assistant to State Auditor
200 Hampton Office Building
Columbia, South Carolina 29211

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

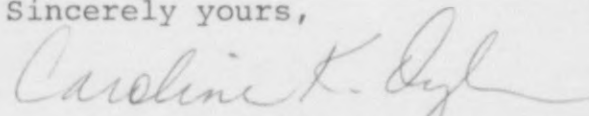
Attention: Donna Clark

Dear Donna:

Pursuant to our telephone conversation of this day, I am
enclosing herewith a photocopy of the Commitment Letter
as well as a copy of our letter forwarding same on
July 17, 1978.

We greatly appreciate your assistance in this matter, and
with kind regards, I am

Sincerely yours,



Caroline K. Oyler, Secretary

cko
Enclosures

GUÉRARD AND APPLGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

P. O. Box 1119
Zip Code 29402

July 17, 1978

Mr. William A. McInnis
Assistant to State Auditor
200 Hampton Office Building
Columbia, South Carolina 29211

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

Dear Bill:

Pursuant to your telephone conversation with Teddy of last week,
I enclose herewith revised Letter of Commitment from
Northwestern National Life Insurance Company. If this
meets with State Board approval, please return to me the
ten executed certificates previously forwarded to you.

Thank you very much for your assistance in this matter,
and with kind regards, I am

Sincerely yours,

W. E. Applegate, III

WEA/cko
Enclosure

CERTIFICATE

WHEREAS, the State Budget and Control Board adopted a Resolution on June 7, 1978 (the Resolution), approving the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) (the Bonds), conditioned upon receipt of a letter of commitment from the purchaser of the Bonds in form satisfactory to the State Auditor; and

WHEREAS, I am in receipt of a letter of commitment from Northwestern National Life Insurance Company, a copy of which is attached hereto (the Commitment Letter), dated June 26, 1978, the form of which is satisfactory to me.

NOW, THEREFORE, I HEREBY CERTIFY that the Commitment Letter is in form satisfactory to me and satisfies the condition of the Resolution.

William T. Putnam
State Auditor

Columbia, South Carolina

July 7, 1978

CERTIFICATE

WHEREAS, the State Budget and Control Board adopted a Resolution on June 7, 1978 (the Resolution), approving the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) (the Bonds), conditioned upon receipt of a letter of commitment from the purchaser of the Bonds in form satisfactory to the State Auditor; and

WHEREAS, I am in receipt of a letter of commitment from Northwestern National Life Insurance Company, a copy of which is attached hereto, to Jackson Mills (the Commitment Letter), dated June 26, 1978, the form of which is satisfactory to me.

NOW, THEREFORE, I HEREBY CERTIFY that the Commitment Letter is in form satisfactory to me and satisfies the condition of the Resolution.

William T. Putnam
State Auditor

Columbia, South Carolina

July 7, 1978

*See revised version
of certificate and commitment
letter as executed.
WAP*



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

June 26, 1978

Jackson Mills
Wellford, South Carolina 29385

Re: Anderson County, South Carolina
Industrial Revenue Bond
(Jackson Mills Project)

Gentlemen:

Please be advised that Northwestern National Life Insurance Company ("Northwestern") has investigated the financial strength of Jackson Mills. Based upon this investigation, Northwestern has committed to purchase the above-referenced Bond, subject to the execution of definitive documents, acceptable to Northwestern, relating to the purchase, and further subject to the satisfaction of the conditions set forth therein on or before the date of purchase.

Northwestern will purchase the Bond for investment and not with a view to distribution. Although Northwestern will reserve the right to exchange the Bond for Bonds each having a denomination of not less than \$100,000, and will reserve the right to transfer the Bond or Bonds, please be advised that Northwestern has no present intention of exchanging or transferring the Bond.

Very truly yours,

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

By

E. L. Abraham

Its

Vice President

MCJ

JUL 07 1978

GUÉRARD AND APPLGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

P. O. Box 1119
Zip Code 29402

July 5, 1978

Mr. William T. Putnam
State Auditor
200 Hampton Office Building
Columbia, South Carolina 29211

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

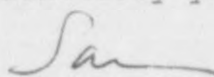
Dear Bill:

I am enclosing ten certificates with commitment letter attached, which I would appreciate your executing if the commitment letter, a copy of which was previously forwarded to Bill McInnis, is in form satisfactory to you.

I have also enclosed a stamped envelope for your convenience in returning these certificates to this office.

Thank you very much for your assistance, and with kind regards,
I am

Sincerely yours,



W. E. Applegate, III

WEA/cko
Enclosures

GUÉRARD AND APPEGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

June 3, 1978

P. O. Box 1119
Zip Code 29402

Mr. William A. McGinnis
Assistant to State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

In Re: \$4,000,000 Anderson County, South
 Carolina, Industrial Revenue Bonds,
 Series 1978 (Jackson Mills - Lessee)

I am enclosing herewith the original and ten (10) copies of a proposed Resolution approving the undertaking by Anderson County in connection with the captioned issue, for consideration by the State Budget and Control Board at its meeting on Wednesday, June 7, 1978.

I am also forwarding a copy of the Resolution, along with drafts of the basic documents, including the Lease Agreement, Trust Indenture, and Guaranty Agreement, to Karen Henderson for her review.

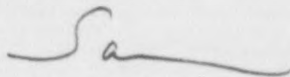
If the Resolution is adopted by the State Budget and Control Board, I would appreciate your having the ten (10) copies certified and returned to me in the envelope provided for your convenience.

If you think it appropriate for representatives from the company, the underwriter, or our firm to be available for the State Budget and Control Board's meeting, please let me know and we will make arrangements to be there. If I can provide you with any further information, please don't hesitate to contact me.

Mr. William A. McGinnis
In Re: Anderson County - Jackson Mills
Page Two
June 3, 1978

Thanking you for your assistance and with best personal
regards, I am,

Sincerely yours,

A handwritten signature in dark ink, appearing to be 'W. E. Applegate, III', written in a cursive style.

W. E. Applegate, III

WEA:ppf

Enclosures

cc: Mr. F. Mitchell Johnson
Frost, Johnson, Read & Smith, Inc.

Thomas G. Morgan, Esquire
Faegre & Benson

JUN 29 1978

GUÉRARD AND APPELATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

June 27, 1978

P. O. Box 1119
Zip Code 29402

Mr. William A. McInnis
Assistant to State Auditor
State Auditor's Office
200 Hampton Office Building
Columbia, South Carolina 29211

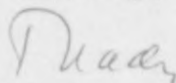
Re: Anderson County, South Carolina
Industrial Revenue Bond
Jackson Mills Project

Dear Bill:

Enclosed is an executed copy of the investment
letter requested by the Budget and Control
Board.

With kind personal regards.

Sincerely,



Theodore B. Guérard

TBG:h

Enclosure

JUN 29 1978



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

June 26, 1978

Jackson Mills
Wellford, South Carolina 29385

Re: Anderson County, South Carolina
Industrial Revenue Bond
(Jackson Mills Project)

Gentlemen:

Please be advised that Northwestern National Life Insurance Company ("Northwestern") has investigated the financial strength of Jackson Mills. Based upon this investigation, Northwestern has committed to purchase the above-referenced Bond, subject to the execution of definitive documents, acceptable to Northwestern, relating to the purchase, and further subject to the satisfaction of the conditions set forth therein on or before the date of purchase.

Northwestern will purchase the Bond for investment and not with a view to distribution. Although Northwestern will reserve the right to exchange the Bond for Bonds each having a denomination of not less than \$100,000, and will reserve the right to transfer the Bond or Bonds, please be advised that Northwestern has no present intention of exchanging or transferring the Bond.

Very truly yours,

NORTHWESTERN NATIONAL LIFE
INSURANCE COMPANY

By

E. L. Ingraham

Its

Vice President



STATE OF SOUTH CAROLINA -

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

June 19, 1978

W. E. Applegate, III, Esquire
Guerard and Applegate, P.A.
Post Office Box 1119
Charleston, South Carolina 29402

Dear Mr. Applegate:

Subject: \$4,000,000 Aiken County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1978, [Revco D.S., Incorporated
(South Carolina) -- Lessee]

This is to advise that the State Budget and Control Board has determined that the changes outlined in your June 17, 1978, letter to State Auditor William T. Putnam do not materially affect the undertaking to be financed by the issuance of the referenced Bonds and that further consideration by the State Board is not necessary.

Sincerely,

William A. McInnis

William A. McInnis
Assistant State Auditor

dc

GUÉRARD AND APPELATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7606

Theodore B. Guérard
W. E. Applegate, III

June 17, 1978

P. O. Box 1119
Zip Code 29402

Mr. William T. Putnam
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Putnam:

In Re: \$4,000,000 Aiken County, South Carolina,
First Mortgage Industrial Revenue Bonds,
Series 1978 (Revco D.S., Incorporated
(South Carolina) - Lessee)

The State Budget and Control Board approved the issuance of the above bonds at its meeting on Wednesday, April 19, 1978. The maturity schedule presented to the Board at the time of the meeting was as follows:

\$4,500,000 Bonds maturing December 1, 2008, but subject to sinking fund redemption as follows:

<u>December 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>	<u>December 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>
1989	\$100,000	1999	\$250,000
1990	150,000	2000	250,000
1991	200,000	2001	250,000
1992	200,000	2002	250,000
1993	200,000	2003	250,000
1994	200,000	2004	250,000
1995	200,000	2005	250,000
1996	250,000	2006	250,000
1997	250,000	2007	250,000
1998	250,000		

Subsequent to the approval, the purchaser of the bonds, McDonald & Company, has advised us that the amount and maturity schedule will be altered as follows:

\$4,000,000 Bond maturing December 1, 2002, but subject to mandatory sinking fund redemption as follows:

Mr. William T. Putnam
State Auditor
Re: Aiken County - Revco
June 17, 1978
Page Two

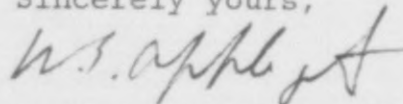
<u>December 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>	<u>December 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>
1983	\$200,000	1993	\$200,000
1984	200,000	1994	200,000
1985	200,000	1995	200,000
1986	200,000	1996	200,000
1987	200,000	1997	200,000
1988	200,000	1998	200,000
1989	200,000	1999	200,000
1990	200,000	2000	200,000
1991	200,000	2001	200,000
1992	200,000		

Unless you feel otherwise, we would appreciate your providing us with a letter, stating that the change does not materially affect the undertaking of Aiken County previously approved by the State Budget and Control Board, and, therefore, no further approval or publication of notice is required. As you are aware, paragraph five of the Resolution of the State Budget and Control Board approves the undertaking of the County "... (including changes in any details of the said financing, as finally consummated, which do not materially affect the said undertaking)..."

The closing is scheduled for the 22nd of June, 1978, and we would, therefore, appreciate your giving this matter your immediate attention.

If you have any questions, please do not hesitate to contact me.

Sincerely yours,



W. E. Applegate, III

WEA:ppf

Enclosure

W. E. Applegate, III, Esquire
Guerard and Applegate, P.A.
Post Office Box 1119
Charleston, South Carolina 29402

Subject: \$4,000,000 Aiken County, South Carolina, First
Mortgage Industrial Revenue Bonds, Series 1978,
(Revco D.S., Incorporated (South Carolina) -
Lessee)

Dear Mr. Applegate:

This is to advise that the State Budget and Control Board has determined that the changes outlined in your June 17, 1978, letter to State Auditor William T. Putnam do not materially affect the undertaking to be financed by the issuance of the referenced Bonds and that further consideration by the State Board is not necessary.

Sincerely,

William A. McInnis
Assistant State Auditor

OK
EdV
6/19/78

GUÉRARD AND APPLGATE, P.A.

ATTORNEYS AND COUNSELLORS AT LAW

125 CHURCH STREET

CHARLESTON, SOUTH CAROLINA 29401

TELEPHONE (803) 722-7806

JUN 15 1978

Theodore B. Guérard
W. E. Applegate, III

P. O. Box 1119
Zip Code 29402

June 14, 1978

Mr. William A. McInnis
Assistant to State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Re: \$4,000,000 Anderson County, South Carolina
Industrial Revenue Bonds, Series 1978
(Jackson Mills - Lessee)

Dear Bill:

Please find enclosed the original and ten copies of the Resolution of the State Budget and Control Board concerning the above bond issue, which has been redrafted to provide for approval conditioned upon receipt of an investment letter by the State Auditor. If the Resolution is in order, I would appreciate your letting me know immediately, so that we can proceed with publication, and return to me the ten certified copies in the envelope provided for your convenience.

Thank you very much for your assistance and with kind regards,
I am

Sincerely yours,



W. E. Applegate, III

WEA/cko
Enclosures

PETITION
TO
THE STATE BUDGET AND CONTROL BOARD
OF
SOUTH CAROLINA

PURSUANT TO SECTION 4-29-140 OF THE
CODE OF LAWS OF SOUTH CAROLINA 1976

RE: \$4,000,000 ANDERSON COUNTY, SOUTH CAROLINA,
INDUSTRIAL REVENUE BONDS, SERIES 1978
(JACKSON MILLS - LESSEE)

EX PARTE:

COUNTY COUNCIL OF ANDERSON COUNTY,
SOUTH CAROLINA

TO: The Honorable James B. Edwards, Governor
The Honorable Grady L. Patterson, Jr., State Treasurer
The Honorable Earle E. Morris, Jr., Comptroller General
The Honorable Rembert C. Dennis, Chairman
Senate Finance Committee
The Honorable Tom G. Mangum, Chairman
House Ways and Means Committee
Constituting the State Budget and Control Board of the
State of South Carolina

Your Petitioner, the County Council of Anderson County,
South Carolina (County Council), respectfully shows:

1. Anderson County (the County) proposes to issue \$4,000,000 Anderson County Industrial Revenue Bonds, pursuant to Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977 (the Enabling Statute) to finance the expansion, improvement, and equipping of existing textile manufacturing facilities, located in the Town of Iva, in Anderson County, South Carolina, which existing facilities will be conveyed to the County at no cost by Jackson Mills, a South Carolina corporation, and to lease the property, as so expanded, improved, and equipped, to Jackson Mills as a Project under the Enabling Statute for the manufacture of textiles and such other products as the lessee may deem appropriate.

2. Jackson Mills has advised County Council that the expansion, improvement, and equipping of the Project, and the issuance of the bonds, will cost approximately \$4,000,000 and, should all costs exceed the amount of the bond proceeds, Jackson Mills will pay from its own funds the amount of such excess.

3. Jackson Mills has further advised County Council that the Project, when completed, will provide additional manhour employment as well as employment for at least six (6) additional persons. As a result of the increased employment following completion of the Project, the economy of the County will be benefited by the increased payroll and, as a result of the proposed expansion and improvement and the proposed acquisition of equipment and machinery, the tax base of the County will be increased. Thus, the proposed Project is anticipated to have a beneficial effect upon the economy of Anderson County and of the areas adjacent thereto.

4. Jackson Mills has advised Council that the bonds will mature on June 1, 1993, with interest not to exceed eight and three-quarters (8-3/4%) per centum per annum, and, beginning in the year 1980, will annually be subject to mandatory redemption, by operation of a sinking fund with equal, annual principal payments of approximately \$285,000 per year for thirteen (13) years.

5. The proposed lease between the County, as lessor, and Jackson Mills, as lessee, will provide, among other things, the following:

(a) Upon the delivery of the bonds, the County will acquire, at no cost, a fee simple title to the said existing textile manufacturing facilities, consisting of a tract of land with the buildings and improvements thereon and the machinery and equipment therein; to finance the cost of expanding, improving, and equipping the Project, the County will issue \$4,000,000 Industrial Revenue Bonds, pursuant to the Enabling Statute; the bonds will be secured by a pledge of the rents to be paid under the lease, by the mortgage lien of a trust indenture to a bank yet to be named as trustee, and by the unconditional guarantee of Jackson Mills, under a bond guaranty agreement with the trustee or under a lease guaranty agreement.

(b) The lease will impose upon the lessee the obligation to pay, in addition to the moneys required for the payment of the principal and interest of the bonds, all other costs and expenses resulting from the execution and delivery of the lease and of the trust indenture and the issuance of the bonds pursuant thereto.

(c) 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 to the payment of costs incident to the aforesaid acquisition, expansion, improvement, and equipping

of the Project (including reimbursement to the lessee of funds advanced or loans incurred for that purpose), and the issuance of the bonds.

(d) The lease shall contain an agreement obligating the lessee to pay from its own funds all costs in connection with the acquisition, expansion, improvement, and equipping of the Project in excess of the proceeds of the bonds, and obligating the lessee to pay a rental which, upon the basis of the determinations heretofore made by County Council, will be sufficient to pay the principal of, premium, if any, and interest on the bonds. Inasmuch as County Council has not deemed it advisable to build up and maintain any reserve in connection with the Project or the bonds, no rental payments are required for that purpose.

(e) The lease shall contain the agreement of the lessee to pay for the maintenance and insurance of the Project and to pay the cost of maintaining the Project in good repair and keeping it properly insured.

(f) The lease will include a provision that the lessee shall purchase the Project for the sum of One Dollar (\$1.00) upon the payment in full of the principal of, premium, if any, and interest on the bonds, and such other sums as the lessee may owe the trustee and the County under the lease.

(g) The lease will contain a specific provision by which the lessee will unconditionally agree to make payments to Anderson County, to any school district in

Anderson County, and to all other political units in which the Project is situated, in lieu of taxes, in such amounts as would result from taxes levied on the Project by Anderson County, by any such school district, and by said political units if the Project were owned by the lessee, but with appropriate reductions similar to the tax reductions, if any, which would be afforded the lessee were it the owner of the Project.

(h) The lease will contain no provision imposing any pecuniary liability upon the County or which would create a charge upon the County's general credit or taxing power.

6. The proposed trust indenture will be in conventional form and constitute a forecloseable mortgage upon the Project, subject to rights of the lessee under the lease. Included in the granting clause of the trust indenture will be:

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

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

(c) All rentals and revenues derived by the County under the lease, except those payments to be made in lieu of taxes or by way of indemnification or for attorneys' fees.

The trust indenture will make provision for the issuance of Four Million (\$4,000,000) Dollars of bonds, will provide 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.

7. The payment of the bonds, both principal and interest, will be unconditionally guaranteed by Jackson Mills, under a Bond Guaranty Agreement or a Lease Guaranty Agreement.

Upon the basis of the foregoing, the County Council 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 trust indenture, and the bond guaranty agreement, as it deems advisable, and that thereafter, the said State Board make a finding that the proposed Project will promote the purpose of the Enabling Statute, 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 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 Code Section 4-29-140.

May 16, 1978.

Respectfully submitted,

ANDERSON COUNTY, SOUTH CAROLINA

(SEAL)

By: C. Edward Boone, Chairman
County Council of
Anderson County, South Carolina

ATTEST:

Gerlinda E. Witcher
Gerlinda E. Witcher, Clerk
County Council of
Anderson County, South Carolina

APPROVED as to Form and Content:

Karl L. Kenyon
Karl L. Kenyon
County Attorney
Anderson County, South Carolina

A RESOLUTION

APPROVING AN UNDERTAKING BY THE COUNTY COUNCIL OF ANDERSON COUNTY PURSUANT TO CHAPTER 29, TITLE 4, VOLUME 1, CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED AND CONTINUED BY ACT NO. 125 OF THE ACTS AND JOINT RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA, REGULAR SESSION OF 1977, TO ACQUIRE, EXPAND, IMPROVE, AND EQUIP AN INDUSTRIAL PROJECT THROUGH THE ISSUANCE OF \$4,000,000 ANDERSON COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1978 (JACKSON MILLS - LESSEE).

WHEREAS, heretofore the County Council of Anderson County (County Council) did, pursuant to Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977 (the Enabling Statute), petition the State Budget and Control Board of South Carolina (the State Board) seeking approval of the State Board to an undertaking by the County Council pursuant to the Enabling Statute; and

WHEREAS, the undertaking provides for the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds pursuant to the Enabling Statute (the Bonds) to finance the acquisition, expansion, improvement, and equipping of existing textile manufacturing facilities, consisting of a tract of land with the buildings and improvements thereon and the machinery and equipment therein, located in the Town of Iva, in Anderson County, South Carolina, which existing facilities will be conveyed to the County at no cost by Jackson Mills, a South Carolina corporation, for the manufacture of textiles and such other

products as the lessee may deem appropriate (said existing textiles manufacturing facilities, together with the buildings, machinery, and equipment constituting the facilities being hereinafter referred to as the Project); and

WHEREAS, the Project is to be acquired by the County and leased to Jackson Mills, a South Carolina corporation, at a rental sufficient to provide for the payment of the Bonds of Anderson County heretofore referred to and costs and expenses resulting from the issuance thereof; and

WHEREAS, the Bonds will be secured by a pledge of the rents to be paid under the Lease Agreement, by the mortgage lien and security interest of a Trust Indenture between Anderson County and a bank yet to be named as Trustee, and by the unconditional guarantee of the Jackson Mills under a Guaranty Agreement with the Trustee; and

WHEREAS, the form of the Lease Agreement between Anderson County and the Lessee, of the Trust Indenture, and of the Guaranty Agreement have been reviewed by the Attorney General of South Carolina, on behalf of the State Board; and

WHEREAS, the State Board has made such independent investigation as it deems advisable;

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

1. That it has been found and determined by the State Board as follows:

a. The statement of facts set forth in the recitals of this Resolution are in all respects true and correct;

b. County Council 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 Agreement and the Trust Indenture to be made by County Council, and has established that the Lessee will pay as additional rentals, in lieu of taxes, the sums prescribed by Section 4-29-60 of the Enabling Statute;

c. The Project will provide additional manhour employment as well as employment for at least six (6) additional persons and will be of benefit to Anderson County and adjoining areas; and

d. The Project is intended to promote the purposes of the Enabling Statute and is reasonably anticipated to effect such results.

2. That, on the basis of the foregoing findings, the proposed undertaking of the County Council to finance the acquisition, expansion, improvement and equipping of existing textile manufacturing facilities, consisting of a tract of land, together with the buildings and improvements thereon and the machinery and equipment therein, through the issuance of \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, payable from the revenues to be derived from

the leasing of the Project and additionally, to be secured by the said Trust Indenture, the pledge of rents to be paid under the Lease Agreement and by the unconditional guarantee of Jackson Mills, under a Guaranty Agreement with the Trustee, all pursuant to the Enabling Statute (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 by the State Board in giving approval to the undertaking of Anderson County above described in Paragraph 2, supra, shall be published one time in the ANDERSON INDEPENDENT, a daily newspaper published in the City of Anderson, South Carolina, which has general circulation in Anderson County.

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

EXHIBIT A

NOTICE PURSUANT TO
CHAPTER 29, TITLE 4, VOLUME 1,
CODE OF LAWS OF SOUTH CAROLINA 1976
AS AMENDED AND CONTINUED BY ACT
NO. 125 OF THE ACTS AND JOINT RESOLUTIONS
OF THE GENERAL ASSEMBLY OF THE
STATE OF SOUTH CAROLINA,
REGULAR SESSION OF 1977

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

The financing by County Council of the acquisition, expansion, improvement, and equipping of existing textile manufacturing facilities, consisting of a tract of land with the buildings and improvements thereon and the machinery and equipment therein, located in the Town of Iva, in Anderson County, South Carolina, which existing facilities will be conveyed to the County at no cost by Jackson Mills, a South Carolina corporation (the Lessee), for the manufacture of textiles and such other products as the Lessee may deem appropriate (said existing textile manufacturing facilities, together with the buildings, machinery, and equipment constituting the facilities being hereinafter referred to as the Project). To finance the acquisition, expansion, improvement,

and equipping of the Project, the County Council will issue \$4,000,000 of Anderson County, South Carolina, Industrial Revenue Bonds (the Bonds), pursuant to Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977. The County Council will lease the Project to the Lessee under a Lease Agreement, and the Bonds of Anderson County will be payable by the County solely from the rentals to be paid to the County by the Lessee, which has irrevocably covenanted and agreed to pay, when due, all sums required for the principal and interest thereon, and the Bonds will be secured by a pledge of rents to be paid under the Lease Agreement, by the mortgage lien and security interest of a Trust Indenture, which will constitute a forecloseable lien upon the Project, and by the unconditional guarantee of the Lessee, under the Guaranty Agreement with the Trustee.

In addition, the Lessee has agreed to pay as additional rentals to Anderson 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 Anderson County, the said School District, and the said other political units wherein the Project is situate, 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.

The Lease Agreement by which Anderson County will lease the Project to the Lessee will provide that the Lessee 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 additional manhour employment as well as employment for at least six (6) additional 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 Council by action de novo instituted in the Court of Common Pleas for Anderson County.

STATE BUDGET AND CONTROL BOARD OF
SOUTH CAROLINA

By: _____
William T. Putnam, Secretary

Publication Date:

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

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

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

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

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

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

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

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

That due notice of the 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., on _____, 1978, 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 the Chairman thereupon delivered the Resolution unanimously adopted, and the original thereof has been duly entered in the permanent records of minutes of said Board, in my custody as its Secretary.

William T. Putnam, Secretary

_____, 1978

LEASE AGREEMENT

between

ANDERSON COUNTY, SOUTH CAROLINA

and

JACKSON MILLS

DATED AS OF JULY 1, 1978

THIS LEASE AGREEMENT, dated as of July 1, 1978, between ANDERSON COUNTY, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Anderson County, which is the governing body of said County, party of the first part, and JACKSON MILLS, a corporation organized and existing under the laws of the State of South Carolina, duly qualified to conduct business in the State of South Carolina, party of the second part,

W I T N E S S E T H:

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 as hereinafter defined, the insurance proceeds, and 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:

"ADDITIONS" or "ALTERATIONS" means improvements, replacements, alterations, additions, enlargements, or expansions in, on, or to the Project including any and all machinery and equipment therefor.

"AGREEMENT" or "LEASE AGREEMENT" means the within Lease Agreement between the County and the Lessee as the same may be amended from time to time in accordance with the provisions hereof.

"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 of its Vice Presidents, or its Treasurer, or by the Chairman of its Board of Directors. Such certificates may designate an alternate or alternates.

"BONDS" means all bonds of the County from time to time issued and outstanding under 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, have previously been constructed or are to be constructed on the Leased Land, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures).

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

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

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

"COMPLETION DATE" means the date of completion of the expansion and improvement 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 expansion and improvement or the date on which the Bonds are first delivered to the purchaser thereof (whichever is earlier) and the Completion Date.

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

"COUNTY BOARD" means the County Council of Anderson County, and any successor body.

"ENABLING STATUTE" means Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977.

"FIRST SERIES BONDS" means the \$4,000,000, Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) of the County to be issued pursuant to the Indenture.

"GUARANTY AGREEMENT" means the Guaranty Agreement between the Lessee and the Trustee of even date herewith, whereby the Lessee unconditionally guarantees the payment of the principal of, premium, if any, and interest on the First Series Bonds.

"INDENTURE" means the Trust Indenture between the County and _____, as Trustee, of even date herewith, providing for the terms, conditions, and provisions under which the Bonds will be issued, pursuant to which the County's interest in this Agreement and the Lease Rentals, revenues, and receipts received by the County from the Project are pledged, and pursuant to which 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 a full-time employee of either the County or the Lessee, and acceptable to the Trustee.

"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 or the Lessee.

"LEASE RENTALS" means all of the revenues, rents, and receipts derived directly or indirectly from the leasing or sale of the Project including all moneys received under the Lease Agreement (excepting only amounts paid pursuant to Sections 5.4, 5.5, 6.3, 8.7, or 10.4 hereof).

"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 (i) described in Exhibit B-1, incorporated herein, to be transferred by the Lessee to the County at no cost, and (ii) described in Exhibit B-2, incorporated herein, to be acquired and installed in the Building or elsewhere on the Leased Land with proceeds from the sale of the First Series 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, 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 does not include Lessee's own machinery and equipment installed under the provisions of Section 9.7 hereof.

"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 reasonable fees and expenses of the Trustee) incurred in the collection of such gross proceeds.

"PENALTY RATE" means interest at the rate of 10% per annum or such lesser rate as may be the maximum permitted by applicable usury laws.

"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

at the Project or in the Building (or if the Building is not yet complete, the operations to be conducted in the Building or, if the Building has been completed and no operations are being conducted therein, the operations for which the Building was last designed or last modified), (iv) such minor defects, irregularities, encumbrances, 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 title to the Project 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, Title 45, Code of Laws of South Carolina, 1962, as now or hereafter amended.

"PROJECT" means the Leased Land, the Building, and the Leased Equipment.

"TRUSTEE" means the trustee and/or 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.

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 Enabling Statute 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 Enabling Statute. By proper action of 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 will acquire, at no cost to the County, upon the occasion of the delivery of the Bonds, the Leased Land, together with the building thereon, and has authorized, and does hereby authorize, the Lessee to expand and improve 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 and natural resources of South Carolina.

(c) Heretofore, the County and the Lessee did agree as of January 24, 1978, that the County would finance the cost of expanding, improving, and equipping the Project. The Lessee has estimated that such cost will be \$4,000,000 (of which approximately \$2,500,000 will be allocated to Leased Equipment and the remainder to expansion and improvement of the Building). On that basis, the County now proposes to issue the First Series Bonds in the aggregate principal amount of \$4,000,000, which will be dated, mature, and bear interest as set forth in Article II of the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in Article III of the Indenture, in order to finance the cost of acquiring, expanding, improving, 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 the State of South Carolina, is in good standing under its Charter and the laws of the State of the State 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 the Lessee's Charter or By-Laws or 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 expanding, improving, and equipping the Project as aforesaid, the Lessee has heretofore commenced expansion, improvement, and equipping of the Project.

(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 textiles and for the manufacture of such other products as the Lessee may deem appropriate.

(e) The intention of the County to acquire the Project through the issuance of the First Series Bonds and the leasing of the Project to the Lessee has induced the Lessee to establish this industrial enterprise in the County.

(f) This Lease Agreement, under which the County acquires the Project, leases, and hereafter conveys the Project to the Lessee, is the method employed by the Lessee in financing the expansion, improvement, and equipping of the Project and in effecting the payment of the First Series Bonds.

(g) In order to provide a further inducement to the purchase of the First Series Bonds, the Lessee has entered into the Guaranty Agreement with the Trustee.

(h) All proceeds derived from the sale of the First Series Bonds will be used to expand, improve, and equip the Project, which consists entirely of land and property of a character subject to the allowance for depreciation as prescribed in Section 103(b)(6)(A) and (D) of the Code, and no part of the First Series Bonds proceeds will be used to finance inventory or for working capital.

(i) All representations and warranties of the Lessee contained in the Guaranty Agreement are incorporated herein, and, by this reference, made a part hereof as though such representations and warranties were set forth herein.

(j) The County has a good, marketable, and fee simple title to the Leased Land.

ARTICLE III

DEMISING CLAUSE, NO WARRANTY OF TITLE, 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 makes no warranty with respect to its title to the Leased Land and Building. The County will, however, furnish, at the time of the delivery of the First Series Bonds, a written opinion of Independent Counsel as to the status of title on such date.

SECTION 3.3 Title Insurance. At the time of the delivery of Bonds, the County will provide a Mortgagee Title Insurance Policy (or 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 \$4,000,000. In no event shall such Policy or Binder except from coverage thereof (a) encroachments, overlaps, boundary line disputes, or other matters which would be disclosed by an accurate survey or inspection of the Leased Land, and (b) any lien, or right to lien, for services, labor, or material heretofor or hereafter furnished on or to the Project, regardless of whether such lien is then of record.

ARTICLE IV

IMPROVEMENT AND EQUIPPING OF THE PROJECT; ISSUANCE OF THE FIRST SERIES BONDS; CONSTRUCTION FUND

SECTION 4.1 Agreement to Improve and Equip the Building on the Leased Land. The County has acquired the Leased Land by deed duly recorded. The Lessee agrees that it will exercise the authorizations given to it by the County in Section 2.1(b) and:

(a) It will complete the improvements to the Building on the Leased Land wholly within the boundary lines thereof (the Building, as so improved and expanded, to contain approximately 325,000 square feet 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 Exhibits B-1 and B-2, and such other items of machinery and equipment, and any transportation facility 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 expansion and improvement of the Building as promptly as practicable after receipt of proceeds from the sale of the First Series Bonds and to continue the said expansion and improvements 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 First Series 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 first day of August, 1978, sell and cause to be delivered to the initial purchaser the First Series Bonds in the aggregate principal amount of \$4,000,000 and will thereupon deposit in the Construction Fund the proceeds received from said sale.

SECTION 4.3 Disbursements from Construction Fund. The County shall in the Indenture authorize and direct the Trustee to use the moneys in the Construction Fund and to pay out the same to the persons entitled thereto 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, 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 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 of such amounts, if any, as shall be necessary to make reimbursement in full for all advances and payments made prior to or after the delivery of the First Series Bonds for expenditures in connection with (i) the acquisition by the County of title to 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 improvement and expansion 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, accounting, and financing fees and expenses, title insurance premium, and printing and engraving costs incurred in connection with the authorization, sale, and issuance of the First Series Bonds, the preparation of this Agreement, the Indenture, 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 improvement and expansion 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, 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), including reasonable fees and expenses of Trustee's counsel, and of any paying agent properly incurred under the Indenture that may become due during the Construction Period.

(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 Period under this Agreement.

(h) Payment of the taxes, assessments, and other charges, if any, referred to in Section 6.3 hereof that may become payable during the Construction Period or reimbursement thereof if paid by Lessee and payment, to the extent permitted by the Enabling Statute, of interest to become due on the Bonds.

(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 authorized by the Act.

(k) All moneys remaining in the Construction Fund after completion of the improvement and expansion of the Building and acquisition and installation of the Leased Equipment and payment in full of the costs thereof, and after payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Section shall be paid into 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.

Provided, that:

(1) Each of the payments made pursuant to the preceding subsections (b), (c), (d), (e), (g), (i) and (j) of this Section shall be made only upon receipt by the Trustee of a written certificate of the Authorized Lessee Representative, a copy of which shall be mailed to the Authorized County Representative, which shall contain the following: (a) a statement of the amount and nature and the name and address of the payee of each item of cost certified to have been paid by and requested to be reimbursed to the Lessee, (b) a statement of the amount and nature of each item of cost certified to be due and payable and requested to be paid to a person other than the Lessee, (c) a statement that each item for which payment or reimbursement is requested is or was necessary in connection with the Project and none of such items has formed the basis for any previous payment from the Construction Fund; (d) waivers of mechanics' liens satisfactory to the Trustee, or indemnification by the Lessee, reasonably satisfactory to the Trustee and the County, agreeing to promptly discharge, and indemnify the Trustee and the County against, any liens upon the Project for any item of work performed on or materials or services supplies for the Project, and (e) an opinion of Independent Counsel that there are no mechanics' liens filed of record against the Project.

(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 in accordance with the terms of such contract.

SECTION 4.4 Trustee May Rely on Orders and Certifications. In making any such payment from the Construction Fund, the Trustee may rely on any such orders and certifications delivered to it pursuant to

Section 4.3, and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such orders 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) expansion and improvement 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 in accordance with the specifications therefor, 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 Section 4.1(a) hereof, and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid and a certificate of occupancy, if required, and any other approvals or permits required by any governmental authority for the occupancy and use of the Project for its intended purposes have been obtained. 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 express or implied, that the moneys which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which 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 First Series 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, 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(j), 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(j). Any amounts recovered by way of damage, 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 Construction Fund and after the Completion Date shall be paid into the Bond Fund.

SECTION 4.9 Investment of Construction Fund Moneys Permitted - Limitation on Investments. Any moneys held as part of the Construction Fund shall at the written request of the Authorized Lessee Representative be invested or reinvested by the Trustee to the extent permitted by law in the manner set forth below but with maturities consonant for anticipated expenditures to be made from the Construction Fund:

(i) obligations issued or guaranteed by the United States of America, or to the payment of which the full faith and credit of the United States of America is pledged;

(ii) general obligations of the State of South Carolina;

(iii) Interest bearing deposits in Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; or

(iv) certificates of deposit issued by a bank or trust company (including the Trustee) 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.

Such investments shall be as directed by the Authorized Lessee Representative.

The Trustee need not so invest any moneys held as a part of the Construction Fund or Bond Fund which are estimated to be required on a date earlier than two (2) days from the date on which such moneys are held unless the amount of such moneys exceeds \$100,000.

The Lessee further covenants and agrees:

(a) That it will not direct the Trustee to invest any moneys held as a part of the Construction Fund or the Bond Fund in a manner which shall be contrary to any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" within the meaning of Section 103(c)(2) of the Code, and the applicable regulations issued thereunder and as in effect on the occasion of the delivery of the First Series Bonds (the Regulations); and

(b) It will furnish to the County accurate information to enable the appropriate County officers and Bond Counsel to make all necessary certifications required by the Regulations.

The Trustee may conclusively rely upon any investment directions within the limitations set forth hereinabove received pursuant to this Section 4.9 and shall not be liable or responsible for (i) any diminution in the value of any investments made pursuant to this Section 4.9 or for any loss arising from any sale or other disposition thereof or (ii) for any violation of any statute or of any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" or for causing an "Event of Taxability".

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 by this Agreement shall then begin, and, subject to the provisions of this Agreement (including particularly Section 8.10, Articles X, XI and Sections 12.1 and 12.2), shall expire July 1, 1993, or if all the Bonds have not been paid in full and retired (or provision therefor made as provided in the Indenture) then such date as such payment shall have been made or provided for.

SECTION 5.2 Delivery and Acceptance of Possession. The County agrees to deliver to the Lessee sole and exclusive possession of the Leased Land 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. On or before October 1, 1978, and on each October 1, January 1, April 1 and July 1 thereafter, and on or before each and every other date that principal of, premium, if any, and/or interest on the Bonds shall be due, until the principal of, premium, if any, and interest on the First Series 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 (such payment to be made not later than 11:00 A.M. Trustee's local time, on the date such payment is due, in Federal or other funds immediately available at the time and place of such payments) as rent for the Project a sum equal to the amount payable on such date as principal and premium, if any, (whether at maturity or by sinking fund redemption as provided in the Indenture, or otherwise) and interest upon the First Series Bonds.

In the event Additional Bonds shall be issued pursuant to Article II of the Indenture, thereafter not later than the date on which the principal and premium, if any, or interest on any such Bonds shall be due, until the principal of, premium, if any, and interest on all such Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee shall pay to the Trustee a sum equal to the amount payable on such date as principal (whether at maturity or by such sinking fund redemption as may be provided in the Indenture), premium, if any, and/or interest upon such Bonds, as provided in the Indenture.

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 or declaration as provided in the Indenture) and premium, if any, payable on the next

succeeding interest payment date, and if on 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, except as otherwise provided in this Lease Agreement (1) 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 (ii) 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 recognizes that the County's interest under this Agreement, including the right to receive the Lease Rentals has been assigned simultaneously with the execution of this Agreement to the Trustee pursuant to the terms of the Indenture; and, in order to additionally secure the payment of the principal of, premium, if any, and interest on the Bonds on the occasions when the same are expressed to become due and payable, and in consideration of the County having made available to the Lessee this method of acquiring and financing the Project, Lessee unconditionally guarantees to the County for the benefit of the persons who shall from time to time be the holders of the Bonds, its successors and assigns, the payment in full of an amount equal to the amount of the principal of, premium, if any, and interest on the Bonds as and when the same are expressed to become due and payable, either upon maturity, or by redemption or acceleration or declaration as provided in the Indenture.

In the event the Lessee shall fail to make any of the payments required in this Section, 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 Penalty Rate until paid. The provisions of this Section shall be subject to the provisions of Section 9.6 hereof.

SECTION 5.4 Payment of Trustee's Fees and Expenses.

In addition to other payments herein prescribed, 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 become due, (ii) reasonable fees and charges of the Trustee as Bond Registrar and paying agent, and any other paying agents on the Bonds, for acting as paying agents as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for 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 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, 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 Penalty Rate until paid.

SECTION 5.5 Payments in Lieu of Taxes. It is recognized that under the provisions of the Enabling Statute, when any project is leased by a county pursuant to the Enabling Statute 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 or officers 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 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 Enabling Statute 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. 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 the Penalty Rate until 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, 5.4 and 5.5 hereof and to perform and observe the other agreements on its partits part contained herein shall be absolute and unconditional and until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provisions 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 Sections 5.3 and 5.4 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 of 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 change in the tax or other laws of the United States of America or 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 costs 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.

SECTION 5.7 Place of Rental Payments. The payments 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 payments to be made to the Trustee under Section 5.4 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 5.8 Payments Not to Abate Rent. The payments required by Sections 5.4 and 5.5 hereof are in addition to all other payments required under this Agreement and no payment made pursuant to Sections 5.4 and 5.5 shall abate any other payment required under this Agreement to be made, including, without limitation, any rental payment required under Section 5.3 hereof.

SECTION 5.9 Obligations of Lessee Under Guaranty Agreement.

The Lessee agrees to observe and perform all of its covenants and agreements contained in the Guaranty Agreement.

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 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 or Alterations to the Project it may deem desirable for its business purposes that do not adversely affect the structural integrity of the Building, or 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 and Alterations 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 or Alterations 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 (provided that such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles that have been made therefor) if the Lessee shall furnish the Trustee an opinion of Independent Counsel that the lien of the Indenture as to any part of the Project will not be materially endangered and no part of the Project will be subject to loss or forfeiture by nonpayment of any such items; otherwise 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 determines 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 (i) having equal or greater utility (but not necessarily having the same function) in the operation of the Project

for the purpose for which it is intended, (ii) equal or greater market value, and (iii) an equal or greater remaining useful life than the replaced Leased Equipment, 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 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 the Lessee shall pay into the Bond Fund the proceeds of such sale or the scrap value thereof, as the case may be, (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 the Lessee shall pay into the Bond Fund in cash the amount of credit received on such trade-in, 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 on a straight-line basis calculated in accordance with generally accepted accounting practices.

If such removal causes damage to existing property not being removed, restoration and repair of such damage shall be made at the cost and expense of the Lessee.

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 or the amounts payable under Section 5.4 hereof, and any amounts deposited to the Bond Fund pursuant to the provisions of this Section by reason of removal of Leased Equipment shall not be credited against any rental payments under Section 5.3 hereof except (i) the last maturing rental payments during the Lease Term, which rental payments shall be used by the Trustee for payment in full of the remaining principal of, premium, if any, and interest on the Bonds; or (ii) rental payments to be applied to the redemption of the Bonds when redemption is permitted under the Indenture and the Lessee has requested that the County exercise its option to redeem.

The Lessee shall promptly report to the Trustee each such removal, substitution, sale, trade-in, exchange 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 dispositions not previously reported aggregates at least \$10,000. 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.

SECTION 6.3 Taxes, Other Governmental Charges and Utility Charges. The County and the Lessee acknowledge (i) that pursuant

to Section 5-49-130 of the Enabling Statute, 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 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 Lease Rentals 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 (provided that such reserve or other appropriate provision, if any, as shall be required by generally accepted accounting principles shall have been made therefor) if the Lessee shall furnish the Trustee an opinion of Independent Counsel that the lien of the Indenture as to any part of the Project will not be materially endangered and no part of the Project will be subject to loss or forfeiture by nonpayment of any such items; otherwise 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 Penalty Rate from the date thereof until paid, 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. Throughout the Lease Term, the Lessee shall to the extent such insurance is available, keep the Project continuously insured against such risks as are customarily insured against by businesses of like size and type (other than business interruption insurance), paying (except as provided in Section 4.3 hereof) as the same become due all premiums in respect thereto. Such insurance shall include but not necessarily be limited to:

(a) Insurance upon the repair or replacement basis if available, and otherwise in amounts sufficient to prevent the Lessee or the County from becoming a co-insurer of any partial loss under the applicable policies, but, in any event, in amounts not less than the full insurable cash value of the Project as determined by an insurer selected by the Lessee or as otherwise agreed to by the County and Lessee, against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in South Carolina, provided that the insurance required by this subsection may contain a deductible provision of not in excess of \$25,000 direct damage applicable to each separate instance of loss or damage insured against. In time of war in which the United States is a belligerent, such insurance to the extent of the full insurable cash value of the Project as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in South Carolina.

(b) Boiler and pressure vessel (including pressure pipes) (with deductible provisions not to exceed \$25,000) with respect to all boilers and pressure vessels and pressure pipes installed in the Project.

(c) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project and the adjoining streets, sidewalks, and passageways, such insurance to have a single, combined limit of not less than \$1,000,000 per accident.

(d) Insurance covering any liability under the Workmen's Compensation laws of South Carolina for deaths of or injuries to persons arising out of any act or omission during the Lease Term.

SECTION 6.5 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows: (i) the Net Proceeds of the insurance required in Section 6.4(a) and (b) hereof shall be applied as provided in Section 7.1 hereof, and (ii) the Net Proceeds of the insurance required in Section 6.4(c) and (d) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 6.6 Additional Provisions Respecting Insurance. All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee. All policies evidencing such insurance shall provide for payment of the losses to the County, the Lessee, and the Trustee as their respective interests may appear, and the policies required by Section 6.4(a) and (b) shall name the County and the Trustee as additional insured parties, and, shall contain standard mortgagee clauses requiring that all Net Proceeds of insurance resulting from any claim in excess of \$50,000, for loss or damage covered thereby be paid to the Trustee; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to settlement of any claim in excess of \$50,000. In rendering any approval hereunder, the Trustee may rely upon an opinion of Independent Counsel. All insurance required in Section 6.4 shall include effective waivers by the insurer of all claims for insurance premiums against the County or Trustee, and shall provide that any losses shall be payable notwithstanding (i) any act of negligence of the Lessee, the County, or the Trustee, (ii) any foreclosure or other proceedings or notice of sale relating to the Project, or (iii) any change in the title to or ownership of the Project. The insurance hereby required may be contained in blanket policies now or hereafter maintained by the Lessee, including blanket policies for general public liability insurance.

All such policies shall contain a provision that any such policy may not be cancelled unless the Trustee is notified at least 15 days prior to cancellation, and at least 15 days prior to expiration of any such policy, the Lessee shall furnish the Trustee with evidence satisfactory to the latter, that the policy has been renewed or replaced or is no longer required by this Lease.

Copies or certificates of the insurance required by Section 6.4, each bearing notations evidencing payment of the premiums or other evidence of payment satisfactory to the Trustee, shall be delivered by the Lessee to the Trustee. And, in the case of expiring policies throughout the Lease Term, copies or certificates of any new or renewal policies of insurance, each bearing notations evidencing payment of the premiums or other evidence of payment satisfactory to the Trustee, shall be delivered by the Lessee to the Trustee.

Within ninety (90) days after the close of each fiscal year, the Lessee shall furnish the Trustee with a certificate, in form and substance satisfactory to the Trustee, signed by the Authorized Lessee Representative, stating and demonstrating that the Lessee is in compliance with the insurance requirements of this Article VI.

It is agreed that so long as any Bonds are outstanding, no claim shall be made and no suit or action at law or in equity shall be brought by the County or by anyone else claiming by, through, or under the County, against Lessee for any damage to the Project covered by the insurance required in Section 6.4, however, caused, provided that nothing herein contained shall diminish the obligation of the Lessee to repair or rebuild as provided in Section 7.1.

SECTION 6.7 Advances by Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease or shall fail to keep the Project in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Project in good repair and good operating condition, the Trustee, after written notice to the Lessee of its intent to take such action, shall, if satisfactorily indemnified and requested to do so by the holders of sixty-six and two-thirds per centum (66-2/3%) in aggregate principal amount of all Bonds at the time outstanding, endeavor to take out the required policies of insurance and pay the premium on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the Trustee shall become an additional obligation of the Lessee to the Trustee, which amounts, together with interest thereon at the Penalty Rate, from the date hereof, the Lessee agrees to pay on demand; provided that the Trustee shall not be liable if it is unable, despite its reasonable efforts so to do, to take out such insurance or make such repairs, renewals and replacements.

ARTICLE VII

DAMAGE, DESTRUCTION, AND CONDEMNATION

SECTION 7.1 Damage and Destruction . (a) Unless the Project 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) and Section 6.4(b) 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 of the character of the Project as a plant for the manufacture of the products described in Section 2.2(d) hereof or such other products as the Lessee may deem appropriate, 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 Project 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 provision 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) and Section 6.4(b) 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 plant for the manufacture of the products referred to in Section 2.2(d) or such other products as the Lessee may deem appropriate, whereupon the Trustee shall, upon request made by the Lessee to the Trustee no more often than monthly accompanied by lien waivers through the last previous request, if no event of default has occurred and is subsisting, apply so much as may be necessary of the Net Proceeds of such insurance to payment 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 made pursuant to Section 7.1(c) 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 or the amounts payable under Section 5.4 hereof.

(e) Any balance of such Net Proceeds remaining after payment of all costs of such repair, rebuilding or restoration made pursuant to Section 7.1(a) and (b) 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.

(f) Notwithstanding any other provision of this Section, in any event of damage or destruction when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of the Lessee to restore the Project.

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 promptly give written notice thereof to the County and the Trustee, generally describing the nature and extent of such taking, and shall be obligated to continue to make the rental payments specified in Section 5.3 hereof and the amounts payable under Section 5.4 hereof. The Lessee hereby irrevocably assigns, transfers, and sets over to the Trustee all its rights to any award of account of any taking of the Project or any part thereof. 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, which Net Proceeds, if no event of default has occurred and is subsisting, shall 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 by the Lessee 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, by the Lessee 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 or acquisitions by the County shall be approximately equivalent in value to the part of the Project so taken or lost and shall not be subject to any liens or encumbrances prior to or on a parity with the lien of the Indenture, other than Permitted Encumbrances.

(c) For deposit into the Bond Fund, provided that the Lessee shall furnish 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 and which give the Project the ratio of value to the outstanding Bonds not less than that which existed immediately prior to such condemnation proceedings.

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 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.

Notwithstanding any other provision of this Section, in any event of condemnation when no Bonds are then outstanding and unpaid, there shall be no obligation on the part of the Lessee to restore or repair the Project.

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 AND TAX INDEMNIFICATION

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 (including such rights of access as may be reasonably necessary in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof). The County and the Trustee shall also be permitted, at all reasonable times, to examine the books and records of the Lessee with respect to the Project. 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, except as permitted by the Guaranty Agreement; provided the surviving corporation assumes in writing all of the obligations of the Lessee under this Agreement and the Guaranty Agreement.

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, the parties hereto reserve the right at any time and from time to time, but only upon receiving the written consent of the holders of sixty-six and two-thirds per centum (66-2/3%) of the principal amount of the Bonds outstanding, to amend this Agreement for the purpose of effecting the release of and removal from this Agreement and the leasehold estate created hereby of (i) 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 (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, the secretary or treasurer of the Lessee stating that the Lessee is not in default under any of the provisions of this Agreement, and the release so proposed to be made will not impair or materially endanger the lien of the Indenture on that portion of the Project not so released.

(d) A copy of any agreement wherein the County agrees to construct, or cause to be constructed, improvements on the portion of the Leased Land so requested to be released and 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 (60) 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 or the amounts payable under Section 5.4 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 by the Trustee 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 treasurer of the Lessee requesting such instrument, (iii) a certificate executed by the president or a vice president or the treasurer 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 or the amounts payable under Section 5.4 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, Lessee further, shall indemnify and save the County and the Trustee harmless 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 of negligence of Lessee or of any of its agents, contractors, servants, employees or licensees, or (iv) any act of negligence of any assignee or sublessee of Lessee, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee 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 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 performance of any act requested of it by the Lessee, or by reason of the County's ownership of the Project or the operation of the Project 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 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. Notice of Litigation and Defaults. The Lessee will promptly give notice to the Trustee of the occurrence of any material litigation or governmental proceeding affecting the Lessee or this Agreement or any governmental investigation or labor dispute pending or, to the knowledge of the Lessee, threatened which could reasonably be expected to interfere substantially with the normal operations of the Lessee or materially adversely affect the financial condition of the Lessee. The Lessee will promptly give notice to the Trustee of the occurrence of any event of default or of any condition, event, act, or omission which, with the giving of notice or the lapse of time or both, would constitute an event of default.

SECTION 8.9. Covenants of Lessee With Respect to Capital Expenditures. The County is issuing the First Series Bonds pursuant to an election made under Section 103(b)(6)(D) of the Code. The Lessee covenants with the County, the Trustee and with each of the future holders of any Bonds that within sixty (60) days following (i) July 1, 1979, and (ii) the first day of each July 1 thereafter to and including July 1, 1981, the Lessee will furnish to the Trustee a certificate signed by the Chief Financial Officer of the Lessee or his deputy setting forth by date and amount all capital expenditures (including the \$4,000,000 principal amount of the Bonds) paid for the period beginning July 1, 1975, to such July 1st, or, in the case of the July 1, 1981, certificate, to the third (3rd) anniversary of the date of the the First Series Bonds), with respect to "facilities" described in Section 103(b)(6)(E) of the Code, in Anderson County, South Carolina, of which the Lessee or a related person as defined in Section 103(b)(6)(C) of the Code is the principal user.

SECTION 8.10 Tax Indemnification. (1) As used in this Section 8.10, the following terms shall have the following meanings:

(a) "Event of Taxability" means the earlier of (i) the issuance of a statutory notice of deficiency by the Internal Revenue Service or a ruling of the National Office or any District Office, or a final decision of a court of competent jurisdiction, which holds in effect that the interest paid or payable on all of the Bonds held by a holder or a former holder thereof is wholly includible in the gross income of such holder or former holder (other than a holder who is a "substantial user" of the Project or "related person" as such terms are defined in

the Code) for any reason other than the occurrence of the event referred to in Subsection 12.2(1)(b), or (ii) the Lessee shall file with the Trustee and concurrently mail or cause to be mailed to each holder of outstanding Bonds a certificate of the president or any vice president that the Lessee has made or will make capital expenditures which have caused or will cause the interest on the Bonds to become subject to Federal Income Taxes pursuant to the provisions of Section 103(b)(6)(D) of the Code and setting forth the date as of which such interest became or will become so subject to Federal Income Taxes, which certificate shall be accompanied by an affirming opinion of counsel selected by the Lessee and reasonably satisfactory to the Trustee.

(b) "Taxable Date" means the earliest effective date as of which the interest payable on the Bonds is includible in the gross income of the holders or former holders of the Bonds (other than any holder who is a "substantial user" of the Project or "related person", as such terms are defined in the Code) as a result of the occurrence of any circumstances giving rise to an Event of Taxability.

(c) "Inclusion Period" with respect to any Bonds means the period beginning on the Taxable Date and ending on the redemption date or maturity (whichever occurs first) of such Bonds, both dates inclusive.

(2) If the Lessee shall become obligated to purchase the Project under the provisions of Section 12.2 hereof because of the occurrence of any Event of Taxability, then, in that event, the outstanding Bonds are required to be redeemed pursuant to Section 301 of the Indenture and the Lessee will pay to the Trustee for the benefit of the holder or holders of the Bonds so to be redeemed, as part of the purchase price for the Project set forth in Section 12.2(1) hereof, on or before the date that such Bonds are so to be prepaid, a sum equal to 3-1/2% per annum on the from time to time unpaid principal amount of Bonds held by such holder during the Inclusion Period. Amounts required to be paid pursuant to this Section 8.10 shall be in addition to the redemption price and accrued interest for the Series Bonds specified in the Indenture.

(3) Any person who, within 24 months from the date or occurrence of any Event of Taxability, shall notify the Lessee that he was a holder of Bonds at any time during the Inclusion Period but was not such a holder on the date of redemption of Bonds because of the occurrence of an Event of Taxability, and shall furnish the Lessee with proof thereof reasonably satisfactory to the Lessee, shall be entitled to receive from the Lessee, the amount provided for in foregoing Subsection 2 of this Section 8.10, and the Lessee shall pay such amount to such person within 30 days of the proof of such claim as herein provided.

(4) If an event described in clauses (a) or (b) of Subsection (1) of Section 12.2 hereof has not occurred on or before the date of the payment and retirement of all of the Bonds (whether at or prior to the maturity thereof) but an "Event of Taxability" does occur within five years of such date, then the Lessee covenants and agrees to pay, within 30 days of the proof of such claim as hereinafter provided, to

any person who shall, within six months of the expiration of such five year period, notify the Lessee that he was a holder of Bonds during the Inclusion Period and furnish proof thereof reasonably satisfactory to the Lessee, the amount provided for in Subsection 2 of this Section 8.10 in respect of Bonds held by such person during the Inclusion Period.

(5) The covenants made by the Lessee in this Section 8.10 and Lessee's obligations hereunder shall survive the termination of this Agreement, the Indenture or the payment in full of the Bonds. The Lessee will forthwith notify the Trustee of any payments made directly to the holder or former holder of any Bonds by Lessee pursuant to this Section 8.10.

(6) It is the intention of the parties hereto (including as such the holders of the Bonds) that the payments to be made pursuant to this Section 8.10 shall be final and conclusive without regard to the final outcome of any dispute, even though it might be thereafter determined by court order, ruling or otherwise that interest on the Bonds, was, in fact, not subject to Federal Income Taxes.

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 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.

(d) No such assignment or sublease shall allow the assignee or sublessee to use the Project for a purpose which would result in the interest on the Bonds being taxable.

SECTION 9.2 Mortgage of Property by County. The County will mortgage the Project by the Indenture, and assign its interest in and pledge the Lease Rentals 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 or Other Disposition of Project. The County and the Lessee agree that, except as set forth in Section 9.2 hereof or other provisions of this Agreement or the Indenture, neither the County nor the Lessee will sell, convey, mortgage, encumber or otherwise dispose of any part of, or interest in, 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, and only if, the same are then subject to redemption, 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 due by reason of the provisions of Section 5.3 hereof, in inverse order of their due dates. Notwithstanding anything to the contrary set forth in Section 9.4 and Section 9.5 hereof, (i) no rents or other funds may be deposited with the Trustee for use by the County or otherwise transferred to the County directly or indirectly for use by the County to redeem the Bonds or otherwise unless such funds are used by the County to prepay all principal, premium, and interest owing on the Bonds, or unless (a) the moneys of the Lessee deposited with the Trustee are excess or surplus funds not required in the conduct of business of the Lessee, (b) Lessee has outstanding after the deposit of such moneys with the Trustee no indebtedness other than indebtedness permitted by Guaranty Agreement, and (c) the Lessee has delivered to the Trustee a certificate of the Authorized Lessee Representative to both such effects and to the effect that the deposit will not reduce the working capital of the Lessee below an amount which is considered adequate by the officers of the Lessee for the safe conduct of the business of the Lessee without the necessity of creating additional long term or current debt to replace the funds used to make the deposit; and (ii) no rents or other funds may be deposited with the Trustee for use by the County or otherwise transferred to the County directly or indirectly for use by the County to redeem the Bonds or otherwise as part of or in anticipation of any refunding operation directly or indirectly involving (a) the incurring of any indebtedness which has an interest cost (computed in accordance with generally accepted financial practice) to the Lessee (as defined in the Indenture) equal to or less than 8-1/4% per annum or (b) the sale of any equity securities of the Lessee, including preferred or common stock, or any other capital contribution to the Lessee by any shareholder thereof, nor until the Lessee shall have delivered to the Trustee a certificate signed by the Authorized Lessee Representative to the effect that no such refunding is involved.

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 (as Trustee, Bond Registrar and paying agent) and any other 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 the last maturity of any Bonds, 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 which may be attached or affixed to the Project. All such machinery, equipment, and other personal property excluding the property described in Exhibit B incorporated herein shall remain the sole property of the Lessee and the Lessee may remove the same from the Project 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 (as Trustee, Bond Registrar, and paying agent), all reference 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 the purpose of this Agreement, the Bonds shall be deemed fully paid:

(a) If there is no default under Section 8.9 and there is on deposit in the Bond Fund a sum sufficient to pay the principal and premium, if any, of all the then outstanding Bonds plus the interest due thereon until and at their respective maturities and provision for payment of all Trustee's (as Trustee, Bond Registrar, and paying agent), 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; or

(c) If all of the outstanding Bonds shall be deemed to have been paid within the meaning of Section 901 of the Indenture.

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 of the Lessee to pay the rents required to be paid under Section 5.3 of this Agreement on the dates specified therein.

(b) Failure of the Lessee to fulfill its obligation to purchase the Project as provided in Section 12.2(1) hereof.

(c) 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 subsections (a), (b), (d), and (f) of this Section, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the County or the Trustee; provided, however, in the case of any such default specified in this Section 10.1(c) which cannot with due diligence be cured within such thirty-day period, it shall not constitute an event of default if corrective action is instituted by the Lessee within such thirty-day period, is diligently pursued, and the default is corrected within ninety (90) days after the written notice thereof hereinabove specified has been given.

(d) Any material representation or warranty made by the Lessee herein, or made by the Lessee in any written statement or certificate furnished by the Lessee in connection with the issuance and sale of Bonds or furnished by the Lessee pursuant hereto or pursuant to the Indenture, proves untrue, false or misleading in any material and adverse respect as of the date of the issuance or making thereof.

(e) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment of such consequence as will impair the ability of the Lessee to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee 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" 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, provided, that the conditions permitting such actions contained in Section 8.3 hereof shall have been met.

(f) The occurrence of an "event of default" under the Guaranty Agreement, as defined therein.

The provisions of paragraph (c) 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, 8.7, 8.9, and 12.2 hereof, to which this paragraph shall have no application), 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 of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; 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 or event not reasonably within the control of the Lessee, in each case which has the effect of making it impossible (as distinguished from impracticable) for the Lessee to perform, 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 is, 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, with the consent of the Trustee, or the Trustee, on behalf of the County, may take any one or more of the following remedial steps:

(a) Declare all installments of rent payable under during the remainder of the Lease Term under Section 5.3 hereof determined in accordance with the provisions of the Indenture and all Trustee fees accrued under Section 5.4 hereof to be immediately due and payable, whereupon the same shall become immediately due and payable, and which amounts Lessee hereby agrees to pay.

(b) Re-enter and take possession of the Project without terminating this Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts actually paid by such sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

(c) May terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to complete acquisition, expansion, improvement, and installation of the Building and Leased Equipment if not then completed, and to lease the Project to another for the account of the Lessee, holding the Lessee liable for completion costs, if any, not reimbursed to the County or the Trustee

from the proceeds of the Bonds or otherwise, and, all rent and other amounts payable by the Lessee hereunder.

(d) May exercise any rights and remedies available under the South Carolina Uniform Commercial Code as is then in effect.

(e) The County may take whatever action at law or in equity may appear necessary or desirable to collect the rent and other amounts then 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) and the Lessee is then in good standing with respect to the payment of rent hereunder and shall have paid the County and the Trustee all other sums due and owing hereunder, 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 Section 5.3, Section 10.2(a), and Section 12.2 hereof, all of which shall survive any such action, and the County, with the consent of the Trustee, or the Trustee, on behalf of the County, 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 and 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' Fees 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 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 fees 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 THE 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 (i) 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, if any, expenses of redemption and Trustee's (as Trustee, Bond Registrar and paying agent) and paying agents' fees and expenses), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption, (ii) by paying to the County any and all sums then due to the County under this Agreement, and (iii) by giving the County notice in writing of such termination, and such termination shall forthwith become effective.

(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 and the Trustee (as Trustee, Bond Registrar and paying agent) 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, so long as no Event of Taxability as set forth in Section 8.10 hereof has occurred, 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 (i) to such extent that it cannot be reasonably restored within a period of six (6) months to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of six (6) months.

(b) Title to, or the temporary use of, all or substantially all the Project, or such part thereof as shall materially interfere, in Lessee's reasonable judgment, with the operation of the Project for the purpose for which the Project is designed, and shall have caused the Lessee to cease to operate the Project for such purpose, shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority (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 (6) 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 earliest possible date after notice as provided in the Indenture, whether or not such date is an interest payment date, including without limitation, principal, all interest to accrue to said redemption date, premium, if any, and redemption expense, plus

(2) An amount of money equal to the Trustee's (as Trustee, Bond Registrar and paying agent) and paying agent's 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.

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, upon obtaining the consent of the holders of sixty-six and two-thirds per centum (66-2/3%)

of the aggregate amount of the Bonds then outstanding, 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 the purchase price calculated at the rate of \$_____ per acre, or the fair market value of that property being purchased, determined by a real estate appraiser licensed in the State of South Carolina, selected by the Trustee, whichever is greater, provided that it furnishes the County and the Trustee 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, (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, and (iv) a statement that the purchase of the land will not materially weaken, diminish or impair the security intended to be given by or under the Indenture.

(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 hereinabove provided.

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, and secure from the Trustee a release from the lien of the Indenture of such portion of the Leased Land with respect to which the Lessee shall have exercised the option granted to it in this Section; provided, however, that no such money deposited in the Bond Fund shall be credited against any rental payment under Section 5.3 hereof, except (i) the last maturing rental payments during the Lease Term, which payments shall be used by the Trustee for payment in full of the remaining principal of, premium, if any, and interest on the Bonds or (ii) rental payments to be applied to the redemption of the Bonds when redemption is permitted under the Indenture and the Lessee has requested that the County exercise its option to redeem. 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 or the amounts payable under Section 5.4, 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.

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 non-fulfillment 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 OBLIGATIONS 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 obligation to purchase created in this Section shall be and remain prior and superior to the Indenture and shall 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.

SECTION 12.2 Lessee's Obligation to Purchase Project.

(1) Lessee covenants and agrees that if

(a) an "Event of Taxability" occurs as set forth in Section 8.10 hereof, or

(b) interest on all Bonds becomes wholly subject to Federal income taxation as a result of a change in the Federal tax laws (for the purposes of this clause (b), interest on the Bonds becomes subject to Federal income taxation when the President of the United States of America signs into law legislation which, in the opinion of nationally recognized bond counsel [who shall be selected by the Lessee (or if the Lessee shall fail so to do within a reasonable time, then selected by the Trustee) and not objected to in writing by the holders of 66 2/3% or more in principal amount of all Bonds then outstanding within 15 days of receipt of notice of the selection of such counsel], assuming the validity of the legislation, requires that interest on all of the Bonds be included in the gross income of the holders thereof for Federal income tax purposes),

the Lessee will purchase the Project from the County (and this Lease Agreement will thereupon terminate), by depositing with the Trustee not later than 90 days after notice of the occurrence of either of the events described in foregoing clauses (a) or (b) hereof shall have been given to the Lessee or the Trustee or the holder of any Bond, as the purchase price therefor, an amount equal to the sum of the following:

(i) the principal amount of all then outstanding Bonds; plus

(ii) interest on all of such Bonds accrued to the date or dates fixed for the redemption thereof; plus

(iii) the fees and expenses of the County, the Trustee (as Trustee, Bond Registrar and paying agent), and any Bond paying agent in connection with such redemption of the Bonds; plus

(iv) If an Event of Taxability has occurred as set forth in Section 8.10 hereof, a redemption premium in the amount of % of the principal amount of Bonds outstanding, plus the amount payable by the Lessee to the holders or former holders of the Bonds so being redeemed pursuant to Subsection 8.10 of this Lease Agreement.

(2) Any moneys held in trust by the County or the Lessee or any paying agents in respect of the Bonds at the time of any deposit of moneys by the Lessee under this Section 12.1, for application to the payment of the principal of, or interest or premium on, outstanding Bonds or for payment of the fees and expenses of the Trustee or any paying agent, shall be applied to the reduction of the purchase price of the Project specified in this Section 12.1

(3) The Trustee is authorized and directed, under the provisions of the Indenture, to redeem all outstanding Bonds on or before the expiration of the 90-day period specified in this Section 12.2.

Upon the deposit by the Lessee of the amount provided in this Section 12.1, the County shall sell and convey to the Lessee, and the Lessee shall purchase, the Project.

(4) The Lessee and the County will at all times during the Lease Term cooperate with each other in every way to insure the exemption from Federal income taxation of the interest on the Bonds and any extension thereof. Lessee shall be responsible for providing such annual statements as may be required by the Internal Revenue Service regulations and a copy thereof shall be filed with the County. The County agrees to execute and file with the Internal Revenue Service the election required by the Internal Revenue Code and regulations thereunder with respect to the exemption from Federal income tax of interest on the Bonds.

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 addressed as follows: if to the County, to the County Council of Anderson County, Anderson County Court House, Anderson, South Carolina 29621; if to the Lessee, at Jackson Mills, Welford, South Carolina 29385; if to the Trustee, at _____

_____. The County, the Lessee, 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 appropriate office of the County in which the Project is located, and/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 Commercial Code--Secured Transactions, in the appropriate office of the County in which the Project is located, and in the Office of the Secretary of State in the City of Columbia, South Carolina. The parties further agree that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the South Carolina Uniform Commercial Code--Secured Transactions in order to continue the security interests 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 hereof, 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 all properties conveyed to the County by the said deed and for the same consideration paid by the County less any advances made therefor or on behalf of the Lessee. All parties shall execute such further instruments as may be necessary to fully implement the provisions of this subsection (b) of Section 13.4.

(c) The Lessee covenants that it will cause this Lease Agreement and the Indenture, all supplements and amendments to the Indenture and this Lease Agreement, and all financing and continuation statements to be kept recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the owners of the Bonds and the rights of the Trustee under this Lease Agreement and under the Indenture.

Promptly after any re-filing, re-registering or re-recording of the Indenture, this Lease Agreement or a notice thereof or any filing, registration, recording, re-filing, re-registration or re-recording of any supplement to any such instruments, any financing statement or instrument of similar character relating to any such instruments or any instrument of further assurance which is required pursuant to the Indenture, the Lessee will deliver to the Trustee an opinion of counsel, who may be counsel for the County or the Lessee, to the effect that such filing, registration, recording, re-filing, re-registration, or re-recording has been duly accomplished and setting forth the particulars thereof. On or before July 1, 1979, and on or before each July 1 thereafter, so long as any of the Bonds shall be outstanding, the Lessee will deliver to the Trustee an opinion of counsel, who may be counsel for the County or the Lessee, addressed to the Trustee to the effect set forth in Section 13.5(a)(4) of this Lease Agreement and stating that no filing, registration, or recording and no re-filing, re-registration, or re-recording of any instrument is necessary during the annual period immediately succeeding the date of such opinion in order to comply with this Section 13.4, or if such filing, registration, or recording or re-filing, re-registration, or re-recording is necessary, setting forth the requirements with respect thereto and the Lessee shall cause such requirements to be met and within sixty (60) days after said July 1 shall deliver to the Trustee an opinion of counsel, who may be counsel for the County or the Lessee, showing that they have been met.

SECTION 13.5 Other Instruments. (a) The Lessee covenants to deliver to the County, and the Trustee within 60 days: after July 1, 1979, after each July 1 thereafter until 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 July 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 thirty (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 appropriate recording or filing officer for recording and filing or re-recording and re-filing in all places required by the opinion of counsel referred to in Clause (4) of this subsection (a) 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 Lease Rentals 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 Lessee 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 provisions of 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 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 (as Trustee, Bond Registrar, and paying agent) 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 Net Lease. 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 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 13.12 Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the laws of the State of South Carolina shall govern its construction.

SECTION 13.13 Exemption of Trustee from Liability Under This Agreement. The parties hereby agree that, despite the assignment to the Trustee of the interest of the County hereunder, no duties or liabilities shall be imposed upon the Trustee except as specifically set forth in the Indenture and in this Agreement. Notwithstanding the superiority of this Agreement to the Indenture, the parties hereto approve as controlling in the case of conflict the provisions of Article X and Article XI of the Indenture respecting the duties and liabilities of the Trustee under this Agreement. This Section shall be construed as an offer to the Trustee to induce its acceptance of the assignment of this Agreement as security.

IN WITNESS WHEREOF, ANDERSON COUNTY, SOUTH CAROLINA, has executed this Lease Agreement by causing its name to be hereunto subscribed by the Chairman of the County Council of Anderson County, and the Official Seal of Anderson County to be impressed hereon and attested by the Clerk of said County Council of Anderson County; and JACKSON MILLS has executed this Lease Agreement by causing its corporate name to be hereunto subscribed by one of its _____ 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.

ANDERSON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
C. Edward Poore
Chairman, County Council of
Anderson County, South Carolina

Attest:

Gerlinda E. Witcher
Clerk, County Council of
Anderson County, South Carolina

Signed, Sealed and Delivered in
the Presence of:

JACKSON MILLS

(SEAL)

By _____

Attest:

Secretary

Signed, Sealed and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF ANDERSON

PERSONALLY appeared before me _____ who,
being duly sworn, deposes and says that (s)he saw the Official Seal of
Anderson County, South Carolina, affixed to the foregoing Lease
Agreement, and that (s)he also saw C. EDWARD POORE, as Chairman
of the County Council of Anderson County, South Carolina, sign, and
GERLINDA E. WITCHER, as Clerk of the County Council of Anderson
County, South Carolina, attest the same and that (s)he with
_____ witnessed the execution and
delivery thereof as the act and deed of the said Anderson County,
South Carolina.

SWORN to before me this

_____ day of July, A. D. 1978.

_____ (LS)

Notary Public for South Carolina

My Commission expires: _____.

STATE OF SOUTH CAROLINA
COUNTY OF

PERSONALLY APPEARED before me _____
who, being duly sworn, says that (s)he saw the corporate seal of
JACKSON MILLS affixed to the foregoing Lease Agreement, and that
(s)he also saw _____, as one of its
_____, sign and _____, as Secretary of
said Corporation, attest the same, and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said JACKSON MILLS.

SWORN to before me this
_____ day of July, A. D. 1978.

_____(LS)

Notary Public for South Carolina.

My Commission expires: _____

EXHIBIT "A"

(Attached to Lease Agreement between Anderson County, South Carolina,
as Lessor, and Jackson Mills, as Lessee, dated as of July 1, 1978).

DESCRIPTION OF LEASED LAND

EXHIBIT B-1

(Attached to Lease Agreement between Anderson County, South Carolina,
as Lessor, and Jackson Mills, as Lessee, dated as of July 1, 1978).

DESCRIPTION OF LEASED EQUIPMENT
TO BE ACQUIRED AT NO COST

EXHIBIT B-2

(Attached to Lease Agreement between Anderson County, South Carolina, as Lessor and Jackson Mills, as Lessee, dated as of July 1, 1978).

DESCRIPTION OF LEASED EQUIPMENT ACQUIRED
AND TO BE ACQUIRED OUT OF PROCEEDS OF FIRST SERIES BONDS

ASSIGNMENT OF LEASE AGREEMENT

STATE OF SOUTH CAROLINA

COUNTY OF ANDERSON

KNOW ALL MEN BY THESE PRESENTS, that Anderson County, a body politic and corporate and a political subdivision of the State of South Carolina, acting by and through the County Council of Anderson 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, does hereby assign, transfer, and set over unto _____, as Trustee under that certain Trust Indenture dated as of July 1, 1978, between Anderson County, South Carolina, and _____, as Trustee, and its successors in trust:

(a) All of the right, title and interest of said Anderson County in and to the foregoing Lease Agreement, dated as of July 1, 1978, between said Anderson County, as Lessor and Jackson Mills, as Lessee, as well as all Lease Rentals (as defined in the Lease Agreement), the same to be held in trust and applied by _____, as Trustee, as provided in said Trust Indenture.

This Assignment is made pursuant to and subject to all the terms and conditions of said Trust Indenture dated as of July 1, 1978, 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, ANDERSON COUNTY, SOUTH CAROLINA, has executed this Assignment by causing its name to be subscribed by the Chairman of the County Council of Anderson County and the official seal of said Anderson County to be impressed hereon and attested by the Clerk of the said County Council of Anderson County all being done as of the 1st day of July, A. D. 1978.

ANDERSON COUNTY, SOUTH CAROLINA

(SEAL)

By _____

C. Edward Poore, Chairman
County Council of
Anderson County, South Carolina

Attest:

Gerlinda E. Witcher, Clerk
County Council of
Anderson County, South Carolina

Signed, Sealed, and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA
COUNTY OF

PERSONALLY APPEARED before me _____
who, being duly sworn, says that (s)he saw the official Seal of
Anderson County, South Carolina, affixed to the foregoing Assignment
of Lease Agreement, and that (s)he also saw C. EDWARD POORE, as
Chairman, sign, and GERLINDA E. WITCHER, as Clerk of the County
Council of Anderson County, attest the same and that (s)he with
_____ witnessed the execution and delivery
thereof as the act and deed of the said Anderson County, South
Carolina.

SWORN to before me this
_____ day of July, A. D. 1978.

_____(L.S.)

Notary Public for South Carolina.

My Commission expires:

ANDERSON COUNTY, SOUTH CAROLINA

AND

As Trustee

TRUST INDENTURE

Dated as of July 1, 1978

THIS TRUST INDENTURE made and entered into as of the 1st day of July, 1978, by and between ANDERSON 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 _____, a national banking association duly organized, existing, and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States, as Trustee, as party of the second part;

W I T N E S S E T H:

WHEREAS, the County is authorized and empowered by the provisions of Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976 (the Enabling Statute), as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977, 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 and remain in South Carolina and thus utilize and employ manpower and other resources of South Carolina; and

WHEREAS, the County is further authorized by the Enabling Statute to issue revenue 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, building, improvements, machinery, and equipment so acquired; and

WHEREAS, the County has made the necessary arrangements with JACKSON MILLS, a corporation organized and existing under the laws of the State of South Carolina (hereinafter sometimes referred to as the Lessee) for the acquisition of existing textile manufacturing facilities, consisting of a tract of land together with the buildings and improvements thereon and the machinery and equipment installed therein, the expansion and improvement thereof, and the acquisition and installation of new equipment and machinery, all of which will constitute facilities for the manufacture of textiles and for the manufacture of such other products as the Lessee may deem appropriate (the said land, building, machinery, and equipment being hereinafter referred to as the Project) and all of which will be of the character and accomplish the purposes provided by the Enabling Statute, and the County has further entered into a Lease Agreement with the Lessee specifying the terms and conditions of the acquisition, expansion, improvement, and equipping of the Project and the leasing of the same to the Lessee; and

WHEREAS, the execution and delivery of this Trust Indenture (hereinafter sometimes referred to as the Indenture) have been authorized by an Ordinance duly enacted by the County Council of Anderson County (hereinafter sometimes referred to as the County Board) and the County, in accordance with the requirements of Section 4-29-140 of the Enabling Statute, 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 Enabling Statute 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 the County and, notwithstanding more than twenty (20) 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 Enabling Statute; and

WHEREAS, it has been determined that the estimated amount necessary to finance the cost of the Project will require the issuance, sale, and delivery of Bonds designated as "ANDERSON COUNTY, SOUTH CAROLINA, INDUSTRIAL REVENUE BONDS, SERIES 1978 (JACKSON MILLS - LESSEE) (the First Series Bonds), in the aggregate principal amount of \$4,000,000 as hereinafter provided; and

WHEREAS, the Lessee has entered into a Guaranty Agreement with the Trustee, dated as of July 1, 1978 (the Guaranty Agreement), whereby the Lessee has unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the First Series Bonds, and the payment of all other sums payable by the County to the Trustee or to the holders of the Bonds, pursuant to the Bonds or the Indenture; and

WHEREAS, the issuance of such First Series Bonds under the Enabling Statute has been, in all respects, duly and validly authorized by resolutions duly passed and approved by the County Board; and

WHEREAS, the \$4,000,000 aggregate principal amount of First Series Bonds to be issued and the Trustee's Certificate of Authentication to be endorsed on such First Series Bonds, are to be in substantially the form hereto attached as Exhibit C, with necessary and appropriate variations, omissions, and insertions as permitted by or required by this Indenture; and

WHEREAS, all things necessary to make the First Series 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 hereinafter described as security for the payment of the principal of, premium, if any, and interest on the First Series Bonds, have been done and performed, and the creation, execution, and delivery of this Indenture, and the creation, execution, and issuance of the First Series 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 (\$1.00) lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect, and the performance and observance by the County of all the covenants expressed or implied herein and in the Bonds, does hereby, subject to the terms and provisions of the Lease Agreement (and subject to Permitted Encumbrances as defined in the Lease Agreement) grant, bargain, sell, convey, mortgage, pledge, and assign unto _____, as Trustee, and unto its successors in said 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 Anderson 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 Exhibits B-1 and B-2 attached hereto, and substitutes 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 July 1, 1978, between the County and Jackson Mills, and all Lease Rentals required to be paid.

IV

All Lease Rentals arising out of or in connection with the ownership of the Project.

V

The proceeds derived from the sale of the Bonds; all funds from time to time in the Bond Fund and the Construction Fund, and any securities in which said funds are invested and the proceeds thereof.

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 issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the others of the Bonds;

PROVIDED, HOWEVER, that if the County shall pay or cause to be paid to the holders and owners of the Bonds 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 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, 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.

"ADDITIONAL BONDS" means the bonds of the County issued under Section 213 of this Indenture.

"BOND" or "BONDS" means the Anderson County, South Carolina, Industrial Revenue Bonds of all series from time to time authenticated and delivered under this Indenture.

"BOND FUND" OR "ANDERSON COUNTY INDUSTRIAL REVENUE BOND FUND - JACKSON MILLS 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 fully registered Bond.

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

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

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

"CONSTRUCTION FUND" or "ANDERSON COUNTY INDUSTRIAL CONSTRUCTION FUND - JACKSON MILLS PROJECT" means the fund created by Section 602 hereof.

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

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

The term "DEFAULT" means any of those defaults specified in and defined by Section 1001 hereof.

"ENABLING STATUTE" means Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977.

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

"FIRST SERIES BONDS" means the \$4,000,000 Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) of the County to be issued pursuant to the Indenture.

"GUARANTY AGREEMENT" means the Bond Guaranty Agreement between the Lessee and the Trustee of even date herewith whereby the Lessee unconditionally guarantees the payment of the principal of, premium, if any, and interest on the First Series Bonds, and the payment of all other sums payable by the County to the Trustee or to the holders of the First Series Bonds pursuant to the First Series Bonds or the Indenture..

"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 July 1, 1978, and any amendments or supplements thereto.

"LEASE RENTALS" means all of the revenues, rents, and receipts derived directly or indirectly from the leasing or sale of the Project including all moneys received under the Lease Agreement (excepting only amounts paid pursuant to Sections 5.4, 5.5, 6.3, 8.7, or 10.4 thereof).

"LESSEE" means Jackson Mills, a South Carolina 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" means 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;

(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 both be deemed Outstanding; and

(d) Bonds deemed to have been paid within the meaning of Section 901 hereof.

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

"PENALTY RATE" means interest at the rate of 10% per annum or such lesser amount as shall be the maximum permitted by applicable usury laws.

"PROJECT" means the land, buildings, machinery, equipment, and other facilities leased under the Lease Agreement.

"TRUST ESTATE" means the Mortgaged Property.

"TRUSTEE" means _____, the party of the second part hereof, 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 \$10,000,000.

SECTION 202 Issuance of First Series Bonds. The First Series Bonds in the aggregate principal amount of \$4,000,000, dated as of July 1, 1978, shall be designated "Anderson County, South Carolina, Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee)". They shall bear interest from the date of their delivery at the rate of eight and one-quarter per centum (8-1/4%) per annum (computed on the basis of a 360 day year and a 30 day month), payable October 1, 1978, and quarterly thereafter on October 1, January 1, April 1, and July 1 of each year. The principal amount of the Bonds shall be payable in fourteen (14) equal, successive, annual installments of \$285,714.28 each on July 1 of each year, commencing July 1, 1980, and continuing on each July 1 thereafter until the unpaid principal balance of the Bonds is paid in full, which installment payments shall be made by mandatory sinking fund redemption as provided in Section 301(b) hereof.

The principal of and premium, if any, on each First Series Bond shall be payable to the Bondholder or his legal representative upon presentation of the Bond for appropriate endorsement at the principal corporate trust office of the Trustee in the City of _____, State of _____. Payments of interest made in respect of the First Series Bonds shall be by check or draft mailed by the Trustee to the Bondholder at the address shown on the registration book. The Trustee shall keep a record of all such payments.

Notwithstanding any of the provisions of this Indenture, the Trustee is authorized and directed to make payments of principal (except the final payment of principal) and premium, if any, in respect of Bonds registered in the name of Northwestern National Life Insurance Company ("Northwestern"), without presentment thereof, directly to Northwestern at Post Office Box B-9111, Minneapolis, Minnesota 55480, or such other address as Northwestern may designate from time to time by written notice to the Trustee.

In the case of any Bond registered in the name of any other holder which has given written notice to the Trustee requesting that the provisions of this Section apply to such holder, the Trustee (provided such holder has entered into and there is in force and effect a payment agreement with the County, the Lessee, and the Trustee, containing provisions acceptable to the Trustee), shall pay the principal of such Bonds, except the final payment of principal, and premium, if any, without any presentment thereof, directly to such holder at such address as such holder may from time to time designate in writing to

the Trustee or by wire transfer sent by the Trustee not later than 11:00 A.M. (Trustee's local time) on the due date in immediately available funds to any bank in the continental United States, if and as specified by such holder. Upon the surrender to the Trustee for the transfer of any Bond in respect of which direct payments have been made as provided in this Section 202, the Trustee shall verify all such payments theretofore made on the Table of Partial Redemption appearing thereon.

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 the said signatures shall be a manual signature. 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 said fund and the Lease Rentals 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 are hereby pledged and assigned for the equal and ratable payment of the Bonds and shall be used for no other purposes 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 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 set forth in Exhibit C hereto duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No 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.

SECTION 205 Form of Bonds. The Bonds issued under this Indenture shall be substantially in the form set forth in Exhibit C with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

SECTION 206 Delivery of First Series Bonds. Upon the execution and delivery of this Indenture, the County shall execute and deliver to the Trustee and the Trustee shall authenticate one or more First Series Bonds in the aggregate principal amount of \$4,000,000 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 Ordinance of the County Board authorizing the execution and delivery of the Lease Agreement.

2. An original executed counterpart of the Lease Agreement.

3. An original executed counterpart of the Guaranty Agreement.

4. 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 \$4,000,000 aggregate principal amount of the First Series Bonds.

5. 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).

6. A title insurance policy (or an appropriate binder) meeting the requirements of Section 3.3 of the Lease Agreement.

7. 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 First Series Bonds in the aggregate principal amount of \$4,000,000 to the purchasers therein identified 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.

8. Such other documents, certificates and opinions relating to the transactions contemplated hereby as the Trustee may reasonably request.

SECTION 207 Mutilated, Lost, Stolen or Destroyed Bonds.

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; provided that, in the case of any mutilated Bond, such mutilated Bond 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, provided that in the case of a holder which is a bank or insurance company, the agreement of such bank or insurance company to indemnify shall be sufficient. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, 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 and Transfer of Bonds; Persons Treated as Owners. Each Bond shall be fully registered and transferable only upon the books of the County, which shall be kept for that purpose at the principal corporate trust office of the Trustee in _____, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the County shall issue, subject to the provisions of Section 212, in the name of the transferee, a new registered Bond or Bonds of the same aggregate principal amount as the unpaid principal amount of the surrendered Bond.

Any bondholder requesting any transfer shall pay any tax or other governmental charge required to be paid with respect thereto. The person in whose name a Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of, premium, if any, or interest on 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 nor 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.

SECTION 209 Forms; Denominations; Medium of Payment. The Bonds shall be in fully registered form without coupons. All such Bonds shall be issued in denominations of \$100,000, or a multiple thereof, provided that, upon partial redemption of a Bond requiring surrender thereof and the issuance of a new Bond, such new Bond may be in the denomination of the unredeemed balance. The Bonds shall be substantially in the form set forth in Exhibit C to this Indenture with such variations, insertions or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. The Bonds shall be payable with respect to principal, interest, and premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 210 Numbers, Date and Payment Provisions.

The Bonds shall be numbered and designated in such manner as the County, with the concurrence of the Trustee shall determine. Each Bond shall bear interest from its date and shall be dated the date of its delivery.

SECTION 211 Exchange of Bonds. Bonds, upon surrender thereof at the principal corporate trust office of the Trustee in the City of _____, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, may, at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 212, be exchanged for a principal amount of Bonds of any other authorized denominations equal to the unpaid principal amount of surrendered Bonds.

SECTION 212 Regulations With Respect to Exchanges and Transfer.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the County shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. There shall be no charge for such exchange or transfer of Bonds except that the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the County nor the Trustee shall be required (a) to transfer or exchange Bonds for a period of ten (10) days next preceding an interest payment date on the Bonds or (b) to transfer any Bonds called for redemption.

SECTION 213 Issuance of Additional Bonds.

The County, at the request of the Lessee and to the extent permitted by law in effect at the time thereof, shall use its best efforts to issue Additional Bonds from time to time for the purpose of providing additional moneys to be used for the purpose of providing for the acquisition of additional lands or interests therein within the County which shall become part of the Leased Land (as defined in the Lease Agreement), or for the acquisition, construction, or improvement of buildings, structures, facilities, machinery, or equipment, all to become part of the Project and to be located on the Leased Land (as defined in the Lease Agreement), on a parity with the First Series Bonds and any Additional Bonds theretofore or thereafter issue and payable from the Bond Fund; provided, no Additional Bonds shall be issued if the issuance of such Additional Bonds results in the loss of the exemption from Federal Income Taxes for the interest on the First Series Bonds. The proceeds of any Additional Bonds shall be used solely to pay the costs of improvement of the Project and to pay the costs incident to the issuance of Additional Bonds, in accordance with Section 8.11 of the Lease Agreement. The aggregate principal amount of all Bonds to be issued pursuant to this Indenture shall not exceed \$10,000,000.

Such Additional Bonds shall be issued in such series and principal amounts within the limitations herein provided, shall be dated, shall

bear interest at such rate or rates, shall be subject to redemption at such times and prices, and shall mature in such years as the indenture supplemental hereto authorizing the issuance thereof shall fix and determine, and shall be deposited with the Trustee for authentication and delivery.

SECTION 214 Delivery of Additional Bonds. Upon the execution and delivery in each instance of an appropriate indenture supplemental hereto, the County shall execute and deliver to the Trustee, and the Trustee shall authenticate, such Additional Bonds, and deliver them to the purchaser or purchasers as may be directed by the County, as hereinafter in this Section 214 provided. Prior to the delivery by the Trustee of any such Additional Bonds, there shall be filed with the Trustee:

(1) A valid and effective amendment to the Lease Agreement, pursuant to Section 8.11 thereof, providing for the inclusion within the "Project", as defined in the Lease Agreement, of any real estate and interest therein and any buildings, structures, facilities, machinery, equipment, and related property to be acquired by purchase or construction from the proceeds of the Additional Bonds, and providing for an increase in the obligations of the County and the Lessee in accordance with Section 5.3 of the Lease Agreement.

(2) A valid and effective supplemental indenture providing for the issuance of such new series of Additional Bonds, and subjecting to the lien of this Indenture any and all real estate and interest therein, and any building, structures, facilities, machinery, equipment, and related property acquired by purchase or construction from the proceeds of such Additional Bonds, and pledging and assigning the additional rentals to the payment of the Additional Bonds, subject to the rights of the Lessee under the Lease Agreement.

(3) A copy, duly certified by the Clerk of the County Board, of the resolutions theretofore adopted and approved, authorizing the execution and delivery of such supplemental indenture and such amendments to the Lease Agreement and the issuance of such Additional Bonds.

(4) A request and authorization to the Trustee on behalf of the County and signed by the Chairman and Clerk of the County Board to deliver such Bonds to the purchaser or purchasers therein identified upon payment to the Trustee, for the account of the County, of a specified sum plus any accrued interest. The proceeds of such Bonds shall be paid over to the Trustee and deposited to the credit of the Bond Fund and Construction Fund as hereinafter provided under Article VI hereof.

(5) A written opinion by an attorney or firm of attorneys of recognized national standing on the subject of municipal bonds, to the effect that the issuance of such Additional Bonds and the execution thereof have been duly authorized, the conditions precedent to the delivery thereof have been fulfilled, and that the tax exempt status of the interest on the First Series Bonds is not affected by the issuance of such Additional Bonds.

(6) A certificate by appropriate County officials that no default exists under the Lease Agreement and that no default under the Lease Agreement will result from the issuance of such Additional Bonds.

(7) A certificate of the president or any vice president of the Lessee that no default exists under the Lease Agreement or the Guaranty Agreement and that no default under the Lease Agreement or the Guaranty Agreement will result from the issuance of such Additional Bonds.

(8) A written opinion of counsel satisfactory to the Trustee that the supplemental indenture providing for the issuance of such Additional Bonds and the amendment to the Lease Agreement relating thereto, have been duly authorized, executed, delivered, and filed for record in the appropriate recording offices and that all other filings, including, without limitation, financing statements, if any, have been duly effected.

(9) A mortgagee title insurance policy, securing the lien of the Indenture as supplemented, upon the Project with no exceptions other than Permitted Encumbrances as defined in the Lease Agreement, in an amount not less than the full fair market value of the land, buildings, and improvements comprising or to comprise the Project.

(10) Such other documents, certificates, and opinions relating to the transactions contemplated hereby as the Trustee may reasonably request.

ARTICLE III

REDEMPTION OF BONDS BEFORE MATURITY

SECTION 301(a) Redemption Dates and Prices of First Series Bonds. The First Series Bonds may not be redeemed in whole or in part prior to July 1, 1988, other than by operation of the mandatory sinking fund as provided for hereinafter in Section 301(b), except in the event of (1) exercise by the Lessee of its option to purchase the Project as provided in Section 11.2 of the Lease Agreement or (2) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in either such event, the First Series Bonds shall be subject to redemption by the County at such time, whether or not such date is an interest payment date, as the Lessee shall have been required to pay to the Trustee the amount of the purchase price specified in Section 11.2 or Section 12.2 of the Lease Agreement, in whole and not in part, at the principal amount thereof, plus accrued interest to the redemption date and, but only in the event of redemption as a result of the occurrence of an Event of Taxability as set forth in Section 8.10 of the Lease Agreement and the mandatory purchase of the Project pursuant to Section 12.2(1)(a) of the Lease Agreement, a redemption premium (in lieu of all other redemption premiums) in the amount of four per centum (4%) of the principal amount of all Bonds outstanding.

In the event the Lessee shall exercise its option to purchase the Project under Section 11.2 of the Lease Agreement, or shall become obligated to purchase the Project under Section 12.2 of the Lease Agreement, all of the First Series Bonds then Outstanding shall be redeemed by the Trustee in the manner and at the price herein set forth, without any further authorization, act or proceeding by the County out of moneys paid by the Lessee for the purchase price of the Project, on and as of the date fixed for the closing of such purchase as provided in Section 11.2 or in Section 12.2(3), as the case may be, of the Lease Agreement.

If the Lessee should become obligated to purchase the Project pursuant to Section 12.2(1)(a) of the Lease Agreement because of the occurrence of any Event of Taxability as set forth in Section 8.10 of the Lease Agreement the Lessee will pay in addition to the four per centum (4%) redemption premium described above and as a part of the purchase price for the Project, a tax indemnification payment as set forth in Section 8.10 of the Lease Agreement to the Trustee for the benefit of the holders of the First Series Bonds so to be redeemed and to any person not such a holder on the date of redemption who within twenty-four (24) months from the date of occurrence of such Event of Taxability shall notify the Lessee and establish by proof reasonably satisfactory to the Lessee that he was a holder of First Series Bonds at any time during the period beginning with the earliest effective date as of which interest on the First Series Bonds is includable in the gross income of the holders as a result of the occurrence of any circumstances giving rise to such Event of Taxability and ending on the redemption date.

The First Series Bonds are also subject to redemption by the County, at its option, which option shall be exercised only upon request of the Lessee, prior to maturity on any interest payment date on or after July 1, 1988, in whole or in part, (if in part, only in multiples of \$10,000, applied on the last maturing required installment or installments of principal in inverse order of maturity, and, in the manner prescribed in Section 304 hereof) at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after July 1, 1988, and prior to July 1, 1989;	108.25%
On or after July 1, 1989, and prior to July 1, 1990;	106.60%
On or after July 1, 1990, and prior to July 1, 1991;	104.95%
On or after July 1, 1991, and prior to July 1, 1992	103.30%
On or after July 1, 1992, and prior to July 1, 1993	101.65%

Redemptions made at the option of the County are subject to the following limitations:

(i) The County shall not use any funds of the Lessee for prepayment of the First Series Bonds unless such funds are used by the County to prepay all principal, premium, and interest owing on the First Series Bonds, or unless

(a) the moneys of the Lessee deposited with the Trustee are excess or surplus funds not required in the conduct of business of the Lessee,

(b) Lessee has outstanding, after the deposit of such moneys with the Trustee, no indebtedness other than indebtedness permitted by the Guaranty, and

(c) the Lessee has delivered to the Trustee a certificate of the Authorized Lessee Representative, as defined in the Lease Agreement, to both such effects and to the effect that the deposit will not reduce the working capital of the Lessee below an amount which is considered adequate by the officers of the Lessee for the safe conduct of the business of the

Lessee without the necessity of creating additional long term or current debt to replace the funds used to make the deposit; and,

(ii) no redemption may be made as part of or in anticipation of any refunding operation directly or indirectly involving

(a) the incurring of any indebtedness for borrowed money if such indebtedness has an interest cost to the Lessee (computed in accordance with generally accepted financial practice) equal to or less than eight and one-quarter per centum (8-1/4%) per annum or

(b) the sale of any equity securities of the Lessee, including preferred or common stock, or any other capital contribution to the Lessee by any shareholder thereof, nor until the Lessee shall have delivered to the Trustee a certificate, signed by the Authorized Lessee Representative, to the effect that no such refunding is involved.

The Bonds are also subject to mandatory redemption by operation of the sinking fund pursuant to Section 301(b) hereof at par plus accrued interest to the redemption date on July 1, 1980, and each July 1 thereafter, to and including July 1, 1993 (in the manner prescribed in Section 304 hereof).

SECTION 301(b) Mandatory Sinking Fund for Redemption of the First Series Bonds. Payment of the principal amount of the First Series Bonds in installments as required by Section 202 hereof, shall be effected by mandatory sinking fund redemption. As and for a sinking fund for redemption of the First Series Bonds at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption, the payments specified under the Lease Agreement which are to be deposited in the Bond Fund on or before July 1, 1980, and on or before each July 1 thereafter, to and including July 1, 1993, shall be sufficient to redeem by payment in cash, and the Trustee shall redeem by payment in cash, the following principal amounts of First Series Bonds on the date specified:

July 1 of the Year	Sinking Fund Requirements	July 1 of the Year	Sinking Fund Requirements
1980	\$285,714.28	1987	\$285,714.28
1981	285,714.28	1988	285,714.28
1982	285,714.28	1989	285,714.28
1983	285,714.28	1990	285,714.28
1984	285,714.28	1991	285,714.28
1985	285,714.28	1992	285,714.28
1986	285,714.28	1993	285,714.28

Each such mandatory sinking fund redemption shall be prorated among all holders of the First Series Bonds in proportion to the principal amount of such First Series Bonds which are registered in the name of each such holder.

No optional redemption of First Series Bonds pursuant to Section 301(a) hereof shall eliminate the obligation to make the mandatory redemptions provided for in this Section 301(b).

SECTION 302 Notice of Redemption. In the event the Bonds are called for redemption, in whole or in part, other than pursuant to mandatory sinking fund redemption required by Section 301(b) hereof, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable. Such notice shall be effected by mailing a copy of the redemption notice by first class mail at least thirty (30) days prior to the date fixed for redemption to the holder of each Bond 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. All Bonds, to the extent 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.

SECTION 303 Cancellation. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the County and the Lessee.

SECTION 304 Partial Redemptions. If less than all of the Bonds outstanding are to be redeemed, each Bond shall be redeemed in part in the manner hereinafter provided, and except as otherwise provided in Sections 202 and 301(b) hereof with respect to mandatory sinking fund redemptions, the County shall execute and the Trustee shall authenticate and deliver, upon the surrender of each such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered Bonds in any of the authorized denominations.

Any of the provisions of the Indenture to the contrary notwithstanding, with respect to any partial redemption of Bonds, the extent to which each Bond shall be redeemed shall be determined by the Trustee in the following manner:

(a) The Trustee shall prorate the principal amount of Bonds to be redeemed among all holders of Bonds in proportion to the principal amount of such Bonds which are registered in the name of each such holder.

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 derived from or in connection with the Project, which are required to be set apart and transferred to the Bond Fund, which Lease Rentals, 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 in this Indenture shall be considered as pledging any other funds or assets of the County.

The County covenants that it will promptly pay (but solely from, and only to the extent of, the Lease Rentals), the principal of, including any applicable redemption premiums, 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, 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 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 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 has relied in all respects upon the opinion of Independent Counsel (as defined in the Lease Agreement) that it lawfully owns and is lawfully possessed of the Project and that it has good and indefeasible title and estate therein, except for Permitted Encumbrances as defined in the Lease Agreement (or, in the case of any property included in the Project and not yet acquired, that the same will be acquired by the County from the moneys in the Construction Fund or from moneys 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 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 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 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 derived from the Project shall at all times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

SECTION 407 Rights Under Lease Agreement. The Lease Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the County and the Lessee including a provision that subsequent to the initial issuance of the Bonds and prior to their payment in full, or provision for payment thereof in accordance with the provisions hereof, the Lease Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and reference is hereby made to the Lease Agreement for a detailed statement of said covenants and obligations of the Lessee under the Lease Agreement,

and the County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Lessee under and pursuant to the Lease Agreement and on behalf of the Bondholders whether or not the County is in default hereunder.

SECTION 408 Recording and Filing. This Indenture shall be recorded and indexed as a mortgage of real estate in the office in the County wherein are recorded mortgages of real estate, 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 in the County wherein financing statements are filed, 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. As provided in Section 13.5(a)(4) and in Section 13.4(a) of the Lease Agreement, such financing or continuation statements shall be filed from time to time by the Trustee in said offices of the County and of the Secretary of State of South Carolina as, in the opinion of counsel, are necessary to preserve the lien of this Indenture, and the Lessee shall cause the Lease Agreement and this Indenture, all supplements and amendments to this Indenture and to the Lease Agreement, and all financing and continuation statements to be kept recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the owners of the Bonds and the rights of the Trustee under this Indenture and under the Lease Agreement.

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 derived from the Project and as authorized and provided in this Indenture. The Bonds are also secured by a lien on and security interest in the Project as 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, except as otherwise provided in Section 202 of this Indenture in the case of certain Bonds payment of which shall be made by the Lessee directly to the Bondholder. 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 from said 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 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 bear the designation set forth in the definition of "Bond Fund" in Section 101.

SECTION 503 Payments into the Bond Fund. There shall be deposited into the Bond Fund, 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 provided in 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 (but solely from, and only to the extent of, the Lease Rentals described and pledged in Section 401), in the Bond Fund for its account sufficient sums from Lease Rentals derived from the Project or its sale, lease or other disposition 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, 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 shall diligently proceed in good faith and use its best efforts to secure another tenant for the premises to the end that at all times sufficient Lease

Rentals 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 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. Except as provided in Section 301(b) hereof, 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 in whole and not in part 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 on which the Bonds may be redeemed in accordance with the applicable provisions hereof 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 on which the Bonds may be redeemed in accordance with the applicable provisions hereof 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 called for redemption and past due interest in all cases where such Bonds 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. In the event any Bonds required to be presented for a principal payment shall not be presented for such payment when principal thereof becomes due, whether on the date on which an annual installment is required to be paid, at maturity or at the date fixed for redemption thereof or otherwise, if funds sufficient to pay such Bonds 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 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 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.

SECTION 507 Trustee's and Paying Agent's Fees, Charges and Ex-

penses. 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 become due, (ii) the reasonable fees and charges of the Trustee, as Bond Registrar and paying agent, and any other paying agents for acting as paying agents 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 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 Construction Fund; Disbursement. There is hereby created and established with the Trustee a trust fund in the name of the County to bear the designation set forth in the definition of "Construction Fund" in Section 101. The proceeds of the issuance and delivery of Bonds 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 602 hereof, the Trustee shall, if requested by the Lessee, file an accounting thereof with the County and with the Lessee.

SECTION 602 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 no labor or material liens have been filed with respect to the Project or to the knowledge of such officer are pending or threatened and 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 within 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.

ARTICLE VII

INVESTMENTS

SECTION 701 Investment of Construction Fund Moneys. Any moneys held as part of the Construction Fund shall, at the written direction 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 direction 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, having maturities consonant with the need to apply moneys in the Bond Fund to the payment of principal, interest, and premium, if any, to come due on the Bonds. Any such investment shall be held by or under control of the Trustee and shall be deemed at all times a part of the Bonds 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 provision of this Section 702 whenever the cash balance in the Bond Fund is insufficient to pay the current interest, principal, and premium, if any, requirements on the Bonds.

SECTION 703 Trustee's Own Bond Department. The Trustee may make any and all investments through its own Bond Department.

SECTION 704 Trustee's Right to Rely. The Trustee may conclusively rely upon any investment directions within the limitations set forth hereinabove received pursuant to this Article VII and shall not liable or responsible for (1) any diminution in the value of any investments made pursuant to this Article VII or for any loss arising from any sale or other disposition thereof or (ii) for any violation of any statute or of any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" or for causing an "Event of Taxability".

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 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 Trustee 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 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 reconvey to the County the estate hereby conveyed, and assign and deliver 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, or securities in which such funds are invested, held by the Trustee for the payment of principal of, interest and premium, if any, on the Bonds.

Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (a) in case said Bonds are to be redeemed in whole and not in part, in the manner stipulated therein and herein, on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on said date as provided in Section 302 hereof, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest and premium, if any, due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to it irrevocable instruction to give, as soon as practicable, in the same manner as a notice of redemption pursuant to Section 302 hereof, a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal and premium, if any, on said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other

than, and shall be held in trust for, the payment of the principal and interest and premium, if any, on said Bonds; provided that any cash received from such principal or interest payments on such securities deposited with the Trustee, if not then needed for such purpose, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal and interest and premium, if any, to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Lessee, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee shall not be liable or responsible for (i) any diminution in the value of any securities deposited with it pursuant to this Section 901 or for any loss arising from any sale or other disposition thereof or (ii) for any violation of any statute or of any policy or rules or regulations of the Internal Revenue Service with respect to "arbitrage bonds" or for causing an "Event of Taxability."

Notwithstanding the foregoing the Trustee shall not discharge this Indenture if prior to the date of such deposit it has received written notice of an Event of Taxability as defined in the Lease Agreement. In the absence of such notice prior to such deposit, the Trustee may conclusively presume that there is no such Event of Taxability and thereafter no holder of the Bonds shall look to the Trust Estate or such deposit for payment of any obligation arising from such Event of Taxability but shall look only to the Lessee.

Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or a paying agent in trust for the payment and discharge of any of the Bonds which remain unclaimed after the date when such Bonds have become due and payable, (either at their stated maturity dates or by call for earlier redemption), for the period of time during which such claims must be made under applicable law with the result that such claims for payment are barred by law, shall be repaid by the Trustee or paying agent to the Lessee free from trust, and the Trustee or paying agent shall thereupon be released and discharged with respect thereto, and the Bondholders shall look only to the Lessee for the payment of such Bonds.

ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1001 Defaults; Events of Default. If any of the following events occurs, 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 the principal of any Bond or any installment thereof (or premium, if any), whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration, or any sinking fund payment required herein; or

(c) Subject to the provisions of Section 1013, 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

(d) The occurrence of an "event of default" under the Lease Agreement as defined therein.

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 sixty-six and two-thirds per centum (66-2/3%) 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, 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 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 or by other lawful means 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, the 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 (a) 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; and (b) all rights and remedies of secured parties under the South Carolina Uniform Commercial Code, including the right to proceed with or without judicial process and all rights to sell or otherwise dispose of any or all such portion of such personal property as shall be available to the Trustee, the County hereby agreeing that, if notice of any intended disposition of any portion of such personal property is required by law in a particular instance, such notice shall be deemed commercially reasonable if given in the manner required by law at least ten (10) days prior to the intended disposition, and the duty of care of the Trustee with respect to such personal property in its possession, as imposed by law, shall be deemed fulfilled if the Trustee exercises reasonable care in physically safekeeping such personal property, or, in the case of such personal property in the custody of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and the Trustee need not otherwise preserve, protect, or care for such personal property. 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 sixty-six and two-thirds per centum (66-2/3%) 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 Article X as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right of power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee or by the Bondholders shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 1005 Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, the holders of sixty-six and two-thirds per centum (66-2/3%) in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver of 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, 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 rights 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 this Indenture or the foreclosure of this Indenture, and the County, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all rights of appraisement 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 provision 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 of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment of the persons entitled thereto of the unpaid installments of 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 the due dates of such installments of principal, and, if the amount available shall not be sufficient to pay in full all installments of principal of and premium, if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of the installments of principal 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 the 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 provision 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 holder of any Bond until 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 may be enforced by the Trustee without the possession of any of the Bonds 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, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Bonds.

SECTION 1010 Rights and Remedies of Bondholders. Except in the case of the failure of the Trustee to accelerate payment of the Bonds when requested so to do pursuant to Section 1002 hereof, no holder or bearer of any Bond shall have the right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver of 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 sixty-six and two-thirds per centum (66-2/3%) 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 names 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 shall have any right in any manner whatsoever to effect, 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 then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner in said Bonds 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 discounted 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, premium, if any, and interest on the Bonds upon the written request of the holders of sixty-six and two-thirds per centum (66-2/3%) in aggregate principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived:

(a) any default in the payment of (i) the principal of or premium, if any, on any Outstanding Bond whether at an installment date or at the stated maturity thereof, or upon proceedings for redemption thereof, or (ii) any interest when due on any Bond, unless prior to such waiver or rescission, all arrears of interest, with interest at the Penalty Rate on overdue installments of interest and all arrears of payments of principal then due (whether at an installment date or at the stated maturity thereof or upon proceedings for redemption) with interest at the Penalty Rate on such arrears, 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 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.

(b) any default under Section 10.1(b) of the Lease Agreement.

SECTION 1013 Notice of Defaults; Opportunity of the County and Lessee to Cure Defaults. No defaults under Section 1001(c) hereof shall constitute an event of default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than sixty-six and two-thirds per centum (66-2/3%) of the aggregate principal amount of Bonds then Outstanding to the Lessee and the County, and the County and the Lessee 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 provisions 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.

SECTION 1014 Powers of Trustee upon Event of Default Under Lease Agreement or in Payment of Bonds. If any rental required to be paid under Section 5.3 of the Lease Agreement is not paid on the occasion therein prescribed, 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 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 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, and the Lease 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 in the Lease Agreement or in aid of the exercise of any power granted in this Indenture, the Lease Agreement or to enforce any other legal or equitable right vested in the Trustee by this Indenture, the Lease Agreement or by law.

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 as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the following 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 the recording or re-recording, filing or re-filing, registering or re-registering of this Indenture or any supplement hereto or of the Lease Agreement or any supplement thereto or any other document or instrument, 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 of title of the property conveyed hereby or otherwise as to the maintenance of the security hereof; 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 secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting hereunder and under the Lease Agreement upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof, regardless of whether or not any notation of making such request or giving such authority or consent is made on any such Bond.

(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, the Lessee under the Lease Agreement, or by the holders of at least 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 corporate trust 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 damaged, or for salaries or nonfulfillment 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 make copies and take such memoranda from and in regard thereto as may be desired.

(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 of 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 or under the Lease Agreement, 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.

No duties or liabilities shall be imposed on the Trustee except as specifically set forth in this Indenture and the Lease Agreement.

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

as hereinabove provided. The Trustee shall have a lien with right of payment prior to payment on account of interest, premium, if any, 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 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, if any, therein specified and shall give written notice thereof by mail to the last known holders or owners of all Bonds then Outstanding 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 centum (25%) 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 (30) day's written notice to the County, to the Lessee and by registered or certified mail to each owner of Bonds then Outstanding, and such resignation shall take effect at the end of such thirty (30) days, or upon the earlier appointment of a successor Trustee by the Bondholders or by the County. Such notice to the County and the Lessee may be served personally or sent by registered or certified 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 sixty-six and two-thirds per centum (66-2/3%) 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 the 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 sixty-six and two-thirds per centum (66-2/3%) 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 \$_____, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 1109 Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the County, or of its successor, and upon payment of all amounts 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 or in the Lease Agreement, 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 Penalty Rate 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 sixty-six and two-thirds per centum (66-2/3%) 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 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, the withdrawal of cash and the taking or refusing to take any other action 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 or 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 adopted 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 indenture 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 any real or personal property forming a part of the Project and generally described in the Lease Agreement, so as to more precisely identify the same or add additional land or interests in land, buildings, machinery and equipment, and to subject the same to the lien hereof, (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. Copies of all such amendments, changes or modifications will be promptly mailed to the holders of the Bonds.

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 or in the Bonds; provided, however, that nothing in this Section contained shall permit, or be construed as permitting

(a) an extension of the due date of any payment (including any sinking fund payment) of the principal of or premium, if any, or the interest on, or reduction of any premium payable on the redemption of, any 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) the issuance of Bonds hereunder in excess of the limitations imposed by the provisions of Article II, or

(d) a reduction in the principal amount of any Bonds required to be paid or redeemed by the provisions of this Indenture (or any alteration of the date on which Bonds are required to be paid or redeemed, or any alteration of the date on which or the order in which Bonds shall be redeemed pursuant to this Indenture, or reduction in the rate of interest payable on any Bond, or

(e) a reduction in the amount, or extension of the time, of any payment required for the Bond Fund, or

(f) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, or

(g) any amendment of this Section 1202 or Section 1302, without the consent of the holders of all of the Bonds at the time Outstanding which would be affected by the action taken, or

(h) 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, give notice of the proposed execution of such supplemental indenture by causing a copy of the proposed supplemental indenture to be mailed, postage prepaid, to all Bondholders. If, within sixty (60) days or such longer period as shall be prescribed by the County, 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 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 (15) 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 11:00 A.M., Trustee's time, 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 Re-
quiring 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 any real or personal property forming a part of the Project and described in the Lease Agreement so as to identify more precisely the same or add additional land or interests in land, buildings, machinery and equipment. Copies of all such amendments, changes or modification will be promptly mailed to the holders of the Bonds.

SECTION 1302 Amendments, etc., to Lease Agreement Requir-
ing Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 1301 hereof, and subject to the special limitation contained in the sentence of this Section 1302 immediately following this sentence, the County and the Trustee may consent to other amendments, changes or modifications of the Lease Agreement after notice to and upon 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 hereof provided. Provided, always, that nothing in this Section contained shall permit, or shall be construed as permitting, any amendment, change or modification of

(i) the Lessee's unconditional obligation to make payments sufficient to pay the principal, interest and premium, if any, due at any time on the Bonds, or

(ii) the provisions of Article V or Article XII of the Lease Agreement,

without the consent of the holders of all the Bonds at the time Outstanding. 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 to be given in the same manner as provided by Section 1202 hereof with respect to supplemental indentures. Such notice shall set forth the proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) 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 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 ownership of Bonds shall be proved by the register of such Bonds.

(c) 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.

(d) In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred 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, the Lessee, 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, 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 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 circumstances, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

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

SECTION 1404 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, postage prepaid, addressed as follows: if to the County, to the County Council of Anderson County, Anderson County Court House, Anderson, South Carolina; if to the Lessee, at Jackson Mills, Welford, South Carolina 29385; if to the Trustee, at its Corporate Trust Division,

The County, the Lessee and the Trustee may, by notice given to all parties to this Indenture, and the Lease Agreement designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 1405 Trustee as Paying Agent and Registrar.
The Trustee is hereby designated and agrees to act as a paying agent and the Bond Registrar for and in respect to the Bonds.

SECTION 1406 Payments Due on Sundays and Holidays.
In any case where the date of maturity of interest or premium, if any, 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 or in the jurisdiction where the principal corporate trust office of the Trustee is located, a legal holiday or a day on which banking institutions are

authorized by law to close, then payment of 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 principal 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, ANDERSON COUNTY, SOUTH CAROLINA, has caused these presents to be signed in its name and behalf by the Chairman of the County Council of Anderson County, South Carolina, and its corporate seal to be hereunto affixed and attested by the Clerk of the County Council of Anderson County, and, to evidence its acceptance of the trusts hereby created,

_____ has caused these presents to be signed in its name and behalf by one of its _____, its official Seal to be hereunto affixed, and the same to be attested by one of its _____, all as of the day and year first hereinabove written.

ANDERSON COUNTY, SOUTH CAROLINA

(SEAL)

By _____
C. Edward Poore
Chairman, County Council of
Anderson County, South Carolina

Attest:

Gerlinda E. Witcher
Clerk, County Council of
Anderson County, South Carolina

Signed, Sealed and Delivered
in the Presence of:

As Trustee

(SEAL)

By _____

Title _____

Attest:

Title _____

Signed, Sealed, and Delivered
in the Presence of:

STATE OF SOUTH CAROLINA

COUNTY OF ANDERSON

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the official Seal of Anderson
County, South Carolina, affixed to the foregoing Trust Indenture, and
that (s)he also saw C. EDWARD POORE, as Chairman of the County
Council of Anderson County, South Carolina, sign, and GERLINDA E.
WITCHER, as Clerk of the County Council of Anderson County, South
Carolina, attest the same, and that (s)he with _____
_____ witnessed the execution and delivery thereof as the
act and deed of the said Anderson County, South Carolina.

SWORN to before me this

_____ day of July, A. D. 1978.

_____ (LS)

Notary Public for South Carolina

My Commission Expires: _____.

STATE OF SOUTH CAROLINA)
)
COUNTY OF)

PERSONALLY APPEARED BEFORE ME _____
who being duly sworn, says that (s)he saw the corporate Seal of
_____, as Trustee,
affixed to the foregoing Trust Indenture, and that (s)he also saw
_____, as a _____ of
_____, sign the
same and _____, as _____
of said Trustee, attest the same and that (s)he with _____
_____ witnessed the execution and delivery thereof as
the act and deed of the said _____
_____, as Trustee.

SWORN TO before me this _____
day of July, A.D. 1978.

_____(L.S.)

Notary Public for the
State of _____.

My Commission Expires:

EXHIBIT A

(Attached to Trust Indenture between Anderson County, South Carolina,
and _____, as Trustee,
dated as of July 1, 1978).

DESCRIPTION OF LEASED LAND

EXHIBIT B-1

(Attached to Trust Indenture between Anderson County, South Carolina,
and _____, as
Trustee, dated as of July 1, 1978).

DESCRIPTION OF LEASED EQUIPMENT
TO BE ACQUIRED AT NO COST

EXHIBIT B-2

(Attached to Trust Indenture between Anderson County, South Carolina,
and _____, as Trustee,
dated as of July 1, 1978).

DESCRIPTION OF LEASED EQUIPMENT ACQUIRED
AND TO BE ACQUIRED OUT OF PROCEEDS OF FIRST SERIES BONDS

EXHIBIT "C" TO
TRUST INDENTURE

UNITED STATES OF AMERICA
STATE OF SOUTH CAROLINA
ANDERSON COUNTY
INDUSTRIAL REVENUE BOND, SERIES 1978
(JACKSON MILLS - LESSEE)

No. R - _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS that Anderson 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 Northwestern National Life Insurance Company, or registered assigns, the principal sum of Four Million Dollars (\$4,000,000.00), in fourteen (14) equal, successive, annual installments of Two Hundred Eighty-five Thousand Seven Hundred Fourteen and 28/100 Dollars (\$285,714.28) each on July 1 of each year, commencing July 1, 1980, and continuing on each July 1 thereafter, until the principal sum of the Bond is paid in full, which installment payments shall be made by mandatory sinking fund redemption as hereinafter provided, and, in like manner, to pay interest on said sum from the date hereof at the rate of eight and one-quarter per centum (8-1/4%) per annum (computed on the basis of a 360 day year and a 30 day month), quarter-annually on October 1, January 1, April 1, and July 1 of each year, commencing October 1, 1978, until said principal sum is paid, except as the provisions hereinafter set forth with respect to earlier redemption 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. Payments of interest shall be by check or draft mailed by _____,

as Trustee, at the times provided herein to the registered holder of this Bond at the address shown on the registration books, without the necessity of surrendering this Bond and all such payments shall fully discharge the obligation of the County herein to the extent of the payments so made. The Trustee shall keep a record of all such payments. The principal of and premium, if any, of this Bond are payable to or upon the order of the registered owner or his legal representative at the corporate trust office of the Trustee in the City of _____, State of _____, upon presentation and surrender of this Bond for cancellation and, if appropriate, exchange for a Bond in the principal amount equal to the balance of the principal amount of this Bond remaining unpaid. [Provided, however, that the Trustee shall make payments (except the final payment of principal) and premium, if any, in respect of Bonds registered in the name of Northwestern National Life Insurance Company ("Northwestern"), without presentment thereof, directly to Northwestern at Post Office Box B-9111, Minneapolis, Minnesota 55480, or such other address as Northwestern may designate from time to time by written notice to the Trustee.]

This Bond is one of a series of bonds in the aggregate principal amount of \$4,000,000 (hereinafter called the Bonds) issued for the purpose of acquiring, expanding, improving, and equipping an existing facility to manufacture textiles, and leasing the same to Jackson Mills, a South Carolina corporation, (hereinafter called the Lessee), (the land, building, equipment and machinery constituting such facilities hereinafter called the Project) and paying necessary expenses incidental thereto so as to thereby promote industry and develop trade in South Carolina. The Bonds are issued under and are equally and ratably secured and entitled to the protection given by a Trust Indenture (hereinafter called the Indenture), dated as of July 1, 1978, duly executed and delivered by the County to _____,

_____ 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 July 1, 1978 (hereinafter called 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. Payment of the principal of, premium, if any, and interest on the Bonds has been unconditionally guaranteed by the Lessee, under the terms of a Bond Guaranty Agreement between the Lessee and the Trustee, dated as of July 1, 1978 (hereinafter called the Guaranty Agreement). Copies of the Indenture, the Lease Agreement, and the Guaranty Agreement are on file at the principal corporate trust office of the Trustee in the City of _____, State of _____, and the Indenture and the Lease Agreement are recorded in the Office of the Clerk of Court for Anderson County, South Carolina, and reference is made to the Indenture, the Lease Agreement, and the 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, the rights, duties and obligations of the County, the Lessee and the Trustee, and the terms upon which the Bonds are issued and secured.

This Bond is transferable, as provided in the Indenture, only upon the books of the County kept for that purpose at the above mentioned office of the Trustee by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this Bond, together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered Bond in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The County, the Trustee, and any paying agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The Bonds are issuable in the form of registered Bonds without coupons in the denominations of \$100,000, or any multiple of \$100,000, provided that, upon partial redemption of a Bond requiring surrender thereof and the issuance of a new Bond, such new Bond may be in the denomination of the unredeemed balance.

The Bonds may not be redeemed prior to July 1, 1988 (other than by operation of the mandatory sinking fund provisions), except in the event of (1) exercise by the Lessee of its option to purchase the Project as provided in Section 11.2 of the Lease Agreement or (2) mandatory purchase of the Project by the Lessee pursuant to Section 12.2 of the Lease Agreement. If called for redemption in either such event, the Bonds shall be subject to redemption by the County at such time, whether or not an interest payment date as the Lessee shall have been required to pay to the Trustee the amount of purchase price specified in Section 11.2 or 12.2 of the Lease Agreement, in whole and not in part, at the principal amount thereof plus accrued interest to the redemption date and, but only in the event of redemption as a result of an Event of Taxability as set forth in Section 8.10 of the Lease Agreement and the mandatory purchase of the Project pursuant to Section 12.2(1)(a) of the Lease Agreement, a redemption premium (in lieu of all other redemption premiums) in the amount of four per centum (4%) of the principal amount of all Bonds outstanding.

In the event the Lessee shall exercise its option to purchase the Project under Section 11.2 of the Lease Agreement, or shall become obligated to purchase the Project under Section 12.2 of the Lease Agreement, all of the Bonds then outstanding shall be redeemed by the Trustee in the manner and at the price herein set forth, without any further authorization, act or proceeding by the County, out of moneys paid by the Lessee for the purchase price of the Project, on and as of the date fixed for the closing of such purchase as provided in Section 11.2 or in Section 12.2(3), as the case may be, of the Lease Agreement.

If the Lessee should become obligated to purchase the Project pursuant to Section 12.2(1)(a) of the Lease Agreement because of the occurrence of any Event of Taxability, as set forth in Section 8.10 of the Lease Agreement, the Lessee will pay, in addition to the four per centum (4%) redemption premium described above and as a part of the purchase price for the Project, a tax indemnification payment as set forth in Section 8.10 of the Lease Agreement, to the Trustee for the benefit of the holders of the Bonds so to be redeemed and to any person not such a holder on the date of redemption who, within twenty-four (24) months from the date of occurrence of such Event of Taxability, shall notify the Lessee and establish by proof reasonably satisfactory to the Lessee that he was a holder of Bonds at any time during the period, beginning with the earliest effective date as of which interest on the Bonds is includable in the gross income of the holders as a result of the occurrence of any circumstances giving rise to such Event of Taxability and ending on the redemption date.

The Bonds are also subject to redemption by the County, at its option, which option shall be exercised only upon request of the Lessee,

prior to maturity on any interest payment date on or after July 1, 1988, in whole or in part (if in part, only in multiples of \$10,000, applied on the last maturing required installment or installments of principal in inverse order of maturity, and in the manner prescribed in Section 304 of the Indenture), at the redemption prices (expressed as percentages of the principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or after July 1, 1988, and prior to July 1, 1989;	108.25%
On or after July 1, 1989, and prior to July 1, 1990;	106.60%
On or after July 1, 1990, and prior to July 1, 1991;	104.95%
On or after July 1, 1991, and prior to July 1, 1992;	103.30%
On or after July 1, 1992, and prior to July 1, 1993;	101.65%

In addition, the Bonds are subject to mandatory redemption, without penalty or premium prior to maturity in accordance with the sinking fund requirements of Section 301(b) of the Indenture, in part at the principal amount thereof plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below:

<u>July 1 of the Year</u>	<u>Principal Amount</u>	<u>July 1 of the Year</u>	<u>Principal Amount</u>
1980	\$285,714.28	1987	\$285,714.28
1981	285,714.28	1988	285,714.28
1982	285,714.28	1989	285,714.28
1983	285,714.28	1990	285,714.28
1984	285,714.28	1991	285,714.28
1985	285,714.28	1992	285,714.28
1986	285,714.28	1993	285,714.28

No optional redemption of the Bonds shall eliminate the obligation to make the mandatory redemptions set forth above.

In the event the Bonds are called for redemption, in whole or in part, other than pursuant to mandatory sinking fund redemptions required by Section 301(b) of the Indenture, as aforesaid, notice thereof specifying the Bonds (or portions thereof) to be redeemed upon mailing a copy of the redemption notice by first class mail at least thirty (30) days prior to the date fixed for redemption to the holder of each Bond 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. All Bonds, to the extent 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.

This Bond and the series of which it forms a part are issued pursuant to the authorization of and for the purposes prescribed by Chapter 29, Title 4, Volume 1, Code of Laws of South Carolina 1976, as amended and continued by Act No. 125 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina, Regular Session of 1977, and pursuant to an Ordinance duly enacted by the County Council of Anderson County and with the approval of the State Budget and Control Board of South Carolina. This Bond and the series of which it forms a part are limited obligations of the County and are payable by the County solely out of the lease rentals, revenues and receipts (excluding amounts paid by the Lessee to the County pursuant to Sections 5.4, 5.5, 6.3, 8.7 or 10.4 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 is 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 by the Lessee to the Trustee for the account of the County and deposited in a special account created by the County and designated "Anderson County Industrial Revenue Bond Fund -Jackson Mills Project", and have been pledged for that purpose, and, in addition, the Project has been subjected to the lien of the Indenture to secure payment of such principal and interest and premium.

The holder of this Bond 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 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 series 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 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, ANDERSON COUNTY, SOUTH CAROLINA, has caused this Bond to be executed by the Chairman of the County Council of Anderson County, South Carolina, by his manual or facsimile signature, and its corporate seal to be impressed or reproduced hereon, and attested by the Clerk of its said County Council, by her manual signature, all as of the first day of July, A. D. 1978.

ANDERSON COUNTY, SOUTH CAROLINA

(SEAL)

By

C. Edward Poore
Chairman, County Council of
Anderson County, South Carolina

Attest:

Gerlinda E. Witcher
Clerk, County Council of
Anderson County, South Carolina

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This Bond is one of the Bonds of the series described in the within mentioned Indenture.

as Trustee

By: _____
Authorized Officer

TABLE OF PARTIAL REDEMPTIONS

Except as otherwise provided in Section 202 of the within mentioned Trust Indenture, upon all partial redemptions of the within Bond, the Bond shall be surrendered to the Trustee for the appropriate endorsement by it on the table below. Section 202 of the said Trust Indenture provides that, in certain situations, payments in respect of the within Bond are to be made directly to the registered owner thereof without the necessity of so surrendering the same to the Trustee. This Bond may be subject to such direct payment and, accordingly, any purchaser of this Bond should verify with the Trustee the principal balance outstanding prior to the purchase thereof.

<u>Date of Payment</u>	<u>Amount of Principal Payment</u>	<u>Principal Balance Unpaid</u>	<u>Name of Recorder of Payment</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

(Please print or typewrite name and address of transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Social Security or Other Identifying
Number of Assignee: _____

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alternation or enlargement or any change whatever.

GUARANTY AGREEMENT

BETWEEN

JACKSON MILLS

and

As Trustee

Dated as of July 1, 1978

THIS GUARANTY AGREEMENT, dated as of July 1, 1978, is by and between JACKSON MILLS, a corporation duly organized and existing under the laws of the State of South Carolina (hereinafter called the Guarantor), and _____, as Trustee (hereinafter together with any successor trustee at the time serving as such under the Trust Indenture, dated as of the date hereof, between Anderson County, South Carolina, and _____, as Trustee, called the Trustee).

W I T N E S S E T H:

WHEREAS, arrangements have been made for the issuance and sale, pursuant to the aforesaid Trust Indenture (hereinafter, as supplemented or amended from time to time, called the Indenture), by Anderson County, South Carolina, a body politic and corporate and a political subdivision organized and existing under and by virtue of the laws of the State of South Carolina (hereinafter, together with any successor to its functions, called the County) of its Industrial Revenue Bonds, Series 1978 (Jackson Mills - Lessee) (hereinafter called the Bonds); and

WHEREAS, the proceeds of the sale of the Bonds will be used to defray the costs incurred to expand, improve, and equip certain existing industrial facilities (hereinafter having the same meaning as in the Indenture, called the Project) and which Project will be leased by the County to Jackson Mills, a South Carolina corporation (hereinafter called the Lessee) under a Lease Agreement, to be entered into subsequent to the execution of this Guaranty Agreement and to be dated as of the date hereof, between the County and the Lessee (herein as amended from time to time called the Lease Agreement); and

WHEREAS, the Guarantor desires that the County issue and sell the Bonds and apply the proceeds for the purpose described above and, in order to provide an inducement to the County to issue and sell the Bonds and an inducement to the purchase of the Bonds by all who shall at any time become holders thereof, the Guarantor is willing to enter into this Guaranty Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the Guarantor does hereby covenant and agree with the Trustee as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR

SECTION 1.1 The Guarantor hereby represents and warrants that it is a corporation duly incorporated and in good standing under the laws of the State of South Carolina, has full power and authority to enter into and perform this Guaranty Agreement, has duly authorized the execution and delivery of this Guaranty Agreement by proper corporate action and that such execution and delivery and compliance with the terms hereof will not contravene or constitute a default under its Certificate of Incorporation or By-Laws or any indenture, commitment, agreement or other instrument to which the Guarantor is a party or by which it is bound or any existing law, rule, regulation, judgment, order or decree to which it is subject.

ARTICLE II

GUARANTY

SECTION 2.1 The Guarantor hereby unconditionally and irrevocably guarantees to the Trustee for the benefit of the holders from time to time of the Bonds and of the interest coupons appertaining thereto (a) the full and prompt payment of an amount equal to the principal of and premium, if any, on each Bond on the date the same are expressed to become due, whether at the stated maturity thereof or acceleration or declaration or call for redemption or otherwise; and (b) the full and prompt payment of an amount equal to interest on each Bond when and as the same is expressed to become due. All payments by the Guarantor under this Guaranty Agreement shall be made in lawful money of the United States of America.

SECTION 2.2 The obligations of the Guarantor under this Guaranty Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid in full (or provision for the payment of the Bonds shall have been made in accordance with the terms of the Indenture). Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not such event shall occur with notice to, or the consent of, the Guarantor:

(a) the waiver, surrender, compromise, settlement, discharge, release or termination of any or all of the obligations, covenants or agreements of the County contained in the Indenture or in the Bonds;

(b) the failure to give notice to the Guarantor of the occurrence of a default under this Guaranty Agreement or an event of default under the terms and provisions of the Indenture;

(c) the transfer, assignment or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the County in the Project or any failure of title with respect to the County's interest in the Project or the invalidity, unenforceability or termination of the Lease Agreement;

(d) the waiver, surrender, compromise, settlement, release or termination of the County's obligations, covenants or agreements contained in the Lease Agreement;

(e) the waiver, surrender, compromise, settlement, release or termination of any of the obligations, covenants or agreements of the Lessee under the Lease Agreement;

(f) the extension of the time for payment of any principal of, premium, if any, or interest owing or payable on any Bond or of the time for performance of any obligations,

covenant or agreement under or arising out of the Lease Agreement or the Indenture or any extension or renewal of either thereof;

(g) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Lease Agreement, the Bonds or the Indenture;

(h) the taking or the omission of any action referred to in the Lease Agreement or the Indenture or of any action under this Guaranty Agreement;

(i) any failure, omission, delay or lack of diligence on the part of the County or the Trustee in the enforcement, assertion or exercise of any right, power or remedy conferred on the County or the Trustee in the enforcement, assertion or exercise of any right, power or remedy conferred on the County or the Trustee under the Lease Agreement or the Indenture, or conferred on the Trustee in this Guaranty Agreement, or the inability of the County or the Trustee to enforce any provision of the Lease Agreement or the Indenture or this Guaranty Agreement for any other reason, or any other act or omission on the part of the County, the Trustee or any of the holders from time to time of the Bonds or of the interest coupons appertaining thereto;

(j) the dissolution, sale or other disposition of all or substantially all of the assets, liquidation, the marshalling of assets and liabilities, receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization, arrangement, adjustment, composition, or other similar proceedings affecting the County or the Lessee under the Lease Agreement or any of the assets of either of them, or any allegation of invalidity or contest of the validity of this Guaranty Agreement or the Lease Agreement or the disaffirmance of the Lease Agreement in any such proceeding; or

(k) to the extent permitted by law, any event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement.

This guarantee is an absolute unconditional present and continuing guarantee of payment and not of collectability and is in no way conditioned or contingent upon any attempt to collect from the Lessee or upon any other condition or contingency.

SECTION 2.3 The Guarantor waives notice of the issuance of the Bonds and notice from the Trustee or the holders from time to time of any of the Bonds or of the interest coupons appertaining thereto of their acceptance and reliance on this Guaranty Agreement. The Guarantor also waives presentment, demand for payment, protest and notice of nonpayment or dishonor and all other notices and demands whatsoever relating to the Bonds.

SECTION 2.4 No set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature (other than performance by the Guarantor of its obligations hereunder) which the County may have or assert or which the Guarantor may have or assert against the County or the Trustee or any holder of a Bond shall be available hereunder to the Guarantor against the Trustee.

ARTICLE III

DEFAULT AND REMEDIES

SECTION 3.1 The Trustee shall have the right, power and authority to do all things it deems necessary or advisable to enforce the provisions of this Guaranty Agreement and protect the interest of the holders of the Bonds or coupons appertaining thereto and, in the event of a default in payment of the principal of or premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, or in the event of a default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may institute or appear in such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of its rights and the rights of the Bondholders, whether for the specific enforcement of any covenant or agreement in this Guaranty Agreement or in aid of the exercise of any power granted herein, or to enforce any other proper remedy. Without limiting the generality of the foregoing, in the event of a default in payment of the principal of, premium, if any, or interest on any Bond when due, the Trustee may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Guarantor and collect the moneys adjudged or decree to be payable in the manner provided by law out of the property of the Guarantor, wherever situated.

SECTION 3.2 No remedy conferred upon or reserved to the Trustee herein 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 Guaranty Agreement or now or hereafter existing at law or in equity.

SECTION 3.3 Each and every default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises. In the event of such a default, the Trustee shall have the right to proceed first and directly against the Guarantor under this Guaranty Agreement without proceeding against any other person or exhausting any other remedies which it may have and without resorting to any other security held by the County or the Trustee.

SECTION 3.4 The Guarantor agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty Agreement or protecting the rights of the Trustee or the holders of Bonds or coupons appertaining thereto, if any, hereunder following any default on the part of the Guarantor hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 3.5 No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder 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.

ARTICLE IV

GENERAL

SECTION 4.1 The Guarantor agrees that, as long as any Bonds are outstanding, 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 corporations (other than a subsidiary) to consolidate with or merge into it; provided, however, that the Guarantor may, without violating the agreement contained in this Section 4.1, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve, if the successor corporation or transferee assumes in writing all the obligations of the Guarantor herein and is duly qualified to do business in the State of South Carolina, and if in connection with any such consolidation, merger, sale or transfer, 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, merger, sale or transfer, the corporation resulting from or surviving such consolidation, merger, sale or transfer will have an excess of assets over liabilities at least as great as the Lessee would have had if such consolidation, merger, sale or transfer had not occurred).

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be executed in its name and behalf and its corporate seal to be affixed hereto and attested by its duly authorized officers, and the Trustee has accepted the same, as of the date first hereinabove written.

JACKSON MILLS

(SEAL)

By: _____

Its: _____

ATTEST:

Its: _____

Accepted this _____ day of July,
A.D. 1978 .

As Trustee

(SEAL)

By: _____

Its: _____

ATTEST:

Its: _____



JACKSON MILLS

JUN 12 1978

MANUFACTURERS OF TEXTILE FABRICS · PLANT NO. 1 · IVA, S. C. · PLANT NO. 2 · WELLFORD, S. C.

EXECUTIVE OFFICE: *Wellford, South Carolina*

June 5, 1978

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Attention: Mr. William A. McInnis

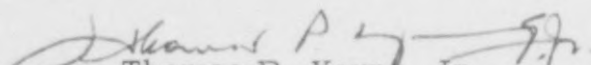
Gentlemen:

Re: \$4,000,000 Anderson County Industrial
Revenue Bonds - Jackson Mills

In connection with the pending petition of the Anderson County Council we are enclosing herewith an audited copy of our annual statements for the last three years and also an audited copy of our statement for the first six months of our current fiscal year.

Yours very truly,

JACKSON MILLS


Thomas P. Young, Jr.
Secretary-Treasurer

TPYjr:sme

Enclosures

cc: Mr. Theodore B. Guerrard
Guerrard and Applegate, P. A.
Attorneys and Counsellors at Law
Charleston, S. C. 29401

*Sam Applegate to
secure investment
letter like Lexington
County/Champion and
revise BCB Resolution*



JACKSON MILLS

MANUFACTURERS OF TEXTILE FABRICS · PLANT NO. 1 · IVA, S.C. · PLANT NO. 2 · WELLFORD, S.C.

EXECUTIVE OFFICE: *Wellford, South Carolina*

June 1, 1978

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Attention: Mr. William A. McInnis

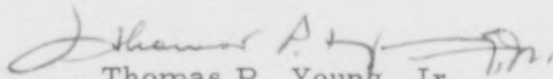
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Revenue Bonds - Jackson Mills

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Yours very truly,

JACKSON MILLS


Thomas P. Young, Jr.
Secretary-Treasurer

TPYjr:sme

cc: Mr. Theodore B. Guerard
Guerard and Applegate, P. A.
Attorneys and Counsellors at Law
Charleston, S. C. 29401

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

184 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

JACKSON MILLS

REPORT ON FINANCIAL STATEMENTS

AS AT SEPTEMBER 27, 1975

AND FOR THE YEAR (52 WEEKS) THEN ENDED

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

184 DANIEL BUILDING

GREENVILLE, S. C. 29602

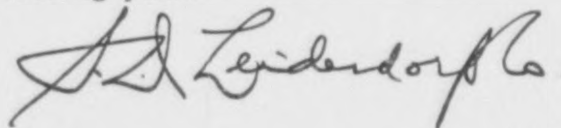
TELEPHONE 803-242-5740

ACCOUNTANTS' REPORT

To the Board of Directors
Jackson Mills
Wellford, South Carolina

We have examined the balance sheet of Jackson Mills as at September 27, 1975, and the related statements of operations and retained earnings and of changes in financial position for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of Jackson Mills at September 27, 1975, and the results of its operations and the changes in its financial position for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Greenville, S. C.
October 24, 1975

JACKSON MILLS

BALANCE SHEET

AS AT SEPTEMBER 27, 1975

ASSETS

Current Assets:

Cash		\$ 322,963
United States Treasury bills, at cost plus earned discount		197,900
Accounts receivable:		
Selling agent	\$ 954,881	
Other	<u>222,088</u>	1,176,969
Estimated refundable income taxes		651,000
Inventories - Notes A(1) and B:		
Manufactured goods	1,882,637	
Stock in process	757,773	
Raw materials	847,521	
Waste, fuel and manufacturing supplies	<u>123,055</u>	3,610,986
Prepaid expenses		<u>135,233</u>
Total Current Assets		6,095,051

Other Assets:

Equipment held for resale	151,034	
Sundry	<u>7,258</u>	158,292

Fixed Assets - Notes A(2) and C:

Cost	19,473,576	
Less: Accumulated depreciation	<u>13,842,299</u>	<u>5,631,277</u>
		<u>\$11,884,620</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable		\$ 499,959
Accrued and sundry liabilities:		
Wages and salaries	\$ 166,226	
Taxes accrued and withheld	257,512	
Employee Christmas savings	125,008	
Contribution under retirement plan - Note D	126,668	
Other	<u>34,039</u>	709,453
Federal and state income taxes		<u>69,480</u>
Total Current Liabilities		1,278,892

Commitments - Note E

Stockholders' Equity:

Common Stock \$20 par value - authorized 62,500 shares, issued and outstanding 26,513 shares	530,260	
Retained Earnings - Exhibit B	<u>10,075,468</u>	<u>10,605,728</u>
		<u>\$11,884,620</u>

The accompanying notes are an integral part of this statement.

J A C K S O N M I L L S
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR (52 WEEKS) ENDED SEPTEMBER 27, 1975

Net sales	\$18,671,376
Cost of goods sold, including \$875,641 depreciation and \$126,668 provision for retirement plan	<u>18,442,200</u>
Gross profit on sales	229,176
Sales commissions	<u>708,737</u> (479,561)
Other income	<u>84,295</u> (395,266)
Other charges	<u>46,860</u>
(Loss) before income taxes	(442,126)
Reduction in income taxes resulting from carryback of net operating loss and investment tax credits - Note A(3)	<u>(248,000)</u>
Net (loss) - \$(7.32) per share	(194,126)
Retained Earnings at September 28, 1974	<u>10,640,776</u> 10,446,650
Dividends - \$14.00 per share	<u>371,182</u>
Retained Earnings at September 27, 1975 - Exhibit A	<u>\$10,075,468</u>

The accompanying notes are an integral part of this statement.

JACKSON MILLS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR (52 WEEKS) ENDED SEPTEMBER 27, 1975

Financial resources provided from:

Net (loss) - Exhibit B	\$ (194,126)
Item not requiring outlay of working capital in the current year - depreciation	<u>875,641</u>
Working capital provided from operations	<u>681,515</u>

Financial resources used for:

Acquisition of fixed assets	487,668
Cash dividends	371,182
Increase in other assets	<u>146,710</u>
Total resources used	<u>1,005,560</u>

(Decrease) in working capital \$ (324,045)

Changes in working capital by components:

Increase (decrease) in current assets:

Cash	\$ (189,656)
United States Treasury bills	(2,374,556)
Accounts receivable	(892,416)
Estimated refundable income taxes	651,000
Inventories	1,126,222
Prepaid expenses	<u>10,038</u>
	<u>(1,669,368)</u>

(Increase) decrease in current liabilities:

Accounts payable	(68,643)
Accrued and sundry liabilities	674,711
Federal and state income taxes	<u>739,255</u>
	<u>1,345,323</u>

(Decrease) in working capital (324,045)

Working capital at September 28, 1974 5,140,204Working capital at September 27, 1975 \$ 4,816,159

The accompanying notes are an integral part of this statement.

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT SEPTEMBER 27, 1975

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - The cost of the cotton portion of inventories (both raw material content and manufacturing cost content) is determined on the LIFO basis. Other inventories are stated at the lower of FIFO cost or market.
- (2) Depreciation - Depreciation is provided principally by accelerated methods, based on the estimated lives of the assets.
- (3) Investment Tax Credits - Investment tax credits, approximately \$44,000 for the current year, are accounted for by the flow-through method.
- (4) Pension Costs - The Company funds pension costs accrued under its pension retirement plan and amortizes prior service costs over a period of approximately 15 years from January 1, 1974 - see Note D.

NOTE B - INVENTORIES:

Inventories at September 27, 1975, include \$2,716,120 stated on the LIFO basis, which amount is not in excess of market. If the Company had used the lower of FIFO cost or market method of accounting for all inventories, inventories would have been approximately \$1,706,000 higher than reported.

NOTE C - FIXED ASSETS:

Fixed assets are shown below by major classifications together with the estimated useful lives used in computing depreciation:

	Cost	Useful Lives - Years
Land	\$ 46,694	
Land improvements	261,234	20-50
Buildings and building equipment	3,613,228	12-50
Machinery and equipment	15,313,658	14
Furniture and fixtures	187,064	10
Transportation equipment	51,698	5
	<u>\$19,473,576</u>	

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT SEPTEMBER 27, 1975

NOTE D - RETIREMENT PLANS:

The Company has a noncontributory pension Retirement Plan under which substantially all salaried employees are covered. Benefits of the plan are vested in the members on a graduated basis over a period of from 15 to 20 years of employment. The cost of the plan charged to earnings for the year was \$126,668, including prior service costs - see Note A(4). The actuarially computed value of vested benefits as at December 31, 1974, exceeded the total of the pension fund and balance sheet accruals at that date by approximately \$423,000.

The plan is presently being reviewed for compliance with the Employee Retirement Income Security Act of 1974, and it is not known what effect possible revisions to the plan may have on future pension costs.

The Company also has a profit sharing Retirement Plan under which all employees who have completed two years of service are covered. There was no provision therefor for the year.

NOTE E - COMMITMENTS:

As at September 27, 1975, the Company has both fixed and variable price cotton purchase contracts aggregating approximately \$9,725,000, which amount is substantially equal to replacement market.

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

October 24, 1975

The Board of Directors
Jackson Mills
Wellford, South Carolina

Gentlemen:

The current year's basic financial statements of Jackson Mills, namely, the balance sheet as at September 27, 1975, and the related statements of operations and retained earnings and of changes in financial position for the year (52 weeks) then ended, and our Accountants' Report on these financial statements are included in the preceding section of this report.

The data contained in Schedules 1 through 8, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the Company's financial position at September 27, 1975, and the results of its operations and the changes in its financial position for the year (52 weeks) then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the current year's basic financial statements, taken as a whole. However, the data in Schedules 3, 4, 5 and 6 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are stated fairly in all material respects in relation to these financial statements, taken as a whole.

The data in Schedules 1, 2, 7 and 8 have been abstracted from the Company's general accounting records. Our examination included tests of the data; however, these tests were not sufficient in scope to enable us to express an opinion as to the fair presentation of the data shown therein.

Very truly yours,

S. D. Leidesdorf, Jr.

J A C K S O N

STATEMENT OF OPERA

FOR THE YEAR (52 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	March 29, 1975	September 27, 1975	September 27, 1975
Net sales:			
Cloth	\$4,377,003	\$4,426,141	\$ 8,803,144
Yarn	<u>447,122</u>	<u>525,906</u>	<u>973,028</u>
Total net sales	<u>4,824,125</u>	<u>4,952,047</u>	<u>9,776,172</u>
Cost of goods sold:			
Inventories at beginning of period:			
Cloth	602,088	972,913	602,088
Yarn	<u>32,359</u>	<u>54,595</u>	<u>32,359</u>
	634,447	1,027,508	634,447
Cost of goods manufactured -			
Schedule 2 *	4,861,854	4,750,755	9,612,609
Adjustment to equalize LIFO cost			
between plants	31,000	61,000	92,000
Freight and sundry	<u>845</u>	<u>4,645</u>	<u>5,490</u>
	<u>5,528,146</u>	<u>5,843,908</u>	<u>10,344,546</u>
Less:			
Inventories at end of period:			
Cloth	972,913	861,593	861,593
Yarn	<u>54,595</u>	<u>48,716</u>	<u>48,716</u>
	1,027,508	910,309	910,309
	<u>4,500,638</u>	<u>4,933,599</u>	<u>9,434,237</u>
	323,487	18,448	341,935
Profit transferred (from) to	<u>(14,964)</u>	<u>(5,744)</u>	<u>(20,708)</u>
Gross profit (loss) on sales	308,523	12,704	321,227
Sales commissions	<u>184,590</u>	<u>179,774</u>	<u>364,364</u>
	<u>123,933</u>	<u>(167,070)</u>	<u>(43,137)</u>
Other income:			
Gain (loss) on sales of fixed assets	865		865
Interest *	<u>40,718</u>	<u>876</u>	<u>41,594</u>
	<u>41,583</u>	<u>876</u>	<u>42,459</u>
	<u>165,516</u>	<u>(166,194)</u>	<u>(678)</u>
Other charges:			
Interest *		15,108	15,108
Contributions to Alfred Moore Founda-			
tion and other donations *	<u>3,859</u>	<u>4,463</u>	<u>8,322</u>
	<u>3,859</u>	<u>19,571</u>	<u>23,430</u>
Earnings (loss) before income taxes	161,657	(185,765)	(24,108)
Provision for (reduction in) income taxes	<u>64,000</u>	<u>(95,000)</u>	<u>(31,000)</u>
Net earnings (loss)	<u>\$ 97,657</u>	<u>\$ (90,765)</u>	<u>\$ 6,892</u>

* All or portions of these items are allocated to the plants as deemed reasonable by the management.

Reference is made to the
S. D. Leidesdorf & Co.,

SCHEDULE 1

M I L L S

TIONS BY PLANTS

ENDED SEPTEMBER 27, 1975

Wellford Plant			Total		
Six Months Ended	Year Ended		Six Months Ended	Year Ended	
March 29, 1975	September 27, 1975	September 27, 1975	March 29, 1975	September 27, 1975	September 27, 1975
\$4,383,864	\$3,901,619	\$8,285,483	\$ 8,760,867	\$ 8,327,760	\$17,088,627
199,747	409,974	609,721	646,869	935,880	1,582,749
<u>4,583,611</u>	<u>4,311,593</u>	<u>8,895,204</u>	<u>9,407,736</u>	<u>9,263,640</u>	<u>18,671,376</u>
148,595	639,329	148,595	750,683	1,612,242	750,683
14,484	57,552	14,484	46,843	112,147	46,843
<u>163,079</u>	<u>696,881</u>	<u>163,079</u>	<u>797,526</u>	<u>1,724,389</u>	<u>797,526</u>
4,962,127	4,932,936	9,895,063	9,823,981	9,683,691	19,507,672
(31,000)	(61,000)	(92,000)			
3,712	10,437	14,149	4,557	15,082	19,639
<u>5,097,918</u>	<u>5,579,254</u>	<u>9,980,291</u>	<u>10,626,064</u>	<u>11,423,162</u>	<u>20,324,837</u>
639,329	945,483	945,483	1,612,242	1,807,076	1,807,076
57,552	26,845	26,845	112,147	75,561	75,561
<u>696,881</u>	<u>972,328</u>	<u>972,328</u>	<u>1,724,389</u>	<u>1,882,637</u>	<u>1,882,637</u>
<u>4,401,037</u>	<u>4,606,926</u>	<u>9,007,963</u>	<u>8,901,675</u>	<u>9,540,525</u>	<u>18,442,200</u>
182,574	(295,333)	(112,759)	506,061	(276,885)	229,176
14,964	5,744	20,708			
197,538	(289,589)	(92,051)	506,061	(276,885)	229,176
179,016	165,357	344,373	363,606	345,131	708,737
<u>18,522</u>	<u>(454,946)</u>	<u>(436,424)</u>	<u>142,455</u>	<u>(622,016)</u>	<u>(479,561)</u>
(106)		(106)	759		759
40,912	1,030	41,942	81,630	1,906	83,536
40,806	1,030	41,836	82,389	1,906	84,295
<u>59,328</u>	<u>(453,916)</u>	<u>(394,588)</u>	<u>224,844</u>	<u>(620,110)</u>	<u>(395,266)</u>
	15,107	15,107		30,215	30,215
3,859	4,464	8,323	7,718	8,927	16,645
3,859	19,571	23,430	7,718	39,142	46,860
55,469	(473,487)	(418,018)	217,126	(659,252)	(442,126)
8,000	(225,000)	(217,000)	72,000	(320,000)	(248,000)
<u>\$ 47,469</u>	<u>\$ (248,487)</u>	<u>\$ (201,018)</u>	<u>\$ 145,126</u>	<u>\$ (339,252)</u>	<u>\$ (194,126)</u>

accompanying letter of
dated October 24, 1975.

JACKSON

COST OF GOODS MANUFAC

FOR THE YEAR (52 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	March 29, 1975	September 27, 1975	September 27, 1975
Material cost:			
Stock in process at beginning of period	\$ 377,902	\$ 361,136	\$ 377,902
Cotton put into process	2,345,205	2,419,781	4,764,986
Synthetic staple put into process			
Purchased yarn put into process			
Adjustment to equalize LIFO cost between plants	75,000	(44,000)	31,000
Stock transferred in (out)	45,027	16,279	61,306
	<u>2,843,134</u>	<u>2,753,196</u>	<u>5,235,194</u>
Less:			
Waste sales income	24,050	33,317	57,367
Stock in process at end of period	<u>361,136</u>	<u>376,703</u>	<u>376,703</u>
	<u>385,186</u>	<u>410,020</u>	<u>434,070</u>
Net material cost	<u>2,457,948</u>	<u>2,343,176</u>	<u>4,801,124</u>
Manufacturing labor and mill overhead:			
Wages	1,069,113	1,100,445	2,169,558
Superintendents, overseers and assistants	146,827	145,320	292,147
Industrial engineering	19,229	19,178	38,407
Production planning and control	5,490	5,490	10,980
Personnel and clinic salaries	15,335	15,390	30,725
Payroll and timekeeping	11,460	11,536	22,996
General mill clerks	3,270	3,790	7,060
General mill trainee payroll	5,089	5,277	10,366
Provision for Jackson Mills Retirement Trust *	12,815	(12,815)	
Supplies and repairs, stock	148,555	115,110	263,665
Supplies and repairs, direct	107,758	108,044	215,802
Freight on supplies	10,000	7,104	17,104
Sizing material	39,191	44,469	83,660
Packing material	19,097	26,737	45,834
Repairs to buildings	12,389	7,099	19,488
Upkeep of grounds	10	37	47
Vacation pay provision	42,510	44,145	86,655
Taxes, payroll	82,673	86,116	168,789
Insurance, group	57,770	56,720	114,490
Power	148,085	195,925	344,010
Fuel	14,034	9,629	23,663
Upkeep of vehicles	2,575	1,731	4,306
State sales and use tax	2,112	1,520	3,632
Rent of machinery and equipment	7,500	7,500	15,000
Sewer charge	400	1,600	2,000
Mill travel	1,089	735	1,824
Personnel, clinic and welfare expenses	1,775	1,235	3,010
Mill forms and stationery	5,560	3,676	9,236
Professional services to mill	716	671	1,387
Recheck and quality control	2,730	1,176	3,906
Depreciation	<u>135,000</u>	<u>140,919</u>	<u>275,919</u>

(continued)

M I L L S

TURED BY PLANTS

ENDED SEPTEMBER 27, 1975

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
March 29, 1975	September 27, 1975	September 27, 1975	March 29, 1975	September 27, 1975	September 27, 1975
\$ 316,009	\$ 384,616	\$ 316,009	\$ 693,911	\$ 745,752	\$ 693,911
1,644,650	1,365,857	3,010,507	3,989,855	3,785,638	7,775,493
758,617	798,115	1,556,732	758,617	798,115	1,556,732
	2,594	2,594		2,594	2,594
(75,000)	44,000	(31,000)			
(45,027)	(16,279)	(61,306)			
<u>2,599,249</u>	<u>2,578,903</u>	<u>4,793,536</u>	<u>5,442,383</u>	<u>5,332,099</u>	<u>10,028,730</u>
13,410	14,140	27,550	37,460	47,457	84,917
384,616	381,070	381,070	745,752	757,773	757,773
398,026	395,210	408,620	783,212	805,230	842,690
<u>2,201,223</u>	<u>2,183,693</u>	<u>4,384,916</u>	<u>4,659,171</u>	<u>4,526,869</u>	<u>9,186,040</u>
1,123,033	1,159,574	2,282,607	2,192,146	2,260,019	4,452,165
157,598	158,489	316,087	304,425	303,809	608,234
20,113	19,921	40,034	39,342	39,099	78,441
6,240	6,240	12,480	11,730	11,730	23,460
13,342	13,341	26,683	28,677	28,731	57,408
11,490	11,490	22,980	22,950	23,026	45,976
3,903	3,555	7,458	7,173	7,345	14,518
5,884	5,525	11,409	10,973	10,802	21,775
12,815	(12,815)		25,630	(25,630)	
158,977	148,977	307,954	307,532	264,087	571,619
133,183	115,621	248,804	240,941	223,665	464,606
2,958	2,930	5,888	12,958	10,034	22,992
56,022	66,105	122,127	95,213	110,574	205,787
18,174	20,225	38,399	37,271	46,962	84,233
60,557	17,846	78,403	72,946	24,945	97,891
334	578	912	344	615	959
35,257	36,738	71,995	77,767	80,883	158,650
85,064	91,202	176,266	167,737	177,318	345,055
56,448	58,116	114,564	114,218	114,836	229,054
187,031	232,516	419,547	335,116	428,441	763,557
24,223	15,901	40,124	38,257	25,530	63,787
3,205	2,625	5,830	5,780	4,356	10,136
2,920	2,260	5,180	5,032	3,780	8,812
12,000	12,000	24,000	19,500	19,500	39,000
988	6,752	7,740	1,388	8,352	9,740
435	1,187	1,622	1,524	1,922	3,446
2,937	2,227	5,164	4,712	3,462	8,174
3,090	2,344	5,434	8,650	6,020	14,670
5,546	540	6,086	6,262	1,211	7,473
1,967	806	2,773	4,697	1,982	6,679
<u>298,000</u>	<u>301,722</u>	<u>599,722</u>	<u>433,000</u>	<u>442,641</u>	<u>875,641</u>

JACKSON

COST OF GOODS MANUFAC

FOR THE YEAR (52 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	March 29, 1975	September 27, 1975	September 27, 1975
Manufacturing labor and mill overhead: (continued)			
Insurance, workmen's compensation	\$ 9,368	\$ 10,090	\$ 19,458
Insurance, general *	9,355	12,190	21,545
Taxes, property	29,851	36,369	66,220
Licenses	50	50	100
Institute of Textile Technology	735	424	1,159
Other mill expenses	11,339	6,897	18,236
Gross manufacturing labor and mill overhead	<u>2,190,855</u>	<u>2,221,529</u>	<u>4,412,384</u>
Less:			
Village operations			
Sales of scrap	647	471	1,118
Vending and canteen operations, net	2,201	2,510	4,711
	<u>2,848</u>	<u>2,981</u>	<u>5,829</u>
Net manufacturing labor and mill overhead	<u>2,188,007</u>	<u>2,218,548</u>	<u>4,406,555</u>
General overhead *:			
Salaries, officers	54,125	52,250	106,375
Salaries, clerical	5,550	5,550	11,100
Salaries, general accounting	5,897	5,865	11,762
Salaries, cost accounting	8,340	8,340	16,680
Salaries, other	25,910	28,448	54,358
Provision for Jackson Mills Pension Plan for salaried employees	31,667	31,667	63,334
Taxes, payroll	4,065	3,266	7,331
Insurance, group	2,877	2,874	5,751
Professional services, outside	22,697	14,066	36,763
Data processing service	405	704	1,109
Communications	5,270	5,361	10,631
Travel and entertainment	3,981	3,726	7,707
Postage	1,548	908	2,456
Office supplies	2,523	2,691	5,214
Upkeep of office equipment	2,973	389	3,362
Dues, subscriptions and local advertising	6,702	8,861	15,563
Corporate meetings	1,044	995	2,039
Medical expenses, officers		1,168	1,168
Upkeep of vehicles	948	888	1,836
Personnel, clinic and welfare expense	4,311	2,955	7,266
State sales and use tax	91	86	177
Miscellaneous office expense	110	65	175
Insurance, workmen's compensation	58	61	119
State franchise tax	289	289	578
Cotton Division	890	838	1,728
General overhead expenses, other	10	1,260	1,270
Doubtful accounts receivable written off	9,315	494	9,809
Total general overhead	<u>201,596</u>	<u>184,065</u>	<u>385,661</u>
Cost transferred in (out)	<u>14,303</u>	<u>4,966</u>	<u>19,269</u>
Total cost of goods manufactured - Schedule 1	<u>\$4,861,854</u>	<u>\$4,750,755</u>	<u>\$9,612,609</u>

* All of these costs are allocated to the plants as deemed reasonably by the management.

Reference is made to the accompanying letter

M I L L S

TURED BY PLANTS

ENDED SEPTEMBER 27, 1975

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
March 29, 1975	September 27, 1975	September 27, 1975	March 29, 1975	September 27, 1975	September 27, 1975
\$ 9,652	\$ 10,482	\$ 20,134	\$ 19,020	\$ 20,572	\$ 39,592
9,355	12,190	21,545	18,710	24,380	43,090
43,527	41,850	85,377	73,378	78,219	151,597
			50	50	100
656	787	1,443	1,391	1,211	2,602
10,341	4,819	15,160	21,680	11,716	33,396
<u>2,577,265</u>	<u>2,574,666</u>	<u>5,151,931</u>	<u>4,768,120</u>	<u>4,796,195</u>	<u>9,564,315</u>
(887)	1,627	740	(887)	1,627	740
425	393	818	1,072	864	1,936
4,117	2,501	6,618	6,318	5,011	11,329
3,655	4,521	8,176	6,503	7,502	14,005
<u>2,573,610</u>	<u>2,570,145</u>	<u>5,143,755</u>	<u>4,761,617</u>	<u>4,788,693</u>	<u>9,550,310</u>
54,125	52,250	106,375	108,250	104,500	212,750
5,550	5,550	11,100	11,100	11,100	22,200
5,897	5,865	11,762	11,794	11,730	23,524
8,340	8,340	16,680	16,680	16,680	33,360
25,910	28,447	54,357	51,820	56,895	108,715
31,667	31,667	63,334	63,334	63,334	126,668
4,065	3,266	7,331	8,130	6,532	14,662
2,877	2,874	5,751	5,754	5,748	11,502
22,697	14,066	36,763	45,394	28,132	73,526
405	704	1,109	810	1,408	2,218
5,270	5,361	10,631	10,540	10,722	21,262
3,981	3,727	7,708	7,962	7,453	15,415
1,548	908	2,456	3,096	1,816	4,912
2,523	2,690	5,213	5,046	5,381	10,427
2,973	390	3,363	5,946	779	6,725
6,702	8,862	15,564	13,404	17,723	31,127
1,044	994	2,038	2,088	1,989	4,077
	1,168	1,168		2,336	2,336
948	887	1,835	1,896	1,775	3,671
4,311	2,955	7,266	8,622	5,910	14,532
91	87	178	182	173	355
110	65	175	220	130	350
58	61	119	116	122	238
289	289	578	578	578	1,156
890	837	1,727	1,780	1,675	3,455
11	1,260	1,271	21	2,520	2,541
9,315	494	9,809	18,630	988	19,618
<u>201,597</u>	<u>184,064</u>	<u>385,661</u>	<u>403,193</u>	<u>368,129</u>	<u>771,322</u>
(14,303)	(4,966)	(19,269)			
<u>\$4,962,127</u>	<u>\$4,932,936</u>	<u>\$9,895,063</u>	<u>\$9,823,981</u>	<u>\$9,683,691</u>	<u>\$19,507,672</u>

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

JACKSON MILLS

REPORT ON FINANCIAL STATEMENTS

AS AT OCTOBER 2, 1976

AND FOR THE YEAR (53 WEEKS) THEN ENDED

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

184 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

ACCOUNTANTS' REPORT

To the Board of Directors
Jackson Mills
Wellford, South Carolina

We have examined the balance sheet of Jackson Mills as at October 2, 1976, and the related statements of operations and retained earnings and of changes in financial position for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of Jackson Mills at October 2, 1976, and the results of its operations and the changes in its financial position for the year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

Greenville, S. C.
November 1, 1976

JACKSON MILLS

BALANCE SHEET

AS AT OCTOBER 2, 1976

ASSETS

Current Assets:

Cash		\$ 373,420
United States Treasury bills, at cost plus earned discount		2,478,927
Accounts receivable:		
Selling agent	\$ 912,963	
Other	453,906	1,366,869
Inventories - Notes A(1) and B:		
Manufactured goods	1,285,800	
Stock in process	730,522	
Raw materials	927,825	
Waste, fuel and manufacturing supplies	106,675	3,050,822
Prepaid expenses		204,801

Total Current Assets

7,474,839

Other Assets

5,589

Fixed Assets - Notes A(2) and C:

Cost	19,821,952	
Less: Accumulated depreciation	14,621,902	5,200,050
		<u>\$12,680,478</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable		\$ 369,057
Accrued and sundry liabilities:		
Wages and salaries	\$ 182,046	
Taxes accrued and withheld	240,473	
Employee Christmas savings	147,461	
Contributions under retirement plans - Note D	383,698	
Other	74,008	1,027,686
Federal and state income taxes		850,029
Total Current Liabilities		2,246,772

Commitments - Note E

Stockholders' Equity - Note F:

Common Stock \$20 par value - authorized 62,500 shares, issued and outstanding 22,313 shares	446,260	
Retained Earnings - Exhibit B	9,987,446	10,433,706
		<u>\$12,680,478</u>

The accompanying notes are an integral part of this statement.

JACKSON MILLS
STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR (53 WEEKS) ENDED OCTOBER 2, 1976

Net sales		\$29,981,133
Cost of goods sold, including \$833,894 depreciation and \$383,698 provision for retirement plans		<u>27,255,527</u>
Gross profit on sales		2,725,606
Sales commissions		<u>1,159,573</u>
		1,566,033
Other income		<u>80,586</u>
		1,646,619
Other charge		<u>25,381</u>
Earnings before income taxes		1,621,238
Provision for Federal and state income taxes - Note A(3)		<u>780,000</u>
Net earnings - \$33.25 per share *		841,238
Retained Earnings at September 27, 1975		<u>10,075,468</u>
		10,916,706
Deduct:		
Excess of purchase price over par value of 4,200 shares of common stock purchased and retired - Note F	\$420,000	
Dividends - \$20.00 per share	<u>509,260</u>	<u>929,260</u>
Retained Earnings at October 2, 1976 - Exhibit A		<u>\$ 9,987,446</u>

* Computed on 25,302 shares, the weighted average number of shares of common stock outstanding during the year.

The accompanying notes are an integral part of this statement.

JACKSON MILLS
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR (53 WEEKS) ENDED OCTOBER 2, 1976

Financial resources provided from:	
Net earnings - Exhibit B	\$ 841,238
Item not requiring outlay of working capital in the current year - depreciation	<u>833,894</u>
Working capital provided from operations	1,675,132
Decrease in other assets	<u>152,703</u>
Total resources provided	<u>1,827,835</u>
Financial resources used for:	
Acquisition of fixed assets	402,667
Cash dividends	509,260
Purchase of common stock for retirement	<u>504,000</u>
Total resources used	<u>1,415,927</u>
Increase in working capital	<u>\$ 411,908</u>
Changes in working capital by components:	
Increase (decrease) in current assets:	
Cash	\$ 50,457
United States Treasury bills	2,281,027
Accounts receivable	189,900
Estimated refundable income taxes	(651,000)
Inventories	(560,164)
Prepaid expenses	<u>69,568</u>
	<u>1,379,788</u>
(Increase) decrease in current liabilities:	
Accounts payable	130,902
Accrued and sundry liabilities	(318,233)
Federal and state income taxes	<u>(780,549)</u>
	<u>967,880</u>
Increase in working capital	411,908
Working capital at September 27, 1975	<u>4,816,159</u>
Working capital at October 2, 1976	<u>\$5,228,067</u>

The accompanying notes are an integral part of this statement.

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT OCTOBER 2, 1976

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - Inventories are stated at the lower of cost or market. The cost of the cotton portion of inventories (both raw material content and manufacturing cost content) is determined on the LIFO basis. For other inventories, cost is determined by the FIFO method.
- (2) Depreciation - Depreciation is provided principally by accelerated methods, based on the estimated lives of the assets.
- (3) Investment Tax Credits - Investment tax credits, approximately \$37,000 for the current year, are accounted for by the flow-through method.
- (4) Pension Costs - The Company funds pension costs accrued under its pension retirement plan and amortizes prior service costs over a period of approximately 40 years from January 1, 1976 - see Note D.

NOTE B - INVENTORIES:

Inventories at October 2, 1976, include \$1,914,150 stated at LIFO cost. If the Company had used the FIFO cost method for all inventories, they would have been approximately \$2,800,000 higher than reported.

NOTE C - FIXED ASSETS:

Fixed assets are shown below by major classifications with the estimated useful lives used in computing depreciation:

	Cost	Useful Lives - Years
Land	\$ 46,694	
Land improvements	272,709	20-50
Buildings and building equipment	3,633,672	12-50
Machinery and equipment	15,617,652	11-14
Furniture and fixtures	198,551	10
Transportation equipment	52,674	5
	<u>\$19,821,952</u>	

J A C K S O N M I L L S
NOTES TO FINANCIAL STATEMENTS
AS AT OCTOBER 2, 1976

NOTE D - RETIREMENT PLANS:

The Company has a profit sharing retirement plan under which all employees who have completed one year of service are covered. The cost of the plan charged to earnings for the year was \$273,320.

The Company also has a noncontributory pension retirement plan under which substantially all salaried employees are covered. Benefits of the plan are vested in the members on the basis of 10 years of employment and attainment of age 32. During the current year the pension and profit sharing plans were amended to conform with the Employee Retirement Income Security Act of 1974. The cost of the pension plan charged to earnings for the year was \$110,378, including amortization of prior service costs over a 40-year period - see Note A(4). In the preceding year, prior service costs were amortized on the basis of approximately 15 years. The effect of the change in period of amortization has been to increase net earnings by approximately \$22,000 (\$.87 a share). The actuarially computed value of vested benefits as at December 31, 1975, exceeded the total of the pension fund and balance sheet accruals by approximately \$542,000.

NOTE E - COMMITMENTS:

As at October 2, 1976, the Company has both fixed and variable price cotton purchase contracts aggregating approximately \$9,314,000, which amount is substantially equal to replacement market.

NOTE F - COMMON STOCK:

On June 17, 1976, the Company acquired 4,200 shares of its outstanding common stock at a cost of \$504,000. Upon authorization by the Board of Directors, the stock was retired; the \$420,000 excess of the purchase price over the par value of the stock was charged to Retained Earnings.

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

November 1, 1976

The Board of Directors
Jackson Mills
Wellford, South Carolina

Gentlemen:

The current year's basic financial statements of Jackson Mills, namely, the balance sheet as at October 2, 1976, and the related statements of earnings and retained earnings and of changes in financial position for the year (53 weeks) then ended, and our Accountants' Report on these financial statements are included in the preceding section of this report.

The data in Schedules 1 through 8, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the Company's financial position at October 2, 1976, and the results of its operations and the changes in its financial position for the year (53 weeks) then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the current year's basic financial statements, taken as a whole. However, the data in Schedules 3, 4, 5 and 6 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to these financial statements, taken as a whole.

The data in Schedules 1, 2, 7 and 8 have been abstracted from the Company's general accounting records. Our examination included tests of the data; however, these tests were not sufficient in scope to enable us to express an opinion as to the fair presentation of the data shown therein.

Very truly yours,

S. D. Leidesdorf & Co.

J A C K S O N

STATEMENT OF EARN

FOR THE YEAR (53 WEEKS)

	Iva Plant		
	Six Months Ended	Year Ended	
	April 3, 1976	October 2, 1976	October 2, 1976
Net sales:			
Cloth	\$7,210,716	\$6,235,048	\$13,445,764
Yarn	730,332	882,433	1,612,765
Total net sales	<u>7,941,048</u>	<u>7,117,481</u>	<u>15,058,529</u>
Cost of goods sold:			
Inventories at beginning of period:			
Cloth	861,593	362,845	861,593
Yarn	48,716	9,231	48,716
	<u>910,309</u>	<u>372,076</u>	<u>910,309</u>
Cost of goods manufactured -			
Schedule 2 *	6,786,437	6,520,412	13,306,849
Adjustment to equalize LIFO cost			
between plants	(76,000)	146,000	70,000
Freight and sundry	1,114	1,858	2,972
	<u>7,621,860</u>	<u>7,040,346</u>	<u>14,290,130</u>
Less:			
Inventories at end of period:			
Cloth	362,845	504,955	504,955
Yarn	9,231		
	<u>372,076</u>	<u>504,955</u>	<u>504,955</u>
	<u>7,249,784</u>	<u>6,535,391</u>	<u>13,785,175</u>
	691,264	582,090	1,273,354
Profit transferred (from) to	<u>(9,108)</u>	<u>(24,093)</u>	<u>(33,201)</u>
Gross profit (loss) on sales	682,156	557,997	1,240,153
Sales commissions	298,364	276,133	574,497
	<u>383,792</u>	<u>281,864</u>	<u>665,656</u>
Other income:			
Gain (loss) on sales of fixed assets	200	300	500
Interest *	20,717	19,043	39,760
	<u>20,917</u>	<u>19,343</u>	<u>40,260</u>
	<u>404,709</u>	<u>301,207</u>	<u>705,916</u>
Other charge - contributions to			
Alfred Moore Foundation and other			
donations *	5,219	7,472	12,691
Earnings before income taxes	399,490	293,735	693,225
Provision for Federal and state income taxes	187,000	136,000	323,000
Net earnings	<u>\$ 212,490</u>	<u>\$ 157,735</u>	<u>\$ 370,225</u>

* All or portions of these items are allocated to the plants as deemed reasonable by the management.

Reference is made to the
S. D. Leidesdorf & Co.,

SCHEDULE 1

M I L L S

INGS BY PLANTS

ENDED OCTOBER 2, 1976

Wellford Plant			Total		
Six Months Ended	Year Ended		Six Months Ended	Year Ended	
April 3, 1976	October 2, 1976	October 2, 1976	April 3, 1976	October 2, 1976	October 2, 1976
\$7,775,551	\$6,554,635	\$14,330,186	\$14,986,267	\$12,789,683	\$27,775,950
404,549	187,869	592,418	1,134,881	1,070,302	2,205,183
<u>8,180,100</u>	<u>6,742,504</u>	<u>14,922,604</u>	<u>16,121,148</u>	<u>13,859,985</u>	<u>29,981,133</u>
945,483	344,319	945,483	1,807,076	707,164	1,807,076
26,845	38,507	26,845	75,561	47,738	75,561
972,328	382,826	972,328	1,882,637	754,902	1,882,637
6,777,485	6,570,661	13,348,146	13,563,922	13,091,073	26,654,995
76,000	(146,000)	(70,000)			
821	(98)	723	1,935	1,760	3,695
<u>7,826,634</u>	<u>6,807,389</u>	<u>14,251,197</u>	<u>15,448,494</u>	<u>13,847,735</u>	<u>28,541,327</u>
344,319	750,447	750,447	707,164	1,255,402	1,255,402
38,507	30,398	30,398	47,738	30,398	30,398
382,826	780,845	780,845	754,902	1,285,800	1,285,800
<u>7,443,808</u>	<u>6,026,544</u>	<u>13,470,352</u>	<u>14,693,592</u>	<u>12,561,935</u>	<u>27,255,527</u>
736,292	715,960	1,452,252	1,427,556	1,298,050	2,725,606
9,108	24,093	33,201			
745,400	740,053	1,485,453	1,427,556	1,298,050	2,725,606
319,156	265,920	585,076	617,520	542,053	1,159,573
426,244	474,133	900,377	810,036	755,997	1,566,033
(445)		(445)	(245)	300	55
20,806	19,965	40,771	41,523	39,008	80,531
20,361	19,965	40,326	41,278	39,308	80,586
446,605	494,098	940,703	851,314	795,305	1,646,619
5,218	7,472	12,690	10,437	14,944	25,381
441,387	486,626	928,013	840,877	780,361	1,621,238
216,000	241,000	457,000	403,000	377,000	780,000
<u>\$ 225,387</u>	<u>\$ 245,626</u>	<u>\$ 471,013</u>	<u>\$ 437,877</u>	<u>\$ 403,361</u>	<u>\$ 841,238</u>

accompanying letter of
dated November 1, 1976.

JACKSON

COST OF GOODS MANUFAC

FOR THE YEAR (53 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	April 3, 1976	October 2, 1976	October 2, 1976
Material cost:			
Stock in process at beginning of period	\$ 376,703	\$ 344,847	\$ 376,703
Cotton put into process	3,919,611	3,500,463	7,420,074
Synthetic staple put into process			
Purchased yarn put into process			
Adjustment to equalize LIFO cost between plants	(51,000)	26,000	(25,000)
Stock transferred in (out)	16,760	51,391	68,151
	<u>4,262,074</u>	<u>3,922,701</u>	<u>7,839,928</u>
Less:			
Waste sales income	45,549	47,224	92,773
Stock in process at end of period	<u>344,847</u>	<u>291,445</u>	<u>291,445</u>
	<u>390,396</u>	<u>338,669</u>	<u>384,218</u>
Net material cost	<u>3,871,678</u>	<u>3,584,032</u>	<u>7,455,710</u>
Manufacturing labor and mill overhead:			
Wages	1,396,814	1,370,833	2,767,647
Superintendents, overseers and assistants	156,081	162,550	318,631
Industrial engineering	21,011	22,157	43,168
Production planning and control	5,880	6,180	12,060
Personnel and clinic salaries	16,440	17,355	33,795
Payroll and timekeeping	12,240	12,935	25,175
General mill clerks	3,360	3,525	6,885
General mill trainee payroll	5,839	6,215	12,054
Provision for Jackson Mills Retirement Trust*	71,191	65,468	136,659
Supplies and repairs, stock	156,120	148,942	305,062
Supplies and repairs, direct	105,665	120,534	226,199
Freight on supplies	7,355	11,801	19,156
Sizing material	61,822	63,438	125,260
Packing material	26,637	23,611	50,248
Repairs to buildings	4,659	8,737	13,396
Upkeep of grounds		50	50
Vacation pay provision	55,508	45,804	101,312
Taxes, payroll	114,524	112,912	227,436
Insurance, group	58,585	62,583	121,168
Power	203,745	228,652	432,397
Fuel	23,949	17,530	41,479
Upkeep of vehicles	3,723	1,871	5,594
State sales and use tax	690	1,802	2,492
Rent of machinery and equipment	7,500		7,500
Sewer charge	1,200	1,200	2,400
Mill travel	1,359	877	2,236
Personnel, clinic and welfare expenses	1,648	2,761	4,409

(continued)

M I L L S

TURED BY PLANTS

ENDED OCTOBER 2, 1976

Wellford Plant			Total		
Six Months Ended	Year Ended		Six Months Ended	Year Ended	
April 3, 1976	October 2, 1976	October 2, 1976	April 3, 1976	October 2, 1976	October 2, 1976
\$ 381,070	\$ 464,323	\$ 381,070	\$ 757,773	\$ 809,170	\$ 757,773
2,101,072	2,019,499	4,120,571	6,020,683	5,519,962	11,540,645
1,423,122	1,302,254	2,725,376	1,423,122	1,302,254	2,725,376
	862	862		862	862
51,000	(26,000)	25,000			
(16,760)	(51,391)	(68,151)			
<u>3,939,504</u>	<u>3,709,547</u>	<u>7,184,728</u>	<u>8,201,578</u>	<u>7,632,248</u>	<u>15,024,656</u>
17,594	18,181	35,775	63,143	65,405	128,548
<u>464,323</u>	<u>439,077</u>	<u>439,077</u>	<u>809,170</u>	<u>730,522</u>	<u>730,522</u>
<u>481,917</u>	<u>457,258</u>	<u>474,852</u>	<u>872,313</u>	<u>795,927</u>	<u>859,070</u>
<u>3,457,587</u>	<u>3,252,289</u>	<u>6,709,876</u>	<u>7,329,265</u>	<u>6,836,321</u>	<u>14,165,586</u>
1,514,409	1,500,977	3,015,386	2,911,223	2,871,810	5,783,033
162,152	156,534	318,686	318,233	319,084	637,317
27,948	30,402	58,350	48,959	52,559	101,518
6,780	7,125	13,905	12,660	13,305	25,965
13,950	15,150	29,100	30,390	32,505	62,895
12,300	12,915	25,215	24,540	25,850	50,390
3,780	3,975	7,755	7,140	7,500	14,640
2,818	5,769	8,587	8,657	11,984	20,641
71,192	65,469	136,661	142,383	130,937	273,320
183,652	183,198	366,850	339,772	332,140	671,912
120,300	123,226	243,526	225,965	243,760	469,725
2,653	3,031	5,684	10,008	14,832	24,840
101,335	100,986	202,321	163,157	164,424	327,581
23,239	16,032	39,271	49,876	39,643	89,519
8,079	17,747	25,826	12,738	26,484	39,222
40		40	40	50	90
47,984	41,409	89,393	103,492	87,213	190,705
121,670	120,050	241,720	236,194	232,962	469,156
58,537	63,080	121,617	117,122	125,663	242,785
254,652	276,829	531,481	458,397	505,481	963,878
34,677	25,969	60,646	58,626	43,499	102,125
3,749	3,232	6,981	7,472	5,103	12,575
2,481	1,516	3,997	3,171	3,318	6,489
12,000		12,000	19,500		19,500
3,380	2,450	5,830	4,580	3,650	8,230
569	771	1,340	1,928	1,648	3,576
<u>3,064</u>	<u>5,479</u>	<u>8,543</u>	<u>4,712</u>	<u>8,240</u>	<u>12,952</u>

J A C K S O N

C O S T O F G O O D S M A N U F A C

F O R T H E Y E A R (5 3 W E E K S)

	Iva Plant		
	Six Months Ended		Year Ended
	April 3, 1976	October 2, 1976	October 2, 1976
Manufacturing labor and mill overhead: (continued)			
Mill forms and stationery	\$ 6,000	\$ 8,244	\$ 14,244
Professional services to mill	2,667	1,470	4,137
Recheck and quality control	403	630	1,033
Depreciation	133,700	143,992	277,692
Insurance, workmen's compensation	15,330	15,028	30,358
Insurance, general *	13,240	12,912	26,152
Taxes, property	33,472	42,927	76,399
Licenses	50	50	100
Institute of Textile Technology	122	982	1,104
Other mill expenses	10,264	6,186	16,450
Gross manufacturing labor and mill overhead	<u>2,738,793</u>	<u>2,752,744</u>	<u>5,491,537</u>
Less:			
Village operations			
Sales of scrap	542	557	1,099
Vending and canteen operations, net	2,572	4,085	6,657
Net manufacturing labor and mill overhead	<u>2,735,679</u>	<u>2,748,102</u>	<u>5,483,781</u>
General overhead *:			
Salaries, officers	60,165	61,375	121,540
Salaries, clerical	6,030	6,330	12,360
Salaries, general accounting	6,387	6,697	13,084
Salaries, cost accounting	9,090	9,645	18,735
Salaries, other	7,600	6,743	14,343
Provision for Jackson Mills Pension Plan for salaried employees	27,595	27,595	55,190
Taxes, payroll	3,921	3,115	7,036
Insurance, group	2,430	2,536	4,966
Professional services, outside	15,757	17,204	32,961
Data processing service	502	305	807
Communications	6,404	5,959	12,363
Travel and entertainment	3,416	5,334	8,750
Postage	1,424	1,249	2,673
Office supplies	3,709	2,186	5,895
Upkeep of office equipment	2,940	695	3,635
Dues, subscriptions and local advertising	7,526	7,344	14,870
Corporate meetings	800	1,011	1,811
Medical expenses, officers	1,366	2,478	3,844
Upkeep of vehicles	785	1,010	1,795

(continued)

M I L L S

TURED BY PLANTS

ENDED OCTOBER 2, 1976

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
April 3, 1976	October 2, 1976	October 2, 1976	April 3, 1976	October 2, 1976	October 2, 1976
\$ 5,329	\$ 5,720	\$ 11,049	\$ 11,329	\$ 13,964	\$ 25,293
5,257	1,057	6,314	7,924	2,527	10,451
758	1,171	1,929	1,161	1,801	2,962
275,900	280,302	556,202	409,600	424,294	833,894
16,196	15,854	32,050	31,526	30,882	62,408
13,240	12,912	26,152	26,480	25,824	52,304
41,181	51,756	92,937	74,653	94,683	169,336
			50	50	100
563	953	1,516	685	1,935	2,620
1,960	3,082	5,042	12,224	9,268	21,492
<u>3,157,774</u>	<u>3,156,128</u>	<u>6,313,902</u>	<u>5,896,567</u>	<u>5,908,872</u>	<u>11,805,439</u>
1,785	(170)	1,615	1,785	(170)	1,615
635	1,026	1,661	1,177	1,583	2,760
5,465	4,700	10,165	8,037	8,785	16,822
<u>3,149,889</u>	<u>3,150,572</u>	<u>6,300,461</u>	<u>5,885,568</u>	<u>5,898,674</u>	<u>11,784,242</u>
60,165	61,375	121,540	120,330	122,750	243,080
6,030	6,330	12,360	12,060	12,660	24,720
6,387	6,698	13,085	12,774	13,395	26,169
9,090	9,645	18,735	18,180	19,290	37,470
7,600	6,742	14,342	15,200	13,485	28,685
27,594	27,594	55,188	55,189	55,189	110,378
3,921	3,115	7,036	7,842	6,230	14,072
2,431	2,537	4,968	4,861	5,073	9,934
15,757	17,204	32,961	31,514	34,408	65,922
502	305	807	1,004	610	1,614
6,404	5,960	12,364	12,808	11,919	24,727
3,416	5,333	8,749	6,832	10,667	17,499
1,424	1,249	2,673	2,848	2,498	5,346
3,709	2,186	5,895	7,418	4,372	11,790
2,940	695	3,635	5,880	1,390	7,270
7,527	7,345	14,872	15,053	14,689	29,742
800	1,011	1,811	1,600	2,022	3,622
1,367	2,479	3,846	2,733	4,957	7,690
785	1,010	1,795	1,570	2,020	3,590

JACKSON

COST OF GOODS MANUFAC

FOR THE YEAR (53 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	April 3, 1976	October 2, 1976	October 2, 1976
General overhead *: (continued)			
Personnel, clinic and welfare expense	\$ 5,034	\$ 7,535	\$ 12,569
State sales and use tax	217	157	374
Miscellaneous office expense	225	151	376
Insurance, workmen's compensation	64	65	129
State franchise tax	289	290	579
Cotton Division	867	989	1,856
General overhead expenses, other	<u>1</u>	<u>41</u>	<u>42</u>
Total general overhead	<u>174,544</u>	<u>178,039</u>	<u>352,583</u>
Cost transferred in (out)	<u>4,536</u>	<u>10,239</u>	<u>14,775</u>
Total cost of goods manufactured - Schedule 1	<u>\$6,786,437</u>	<u>\$6,520,412</u>	<u>\$13,306,849</u>

* All of these costs are allocated to the plants as deemed reasonable by the management.

Reference is made to the
S. D. Leidesdorf & Co.,

M I L L S

TURED BY PLANTS

ENDED OCTOBER 2, 1976

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
April 3, 1976	October 2, 1976	October 2, 1976	April 3, 1976	October 2, 1976	October 2, 1976
\$ 5,034	\$ 7,535	\$ 12,569	\$ 10,068	\$ 15,070	\$ 25,138
217	157	374	434	314	748
225	150	375	450	301	751
64	65	129	128	130	258
289	289	578	578	579	1,157
866	988	1,854	1,733	1,977	3,710
1	42	43	2	83	85
<u>174,545</u>	<u>178,039</u>	<u>352,584</u>	<u>349,089</u>	<u>356,078</u>	<u>705,167</u>
<u>(4,536)</u>	<u>(10,239)</u>	<u>(14,775)</u>			
<u>\$6,777,485</u>	<u>\$6,570,661</u>	<u>\$13,348,146</u>	<u>\$13,563,922</u>	<u>\$13,091,073</u>	<u>\$26,654,995</u>

accompanying letter of
dated November 1, 1976.

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

JACKSON MILLS

REPORT ON FINANCIAL STATEMENTS

AS AT OCTOBER 1, 1977

AND FOR THE YEAR (52 WEEKS) THEN ENDED

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

ACCOUNTANTS' REPORT

To the Board of Directors
Jackson Mills
Wellford, South Carolina

We have examined the balance sheet of Jackson Mills as at October 1, 1977, and the related statements of earnings and retained earnings and of changes in financial position for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of Jackson Mills at October 1, 1977, and the results of its operations and the changes in its financial position for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. Leidesdorf & Co.

Greenville, S. C.
October 31, 1977

JACKSON MILLS

BALANCE SHEET

AS AT OCTOBER 1, 1977

ASSETS

Current Assets:

Cash		\$ 428,507
Temporary investments		506,661
Accounts receivable:		
Selling agent	\$ 2,168,939	
Other	<u>620,984</u>	2,789,923
Estimated refundable income taxes		173,000
Inventories - Notes A(1), B and C:		
Manufactured goods	664,999	
Stock in process	636,674	
Raw materials	927,986	
Waste, fuel and manufacturing supplies	<u>593,999</u>	2,823,658
Prepaid expenses		<u>81,647</u>

Total Current Assets

6,803,396

Other Assets

5,340

Fixed Assets - Notes A(2) and D:

Cost	19,933,287	
Less: Accumulated depreciation	<u>15,331,951</u>	<u>4,601,336</u>
		<u>\$11,410,072</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable		\$ 313,803
Accrued and sundry liabilities:		
Wages and salaries	\$ 190,419	
Taxes accrued and withheld	262,373	
Employee Christmas savings	153,996	
Contributions under retirement plans - Note E	227,987	
Other	<u>64,595</u>	899,370
Federal and state income taxes, current		69,070
Deferred income taxes - Note A(3)		<u>101,000</u>

Total Current Liabilities

1,383,243

Commitments - Note G

Stockholders' Equity - Note F:

Common Stock, \$20 par value - authorized 62,500 shares, issued and outstanding 20,965 shares	419,300	
Retained Earnings - Exhibit B	<u>9,607,529</u>	<u>10,026,829</u>
		<u>\$11,410,072</u>

The accompanying notes are an integral part of this statement.

J A C K S O N M I L L S

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR (52 WEEKS) ENDED OCTOBER 1, 1977

Net sales		\$29,631,860
Cost of goods sold, including \$786,866 depreciation, \$227,986 provision for retirement plans and \$(362,976) effect of change in accounting estimate - Note B		<u>27,915,977</u>
Gross profit on sales		1,715,883
Sales commissions		<u>1,106,741</u>
		609,142
Other income		<u>60,700</u>
		669,842
Other charge		<u>23,778</u>
Earnings before income taxes		646,064
Provision for Federal and state income taxes, including deferred taxes of \$101,000 - Note A(3)		<u>297,000</u>
Net earnings - \$15.82 per share * - Note B		349,064
Retained Earnings at October 2, 1976		<u>9,987,446</u>
		10,336,510
Deduct:		
Excess of purchase price over par value of 1,348 shares of Common Stock purchased and retired - Note F	\$198,830	
Adjustment of purchase price of Common Stock previously purchased and retired - Note F	199,500	
Dividends - \$15.00 per share	<u>330,651</u>	<u>728,981</u>
Retained Earnings at October 1, 1977 - Exhibit A		<u>\$ 9,607,529</u>

* Computed on 22,061 shares, the weighted average number of
shares of common stock outstanding during the year.

The accompanying notes are an integral part of this statement.

JACKSON MILLS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR (52 WEEKS) ENDED OCTOBER 1, 1977

Financial resources provided from:	
Net earnings - Exhibit B	\$ 349,064
Item not requiring outlay of working capital in the current year - depreciation	<u>786,866</u>
Working capital provided from operations	1,135,930
Decrease in other assets	<u>249</u>
Total resources provided	<u>1,136,179</u>
Financial resources used for:	
Acquisition of fixed assets	188,152
Cash dividends	330,651
Purchase of Common Stock for retirement	225,790
Adjustment of purchase price of Common Stock previously retired	<u>199,500</u>
Total resources used	<u>944,093</u>
Increase in working capital	<u>\$ 192,086</u>
Changes in working capital by components:	
Increase (decrease) in current assets:	
Cash	\$ 55,087
Temporary investments	(1,972,266)
Accounts receivable	1,423,054
Estimated refundable income taxes	173,000
Inventories	(227,164)
Prepaid expenses	<u>(123,154)</u>
	<u>(671,443)</u>
(Increase) decrease in current liabilities:	
Accounts payable	55,254
Accrued and sundry liabilities	128,316
Federal and state income taxes, current	780,959
Deferred income taxes	<u>(101,000)</u>
	<u>863,529</u>
Increase in working capital	192,086
Working capital at October 2, 1976	<u>5,228,067</u>
Working capital at October 1, 1977	<u>\$ 5,420,153</u>

The accompanying notes are an integral part of this statement.

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT OCTOBER 1, 1977

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Inventories - Inventories are stated at the lower of cost or market. The cost of the cotton portion of inventories (both raw material content and manufacturing cost content) is determined on the LIFO basis. For other inventories, cost is determined by the FIFO method.
- (2) Depreciation - Depreciation is provided principally by accelerated methods, based on the estimated lives of the assets.
- (3) Income Taxes - Deferred income taxes result from a timing difference in financial and income tax reporting of the effect of a change in accounting estimate for sundry supplies and repair parts inventories - Note B. Investment tax credits, approximately \$10,200 for the current year, are accounted for by the flow-through method.
- (4) Pension Costs - The Company funds pension costs accrued under its pension retirement plan and amortizes prior service costs over a period of approximately 40 years from January 1, 1976 - see Note E.

NOTE B - CHANGE IN ACCOUNTING ESTIMATE:

A re-evaluation of the future benefit to be derived from their use has led to the Company's pricing inventories of sundry supplies and repair parts at their full cost, an increase of \$362,976 in inventories at October 1, 1977, and \$177,423 (\$8.04 per share) in net earnings for the year then ended.

For income tax reporting, the change in estimate affecting these inventories has been retroactively applied to the year ended September 27, 1975, with the resulting \$281,460 increase in taxable income included in equal increments in the years ending in 1975 through 1984.

NOTE C - INVENTORIES:

Inventories at October 1, 1977, include \$1,581,427 stated at LIFO cost. If the Company had used the FIFO cost method for all inventories, they would have been approximately \$2,700,000 higher than reported.

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT OCTOBER 1, 1977

NOTE D - FIXED ASSETS:

Fixed assets are shown below by major classifications with the estimated useful lives used in computing depreciation:

	Cost	Useful Lives - Years
Land	\$ 45,477	
Land improvements	301,055	20-50
Buildings and building equipment	3,686,392	12-50
Machinery and equipment	15,623,492	11-14
Furniture and fixtures	226,215	10
Transportation equipment	50,656	5
	<u>\$19,933,287</u>	

NOTE E - RETIREMENT PLANS:

The Company has a profit sharing retirement plan under which all employees who have completed one year of service are covered. The cost of the plan charged to earnings for the year was \$101,448.

The Company also has a noncontributory pension retirement plan under which substantially all salaried employees are covered. Benefits of the plan are vested in the members on the basis of 10 years of employment. The cost of the pension plan charged to earnings for the year was \$126,538, including amortization of prior service costs over a 40-year period - see Note A(4). The actuarially computed value of vested benefits as at December 31, 1976, exceeded the total of the pension fund and balance sheet accruals by approximately \$574,000.

NOTE F - STOCKHOLDERS' EQUITY:

In July 1977, the Company bought 1,348 shares of its outstanding Common Stock for \$225,790 (\$167.50 per share). As authorized by the Board of Directors, the shares were retired; the \$198,830 excess of the purchase price over the par value of the shares retired was charged to Retained Earnings.

On June 13, 1977, the Board of Directors authorized and directed the payment of \$199,500 (\$47.50 per share) to the trustees of the estate of a former stockholder in addition to the \$504,000 (\$120.00 per share) paid for 4,200 shares of Common Stock purchased and retired in the preceding year. The additional payment was charged to Retained Earnings.

NOTE G - COMMITMENTS:

As at October 1, 1977, the Company has fixed price cotton purchase contracts in excess of requirements for firm sales commitments of approximately \$900,000, which amount is not materially above the current replacement cost.

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

October 31, 1977

The Board of Directors
Jackson Mills
Wellford, South Carolina

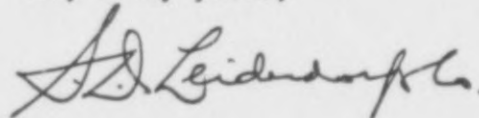
Gentlemen:

The current year's basic financial statements of Jackson Mills, namely, the balance sheet as at October 1, 1977, and the related statements of earnings and retained earnings and of changes in financial position for the year (52 weeks) then ended, and our Accountants' Report on these financial statements are included in the preceding section of this report.

The data in Schedules 1 through 8, which follow this letter, are presented primarily for supplementary analysis purposes and are not considered necessary for a fair presentation of the Company's financial position at October 1, 1977, and the results of its operations and the changes in its financial position for the year (52 weeks) then ended. Our examination, which is set forth in our Accountants' Report, was made primarily for the purpose of formulating an opinion on the current year's basic financial statements, taken as a whole. However, the data in Schedules 3, 4, 5 and 6 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to these financial statements, taken as a whole.

The data in Schedules 1, 2, 7 and 8 have been abstracted from the Company's general accounting records. Our examination included tests of the data; however, these tests were not sufficient in scope to enable us to express an opinion as to the fair presentation of the data shown therein.

Very truly yours,



J A C K S O N
STATEMENT OF EARN
FOR THE YEAR (52 WEEKS)

	Iva Plant		
	Six Months Ended		Year Ended
	April 2, 1977	October 1, 1977	October 1, 1977
Net sales:			
Cloth	\$5,761,086	\$6,514,573	\$12,275,659
Yarn	965,012	1,183,916	2,148,928
Total net sales	<u>6,726,098</u>	<u>7,698,489</u>	<u>14,424,587</u>
Cost of goods sold:			
Inventories at beginning of period:			
Cloth	504,955	551,520	504,955
Yarn		17,992	
	<u>504,955</u>	<u>569,512</u>	<u>504,955</u>
Cost of goods manufactured - Schedule 2 *	6,733,049	6,993,592	13,726,641
Adjustment to equalize LIFO cost between plants	(97,000)	102,000	5,000
Freight and sundry	<u>4,520</u>	<u>11,180</u>	<u>15,700</u>
	<u>7,145,524</u>	<u>7,676,284</u>	<u>14,252,296</u>
Less:			
Inventories at end of period:			
Cloth	551,520	226,698	226,698
Yarn	<u>17,992</u>	<u>8,357</u>	<u>8,357</u>
	<u>569,512</u>	<u>235,055</u>	<u>235,055</u>
	<u>6,576,012</u>	<u>7,441,229</u>	<u>14,017,241</u>
	150,086	257,260	407,346
Profit transferred (from) to	<u>(22,189)</u>	<u>(28,898)</u>	<u>(51,087)</u>
Gross profit (loss) on sales	127,897	228,362	356,259
Sales commissions	<u>249,566</u>	<u>280,329</u>	<u>529,895</u>
	<u>(121,669)</u>	<u>(51,967)</u>	<u>(173,636)</u>
Other income:			
Interest *	22,089	7,471	29,560
Gain (loss) on sales of fixed assets		<u>2,255</u>	<u>2,255</u>
	<u>22,089</u>	<u>9,726</u>	<u>31,815</u>
	<u>(99,580)</u>	<u>(42,241)</u>	<u>(141,821)</u>
Other charge - contributions to Alfred Moore Foundation and other donations *	<u>4,112</u>	<u>7,777</u>	<u>11,889</u>
Earnings before income taxes	(103,692)	(50,018)	(153,710)
Provision for Federal and state income taxes	<u>(64,000)</u>	<u>(28,000)</u>	<u>(92,000)</u>
Net earnings (loss)	<u>\$ (39,692)</u>	<u>\$ (22,018)</u>	<u>\$ (61,710)</u>

* All or portions of these items are allocated to the plants as deemed reasonable by the management.

Reference is made to the
S. D. Leidesdorf & Co.,

M I L L S

INGS BY PLANTS

ENDED OCTOBER 1, 1977

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
April 2, 1977	October 1, 1977	October 1, 1977	April 2, 1977	October 1, 1977	October 1, 1977
\$7,036,265	\$7,223,089	\$14,259,354	\$12,797,351	\$13,737,662	\$26,535,013
336,306	611,613	947,919	1,301,318	1,795,529	3,096,847
<u>7,372,571</u>	<u>7,834,702</u>	<u>15,207,273</u>	<u>14,098,669</u>	<u>15,533,191</u>	<u>29,631,860</u>
750,447	639,506	750,447	1,255,402	1,191,026	1,255,402
30,398	24,036	30,398	30,398	42,028	30,398
780,845	663,542	780,845	1,285,800	1,233,054	1,285,800
<u>6,487,876</u>	<u>7,061,738</u>	<u>13,549,614</u>	<u>13,220,925</u>	<u>14,055,330</u>	<u>27,276,255</u>
97,000	(102,000)	(5,000)			
	3,221	3,221	4,520	14,401	18,921
<u>7,365,721</u>	<u>7,626,501</u>	<u>14,328,680</u>	<u>14,511,245</u>	<u>15,302,785</u>	<u>28,580,976</u>
639,506	410,505	410,505	1,191,026	637,203	637,203
24,036	19,439	19,439	42,028	27,796	27,796
663,542	429,944	429,944	1,233,054	664,999	664,999
<u>6,702,179</u>	<u>7,196,557</u>	<u>13,898,736</u>	<u>13,278,191</u>	<u>14,637,786</u>	<u>27,915,977</u>
670,392	638,145	1,308,537	820,478	895,405	1,715,883
22,189	28,898	51,087			
692,581	667,043	1,359,624	820,478	895,405	1,715,883
288,301	288,545	576,846	537,867	568,874	1,106,741
<u>404,280</u>	<u>378,498</u>	<u>782,778</u>	<u>282,611</u>	<u>326,531</u>	<u>609,142</u>
22,158	7,531	29,689	44,247	15,002	59,249
(400)	(404)	(804)	(400)	1,851	1,451
21,758	7,127	28,885	43,847	16,853	60,700
<u>426,038</u>	<u>385,625</u>	<u>811,663</u>	<u>326,458</u>	<u>343,384</u>	<u>669,842</u>
4,112	7,777	11,889	8,224	15,554	23,778
421,926	377,848	799,774	318,234	327,830	646,064
204,000	185,000	389,000	140,000	157,000	297,000
<u>\$ 217,926</u>	<u>\$ 192,848</u>	<u>\$ 410,774</u>	<u>\$ 178,234</u>	<u>\$ 170,830</u>	<u>\$ 349,064</u>

accompanying letter of
dated October 31, 1977.

J A C K S O N
C O S T O F G O O D S M A N U F A C
F O R T H E Y E A R (5 2 W E E K S)

	Iva Plant		
	Six Months Ended		Year Ended
	April 2, 1977	October 1, 1977	October 1, 1977
Material cost:			
Stock in process at beginning of period	\$ 291,445	\$ 295,258	\$ 291,445
Cotton put into process	4,176,018	3,884,056	8,060,074
Synthetic staple put into process			
Purchased yarn			
Adjustment to equalize LIFO cost between plants	(29,000)	49,000	20,000
Stock transferred in (out)	40,679	66,920	107,599
	<u>4,479,142</u>	<u>4,295,234</u>	<u>8,479,118</u>
Less:			
Waste sales income	52,687	57,413	110,100
Stock in process at end of period	295,258	247,151	247,151
	<u>347,945</u>	<u>304,564</u>	<u>357,251</u>
Net material cost	<u>4,131,197</u>	<u>3,990,670</u>	<u>8,121,867</u>
Manufacturing labor and mill overhead:			
Wages	1,275,574	1,423,798	2,699,372
Superintendents, overseers and assistants	171,547	164,203	335,750
Industrial engineering	23,220	23,524	46,744
Production planning and control	6,480	6,585	13,065
Personnel and clinic salaries	18,270	18,933	37,203
Payroll and timekeeping	13,470	15,186	28,656
General mill clerks	3,690	5,910	9,600
General mill trainee payroll	6,438	3,766	10,204
Provision for Jackson Mills Retirement Trust	23,280	27,444	50,724
Supplies and repairs, stock - Note B	(4,015)	172,100	168,085
Supplies and repairs, direct	93,916	96,457	190,373
Freight on supplies	12,825	7,037	19,862
Sizing material	47,508	40,514	88,022
Packing material	25,899	25,659	51,558
Repairs to buildings	12,194	3,432	15,626
Upkeep of grounds	2,612	160	2,772
Vacation pay	47,541	54,478	102,019
Taxes, payroll	109,478	117,103	226,581
Insurance, group	68,442	69,059	137,501
Power	183,916	236,218	420,134
Fuel	23,277	18,560	41,837
Upkeep of vehicles	3,652	2,443	6,095
State sales and use tax	1,663	2,952	4,615
Sewer charge	1,200	1,000	2,200
Mill travel	480	822	1,302
Personnel, clinic and welfare expenses	4,500	4,108	8,608

(continued)

M I L L S

TURED BY PLANTS

ENDED OCTOBER 1, 1977

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
April 2, 1977	October 1, 1977	October 1, 1977	April 2, 1977	October 1, 1977	October 1, 1977
\$ 439,077	\$ 443,535	\$ 439,077	\$ 730,522	\$ 738,793	\$ 730,522
2,250,132	2,562,391	4,812,523	6,426,150	6,446,447	12,872,597
1,232,531	1,153,988	2,386,519	1,232,531	1,153,988	2,386,519
	471	471		471	471
29,000	(49,000)	(20,000)			
(40,679)	(66,920)	(107,599)			
<u>3,910,061</u>	<u>4,044,465</u>	<u>7,510,991</u>	<u>8,389,203</u>	<u>8,339,699</u>	<u>15,990,109</u>
19,858	23,953	43,811	72,545	81,366	153,911
<u>443,535</u>	<u>389,523</u>	<u>389,523</u>	<u>738,793</u>	<u>636,674</u>	<u>636,674</u>
<u>463,393</u>	<u>413,476</u>	<u>433,334</u>	<u>811,338</u>	<u>718,040</u>	<u>790,585</u>
<u>3,446,668</u>	<u>3,630,989</u>	<u>7,077,657</u>	<u>7,577,865</u>	<u>7,621,659</u>	<u>15,199,524</u>
1,475,912	1,591,855	3,067,767	2,751,486	3,015,653	5,767,139
158,106	158,663	316,769	329,653	322,866	652,519
30,880	32,421	63,301	54,100	55,945	110,045
7,470	7,650	15,120	13,950	14,235	28,185
15,750	16,298	32,048	34,020	35,231	69,251
13,530	13,905	27,435	27,000	29,091	56,091
4,170	4,275	8,445	7,860	10,185	18,045
6,619	2,193	8,812	13,057	5,959	19,016
23,280	27,444	50,724	46,560	54,888	101,448
25,003	220,378	245,381	20,988	392,478	413,466
111,636	110,699	222,335	205,552	207,156	412,708
1,508	3,378	4,886	14,333	10,415	24,748
88,901	73,109	162,010	136,409	113,623	250,032
16,215	20,040	36,255	42,114	45,699	87,813
25,180	22,894	48,074	37,374	26,326	63,700
252	829	1,081	2,864	989	3,853
44,381	50,051	94,432	91,922	104,529	196,451
122,880	127,998	250,878	232,358	245,101	477,459
71,723	73,659	145,382	140,165	142,718	282,883
228,223	287,315	515,538	412,139	523,533	935,672
42,397	30,851	73,248	65,674	49,411	115,085
2,678	2,970	5,648	6,330	5,413	11,743
2,165	2,789	4,954	3,828	5,741	9,569
2,478	2,966	5,444	3,678	3,966	7,644
843	617	1,460	1,323	1,439	2,762
<u>7,762</u>	<u>11,338</u>	<u>19,100</u>	<u>12,262</u>	<u>15,446</u>	<u>27,708</u>

J A C K S O N
C O S T O F G O O D S M A N U F A C
F O R T H E Y E A R (5 2 W E E K S)

	Iva Plant		
	Six Months Ended		Year Ended
	April 2, 1977	October 1, 1977	October 1, 1977
Manufacturing labor and mill overhead:			
(continued)			
Mill forms and stationery	\$ 7,681	\$ 5,605	\$ 13,286
Professional services to mill	191	289	480
Recheck and quality control	556	1,089	1,645
Depreciation	135,600	136,459	272,059
Insurance, workmen's compensation	8,848	15,600	24,448
Insurance, general	12,200	13,495	25,695
Taxes, property	39,483	53,540	93,023
Licenses	50	50	100
Institute of Textile Technology	45	210	255
Other mill expenses	11,174	5,526	16,700
Gross manufacturing labor and mill overhead	<u>2,392,885</u>	<u>2,773,314</u>	<u>5,166,199</u>
Less:			
Village operations		25	25
Sales of scrap	714	1,026	1,740
Vending and canteen operations, net	2,635	2,659	5,294
	<u>3,349</u>	<u>3,710</u>	<u>7,059</u>
Net manufacturing labor and mill overhead	<u>2,389,536</u>	<u>2,769,604</u>	<u>5,159,140</u>
General overhead *:			
Salaries, officers	71,787	75,538	147,325
Salaries, clerical	6,630	5,745	12,375
Salaries, general accounting	7,020	7,200	14,220
Salaries, cost accounting	10,200	10,515	20,715
Salaries, other	13,345	14,202	27,547
Provision for Jackson Mills Pension Plan for salaried employees	31,635	31,634	63,269
Taxes, payroll	4,991	3,820	8,811
Insurance, group	3,002	3,380	6,382
Professional services, outside	14,517	17,338	31,855
Data processing service	448	2,596	3,044
Communications	5,667	7,534	13,201
Travel and entertainment	3,785	6,628	10,413
Postage	1,629	1,306	2,935
Office supplies	2,160	3,238	5,398
Upkeep of office equipment	3,402	829	4,231
Dues, subscriptions and local advertising	8,390	8,784	17,174
Corporate meetings	1,032	2,600	3,632
Upkeep of vehicles	1,155	1,230	2,385

(continued)

M I L L S

TURED BY PLANTS

ENDED OCTOBER 1, 1977

Wellford Plant			Total		
Six Months Ended		Year Ended	Six Months Ended		Year Ended
April 2, 1977	October 1, 1977	October 1, 1977	April 2, 1977	October 1, 1977	October 1, 1977
\$ 2,782	\$ 7,165	\$ 9,947	\$ 10,463	\$ 12,770	\$ 23,233
	2,043	2,043	191	2,332	2,523
1,872	1,016	2,888	2,428	2,105	4,533
255,900	258,907	514,807	391,500	395,366	786,866
10,141	17,070	27,211	18,989	32,670	51,659
12,200	13,495	25,695	24,400	26,990	51,390
47,361	46,201	93,562	86,844	99,741	186,585
			50	50	100
45	40	85	90	250	340
4,749	3,160	7,909	15,923	8,686	24,609
<u>2,864,992</u>	<u>3,245,682</u>	<u>6,110,674</u>	<u>5,257,877</u>	<u>6,018,996</u>	<u>11,276,873</u>
1,950	1,675	3,625	1,950	1,700	3,650
830	1,318	2,148	1,544	2,344	3,888
4,389	4,624	9,013	7,024	7,283	14,307
7,169	7,617	14,786	10,518	11,327	21,845
<u>2,857,823</u>	<u>3,238,065</u>	<u>6,095,888</u>	<u>5,247,359</u>	<u>6,007,669</u>	<u>11,255,028</u>
71,787	75,537	147,324	143,574	151,075	294,649
6,630	5,745	12,375	13,260	11,490	24,750
7,020	7,200	14,220	14,040	14,400	28,440
10,200	10,515	20,715	20,400	21,030	41,430
13,345	14,203	27,548	26,690	28,405	55,095
31,634	31,635	63,269	63,269	63,269	126,538
4,991	3,819	8,810	9,982	7,639	17,621
3,002	3,380	6,382	6,004	6,760	12,764
14,518	17,337	31,855	29,035	34,675	63,710
448	2,596	3,044	896	5,192	6,088
5,668	7,534	13,202	11,335	15,068	26,403
3,785	6,628	10,413	7,570	13,256	20,826
1,628	1,307	2,935	3,257	2,613	5,870
2,160	3,237	5,397	4,320	6,475	10,795
3,402	829	4,231	6,804	1,658	8,462
8,389	8,784	17,173	16,779	17,568	34,347
1,032	2,600	3,632	2,064	5,200	7,264
1,156	1,230	2,386	2,311	2,460	4,771

J A C K S O N
C O S T O F G O O D S M A N U F A C
F O R T H E Y E A R (5 2 W E E K S)

	Iva Plant		
	Six Months Ended		Year Ended
	April 2, 1977	October 1, 1977	October 1, 1977
General overhead *: (continued)			
Personnel, clinic and welfare expense	\$ 3,170	\$ 3,727	\$ 6,897
State sales and use tax	136	122	258
Miscellaneous office expense	404	219	623
Insurance, workmen's compensation	64	81	145
State franchise tax	268	268	536
Cotton Division	1,507	810	2,317
General overhead expenses, other	11		11
Medical expenses - officers	<u>1,495</u>	<u>3,657</u>	<u>5,152</u>
Total general overhead	<u>197,850</u>	<u>213,001</u>	<u>410,851</u>
Cost transferred in (out)	<u>14,466</u>	<u>20,317</u>	<u>34,783</u>
Total cost of goods manufactured - Schedule 1	<u>\$6,733,049</u>	<u>\$6,993,592</u>	<u>\$13,726,641</u>

* All of these costs are allocated to the plants
as deemed reasonable by the management.

Note B referred to above is included

Reference is made to the
S. D. Leidesdorf & Co.,

M I L L S

TURED BY PLANTS

ENDED OCTOBER 1, 1977

Wellford Plant			Total		
Six Months Ended	Year Ended		Six Months Ended	Year Ended	
April 2, 1977	October 1, 1977	October 1, 1977	April 2, 1977	October 1, 1977	October 1, 1977
\$ 3,169	\$ 3,727	\$ 6,896	\$ 6,339	\$ 7,454	\$ 13,793
136	122	258	272	244	516
404	219	623	808	438	1,246
65	81	146	129	162	291
269	268	537	537	536	1,073
1,508	811	2,319	3,015	1,621	4,636
10		10	21		21
<u>1,495</u>	<u>3,657</u>	<u>5,152</u>	<u>2,990</u>	<u>7,314</u>	<u>10,304</u>
<u>197,851</u>	<u>213,001</u>	<u>410,852</u>	<u>395,701</u>	<u>426,002</u>	<u>821,703</u>
<u>(14,466)</u>	<u>(20,317)</u>	<u>(34,783)</u>			
<u>\$6,487,876</u>	<u>\$7,061,738</u>	<u>\$13,549,614</u>	<u>\$13,220,925</u>	<u>\$14,055,330</u>	<u>\$27,276,255</u>

in the preceding section of this report.

accompanying letter of
dated October 31, 1977.

Jackson Mills Industrial Revenue Bonds

	Initials	Date
Prepared By		
Approved By		

General journal entries

Common stock	1,311,000	(6555 x 20)
Retained earnings	1,507,600	
preferred stock		1,638,700 (16387 x 100)

$1,638,700 \div 6555 = \underline{250}$ value of CS

Common stock	1,878,000	(9400 x 20)
Retained earnings	2,068,000	
cash		400,000
note payable		1,856,000

value of common stock \$ 240.

Why difference between
two transactions in value
of common stock? \$240 vs \$250

Book value of common
stock before transaction
 $12,858,665 \div 20,965 = \underline{613}$

Book value after conversion
 $10,602,665 \div 5070 = \underline{2116}$

Will Jackson Mills be
able to pay interest and principal
Industrial Revenue Bonds
and note payable? Need
amortization schedule
of \$1,856,000 in notes.

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

JACKSON MILLS

REPORT ON FINANCIAL STATEMENTS

AS AT APRIL 1, 1978

AND FOR THE SIX MONTHS (26 WEEKS) THEN ENDED

S. D. LEIDESDORF & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1814 DANIEL BUILDING

GREENVILLE, S. C. 29602

TELEPHONE 803-242-5740

ACCOUNTANTS' REPORT

To the Board of Directors
Jackson Mills
Wellford, South Carolina

We have examined the balance sheet of Jackson Mills as at April 1, 1978, and the related statements of earnings and retained earnings and of changes in financial position for the six months (26 weeks) then ended. Except as stated in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Under the terms of our engagement for this mid-year examination, we did not observe the taking of physical inventories nor make physical tests of inventory quantities, and we did not confirm accounts payable by direct communication.

Because the inventories and accounts payable as at April 1, 1978, enter materially into the determination of financial position, results of operations and changes in financial position, we do not express an opinion on the financial statements of Jackson Mills as at April 1, 1978, and for the six months (26 weeks) then ended.

Further, although our examination included tests of the data in Schedules 1 through 6, which are presented primarily for supplementary analysis purposes, these tests were not extended in such detail as to enable us to express an opinion as to the fair presentation of the data shown therein.

S. D. Leidesdorf & Co.

Greenville, S. C.
May 2, 1978

JACKSON MILLS

BALANCE SHEET

AS AT APRIL 1, 1978

ASSETS

Current Assets:

Cash		\$ 311,153
Temporary investments		2,184,226
Accounts receivable:		
Selling agent	\$ 1,664,821	
Other	752,065	2,416,886
Inventories - Notes A(2) and B:		
Manufactured goods	964,091	
Stock in process	712,403	
Raw materials	990,913	
Waste, fuel and manufacturing supplies	593,731	3,261,138
Prepaid expenses		217,150

Total Current Assets 8,390,553

Other Assets

5,267

Fixed Assets - Notes A(3) and C:

Cost	20,122,996	
Less: Accumulated depreciation	15,660,151	4,462,845
		<u>\$12,858,665</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable		\$ 478,686
Accrued and sundry liabilities:		
Wages and salaries	\$ 286,868	
Taxes accrued and withheld	311,893	
Employee Christmas savings	94,749	
Contributions under retirement plans - Note D	289,269	
Other	49,491	1,032,270
Federal and state income taxes, current		637,660
Deferred income taxes - Note A(4)		78,000
Total Current Liabilities		2,226,616

Commitments and Comments - Note E

Stockholders' Equity:

Common Stock, \$20 par value - authorized 62,500 shares, issued and outstanding 20,965 shares	419,300	
Retained Earnings - Exhibit B	10,212,749	10,632,049
		<u>\$12,858,665</u>

The accompanying notes are an integral part of this statement.

Reference is made to the accompanying Accountants' Report.

JACKSON MILLS

STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE SIX MONTHS (26 WEEKS) ENDED APRIL 1, 1978

Net sales	\$14,758,852
Cost of goods sold, including \$355,600 depreciation and \$289,269 provision for retirement plans	<u>12,921,180</u>
Gross profit on sales	1,837,672
Sales commissions	<u>536,406</u>
	1,301,266
Other income	<u>54,265</u>
	1,355,531
Other charge	<u>8,451</u>
Earnings before income taxes	1,347,080
Provision for Federal and state income taxes, net of deferred taxes of \$23,000 - Note A(4)	<u>658,000</u>
Net earnings - \$32.87 per share	689,080
Retained Earnings at October 1, 1977	<u>9,607,529</u>
	10,296,609
Dividends - \$4.00 per share	<u>83,860</u>
Retained Earnings at April 1, 1978 - Exhibit A	<u><u>\$10,212,749</u></u>

The accompanying notes are an integral part of this statement.
Reference is made to the accompanying Accountants' Report.

JACKSON MILLS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTHS (26 WEEKS) ENDED APRIL 1, 1978

Financial resources provided from:	
Net earnings - Exhibit B	\$ 689,080
Item not requiring outlay of working capital in the current period - depreciation	<u>355,600</u>
Working capital provided from operations	1,044,680
Decrease in other assets	<u>73</u>
Total resources provided	<u>1,044,753</u>
Financial resources used for:	
Acquisition of fixed assets	217,109
Cash dividends	<u>83,860</u>
Total resources used	<u>300,969</u>
Increase in working capital	<u>\$ 743,784</u>
Changes in working capital by components:	
Increase (decrease) in current assets:	
Cash	\$ (117,354)
Temporary investments	1,677,565
Accounts receivable	(373,037)
Estimated refundable income taxes	(173,000)
Inventories	437,480
Prepaid expenses	<u>135,503</u>
	<u>1,587,157</u>
(Increase) decrease in current liabilities:	
Accounts payable	(164,883)
Accrued and sundry liabilities	(132,900)
Federal and state income taxes, current	(568,590)
Deferred income taxes	<u>23,000</u>
	<u>(843,373)</u>
Increase in working capital	743,784
Working capital at October 1, 1977	<u>5,420,153</u>
Working capital at April 1, 1978	<u>\$6,163,937</u>

The accompanying notes are an integral part of this statement.
Reference is made to the accompanying Accountants' Report.

J A C K S O N M I L L S
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 1, 1978

NOTE A - LINE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Line of Business - The Company is engaged principally in the production and sale of broad woven fabrics manufactured from cotton and blended fibers.
- (2) Inventories - Inventories are stated at the lower of cost or market. The cost of the cotton portion of inventories (both raw material content and manufacturing cost content) is determined on the LIFO basis. For other inventories, cost is determined substantially by the FIFO method.
- (3) Depreciation - Depreciation is provided principally by accelerated methods, based on the estimated lives of the assets.
- (4) Income Taxes - Deferred income taxes result from a timing difference in financial and income tax reporting of sundry supplies and repair parts expense. Investment tax credits, approximately \$16,000 for the current period, are accounted for by the flow-through method.
- (5) Pension Costs - The Company funds pension costs accrued under its pension retirement plan and amortizes prior service costs over a period of approximately 40 years from January 1, 1976 - see Note D.

NOTE B - INVENTORIES:

Inventories at April 1, 1978, include \$1,769,592 stated at LIFO cost. If the Company had used the FIFO cost method for all inventories, they would have been approximately \$2,100,000 higher than reported.

NOTE C - FIXED ASSETS:

Fixed assets are shown below by major classifications with the estimated useful lives used in computing depreciation:

	Cost	Useful Lives - Years
Land	\$ 45,477	
Land improvements	330,579	20-50
Buildings and building equipment	3,772,393	12-50
Machinery and equipment	15,699,428	11-14
Furniture and fixtures	225,897	10
Transportation equipment	49,222	5
	<u>\$20,122,996</u>	

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 1, 1978

NOTE D - RETIREMENT PLANS:

The Company has a profit sharing retirement plan under which all employees who have completed one year of service are covered. The cost of the plan charged to earnings for the six months was \$228,692.

The Company also has a noncontributory pension retirement plan under which substantially all salaried employees are covered. Benefits of the plan are vested in the members on the basis of 10 years of employment. The cost of the Pension plan charged to earnings for the six months was \$60,577, including amortization of prior service costs over a 40-year period - see Note A(5). The actuarially computed value of vested benefits as at December 31, 1977, exceeded the total of the pension fund and balance sheet accruals by approximately \$540,000.

NOTE E - COMMITMENTS AND COMMENTS:

- (1) As at April 1, 1978, the Company has both fixed and variable price cotton purchase contracts aggregating approximately \$4,765,000 which amount is substantially equal to replacement market.
- (2) The Company plans to modernize the card room at its Iva Plant at a total estimated cost, including machinery and equipment, of \$4,000,000. The Company expects to finance the cost through Anderson County, South Carolina, Industrial Revenue Bonds.
- (3) The stockholders of the Company have approved a Plan of Recapitalization whereby the Articles of Incorporation would be amended to authorize 20,000 shares of \$100 par value, non-voting, 5-1/2% cumulative redeemable preferred stock. Under the Plan, 16,387 shares of the preferred stock would be issued in exchange for 6,555 shares of the presently outstanding Common Stock, a ratio of 2-1/2 for 1. In addition, the Plan provides for the redemption of approximately 9,400 additional presently outstanding common shares at a price of \$240 per share. Of the total redemption amount, approximately \$400,000 would be paid in cash and the Company would issue 9% promissory notes, payable in 1979 through 1985, for the balance of approximately \$1,850,000.

\$ 1,856,000

(continued)

JACKSON MILLS
NOTES TO FINANCIAL STATEMENTS
AS AT APRIL 1, 1978

NOTE E - COMMITMENTS AND COMMENTS: (continued)

The Company has requested from the Internal Revenue Service a ruling with respect to the transactions contemplated by the Plan. The Plan will not become effective until a ruling satisfactory to the Board of Directors is received.

- (4) The Company is now renting data processing equipment on a month-to-month basis. The Company expects delivery of a new computer unit during the summer of 1978. At that time a decision will be made as to whether the Company will purchase the new equipment or lease it.

JACKSON MILLS

STATEMENT OF EARNINGS BY PLANTS

FOR THE SIX MONTHS (26 WEEKS) ENDED APRIL 1, 1978

	Iva Plant	Wellford Plant	Total
Net sales:			
Cloth	\$5,705,520	\$6,728,607	\$12,434,127
Yarn	1,463,193	861,532	2,324,725
Total net sales	<u>7,168,713</u>	<u>7,590,139</u>	<u>14,758,852</u>
Cost of goods sold:			
Inventories at beginning of period:			
Cloth	226,698	410,505	637,203
Yarn	8,357	19,439	27,796
	<u>235,055</u>	<u>429,944</u>	<u>664,999</u>
Cost of goods manufactured -			
Schedule 2 *	6,157,119	7,049,451	13,206,570
Adjustment to equalize LIFO cost			
between plants	76,500	(76,500)	
Freight and sundry	10,420	3,282	13,702
	<u>6,479,094</u>	<u>7,406,177</u>	<u>13,885,271</u>
Less:			
Inventories at end of period:			
Cloth	316,846	604,700	921,546
Yarn	10,947	31,598	42,545
	<u>327,793</u>	<u>636,298</u>	<u>964,091</u>
	<u>6,151,301</u>	<u>6,769,879</u>	<u>12,921,180</u>
	1,017,412	820,260	1,837,672
Profit transferred (from) to	(43,725)	43,725	
Gross profit on sales	973,687	863,985	1,837,672
Sales commissions	252,109	284,297	536,406
	<u>721,578</u>	<u>579,688</u>	<u>1,301,266</u>
Other income (deduction):			
Interest *	28,599	28,656	57,255
Gain (loss) on sale of assets	(3,000)	10	(2,990)
	<u>25,599</u>	<u>28,666</u>	<u>54,265</u>
	747,177	608,354	1,355,531
Other charge - contribution to Alfred			
Moore Foundation	4,225	4,226	8,451
Earnings before income taxes	742,952	604,128	1,347,080
Provision for Federal and state income			
taxes	366,000	292,000	658,000
Net earnings	<u>\$ 376,952</u>	<u>\$ 312,128</u>	<u>\$ 689,080</u>

* All or portions of these items are allocated to the plants as deemed reasonable by the management.

The accompanying notes are an integral part of this statement.
Reference is made to the accompanying Accountants' Report.

J A C K S O N M I L L S

C O S T O F G O O D S M A N U F A C T U R E D B Y P L A N T S

F O R T H E S I X M O N T H S (2 6 W E E K S) E N D E D A P R I L 1 , 1 9 7 8

	Iva Plant	Wellford Plant	Total
Material cost:			
Stock in process at beginning of period	\$ 247,151	\$ 389,523	\$ 636,674
Cotton put into process	2,944,213	2,146,119	5,090,332
Synthetic staple put into process		1,312,923	1,312,923
Purchased yarn		815	815
Adjustment to equalize LIFO cost between plants	14,500	(14,500)	
Stock transferred in (out)	76,485	(76,485)	
	<u>3,282,349</u>	<u>3,758,395</u>	<u>7,040,744</u>
Less:			
Waste sales income	48,894	23,165	72,059
Raw materials fire claim		12,670	12,670
Stock in process at end of period	278,954	433,449	712,403
	<u>327,848</u>	<u>469,284</u>	<u>797,132</u>
Net material cost	<u>2,954,501</u>	<u>3,289,111</u>	<u>6,243,612</u>
Manufacturing labor and mill overhead:			
Wages	1,519,441	1,763,447	3,282,888
Superintendents, overseers and assistants	175,403	167,130	342,533
Industrial engineering	26,359	32,803	59,162
Production planning and control	6,690	7,830	14,520
Personnel and clinic salaries	19,213	17,160	36,373
Payroll and timekeeping	9,465	14,280	23,745
General mill clerks	8,130	4,380	12,510
Provision for Jackson Mills Retirement Trust	114,346	114,346	228,692
Supplies and repairs, stock	184,171	256,653	440,824
Supplies and repairs, direct	76,876	116,924	193,800
Freight on supplies	5,015	2,793	7,808
Sizing material	34,075	75,052	109,127
Packing material	36,162	28,004	64,166
Repairs to buildings	10,096	19,171	29,267
Upkeep of grounds	1,685	280	1,965
Vacation pay provision	58,124	54,835	112,959
Taxes, payroll	127,892	143,801	271,693
Insurance, group	70,725	75,562	146,287
Power	221,690	280,934	502,624
Fuel	26,246	51,397	77,643
Upkeep of vehicles	1,708	2,189	3,897
State sales and use tax	2,000	2,485	4,485
Sewer charge	1,200	2,199	3,399
Mill travel	933	586	1,519
Personnel, clinic and welfare expenses	2,428	5,490	7,918

(continued)

JACKSON MILLS
COST OF GOODS MANUFACTURED BY PLANTS
FOR THE SIX MONTHS (26 WEEKS) ENDED APRIL 1, 1978

	Iva Plant	Wellford Plant	Total
Manufacturing labor and mill overhead: (continued)			
Mill forms and stationery	\$ 7,625	\$ 3,959	\$ 11,584
Professional services to mill	4,815		4,815
Recheck and quality control	373	600	973
Depreciation	124,900	230,700	355,600
Insurance, workmen's compensation	18,307	20,367	38,674
Insurance, general	16,810	16,811	33,621
Taxes, property	47,577	48,651	96,228
Licenses	50		50
Institute of Textile Technology	427	187	614
Janitorial services	5,266	15,879	21,145
Other mill expenses	3,721	8,060	11,781
Gross manufacturing labor and mill overhead	<u>2,969,944</u>	<u>3,584,945</u>	<u>6,554,889</u>
Less:			
Village operations	125	1,604	1,729
Sales of scrap	1,311	1,218	2,529
Vending and canteen operations, net	2,958	5,492	8,450
	<u>4,394</u>	<u>8,314</u>	<u>12,708</u>
Net manufacturing labor and mill overhead	<u>2,965,550</u>	<u>3,576,631</u>	<u>6,542,181</u>
General overhead *:			
Salaries, officers	79,037	79,038	158,075
Salaries, clerical	4,860	4,860	9,720
Salaries, general accounting	7,380	7,380	14,760
Salaries, cost accounting	10,830	10,830	21,660
Salaries, other	7,560	7,560	15,120
Provision for Jackson Mills Pension			
Plan for salaried employees	30,288	30,289	60,577
Taxes, payroll	5,156	5,156	10,312
Insurance, group	3,248	3,247	6,495
Professional services, outside	16,744	16,743	33,487
Data processing service	4,867	4,867	9,734
Communications	6,779	6,779	13,558
Travel and entertainment	6,712	6,713	13,425
Postage	1,121	1,121	2,242
Office supplies	1,676	1,675	3,351
Upkeep of office equipment	2,049	2,050	4,099
Dues, subscriptions and local advertising	6,842	6,841	13,683

(continued)

JACKSON MILLS

COST OF GOODS MANUFACTURED BY PLANTS

FOR THE SIX MONTHS (26 WEEKS) ENDED APRIL 1, 1978

	Iva Plant	Wellford Plant	Total
General overhead *: (continued)			
Corporate meetings	\$ 800	\$ 800	\$ 1,600
Upkeep of vehicles	1,075	1,076	2,151
Personnel, clinic and welfare expense	7,659	7,658	15,317
State sales and use tax	136	136	272
Miscellaneous office expense	1,098	1,099	2,197
Insurance, workmen's compensation	78	79	157
State franchise tax	262	261	523
Cotton Division	1,013	1,013	2,026
Medical expenses - officers	3,118	3,118	6,236
Total general overhead	210,388	210,389	420,777
Cost transferred in (out)	26,680	(26,680)	
Total cost of goods manufactured - Schedule 1	<u>\$6,157,119</u>	<u>\$7,049,451</u>	<u>\$13,206,570</u>

* All of these costs are allocated to the plants
as deemed reasonable by the management.

The accompanying notes are an integral part of this statement.
Reference is made to the accompanying Accountants' Report.

STATE BUDGET AND CONTROL BOARD

POLL OF June 7, 1978

POLL ITEM NUMBER

EXHIBIT VI
4 6/7/78

Agency: Department of Corrections

Subject: Positions Above Authorized Number

(Please refer to attachments for details. Additional information will be provided at the meeting.)

Board Action Requested:

Consider

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

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Leeke 5/24/78 letter to Putnam plus attachments

BILL MCINNIS:



AS PER BOARD ACTION.

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

TELEPHONE
(803) 758-3106

GEORGE N. DORN, JR.

June 8, 1978

for
get

requested by Mr. Leeke's letter of May 3, with
by 24 and June 3, are approved by the Budget
following conditions:

1. The positions approved, as per your request are:
 - a. One (1) Director of Internal Affairs Grade 31
 - b. Two (2) Budget Analyst III's Grade 26
 - c. One (1) Dentist II Grade 25
 - d. One (1) Asst. Project Administrator Grade 26
 - e. One (1) Record Analyst II Grade 21
 - f. One (1) Staff Asst. I Grade 16
2. The approval is for effective date of June 23, 1978.
3. This action will require no new state monies for FY 1977-78 or 1978-79.
4. Upon passage of the 1978-79 Appropriations Act, your office is to notify this office of the positions which have been deleted from 78-79 budget to cover these new positions.

Please contact your budget analyst if you have any questions regarding this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edgar A. Vaughn, Jr.", written over a horizontal line.

Edgar A. Vaughn, Jr., CPA
Assistant State Auditor

EAV,Jr.:GND,Jr./fhh

xc: George N. Dorn, Jr.
Bucky Davis - St. Personnel Division



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM
STATE AUDITOR

TELEPHONE
(803) 758-3106

June 8, 1978

Mr. Charles M. Case, Director
Division of Finance and Budget
Department of Corrections
P.O. Box 766
4444 Broad River Road
Columbia, SC 29202

Dear Mr. Case:

The seven (7) positions as requested by Mr. Leeke's letter of May 3, with follow-up by yourself on May 24 and June 3, are approved by the Budget and Control Board with the following conditions:

1. The positions approved, as per your request are:

- | | |
|---|----------|
| a. One (1) Director of Internal Affairs | Grade 31 |
| b. Two (2) Budget Analyst III's | Grade 26 |
| c. One (1) Dentist II | Grade 25 |
| d. One (1) Asst. Project Administrator | Grade 26 |
| e. One (1) Record Analyst II | Grade 21 |
| f. One (1) Staff Asst. I | Grade 16 |

2. The approval is for effective date of June 23, 1978.

3. This action will require no new state monies for FY 1977-78 or 1978-79.

4. Upon passage of the 1978-79 Appropriations Act, your office is to notify this office of the positions which have been deleted from 78-79 budget to cover these new positions.

Please contact your budget analyst if you have any questions regarding this matter.

Sincerely,

Edgar A. Vaughn, Jr., CPA
Assistant State Auditor

EAV,Jr.:GND,Jr./fhh

xc: George N. Dorn, Jr.
Bucky Davis - St. Personnel Division



south carolina department of corrections

P.O. BOX 766/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29202

TELEPHONE 758-6444

WILLIAM D. LEEKE, Commissioner

May 24, 1978

Mr. William T. Putnam
State Auditor
Office of The State Auditor
P. O. Box 11333
Columbia, S. C. 29211

Ref: New Positions - Letter May 3, 1978, W. D. Leeke

Dear Mr. Putnam:

Mr. Crosscope contacted me and asked that I identify the line item from which funding would be transferred and the seven (7) positions requested in Mr. Leeke's letter of May 3, 1978. In that letter we had stated that since we had no vacant positions which could be traded, funding would be provided from "slippage" through vacancies and/or revenue. If at all possible we prefer to fund them in that manner. I am listing below the line items from which revenue would be diverted should it become necessary, however, I would rather not make an actual transfer from these funds until such time that it becomes obvious that such funds would not be generated through personal service "slippage".

1. One (1) Director of Internal Affairs, Grade 31
50% Contractual Service - Operations, 50% Supplies - Operations
2. Two (2) Budget Analyst III, Grade 26
50% Contractual Service - Operations, 50% Supplies - Operations
3. One (1) Assistant Project Administrator, Grade 26
50% Contractual Service - Operations, 50% Supplies - Operations
4. One (1) Record Analyst II, Grade 21
50% Contractual Service - Operations, 50% Supplies - Operations
5. One (1) Staff Assistant I, Grade 16
50% Contractual Service - Operations, 50% Supplies - Operations
6. One (1) Dentist II, Grade 35
Contractual Service - Program Service

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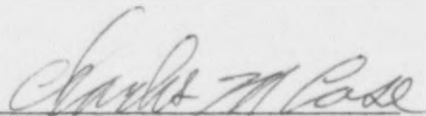
Mr. William T. Putnam, State Auditor

Page -2-

The positions 3, 4 and 5 will service the Earned Work Credit Program. The positions 1 and 2 are an effort by this Agency to strengthen it's ability for more efficiency and accountability. The position in item 6 is to reduce the amount of contracted dental service and deliver more dental service to the Inmate population.

We had originally requested an effective date on these positions of June 1, 1978, however, realizing the time needed to establish these positions through State Personnel an effective date of June 23, 1978 would be more realistic. This would move all expenditures into fiscal year 79. Should you need further information please call me.

Sincerely,

s 
Charles M. Case

CMC/bdc

MEMORANDUM

TO: W. T. Putnam
E. A. Vaughn, Jr.
E. C. Garvin

FROM: G. N. Dorn, Jr. *GD*

DATE: May 30, 1978

SUBJECT: Letter, Mr. Leeke, May 3, 1978 and follow-up letter, Mr. Case,
May 24, 1978

Aspects of this matter are as follows:

1. Director of Internal Affairs and two budget analysts are requested as per B & C B Ad Hoc Committee recommendations for improving Internal Management and Control.
2. Asst. Proj. Administrator, Records Analyst, and Staff Assistant are slated to administer the Earned Work Credit Program, ("Litter Bill," Act #496 of 1978).
3. The Dentist would replace contractual services arrangements, and expand coverage.
4. The use of "slippage" or position vacancy money constitutes creating new state positions with personal service vacancy money. The agency indicates that they do not expect much "slippage" to occur.
5. "Contractual Services" and "Supplies" (Other Operating) agency revenue would have to be converted to personal service if the positions are established and no personal service vacancy money should come available.
6. The revised target date of June 23, places this action in FY 78-79. The agency indicates that the (56) new positions for FY 78-79 are dedicated and no deletion could be effected to pay for the requested action, at this time. If any come available, they would apply.
7. No new state funds FY 78-79 will be required if this action is put into effect as outlined by Department of Corrections.
8. The above items notwithstanding, the activities described and responsibilities outlined appear justified.



south carolina
department of corrections

P.O. BOX 766/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29202
TELEPHONE 758-6444

WILLIAM D. LEEKE, Commissioner

Gene Lavin
Thank you
EW

May 3, 1978

Mr. William T. Putnam
State Auditor
Office of The State Auditor
P. O. Box 11333
Columbia, S. C. 29211

Ref: New Positions

Dear Bill:

In view of the ever increasing need for accountability and in light of the general growth of this Agency, I am requesting authorization to create seven (7) new positions. As you are aware, the Legislative and the Executive Branches of State Government are insisting on greater accountability and much more detailed information, as is the public sector. This is evident by looking at the more stringent requirements of the State law, new systems and procedures. Coupled with this, the Department of Corrections has, as a result of recommendations by the study committee appointed by the Budget & Control Board, decentralized its Budgeting and Accounting Systems and is re-defining its obligations and responsibilities in order to be compatible with this concept as well as maintain a progressive and economical posture. The requested positions are as follows:

1. One (1) Director of Internal Affairs, Grade 31 - Minimum salary \$18,012., Maximum salary \$25,599. - Date desired June 1, 1978.

This position will be assigned to my office to supervise and direct all efforts in the area of internal fiscal audits, management evaluations, investigations and report directly to me with the results and recommendations. Because of the ever increasing requirements for accountability and management efficiency, the establishing of an internal affairs division is imperative.

2. Two (2) Budget Analyst III, Grade 26 - Minimum salary \$13,288., Maximum salary \$18,465 - Date desired June 1, 1978.

These positions will be assigned to the Division of Finance & Budget to assist in preparation, management, monitoring and short and long range planning of budgets. In response to the decentralized Budgeting System, these positions are essential in order to effect the accountability of our one hundred and sixty-seven (167) Budget Units and provide to each the necessary guidance and direction.

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Mr. William T. Putnam, State Auditor

Page -2-

3. One (1) Dentist II, Grade 35 - Minimum salary \$24,030, maximum salary \$34,684 - Date desired June 1, 1978.

This position will be assigned to the Division of Health Services. It will replace consulting service at three locations: Central Correctional Institution, Kirkland Correctional Institution and Wateree Correctional Institution. This position will be in place of approximately \$29,000 currently being expended for consulting services.

4. One (1) Assistant Project Administrator, Grade 26 - Minimum salary \$13,288, Maximum salary \$18,465 - Date desired June 1, 1978.
5. One (1) Record Analyst II, Grade 21 - Minimum salary \$10,084, Maximum salary \$13,923 - Date desired June 1, 1978.
6. One (1) Staff Assistant I, Grade 16 - Minimum salary \$7723, Maximum salary \$10,585 - Date desired June 1, 1978.

These positions (4-6 above) would be assigned to the Earned Work Credit Program and would be responsible for the implementation and management of this program.

The Department has cleared all unessential vacancies from its personnel files. Therefore, I am requesting authority to fund these seven (7) positions from either "slippage" created by vacancies and/or operating revenues generated by the Agency. The annual salaries for these seven (7) positions, based on the midpoint in the salary range, would be \$118,414. The cost for 1978 would be \$9109.

→ CAN ABSORB

A copy of each position questionnaire is attached and should you have any questions please call. Favorable consideration concerning this request by the Budget and Control Board will be sincerely appreciated.

Sincerely,

s Bill

William D. Leeke

WDL/bdc

Enc.

STATE BUDGET AND CONTROL BOARD

EXHIBIT VII

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

4 6/7/78

Agency: State Engineer

Subject: Pending Selections of A&E Firms

State Engineer McPherson will review the selections of A&E firms by The Citadel, the Department of Corrections and Lander College carried over from the 5/23/78 meeting.

Board Action Requested:

Staff Comment:

Attachments:

- (1) Summary of 3 A&E selections carried over from 5/23/78;
- (2) Letters from The Citadel, Corrections and Lander.

SUMMARY OF
A&E SELECTIONS CARRIED OVER FROM 5/23/78 MEETING

1. The Citadel, for the study of McAlister Field House and Daniel Library roof problems and the preparation of plans and specifications for correcting such problems.

Firms selected, in order of preference, are:

Firm	Location	Reported State Work In Prior Two Years
(1) Lockwood-Greene	Spartanburg	\$1,250,000
(2) Demetrios C. Liollo & Associates	Charleston	\$ 57,000 (fee)
(3) Keane/Sherratt	Hilton Head	\$ -0-

2. Department of Corrections, for civil engineering services on in-house maintenance, repair and renovation projects for a one-year period.

Firms selected to replace firm (approved on 2/15/78 by the Board) which has dissolved, in order of preference, are:

Firm	Location	Reported State Work In Prior Two Years
(2) McNair, Gordon, Johnson & Karasiewicz	Columbia	\$4,450,000
(3) Johnny T. Johnson & Associates, Inc.	Columbia	\$3,475,000

3. Lander College, to design tennis courts and related minor structures and prepare a master plan of the courts area.

Firms selected, in order of preference, are:

Firm	Location	Reported State Work In Prior Two Years
(1) Wilbur Smith & Associates	Columbia	\$50,500,000 (plus \$415,859.16 fees)
(2) Clark Associates, Inc.	Anderson	\$ -0-
(3) Gilliland-Bell Associates, Inc.	Greenwood	\$ -0-

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, S. C. 29409

8 May 1978

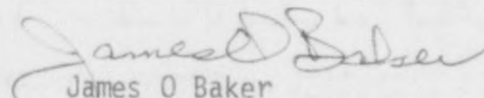
Mr. John A. McPherson
Chief Engineer
State Budget & Control Board
Post Office Box 11333
Columbia, South Carolina 29211

RE: A-E Contract for Roof Repairs
at The Citadel

Dear Mr. McPherson:

Lockwood-Greene, Spartanburg, South Carolina was selected as the best qualified firm for this contract because of their extensive experience in design and construction of sheet copper on wood deck roofs. This type of construction is unusual in recent years. Neither of other responding firms had any experience with this type of construction.

Sincerely,


James O Baker
Colonel, USA, RET

JOB:rb

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MAY 11 1978
S. C. BUDGET AND
CONTROL BOARD



south carolina department of corrections

P. O. BOX 21787/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29221
TELEPHONE (803) 758-6444
WILLIAM D. LEEKE, Commissioner

May 18, 1978

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. Putnam:

In December 1977, the South Carolina Department of Corrections selected the engineering firm of J. Clifton Hawkins & Associates, Inc. as the civil engineering firm for our in-house designed and accomplished construction needs. Soon after their selection, the firm was dissolved and J. Clifton Hawkins was employed by Wilbur Smith & Associates.

The Department of Corrections felt it was to our best interest, based on the dissolution of J. Clifton Hawkins & Associates and the amount of work under contract by the Department to Wilbur Smith & Associates to reinterview the two original alternate selections referred to in the December 27, 1977 letter to Governor Edwards.

The selection committee was favorably impressed with both the firm of McNair, Gordon, Johnson & Karasiewicz and the firm of Johnny T. Johnson & Associates as being qualified to accomplish the necessary design work. It was felt by the selecting committee that the firm of McNair, Gordon, Johnson & Karasiewicz was better qualified to perform the scope of work necessary by the Department of Corrections.

Their broad base of experience is drawn from a staff of nine graduate engineers, seven of whom are registered professional engineers. The firm of Johnny T. Johnson & Associates has a staff of three graduate engineers, two of whom are registered professional engineers and, although they appear to be adequately qualified to perform the work, it was felt by the selection committee that based upon the amount of work and the limited professional staff of Johnny T. Johnson & Associates, they would not be able to give the Department of Corrections the broad based experience offered by the firm of McNair, Gordon, Johnson & Karasiewicz.

Based on these reinterviews, I am listing below, in preferential order, for your approval, those firms which appear to be qualified to accomplish the necessary design work.

CIVIL ENGINEERING

1. McNair, Gordon, Johnson & Karasiewicz
2. Johnny T. Johnson & Associates

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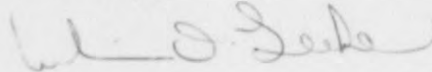
Mr. William T. Putnam
Page Two
May 18, 1978

The following attachments were part of the original interviews in December and are included as required.

1. List of all firms submitting.
2. Certification of newspaper announcements.
3. Construction projects - previous three (3) years.
4. List of State projects accomplished by selected firms - previous two (2) years.

Upon receipt of your approval of the above listed firm, we shall proceed to enter into a contractual agreement for the engineering services.

Sincerely,



William D. Leeke

WDL:wa

Lander

COLLEGE

Greenwood, South Carolina 29646
Telephone (803) 229-8300

Office of the President

May 12, 1978

Mr. William A. McInnis
Assistant State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Re: Design of Certain Tennis Courts and Related Minor Structures

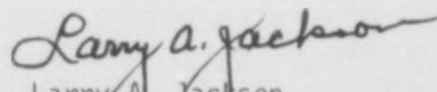
Dear Mr. McInnis:

The firm of Wilbur Smith and Associates was selected after a team of seven professionals on our campus interviewed a number of firms, and they felt that Wilbur Smith and Associates would give the State of South Carolina the best job for the money involved.

The committee was especially impressed with the previous work experience of the group of professionals working with Wilbur Smith. Prior to Lander becoming a state college, three tennis courts were built on this campus which were not adequately drained and which were not aligned properly with the sun. We wanted a professional team which would be certain that all aspects of this project were carefully planned and executed, and we believe we will get this kind of service from Wilbur Smith and Associates.

The fact that Wilbur Smith and Associates have never done any project for Lander College was also taken into consideration, but this was not a primary concern. The quality of the work which this firm promises to be able to do is the primary concern.

Sincerely,


Larry A. Jackson
President

LAJ:h1b

CHAPTER 5

Construction and Renovation of Public Buildings and Other Projects

ARTICLE 1. Selection of Architectural and Engineering Firms.

ARTICLE 3. Construction of Public Buildings for Access by Handicapped Persons.

ARTICLE 1

SELECTION OF ARCHITECTURAL AND ENGINEERING FIRMS

SEC.

10-5-10. Application of article.

10-5-20. "Agency" defined.

10-5-30. Publication and mailing of project description and request for resume of qualifications.

10-5-40. Conferences with firms submitting resumes.

10-5-50. Selection of three most qualified applicants.

10-5-60. Negotiation of contract.

10-5-70. Submission of contract and other data to State Budget and Control Board.

10-5-80. Approval or rejection by State Budget and Control Board.

§ 10-5-10. Application of article.

All State agencies and departments shall follow the procedure in this article described when selecting an architectural or engineering firm to provide services to the agency or department.

HISTORY: 1962 Code § 1-453; 1974 (58) 2608.

Cross references—

As to regulation of architects, generally, see §§ 40-3-10 to 40-3-160.

As to regulation of engineers, generally, see §§ 40-21-10 to 40-21-410.

§ 10-5-20. "Agency" defined.

As used in this article "agency" shall mean all State agencies or departments.

HISTORY: 1962 Code § 1-454; 1974 (58) 2608.

§ 10-5-30. Publication and mailing of project description and request for resume of qualifications.

A description of the proposed project and required services

shall be developed by the agency and published at least once in one or more newspapers of general circulation throughout the State. The publication shall request the submission of a resume of qualifications by a specified date from interested architectural or engineering firms. The date for submission shall be not less than fifteen days after publication of the notice.

In addition to newspaper publications, the project description and request may be mailed directly to architectural or engineering firms; *provided, however*, that all eligible South Carolina firms shall be included in the mailing.

HISTORY: 1962 Code § 1-455; 1974 (58) 2608.

Research and Practice References—

64 Am Jur 2d, Public Works and Contracts § 53.

§ 10-5-40. Conferences with firms submitting resumes.

Following the receipts of resumes of qualifications, the agency shall hold conferences with at least three firms submitting resumes. The purpose of the conferences shall be to provide such further information as may be required by the agency to fully acquaint itself with the relative qualifications of the several interested firms.

HISTORY: 1962 Code § 1-456; 1974 (58) 2608.

§ 10-5-50. Selection of three most qualified applicants.

After reviewing and evaluating qualifications, the agency shall select the three which, in its judgment, are the most qualified, ranking the three in priority order.

The agency shall consider the ability of professional personnel, past performance, willingness to meet time and budget requirements, location, recent, current and projected work loads of the firms, and the volume of work previously awarded to the firm by the agency, with the object of effecting an equitable distribution of contracts among qualified firms; *provided, however*, that such distribution does not violate the principle of selection of the most highly qualified firms.

HISTORY: 1962 Code § 1-457; 1974 (58) 2608.

§ 10-5-60. Negotiation of contract.

The agency shall negotiate a contract for services with the most qualified firm at a compensation which the agency determines is fair and reasonable to the State. Should the agency be unable to negotiate a satisfactory contract with this firm, negotiations shall be formally terminated. The agency shall then negotiate in the

same manner with the second and then the third most qualified firms until a satisfactory contract has been negotiated. If no agreement is reached with the three firms, additional firms in order of their competence and qualifications, shall be selected and negotiations continued in the same manner until agreement is reached.

HISTORY: 1962 Code § 1-458; 1974 (58) 2608.

§ 10-5-70. Submission of contract and other data to State Budget and Control Board.

The agency shall submit the name of the selected firm and a tentative contract to the State Budget and Control Board for approval and shall submit a list of the other firms considered.

In addition to such submittal the agency shall provide (a) a statement of construction projects undertaken in the preceding two years, showing the architectural or engineering firm involved, the nature of the project, and the amount of the construction contract; and (b) a certification that the newspaper announcement required above was duly published.

HISTORY: 1962 Code § 1-459; 1974 (58) 2608.

Cross references—

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

As to the State Budget and Control Board, generally, see §§ 1-11-10 to 1-11-160.

§ 10-5-80. Approval or rejection by State Budget and Control Board.

After review of the data submitted, the Budget and Control Board shall determine its position with respect to the particular firm recommended for approval by the agency. The Board shall formally notify the agency of its approval or rejection. In event of approval, the agency is authorized to execute a contract with the selected firm. In the event of rejection, the agency shall submit the name of another firm for the Board's consideration, selected in accordance with the procedure outlined herein. The agency shall not enter into a contract for architectural or engineering services without the approval of the Budget and Control Board.

HISTORY: 1962 Code § 1-460; 1974 (58) 2608.

Cross references—

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

STATE BUDGET AND CONTROL BOARD

POLL OF May 23, 1978

POLL ITEM NUMBER 1

Agency: The Citadel

Subject: Selection of A&E Firm (Carried over from 5/9/78)

General Grimsley advises that the following firms, listed in preference order, have been selected to provide the services required in connection with the study of McAlister Field House and Daniel Library roof problems and the preparation of plans and specifications for correcting such problems:

- (1) Lockwood-Greene, Spartanburg;
- (2) Demetrios C. Liollo & Associates, Charleston; and
- (3) Keane/Sherratt, Hilton Head.

Please refer to attached letter from Col. Baker for a statement on the overriding consideration involved in the selection of the firm with the most State work during the past two years.

Board Action Requested:

Approve the selection of Lockwood-Greene for the referenced project.

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

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

Baker 5/8/78 letter to McPherson; Grimsley 4/28/78 letter to McPherson plus attachments.

THE CITADEL

THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, S. C. 29409

8 May 1978

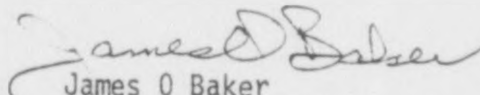
Mr. John A. McPherson
Chief Engineer
State Budget & Control Board
Post Office Box 11333
Columbia, South Carolina 29211

RE: A-E Contract for Roof Repairs
at The Citadel

Dear Mr. McPherson:

Lockwood-Greene, Spartanburg, South Carolina was selected as the best qualified firm for this contract because of their extensive experience in design and construction of sheet copper on wood deck roofs. This type of construction is unusual in recent years. Neither of other responding firms had any experience with this type of construction.

Sincerely,


James O Baker
Colonel, USA, RET

JOB:rb

RECEIVED
MAY 11 1978
S. C. BUDGET AND
CONTROL BOARD

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, S. C. 29409

OFFICE OF THE
VICE PRESIDENT
FOR ADMINISTRATION
AND FINANCE

28 April 1978

Mr. John A. McPherson, Jr.
Chief Engineer
State Budget & Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. McPherson:

Inclosed is a copy of a proposed A-E contract with Lockwood-Greene of Spartanburg, South Carolina for a study of roof design of repairs and preparation of specifications on McAlister Field House and the Daniel Library. (Inclosure 1) Due to the nature of the work to be performed, the proposed contract is considered more equitable to both The Citadel and the Architect-Engineer than a fixed price contract. It is anticipated that the repair plans and specifications prepared will contain several unit price items to cover work quantities that cannot be determined until existing roofs are removed.

A copy of newspaper request for submission of resumes of qualifications is attached at Enclosure 2.

The firms that responded in order of qualification are:

1. Lockwood-Greene - Spartanburg, S. C.
2. Demetrios C. Liollo & Associates - Charleston, S. C.
3. Keane/Sherratt - Hilton Head, S. C.

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MAY 2 1978
**S. C. BUDGET AND
CONTROL BOARD**

The first two firms submitted projects undertaken for the state in the past two years and their construction costs. (Inclosure 3) This information was considered in making the selection for the best qualified firm.

In the past three years, The Citadel has awarded A-E contracts as follows:

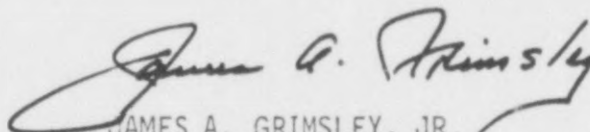
1. 1977 - Lucas & Stubbs, Charleston, S.C. - Update Master Plan - \$31,895 (Total Fee and reimbursements)
2. 1978 - George B. Rast, Charleston, S.C. - Family Quarters Heating Study - \$3,500 (Fee)



Mr. John A. McPherson, Jr.
Page 2

Request State Budget and Control Board's approval of attached contract.

Sincerely,

A handwritten signature in dark ink, appearing to read "James A. Grimsley, Jr.", with a stylized, flowing script.

JAMES A. GRIMSLEY, JR.
Major General, USA, Retired
Vice President for Administration
and Finance

JAGJR:rb

INCL
a/s

LOCKWOOD GREENE

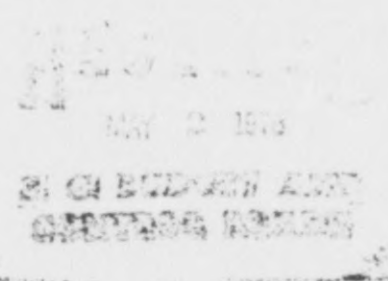
ARCHITECTS • ENGINEERS

LOCKWOOD GREENE ENGINEERS, INC. • POST OFFICE BOX 491 • SPARTANBURG, SOUTH CAROLINA 29301 • (803) 583-2331

April 17, 1978

Colonel J. O. Baker
Resident Construction Engineer
The Citadel
Charleston, South Carolina 29409

Re: 78009.03



Dear Jim:

We appreciate very much the opportunity to make a proposal to The Citadel in accordance with the recent advertisement for A/E services in connection with a study and specifications for corrections of roofing problems on the Library and McAlister Field House.

As you know, providing fixed budget information for restoration and repairs to older buildings is difficult at best and the quotation of a fixed engineering fee would be equally difficult because of the many unknown factors that can only be brought to light during the investigation. For this reason, we propose to provide the architectural/engineering service to you at an hourly rate of 2.5 times our payroll cost plus out-of-pocket expenses in accordance with the attached schedule. We will execute this work for you as efficiently as possible. We believe that the A/E services for the two buildings can be provided on a budget of \$8,000 to \$9,000 and we propose that our total fee and expenses will not exceed \$9,000 without prior written approval from The Citadel.

The estimate of fee does not include field supervision and we believe this can be held to a minimum by utilizing the services of Joe Teal who is now at The Citadel.

W. E. Helms, Jr. would be assigned as Project Manager on this work. In his 27 years of experience he has investigated many roof problems and prepared reports for corrective action.

Colonel J. O. Baker
78009.03

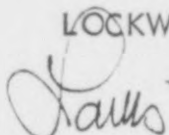
-2-

April 17, 1978

We look forward to working with you on these projects and continuing to serve The Citadel as we have for many years. Your signature in the space provided will confirm the agreement.

Yours truly,

LOCKWOOD GREENE ENGINEERS, Inc.



Louis S. Booth

LSB:ebr

Attachment

ACCEPTED:
THE CITADEL

By *James A. Prinsley*
Title *Vice President/Admin & Finance*
Date *28 April 1978*

LOCKWOOD GREENE ENGINEERS, Inc.

By *J. Carroll Cox*
Title *Vice President*
Date *April 17, 1978*

REIMBURSABLE EXPENSES

The following expense items are reimbursable to Lockwood Greene Engineers when directly relating to the project:

- 1) Communication - telephone and telegraph toll charges; postage cost.
- 2) Lodging and Food - reasonable living expenses incurred while on assignment or travel away from office.
- 3) Outside Services and Special Supplies - actual cost of services contracted by Lockwood Greene; all major expenditures with Owner's prior approval.
- 4) Computer Charges - when used in direct connection with project design.
- 5) Printing and Reproduction -
 - 8¢ per square foot for prints
 - 10¢ per xerox copy
 - 3¢ per multilith page
 - Standard charges for miscellaneous reproductions
- 6) Travel - 17¢ per mile via personal automobile; actual cost of other modes of travel.

This schedule is applicable until January 1, 1979.

January 1, 1978

Spartanburg, S. C.

P.O. 61969

☒ **The News and Courier**

☐ **CHARLESTON EVENING POST**

State of South Carolina }

County of Charleston }

Personally appeared before me

the undersigned advertising Clerk of the
above indicated newspaper(s), published
in the City of Charleston, County and
State aforesaid, who, being duly sworn,
says that the advertisement of

(copy attached)

appeared in the issues of said newspaper(s)

on the following day(s):

March 29, 1978

at a cost of \$ 9.50

Acct. # 16060

Subscribed and sworn to

before me this 4th day

of April

A.D. 19 78

Lisa A. Weeks

Frank W. Parks

NOTARY PUBLIC, S.C.

NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission expires September 9, 1984

ARCHITECT-ENGINEER
QUALIFICATION REQUEST
The Director of Physical Plant,
The Citadel, Charleston, South Caro-
lina 29409 will receive resumes of
qualifications from Architect-Engi-
neers interested in providing serv-
ices for the study of roof problems
and development of plans to correct
them.
Work consists of analysis of an 18
year old, 5 ply built-up roof and a 39
year old copper on wood deck roof,
development of plans to correct defi-
ciencies, and an estimate of cost of
work.
Resumes must be received within
15 days of the date of this advertise-
ment.

APR 7 1978

INCL 2

ARCHITECTURAL-ENGINEERING CONTRACTS WITH STATE OF SOUTH CAROLINA AGENCIES
AWARDED TO LOCKWOOD GREENE SINCE MARCH 1, 1976

<u>Projects</u>	<u>Construction Cost</u>
S. C. School for Deaf & Blind Fire Alarm System	\$ 150,000
S. C. Medical University Master Plan for Centralized Data Process Center	Not Applicable
U. of S. C. Regional Campus Multi/Media Building Joint Venture with Westmoreland, McGarity & Pitts	\$1,100,000



DEMETRIOS C. LIOLLO AIA ARCHITECT & ASSOCIATES LTD.
ARCHITECTS ENGINEERS PLANNERS
1812 SAVANNAH HIGHWAY-PO DR. 30309-CHARLESTON S.C. 29407

April 24, 1978

Col. James O. Baker
U.S.A., Retired R.E.T.
The Citadel
Charleston, S.C. 29409

Re: Study of Roof Problems and Development of
Plans to correct same for The Citadel

Dear Col. Baker:

Thank you for your telephone call this date regarding State Contracts on which our Firm has performed.

The only Contract executed between our Firm and the State in the last two years has been with the Medical University of South Carolina which Contract was an open end Contract in connection with Architectural Services and Consulting as required (for one year). The year ended March 1, 1978. Our total fee was about \$57,000.00.

Services for the Medical University of South Carolina included a complete exterior signage program and investigation of the entire campus for compliance with the new Federal Barrier Free Laws, and other services as required from time to time by the Physical Plant Department of the Medical University.

If we can furnish additional information please let us hear from you.

With best wishes, I am

Very truly yours,

Raymond G. Larkin II, P.E.

RGL/gb

cc: Mr. Demetrios C. Liollo, AIA

(803) 556-6200

THE CITADEL
THE MILITARY COLLEGE OF SOUTH CAROLINA
CHARLESTON, S. C. 29409

8 May 1978

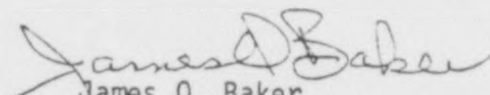
Mr. John A. McPherson
Chief Engineer
State Budget & Control Board
Post Office Box 11333
Columbia, South Carolina 29211

RE: A-E Contract for Roof Repairs
at The Citadel

Dear Mr. McPherson:

Keane/Sherratt, Hilton Head Island, South Carolina has had no
state contracts in the past two years.

Sincerely,


James O. Baker
Colonel, USA, RET

JOB:rb

RECEIVED
MAY 11 1978
S. C. BUDGET AND
CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

POLL OF _____ May 23 _____, 1978

POLL ITEM NUMBER

2

Agency: Department of Corrections

Subject: Selection of A&E Firm (Carried over from 5/9/78)

Commissioner Leeke advises that the J. Clifton Hawkins and Associates firm which had been selected (and approved by the Board on 2/15/78) for civil engineering services on in-house maintenance, repair and renovation projects for a one-year period has been dissolved. Mr. Leeke also advises that his agency has re-interviewed the second and third choice firms of those originally selected. In preference order (as before), they are:

- (2) McNair, Gordon, Johnson & Karasiewicz; and
- (3) Johnny T. Johnson & Associates.

Please refer to Commissioner Leeke's 5/18/78 letter for statement in support of having selected as first preference the firm which has had the greater volume of State work in the two preceding years.

Board Action Requested:

Approve the selection of McNair, Gordon, Johnson & Karasiewicz.

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

- _____ I approve of the above action.
 - _____ I disapprove of the above action.
 - _____ Hold for regular meeting.
-

Attachments:

Leeke 5/18/78 letter to Putnam



south carolina department of corrections

P. O. BOX 21787/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29221
TELEPHONE (803) 758-6444
WILLIAM D. LEEKE, Commissioner

May 18, 1978

Mr. William T. Putnam
State Auditor
P. O. Box 11333
Columbia, S. C. 29211

Dear Mr. Putnam:

In December 1977, the South Carolina Department of Corrections selected the engineering firm of J. Clifton Hawkins & Associates, Inc. as the civil engineering firm for our in-house designed and accomplished construction needs. Soon after their selection, the firm was dissolved and J. Clifton Hawkins was employed by Wilbur Smith & Associates.

The Department of Corrections felt it was to our best interest, based on the dissolution of J. Clifton Hawkins & Associates and the amount of work under contract by the Department to Wilbur Smith & Associates to reinterview the two original alternate selections referred to in the December 27, 1977 letter to Governor Edwards.

The selection committee was favorably impressed with both the firm of McNair, Gordon, Johnson & Karasiewicz and the firm of Johnny T. Johnson & Associates as being qualified to accomplish the necessary design work. It was felt by the selecting committee that the firm of McNair, Gordon, Johnson & Karasiewicz was better qualified to perform the scope of work necessary by the Department of Corrections.

Their broad base of experience is drawn from a staff of nine graduate engineers, seven of whom are registered professional engineers. The firm of Johnny T. Johnson & Associates has a staff of three graduate engineers, two of whom are registered professional engineers and, although they appear to be adequately qualified to perform the work, it was felt by the selection committee that based upon the amount of work and the limited professional staff of Johnny T. Johnson & Associates, they would not be able to give the Department of Corrections the broad based experience offered by the firm of McNair, Gordon, Johnson & Karasiewicz.

Based on these reinterviews, I am listing below, in preferential order, for your approval, those firms which appear to be qualified to accomplish the necessary design work.

CIVIL ENGINEERING

1. McNair, Gordon, Johnson & Karasiewicz
2. Johnny T. Johnson & Associates

BOARD OF
CORRECTIONS

CHARLES C. MOORE
Chairman
Spartanburg, S.C.

CLARENCE E. WATKINS
Vice Chairman
Camden, S.C.

EUGENE N. ZEIGLER
Secretary
Florence, S.C.

NORMAN KIRKLAND
Member
Bamberg, S.C.

W. M. CROMLEY, JR.
Member
Savannah, S.C.

BETTY M. CONDON
Member
Mt. Pleasant, S.C.

GOV. JAMES B. EDWARDS, Member, Ex-Officio, Columbia, S.C.

Mr. William T. Putnam
Page Two
May 18, 1978

The following attachments were part of the original interviews in December and are included as required.

1. List of all firms submitting.
2. Certification of newspaper announcements.
3. Construction projects - previous three (3) years.
4. List of State projects accomplished by selected firms - previous two (2) years.

Upon receipt of your approval of the above listed firm, we shall proceed to enter into a contractual agreement for the engineering services.

Sincerely,



William D. Leeke

WDL:wa

LIST OF FIRMS SUBMITTING

1. Century Southern Engineers
Greenville, South Carolina
2. B. P. Barber & Associates
Columbia, South Carolina
3. Harwood Hebee Company
Spartanburg, South Carolina
4. Highlands Engineering Corp.
Greenville, South Carolina
5. W. B. Leland Consulting Engineer
Charleston, South Carolina
6. R. S. Noonan, Inc.
Greenville, South Carolina
7. Russell & Axon
Anderson, South Carolina
8. Buford Goff & Associates
Columbia, South Carolina
9. Architects Boudeaux
Columbia, South Carolina
10. Leon Campbell & Associates
Columbia, South Carolina
11. Energy Conservation Systems
West Columbia, South Carolina
12. Emeright Associates, Inc.
Columbia, South Carolina
13. Fellers & Associates
Columbia, South Carolina
14. Mr. R. M. Gable, P. E.
Columbia, South Carolina
15. L. C. Hawkins & Associates
Columbia, South Carolina
16. Johnny I. Johnson & Associates
Columbia, South Carolina
17. MBIB
Greenville, South Carolina
18. MGJK
Columbia, South Carolina
19. J. E. Serrine Co.
Greenville, South Carolina
20. Wilbur Smith & Associates
Columbia, South Carolina

[illegible]

On the other hand, the subject of a sentence is a series occurring in the mechanism of generating forms. It is the series of forms occurring in the process of generating forms, and it is the series of forms occurring in the process of generating forms, and it is the series of forms occurring in the process of generating forms.

- [illegible]

SEP 21 1977

RECEIVED

SEP 26 1977

THE GREENVILLE NEWS-LEDGER COMPANY

POST OFFICE BOX 1388

GREENVILLE, SOUTH CAROLINA 29602

ENGINEERING

AFFIDAVIT

Allen Dedwyler, being duly sworn, says that he is the legal representative

of { THE GREENVILLE NEWS
GREENVILLE NEWS-LEDGER COMPANY } a newspaper printed and published in the

City of Greenville, in the State of South Carolina. That the attached advertisement ap-

peared in _____ 4 _____ inches in the issue

of September 6, 1977

Allen Dedwyler

Sworn to and subscribed before me

this 21st day of September 1977

Robert P. Hoff
Notary Public for State of S.C.

Total Due \$ _____

CONSTRUCTION PROJECTS
PREVIOUS THREE (3) YEARS

<u>Architectural/Engineering Firm</u>	<u>Nature of Project</u>	<u>Construction Contract Amount</u>
1. Player & Associates	Addition to Supply Complex (21-59)	200,000.00
2. Geiger McElveen & Kennedy	Construct Administration Building Annex (21-60)	1,626,002.00
3. Department of Corrections	Roof repair, dormitory & kitchen, MacDougall Youth Correction Center (21-63)	101,134.60
4. Department of Corrections	Construct Commissary Warehouse (21-64)	12,000.00
5. Lucas & Stubbs	Upper Savannah Regional Correctional Center (21-68)	Project Canceled
6. Freeman, Wells & Major	Appalachian Regional Correctional Center - Greenville (21-69)	Project Canceled
7. Lockwood Greene, Engineers, Inc.	Appalachian Regional Correctional Center - Spartanburg (21-70)	Project Canceled
8. Department of Corrections Bruce Fleming & Associates	Goodman Dormitory Additions (21-71)	** 409,586.00
9. Geiger McElveen & Kennedy	Hospital Complex (21-72)	Project Canceled
10. Player & Associates	Supply Complex Addition (21-74)	* 125,000.00
11. Greenwood Associates, Inc.	Renovation, Greenwood Correctional Center (21-75)	Project Canceled
12. Greenwood Associates, Inc.	Renovation, Laurens Correctional Center (21-76)	Project Canceled
13. Department of Corrections	Paint Spray Booth, MacDougall Youth Correction Center (21-77)	49,363.36

CONSTRUCTION PROJECTS
PREVIOUS THREE (3) YEARS

<u>Architectural/Engineering Firm</u>	<u>Nature of Project</u>	<u>Construction Contract Amount</u>
1. Flayer & Associates	Addition to Supply Complex (21-59)	200,000.00
2. Geiger McElveen & Kennedy	Construct Administration Building Annex (21-60)	1,626,002.00
3. Department of Corrections	Roof repair, dormitory & kitchen, MacDougall Youth Correction Center (21-63)	101,134.60
4. Department of Corrections	Construct Commissary Warehouse (21-64)	12,000.00
5. Lucas & Stubbs	Upper Savannah Regional Correctional Center (21-68)	Project Canceled
6. Freeman, Wells & Major	Appalachian Regional Correctional Center - Greenville (21-69)	Project Canceled
7. Lockwood Greene, Engineers, Inc.	Appalachian Regional Correctional Center - Spartanburg (21-70)	Project Canceled
8. Department of Corrections Bruce Fleming & Associates	Goodman Dormitory Additions (21-71)	** 409,586.00
9. Geiger McElveen & Kennedy	Hospital Complex (21-72)	Project Canceled
10. Flayer & Associates	Supply Complex Addition (21-74)	* 125,000.00
11. Greenwood Associates, Inc.	Renovation, Greenwood Correctional Center (21-75)	Project Canceled
12. Greenwood Associates, Inc.	Renovation, Laurens Correctional Center (21-76)	Project Canceled
13. Department of Corrections	Paint Spray Booth, MacDougall Youth Correction Center (21-77)	49,369.36

CONTINUED - PAGE 2

14.	Carson & Williams	Campbell Pre-Release Center (21-78)		721,300.00
15.	Department of Corrections	Renovation, Savannah River Pre-Release Center (21-79)		
16.	Samuel Harper	Palmer Pre-Release Center (21-80)		607,299.00
17.	Department of Corrections	Renovation, Duncan Pre-Release Center (21-78)		21,500.00
18.	Department of Corrections	Renovation, Northside Pre-Release Center (21-82)		28,000.00
19.	McMillan Dunes Townsend & Bowen	Relocation of Facilities, Hampton Street Extension CCI (21-83)	**	273,390.00
20.	Golger McElveen & Kennedy	Dormitories and Multipurpose Building Women's Correctional Center (21-84)		1,306,800.00
21.	Leon Campbell & Associates	Traffic Facilities, Broad River Road Complex (21-85)		395,000.00
22.	Department of Corrections	Private Visitation Center, Wateree River Correctional Institution (21-87)	**	42,555.00
23.	Department of Corrections	Retube Boiler #1, CCI (21-88)		45,000.00
24.	Department of Corrections	Renovate Guard Towers & Cells MRC (21-89)		19,000.00
25.	Department of Corrections	Construct Toilets - Manning Correctional Institution (21-90)	-	2,000.00
26.	Department of Corrections	Water Treatment System, Wateree River Correctional Institution (21-92)	*	13,000.00
27.	Department of Corrections	Construct Boiler Room & Install New Boiler North Sumter Correctional Center (21-93)	*	9,000.00
28.	Department of Corrections	Addition, Reception & Evaluation Center (21-94)	**	7,232.00

29. Department of Corrections	Install Ventilation Equipment, Reception & Evaluation Center (21-95)	12,000.00
30. Department of Corrections	Renovate Guards Quarters CCI (21-96)	8,000.00
31. Department of Corrections	Construct Greenhouse, Kirkland Correctional Institution (21-97)	5,000.00
32. Department of Corrections	Construct Greenhouse, Women's Correctional Center (21-98)	6,064.00
33. Department of Corrections	Sewer Trunk Line, Greenwood Correctional Center (21-100)	* 45,000.00
34. Department of Corrections	Toilet Renovations, Watkins Pre-Release Center (21-101)	2,010.00
35. Department of Corrections	Toilet Renovations, Allen Youth Center (21-102)	2,010.00
36. J. E. Siering Co.	Comprehensive Sewer Improvements (21-103)	352,724.00

*Under Design

*Under Construction - Inmate Labor

Attachment #4

LIST OF STATE PROJECTS ACCOMPLISHED BY SELECTED FIRM
PREVIOUS TWO (2) YEARS

McNair, Gordon, Johnson & Karasiewicz

National Guard Armory & Organizational Maintenance Shop, Military Department,
State of South Carolina, Hartsville, S. C. - \$940,000

Rembert C. Dennis Building (in association with Fellers & Associates), Division
of General Services, State of South Carolina, Columbia, S. C. - \$3,500,000.

Johnny T. Johnson & Associates, Inc.

Broad River Trunk Line, S. C. Department of Corrections, Department of Youth
Services, Harbison Development Corp., - \$475,000

S. C. Department of Parks, Recreation & Tourism Upgrade 8 Wastewater Treatment
Plants, design 3 water wells and distribution system, Division of State Parks,
Suite 113, Edgar A. Brown Bldg., 1205 Pendleton Street, Columbia, S. C. 29201,
\$3,000,000.

Incorrect

*JMcP says total is \$347,500 rather than \$3,475,000 6/2/78
WAM*

STATE BUDGET AND CONTROL BOARD

POLL OF May 23, 1978

POLL ITEM NUMBER 3

Agency: Lander College

Subject: Selection of A&E Firm (Carried over from 5/2/78)

Lander College advises that the following firms, listed in preference order, have been selected to design tennis courts and related minor structures and prepare a master plan of the courts area:

- (1) Wilbur Smith & Associates;
- (2) Clark Associates, Inc.; and
- (3) Gilliland-Bell Associates, Inc.

The required selection procedure has been followed.

Please refer to President Jackson's 5/12/78 letter for statement in support of having selected as first preference the firm which has had the greatest volume of State work during the two preceding years.

Board Action Requested:

Approve selection of Wilbur Smith & Associates for referenced project.

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

- ☐ I approve of the above action.
- ☐ I disapprove of the above action.
- ☐ Hold for regular meeting.

Attachments:

Jackson 5/12/78; Franke 4/14/78 letter to McPherson plus attachments.

Lander

COLLEGE

Greenwood, South Carolina 29646
Telephone (803) 229-8300

Office of the President

May 12, 1978

Mr. William A. McInnis
Assistant State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Re: Design of Certain Tennis Courts and Related Minor Structures

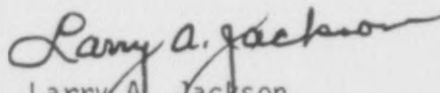
Dear Mr. McInnis:

The firm of Wilbur Smith and Associates was selected after a team of seven professionals on our campus interviewed a number of firms, and they felt that Wilbur Smith and Associates would give the State of South Carolina the best job for the money involved.

The committee was especially impressed with the previous work experience of the group of professionals working with Wilbur Smith. Prior to Lander becoming a state college, three tennis courts were built on this campus which were not adequately drained and which were not aligned properly with the sun. We wanted a professional team which would be certain that all aspects of this project were carefully planned and executed, and we believe we will get this kind of service from Wilbur Smith and Associates.

The fact that Wilbur Smith and Associates have never done any project for Lander College was also taken into consideration, but this was not a primary concern. The quality of the work which this firm promises to be able to do is the primary concern.

Sincerely,


Larry A. Jackson
President

LAJ:h1b

Lander

COLLEGE

Greenwood, South Carolina 29646
Telephone (803) 229-5521

April 14, 1978

Mr. John A. McPherson, Jr., P.E., State Engineer
Office of the State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Dear Mr. McPherson,

The following is a request to enter into a contract with Wilbur Smith and Associates for design of Tennis Courts at Lander College. (Project No. H21-001).

Interviews were conducted with the following firms:

Clark Associates Inc.
Fellers and Associates
W. E. Gilbert & Associates, Inc.
Gilliland - Bell Associates, Inc.
Wilbur Smith and Associates

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APR 18 1978
S. S. BUDGET AND
CONTROL BOARD

We chose the following three which were, in our opinion, best able to meet our requirements:

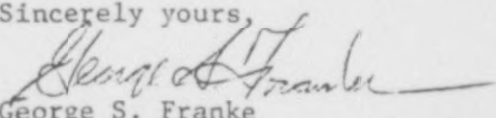
- (1) Wilbur Smith and Associates
- (2) Clark Associates Inc.
- (3) Gilliland - Bell Associates, Inc.

Consideration was given to the amount of State projects the firms have had in the past two years.

Attached are:

- (1) Copy of contract negotiated with Wilbur Smith and Associates,
- (2) Copy of newspaper advertisement,
- (3) List of all firms responding to advertisement, and
- (4) List of all A & E contracts awarded by Lander College in the past three years.

Sincerely yours,


George S. Franke
Director of Physical Plant

GSF:sm

THE AMERICAN INSTITUTE OF ARCHITECTS



AIA Document B141

Standard Form of Agreement Between Owner and Architect

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH
AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION

AGREEMENT

made this _____ day of _____ in the year of Nineteen
Hundred and Seventy Eight

BETWEEN the Owner: Lander College

and the Architect: Wilbur Smith and Associates

RECEIVED
APR 18 1978

BUDGET AND
CONTROL BOARD

For the following Project:

(Include detailed description of Project location and scope)

Tennis courts and related minor structures and site development,
and a master plan for the development of the courts area and
adjacent tracts of land, all at the College campus.

The Owner and the Architect agree as set forth below.

FIXED FEE

- I. THE ARCHITECT shall provide professional services for the Project in accordance with the Terms and Conditions of this Agreement.
- II. THE OWNER shall compensate the Architect, in accordance with the Terms and Conditions of this Agreement.
- A. FOR BASIC SERVICES, as described in Paragraph 1.1, Basic Compensation shall be computed on the basis of a FIXED FEE : **Thirteen Thousand, Two Hundred Seventy-five** dollars (\$ **13,275.00**).
- B. FOR ADDITIONAL SERVICES, as described in Paragraph 1.3, compensation computed as follows:
~~XX~~
~~XX~~
1. The actual cost of reproduction, postage or handling, living expenses, long distance communication, etc.
 2. Employees' time ~~XXXXXX~~ at a multiple of **one and one-tenth** (**1.1**) times the employees' Direct Personnel Expense as defined in Article 4.
 3. Services of professional consultants at a multiple of **one and four-hundredths** (**1.04**) times the amount billed to the Architect for such services.
- C. AN INITIAL PAYMENT of **No** dollars (\$ **0.00**) shall be made upon the execution of this Agreement and credited to the Owner's account.
- D. FOR REIMBURSABLE EXPENSES, amounts expended as defined in Article 5.
- III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:
- A. IF SCOPE of the Project is changed materially, compensation shall be the subject to renegotiation.
 - B. IF THE SERVICES covered by this Agreement have not been completed within **twenty-four** (**24**) months of the date hereof, the amounts of compensation, rates and multiples set forth in Paragraph II shall be subject to renegotiation.
- IV. Costs of Additional Services shall be estimated by the Architect based on the compensation set forth in II. B. above and shall be approved in writing by the Owner before the Architect begins such work.

- 14.24 Under Paragraph 5.1, delete Subparagraph 5.1.2 in its entirety.
- 14.25 Add new Subparagraph 5.1.6 as follows:
- "5.1.6 Expense of furnishing a certified land survey of the site, giving, as applicable, grades and lines of streets, alleys, pavements and adjoining property; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and complete data pertaining to existing buildings, other improvements and trees; and full information concerning available service and utility lines both public and private, above and below grade, including inverts and depths."
- 14.26 Add new Subparagraph 5.1.7 as follows:
- "5.1.7 Expense of furnishing the services of soil engineers or other consultants including test borings, test pits, soil bearing values, percolation tests, necessary operations for determining subsoil conditions, with reports and appropriate professional recommendations."
- 14.27 Delete Subparagraph 6.1.2 in its entirety and substitute therefor the following:
- "6.1.2 Subsequent payments for Basic Services shall be made on the completion of each Phase as follows:
- | | |
|-------------------------------------|---------------|
| Programming and Master Plan Phases: | \$2,032.00 |
| Schematic Design Phase: | 1,383.00 |
| Design Development Phase: | 706.00 |
| Construction Documents Phase: | 2,773.00 |
| Bidding Phase: | 1,320.00 |
| Construction Phase: | 4,301.00 |
| Post-Construction Phase: | <u>760.00</u> |
| TOTAL | \$13,275.00" |
- 14.28 In Subparagraph 6.1.3 add new sentence as follows:
- "No additional compensation will be paid for services in connection with semi-final and final inspections."

ARCHITECTURAL/ENGINEERING
RESUMES

Lander College will accept resumes from interested architectural engineering firms for the design and preparation of documents for the construction of ten tennis courts and ancillary structures on the Lander College Campus, Greenwood, South Carolina. Firms submitting resume of qualifications shall include a list of all contracts, including construction cost, the firm has executed on State work in the past two years. Also requested is a list of all tennis courts previously designed including location and year of construction.

Correspondence should be addressed to:

George S. Franke
Director of Physical Plant
Lander College
Greenwood, South Carolina 29646
Resumes will be received through
January 16, 1978

COLUMBIA NEWSPAPERS, INC.

Columbia, South Carolina

Publishers of

The State

Mornings and Sunday

AND

The Columbia Record

Evenings except Sunday

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager
of THE STATE, and makes oath that the advertisement,

Architectural/Engineering Resumes - Lander College

a clipping of which is attached hereto, was printed in THE STATE,
a daily newspaper of general circulation published in the City
of Columbia, State and County aforesaid, in the issues of

December 29, 30, 1977 and January 2, 1978

Carl M. Regal

Subscribed and sworn to before me
this 3rd day of January 1978.

Lawrence Lee Soudin Notary Public

McMillan Associates Architects Greenville, S. C. 29601	none
Fred J. Parrish Architectual Associates Columbia, S. C. 29204	none
Neil R. Phillips Spartanburg, S. C. 29301	\$ 80,000.00
Prather Thomas Campbell Pridgeon Inc. Spartanburg, S. C. 29304	550,000.00
J. G. Richards, IV Columbia, S. C.	none
Russell & Axxon Anderson, S. C. 29621	(fee of \$6,000)
Kenneth B. Simmons, Associates Columbia, S. C.	none
Wilbur Smith & Associates Columbia, S. C. 29202	see attached
Stephen A. Usry Myrtle Beach, S. C.	none

A/E Firms Responding to Advertisement

showing construction cost of commissions awarded 1976-78

A D E P Architectual Design Environmental Planning, P.A.	none
Alexander - Moormann & Associates Aiken, S. C. 29801	\$ 2,107,879.00
William Anderson AIA Architects/Planners Columbia, S. C. 29201	300,000.00
Arbor Engineering Greenville, S. C. 29602	118,888.00
Clark Associates Inc. Anderson, S. C. 29621	none
Enwright Associates, Inc. Greenville, S. C. 29606	failed to state
Fellers and Associates Architects - Landscape Architects Columbia, S. C. 29204	9,000.000.00
W. E. Gilbert & Associates Inc. Greenwood, S. C. 29646	750,000.00
Gilliland - Bell Associates, Inc. Greenwood, S. C. 29646	none
Charles M. Gorman, Jr., A.S.L.A. Columbia, S. C. 29210	none
J. Alison Lee, AIA Greenwood, S. C. 29646	227,990.00
MBTB Architects Engineers Greenville, S. C. 29602	2,307,000.00

Wilbur Smith and Associates

20.

LIST ALL CONTRACTS FOR THE STATE OF SOUTH CAROLINA (ANY AGENCY) DURING LAST TWO YEARS

NAME OF PROJECT AND PHASE OF WORK	LOCATION	AGENCY	YEAR YOUR FIRM WAS FILED	ESTIMATED CONSTRUCTION COST OF		CON- STRUCTED (Yes or No)	FIRM ASSOCIATED WITH
				ENTIRE PROJECT	WORK FOR WHICH YOUR FIRM WAS RESPONSIBLE		
East Cooper & Berke- ley RR Survey, De- sign, Construction Management	Berkeley County	S.C. Public Railways Commission	1978	\$9,000,000 (pd by Amoco through SC Rwy. Com.)	100%	Yes	None
South Carolina Retiree Study	Statewide	Division of Ad- ministration	1976	\$ 9,500.00 (Fee)	\$ 9,500.00 (Fee)	NA	None
Arsenal Hill Master Plan	Columbia, South Carolina	Division of Ad- ministration	1977	\$10,329.00 (Fee)	\$10,329.00 (Fee)	NA	None
Little River Pro- ject, Phase II	McCormick County	Clark Hill Authority	1977	\$ 7,300.00 (Fee)	\$ 7,300.00 (Fee)	NA	None
Expert Testimony - Widen Rosewood Drive	Columbia, South Carolina	Department of Highways and Public Trans- portation	1977	\$ 2,455.16 (Fee)	\$ 2,455.16 (Fee)	NA	None
South Carolina Rail Plan	Statewide	Division of Ad- ministration	1977	\$40,434.00 (Fee)	\$40,434.00 (Fee)	NA	None
Fire Academy Devel- opment, Phase I	Lexington County	State Board of Technical Edu- cation	1977	\$ 6,600.00 (Fee)	\$ 6,600.00 (Fee)	NA	None
Central Correctional Institute Proto- types	Statewide	Department of Corrections	Open	\$17,000,000	\$8,500,000	Under Design	Hellmuth, Obata & Kassabaun
South Carolina Transportation Model	Statewide	Division of Ad- ministration	1977	\$57,941.00 (Fee)	\$57,941.00 (Fee)	NA	None
TOTAL NUMBER OF COMPLETED PROJECTS:			TOTAL ESTIMATED CONSTRUCTION COST OF WORK FOR WHICH YOUR FIRM WAS RESPONSIBLE:				

20.

LIST ALL CONTRACTS FOR THE STATE OF SOUTH CAROLINA (ANY AGENCY) DURING LAST TWO YEARS

NAME OF PROJECT AND PHASE OF WORK	LOCATION	AGENCY	YEAR YOUR FIRM WAS SELECTED	ESTIMATED CONSTRUCTION COST OF		CON- STRUCTED (Yes or No)	FIRM ASSOCIATED WITH
				ENTIRE PROJECT	WORK FOR WHICH YOUR FIRM WAS RESPONSIBLE		
Charleston Inner Belt Study	Charleston, South Carolina	Department of Highways and Public Trans- portation	1977	\$20,000.00 (Fee)	\$20,000.00 (Fee)	NA	None
James Island Ex- pressway, Phase I	Charleston, South Carolina	Department of Highways and Public Trans- portation	1977	\$227,800.00 (Fee)	\$227,800.00 (Fee)	NA	Lucas and Stubbs Associates, Ltd.
Land Use Study	Statewide	South Carolina Aeronautics Commission	1976	\$ 6,000.00 (Fee)	\$ 6,000.00 (Fee)	NA	None
Statewide Land Use Plan	Statewide	Division of Ad- ministration	1978	\$27,500.00 (Fee)	\$27,500.00 (Fee)	NA	None
James Island Ex- pressway, Phase II	Charleston, South Carolina	Department of Highways and Public Trans- portation	Open	\$33,000,000	\$33,000,000	Under Design	Lucas and Stubbs Associates, Ltd.
TOTAL NUMBER OF COMPLETED PROJECTS:			TOTAL ESTIMATED CONSTRUCTION COST OF WORK FOR WHICH YOUR FIRM WAS RESPONSIBLE:				

The following A & E contracts have been awarded by Lander College in the past three years.

1975	Neal Architects, Inc.	\$ 1,325,000
1975	Craig & Gaulden Architects, Inc.	2,200,000
1975	Heaner Engineering Co., Inc.	152,000
1977	Enwright Associates	9,000
1977	Hearst Coleman and Associates, Inc.	9,000
1977	Tarleton-Tankersley Architectural Group, Inc.	4,200,000
1977	Barry A. Bankes	31,000

STATE BUDGET AND CONTROL BOARD

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

EXHIBIT VIII

5 6/7/78

Agency: Computer Systems Management

Subject: Assignment of Security and Privacy Audit Function for Criminal Justice Programs

To meet federal requirements, it is proposed that the security and privacy audit function for criminal justice programs be assigned to the Division of Computer Systems Management.

(Please refer to attachments for estimates of the costs of this function and for information on alternatives considered.)

Board Action Requested:

Approve assignment of security and privacy audit function for criminal justice programs to Division of Computer Systems Management.

Staff Comment:

Attachments:

Burr 5/26/78 memo to State Auditor plus attachments.



STATE OF SOUTH CAROLINA
DIVISION OF COMPUTER SYSTEMS MANAGEMENT
STATE BUDGET AND CONTROL BOARD

P. O. BOX 11488
COLUMBIA, S. C. 29211

MEMORANDUM

CHARLES H. BURR
DIRECTOR

TELEPHONE
(803) 758-3578

TO: State Auditor

DATE: May 26, 1978

SUBJECT: Assignment to Computer Systems Management Division of the Security and Privacy Audit Function for Criminal Justice Programs

REF (a) CSM letter of 4/17 to OCJP
(b) OCJP memo of 5/11 to Mr. Pettiss

ENCL (A): Estimated Funds Requirements

1. In response to your instructions of May 24, this Division is prepared to undertake the work involved in the audit of the security and privacy function for the State's Criminal Justice Programs as soon as funds are made available. The following principal actions are proposed:
 - Budgetary - As you were advised in connection with our comments with Ref. (a), a professional staff of 2 will be required after the first year. It is planned to assign one of our on-board Technology Utilization Analyst I staff members to the initial position. It is felt that the Technology Utilization Analysts on our staff would be most suitable for the functional and related system audit work. Our estimate of funds requirements is furnished in Enclosure (A), to which is attached a copy of the original estimate furnished with Ref. (b). The increased amounts are considered to be more realistic.

Based on these figures the required distribution of funding at this time appears to consist approximately of the following:

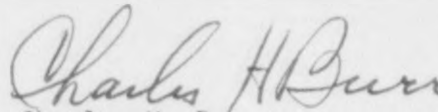
<u>Sources</u>	<u>1978-9</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
LEAA	34,080	50,000	23,790	-
S. C. Approp.	--	23,790	50,000	73,790
TOTAL	34,080	73,790	73,790 *	73,790 *

* Based on 78-79 dollars.

Subject to your approval, it is planned to take the above approach in our budget submittals.

- Mission change - As advised in Ref (a), our mission involves monitoring agency D.P. functions primarily. The audit of an agency's functional use of a D. P. system is new to us. We plan to update our statements of program objectives accordingly, as reflected in budgetary submittals and the State's 5 year plans.

- Organization - Initially, administration of the new function will be assigned to our Planning and Administrative Branch. At some future time, if and when sufficient personnel resources are made available to establish a branch to handle our planned overall system audit work, the Criminal Justice Program audit effort will be included in the new branch. It is planned to develop a modification to our standard Technology Utilization Analyst position description to cover this work.
- 2. The Office of Criminal Justice Programs advises that they will assist in preparing the grant request. Upon receipt of the grant funds, our request for a new position will be submitted, together with the position description. Personnel assignment to the program will be made on approval of these latter items.


Charles H. Burr

cc: Mr. J. S. Parton, OCJP

ESTIMATED BUDGET FOR A
SECURITY & PRIVACY AUDIT UNIT
(PER CSM)

First Year:

Professional Staff

1 @ \$24,000	\$ 24,000
Fringe @ 17%	4,080

Travel	3,000
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Other	<u>3,000</u>
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\$ 34,080

Succeeding Years:

Professional Staff

1 @ \$ 25,000	25,000
---------------	--------

1 @ 22,000	22,000
Fringe @ 17%	8,790

Clerical Staff

1 @ \$ 8,000 incl. fringe	8,000
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Travel	5,000
--------	-------

Other	<u>5,000</u>
-------	--------------

\$ 73,790

ESTIMATED BUDGET FOR A
SECURITY & PRIVACY AUDIT UNIT (Per Annum)

First Year:

Professional Staff

1 @ \$22,000 incl. fringe \$ 22,000

Travel 3,000

Other 3,000

\$ 28,000

Succeeding Years:

Professional Staff

1 @ \$22,000 incl. fringe 22,000

1 @ \$17,000 incl. fringe 17,000

Clerical Staff

1 @ \$8,000 incl. fringe 8,000

Travel 5,000

Other 3,000

\$ 45,000

STATE OF SOUTH CAROLINA
Office of the Governor
Columbia 29231

May 11, 1978

OFFICE OF THE GOVERNOR
EDWIN S. MUSKIE
151 SOUTH MAIN STREET
COLUMBIA, SOUTH CAROLINA 29201

MEMORANDUM TO: Walt Pettiss, Governor's Office
FROM: John S. Parton, Executive Director
SUBJECT: Security and Privacy Audits

In March, at the meeting held in your office, three options were decided upon that would accomplish the required security and privacy audits:

- a) additional personnel at Computer Systems Management (CSM);
- b) a contract with CSM; or
- c) a contract with an outside consulting firm.

At your direction, my office prepared a brief analysis of the three options and distributed them to the parties involved. In that review, the consulting firm alternative was not recommended. The response from CSM also rejected the third option.

Additionally, CSM, after reviewing material supplied by OCJP, decided that they could not support options (a) or (b) at the present time. My staff has met with CSM and it appears that agency does not now feel it is within their area responsibility to assume this audit function.

Effectively, we are back to where we started in establishing the audit function. All parties agree to its value and necessity. Yet, for various reasons, no agency is ready to assume the responsibility. The use of an outside consulting firm is generally agreed to be an inappropriate choice.

Memorandum To Walt Pettiss
May 11, 1978
Page 2

It has been suggested that my office assume the audit function. As I stated in the meeting, we do not now have the necessary resources and the function would be outside of OCJP traditional operations. OCJP could, however, take on the audit function if necessary.

It has been estimated by my staff and CSM that the minimum staff required to accomplish the audit would be two professional staff with clerical support. An estimated budget is attached. For the first year, the full staff complement would not be necessary. One professional staff person could handle the necessary tasks of development of an audit plan, training assistance to S.L.E.D. and agency inventories. The first-year budget is also attached.

It is possible to fund the audit unit with LEAA funds for the first thirty-six months. However, State funds would be required in increasing amounts for the first three years. Total State funding would be required after that period.

The proposed budgets would be applicable to any agency that assumes this function. I suggest that another meeting be held to determine with some finality the most appropriate location of the audit unit. If no more appropriate arrangement is acceptable, I recommend that the function be initiated by OCJP.

JSP:bj
Attachments

ESTIMATED BUDGET FOR A
SECURITY & PRIVACY AUDIT UNIT (Per ocdp)

First Year:

Professional Staff

1 @ \$22,000 incl. fringe \$ 22,000

Travel 3,000

Other 3,000

\$ 28,000

Succeeding Years:

Professional Staff

1 @ \$22,000 incl. fringe 22,000

1 @ 17,000 incl. fringe 17,000

Clerical Staff

1 @ \$8,000 incl. fringe 8,000

Travel 5,000

Other 5,000

\$ 57,000

Office of The Governor

Columbia 29201

JAMES B. EDWARDS
GOVERNOR

March 27, 1978

OFFICE OF CRIMINAL JUSTICE PROGRAMS
Edgar A. Brown Building
1205 Pendleton Street
Phone (803) 756-3573, 756-8940

MEMORANDUM TO: Walt Pettiss, Governor's Office

FROM: John S. Parton, Executive Director

SUBJECT: Annual Security and Privacy Audit

At the last meeting we had concerning the annual security and privacy audit, you directed my office to assess the three alternatives of:

- a) A grant to Computer Systems Management for necessary personnel and related costs;
- b) A contract with CSM; and
- c) A contract with a consultant.

We have reviewed the Federal guidelines and requirements and contacted persons knowledgeable in the area of security and privacy. My conclusion is that either alternative (a) or (b) would be satisfactory. Option (c) is considered unadvisable for the following reasons:

- 1) The use of an outside consultant will not offer any cost savings.
- 2) The consultant could not be as responsive to the State's need for an "expert" to assist in the training program, respond to local problems or respond to LEAA inquiries about S. C.'s compliance status.
- 3) Continuity of methodology and system familiarity are important audit considerations that could not be guaranteed with private consultants.
- 4) The use of consultants does not assist the State in developing general system audit capability, which apparently will be required in the near future.

Memorandum To Mr. Pettiss
March 27, 1978
Page 2

- 5) The audit would involve exposure to and collection of sensitive data. The security and privacy of the audit information itself would be under less control with a private consultant.

It is my opinion that the most efficient and effective option will be conducting the audit through CSM. My office would have no preference for either alternative (a) or (b). I am soliciting the opinion of Mr. Burr and will also request Mr. Brannan to let me know if the CJIS Advisory Board will consider this matter at their next meeting. I will continue to keep you informed.

JSP:bj

STATE BUDGET AND CONTROL BOARD

EXHIBIT IX

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

6 6/7/78

Agency: Grants and Contracts Review Subcommittee

Subject: Grant and Contract Requests

The Subcommittee's package includes 69 projects involving these funds:

Federal	\$ 28,564,825
State	74,037,749
Other	<u>9,596,477</u>
Total	<u>\$112,199,051</u>

Included in the Federal total are eight subcontracts involving \$388,048.

If these requests are approved and funded, the personnel provided for under these programs include 49.67 full-time and 4.15 part-time.

Board Action Requested:

Approve recommendations of Subcommittee and Review Unit.

Staff Comment:

Attachments:

Patterson 5/31/78 memo to Putnam plus attachments

MEMORANDUM

TO Mr. W. T. Putnam, Secretary
Budget and Control Board

FROM: Grady L. Patterson, Jr., State Treasurer *31P*
Chairman, Grants and Contracts Review Subcommittee

DATE: May 31, 1978

RE: Federal Grants and Contracts Recommendation to the Budget and
Control Board, June 8, 1978

The Federal Grants and Contracts Review Subcommittee of the Budget and Control Board reviewed 69 project requests from 24 state agencies on May 30, 1978. No consideration was given to number 69, but is presented to the Board with the other 68 for their consideration.

The state agencies requested the following new amounts from federal, state and other sources:

Federal Funds	\$ 28,564,825
State Match	74,037,749
Other Match	<u>9,596,477</u>
Total	<u>\$ 112,199,051</u>

(NOTE: These federal totals include \$388,048 in eight subcontracts between state agencies.)

The total number of personnel to be hired on these programs is indicated as follows:

Full-time Employees	49.67
Part-time Employees	<u>4.15</u>
Total	<u>53.82</u>

The subcommittee's recommendations for these projects are reflected in Column 10 of the attached summary report.

dj
Enclosure

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
1 S C Judicial Department	8-B04-005	16,275	6/15/78 2/14/79	14,648 90%	1,627 10%	0	0	To provide for more effective teaching aids which will result in the improvement of the judicial educational program for all magistrates in the state.	Approval	
2 S. C. Judicial Department	8-B04-006	2,120	7/10/78 8/9/78	1,908 90%	212 10%	0	0	To fund the judicial training of a judge in the unified judicial system as mandated under Rule 33 of the State Supreme Court.	Approval	
3 Division of Administration	8-D15-060	47,183	10/1/77 9/30/78	47,183 100%	0	0	0	To provide public service employment for the unemployed or underemployed.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
4 Division of Administration	8-D15-062	507,437	1/1/78 9/30/78	507,437 100%	0	0	0	To enhance the job prospects and career opportunities of young persons and enable them to secure unsubsidized employment,	Approval	
5 Division of Economic Opportunity	8-D30-008	54,607	7/1/78 6/30/79	54,607 100%	0	0	0	To provide for the operation of an Energy Organizational Unit for technical assistance education and monitoring of the energy program within the Division of Economic Opportunity,	Approval	
6 Division of Economic Opportunity	8-D30-009	132,668	7/1/78 6/30/79	106,134 80%	0	26,534 20%	0	To weatherize 425 homes of low income disadvantaged persons,	Approval	
7 Division of Economic Opportunity	8-D30-012	1,010,000	5/1/78 7/31/78	1,010,000 100%	0	0	0	To provide payment of fuel and utility bills for low-income in hardship situations,	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
4 Division of Administration	8-D15-062	507,437	1/1/78 9/30/78	507,437 100%	0	0	0	To enhance the job prospects and career opportunities of young persons and enable them to secure unsubsidized employment,	Approval	
5 Division of Economic Opportunity	8-D30-008	54,607	7/1/78 6/30/79	54,607 100%	0	0	0	To provide for the operation of an Energy Organizational Unit for technical assistance education and monitoring of the energy program within the Division of Economic Opportunity,	Approval	
6 Division of Economic Opportunity	8-D30-009	132,668	7/1/78 6/30/79	106,134 80%	0	26,534 20%	0	To weatherize 425 homes of low income disadvantaged persons,	Approval	
7 Division of Economic Opportunity	8-D30-012	1,010,000	5/1/78 7/31/78	1,010,000 100%	0	0	0	To provide payment of fuel and utility bills for low-income in hardship situations,	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
8 Division of Research & Statistical Services	B-F08-006	36,000	1/1/78 10/31/79	0	0	36,000 100%	0	6 Contracts with four (4) Health System Agencies (HSA) & State Health Planning organizations to provide Statistical Services for the vital statistics, hospital discharge data within S.C. for future health planning purposes.	Approval	
9 Clemson University	B-H12-082	136,052	10/1/78 12/31/79	136,052 100%	0	0	0	To determine and record the factors that contribute to criminal behavior in rural areas and recommend means to improve effectiveness.	Approval	
10 Clemson University	B-H12-083	24,000	7/1/78 6/30/79	12,000 50%	12,000 50%	0	0	To purchase equipment to establish a biofeedback physiology laboratory.	Approval	
11 Clemson University	B-H12-085	62,055	7/1/78 6/30/79	0	0	62,055 100%	0	To continue research efforts with Greenwood Mills on Systems Engineering in Textile Management.	Approval	
12 Clemson University	B-H12-086	48,880	5/15/78 7/31/78	0	0	48,880 100%	0	To conduct two workshops on Microcomputers for Engineers for Western Electric Corp.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
13 Francis Marion College	8-H18-012	6,900	4/1/78 4/31/78	1,000 14%	3,100(ik) 45%	2,800 41%	0	To provide funds for a one day Art Festival at Francis Marion College to promote local artists.	Approval	(A sub contract from the SC. Arts Comm.)
14 Lander College	8-H21-013	235,805	7/1/78 6/30/79	220,075 93%	15,730 7%	0	11 (Con't)	An institutional developmental grant for developing instruction from the office of education for curriculum development, student services, improvement of faculty & general administration.	Approval	
15 South Carolina State College	8-H24-020	67,323	6/15/78 7/30/79	67,323 100%	0	0	2 PT	A research project that will investigate the effect of coating a solar cell with a thin film of porphyrin material to improve efficiency of the solar cell output.	Approval	
16 University of S. C.	8-H27-183	151,114	7/1/78 6/30/79	130,000 86%	21,114 14%	0	33	To establish an interdisciplinary master's degree program for human resource managers in the manpower & related service field.	Conditional Approval	Program must be approved by the Higher Education Comm. at August, 1978 meeting(HEC recommends submission of proposal but reserves right to review & approve a new master's program).

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
17 University of S C	8-H27-184	737,607	9/1/78 8/31/79	605,333 82%	132,274 18%	0	6.1	To establish a molecular structure research facility in the Dept. of Chemistry to serve research programs in the South Eastern US.	Approval	Note: Program is in competition with MUSC for 5 facilities nationally to be established by the National Science Fnd.
13 University of S C	8-H27-185	52,281	7/1/78 6/30/79	52,281 100%	0	0	2 (Con't)	3rd Year of a 3 year program to improve master's level nursing program development.	Approval	
19 University of S C	8-H27-186	46,408	9/1/78 8/31/79	31,406 68%	15,002 32%	0	.75(PT)	To provide funds to design a dual art-science approach to the Study of the Humanities.	Approval	
20 University of S C	8-H27-187	110,078	8/1/78 7/31/79	110,078 100%	0	0	0	To provide traineeships for advance training of nurses to service in teaching & administrative positions, 15 in-state and 5 non-state Resident Students.	Approval	
21 University of S C	8-H27-188	35,516	6/1/78 5/31/79	34,006 96%	1,510 4%	0	1.5	A research program to provide a detailed knowledge of the different aspects of DNA repair and the role of key enzymes in the process.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
22 University of S C	8-H27-139	2,039	1/1/78 7/30/78	1,880 90%	209 10%	0	0	To develop a comprehensive & uniform training program for juvenile law enforcement & detention personnel & present information in a one day state conference.	Approval	(Note:10% state buy-in funds per OCJP) sub-contract.
23 University of S C	8-H27-190	132,662	7/1/78 6/30/79	104,315 79%	28,347 21%	0	.5 .4(PT)	To provide fellowship to 10 minority doctoral students in Bus. Admin., Psychology, Marine Science.	Approval	
24 University of S C	8-H27-191	21,798	9/1/78 8/31/79	21,798 100%	0	0	.8 1 (PT)	A training program to increase the intellectual functioning for selected blind and visually handicapped persons.	Approval	
25 University of S C	8-H27-192	209,380	7/1/78 6/30/79	157,035 75%	52,345 25%	0	11.5 6(PT) (Con't)	To provide a child care center for 60 low income or AFDC children & a practical Educational Training Center for Early Childhood Education majors for Title XX Sub Contract.	Approval	Note:State funds are provided by DSS to match Title XX requirement.
26 University of S C	8-H27-193	62,926	7/1/78 6/30/79	62,926 100%	0	0	3.5 (Con't)	To provide funds for training support of Nurse Practitioners in the assessment of Health Programs,teaching, counseling or health matters for patients & their families.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
27 USC Spartanburg	8-H39-013	99,641	7/1/78 6/30/79	56,048 56%	33,593 34%	10,000 10%	6 10 (Con't)	To provide a child care learning center for Title XX eligible child & a Practical Teaching Center for Early Childhood Education Majors.	Approval	Sub Contract w/DSS. Other funds are fees to non welfare children.
28 USC Union	8-H43-015	79,105	7/1/78 6/30/79	59,329 75%	19,776 25%	0	5 3(PT Con't)	To provide a Title XX child care learning center for 25 eligible lower income or AFDC children & a Learning Center for Early Childhood Education Majors.	Approval	State Match (19,776) provided by DSS (sub contract)
29 USC Lancaster	8-H43-016	90,475	7/1/78 6/30/79	67,856 75%	22,619 25%	0	7 (Con't)	Title XX Program to provide a child care center & learning center for Early Childhood Majors.	Approval	State Match (22,619) from DSS
30 Medical University	8-H51-213	66,792	12/1/78 11/30/79	55,972 84%	10,820 16%	0	3 (Con't)	A genetic research project 2nd year of a 5 year program (gene production)	Approval	
31 Medical University	8-H51-214	19,075	5/1/77 7/31/78	19,075 100%	0	0	0	A continuation for 3 months of a 3 year program to complete final action on a research program in cancer research.	Approval	National Cancer Institute re-requested additional data completed after final review of a 3 year program in cancer research. Program was in process prior to establishment of GCR System & approval by B&C Board.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
32 Sumter Tec	8-H59-212	5,000	10/1/78 9/30/79	5,000 100%	0	0	0	To purchase eligible library materials.	Approval	
33 Georgetown Tec	8-H59-213	12,000	10/1/78 9/30/79	5,000 42%	5,000 42%	2,000 16%	0	To Purchase eligible library materials, books, periodicals and audio visual aids for the Georgetown Campus Library.	Approval	
34 Horry Campus	8-H59-214	5,000	10/1/78 9/30/79	5,000 100%	0	0	0	To purchase eligible library materials (books, periodicals and visual aid materials) for Horry/Georgetown Library.	Approval	
35 Orangeburg/ Calhoun	8-H59-215	255,961	7/1/78 6/30/79	189,036 74%	0	66,925 26%	9	To assist Orangeburg/Calhoun in the strengthening of their academic, administrative and student services so that they can better meet the objectives of the institution.	Approval	
36 Midlands Tec	8-H59-216	67,452	7/1/77 6/30/78	62,000 92%	5,452 8%	0	0	To fund a program seeking to increase the retention rate of special student groups by providing special support services as an aid towards the goals of graduation and meaningful employment.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
37 Midlands Tec	8-H59-217	7,710	10/1/77 9/30/78	7,710 100%	0	0	0	To purchase eligible library materials (books, periodicals, audio visual aids) for the Midlands Library.	Approval	
38 Midlands Tec	8-H59-218	112,882	7/1/77 6/30/78	36,000 32%	76,882 68%	0	0	To strengthen and expand a Cooperative Education Program at Midlands whereby a work-study plan enables a student to work and pursue his post-secondary education	Approval	
39 Midlands Tec	8-H59-219	10,185	10/1/77 9/30/78	10,185 100%	0	0	1	To hire one unemployed person who meets Title II requirements for training and work experience as a Graphics Artist.	Conditional Approval	Provided the salaries for all Public Service Employment participants hired by state agencies under CETA Titles II & VI are sufficiently below the 10,000 ceiling to allow for a cost of living & merit increase annually without augmentation by the state.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
40 Midlands Tec	8-H59-220	24,640	8/1/77 5/30/78	24,640 100%	0	0	2	To hire 2 unemployed persons who meet Title VI requirements for training and to provide a suitable work situation to insure training as Learning and Media Aids.	Conditional Approval	Provided the salaries for all Public Service Employees hired by State Agencies under Title <u>II</u> & <u>VI</u> are sufficiently below the 10,000 ceiling to allow for a cost of living & merit increase annually without augmentation by the State.
41 Midlands Tec	8-H59-221	64,344	7/1/77 6/30/78	64,344 100%	0	0	0	To render financial and other assistance to eligible veterans enrolled at the institution.	Approval	
42 Midlands Tec	8-H59-222	156,954	7/1/77 6/30/78	156,954 100%	0	0	0	To assist eligible worthy students who have unusual financial need to begin and/or continue their post-secondary education.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
43 Midlands Tec	8-H59-223	38,000	8/1/78 7/30/79	38,000 100%	0	0	0	To make low interest bearing loans to eligible students in crime-related degree programs.	Approval	
44 Midlands Tec	8-H59-224	52,556	12/1/77 7/30/78	52,556 100%	0	0	11	To provide a suitable work situation to insure training in floral landscaping and to employ 10 unemployed persons who meet Title VI requirements for training.	Conditional Approval	Provided the salaries for all Public Service Employment participants hired by State Agencies under CETA Titles II & VI are sufficiently below the 10,000 ceiling to allow for a cost of living & merit increase annually without augmentation by the state.
45 Midlands Tec	8-H59-225	234,663	7/1/77 6/30/78	234,663 100%	0	0	0	To enable eligible students to work up to 20 hours per week and at the same time begin and/or continue their post-secondary education.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
46 Department of Education	8-H63-084	90,801,947	7/1/78 6/30/79	9,899,908 11%	71,601,016 79%	9,301,023 10%	25.6 (Con't)	Program to provide Vocational Education in South Carolina includes Basic Program, Adult Education, Disadvantaged & Handicapped programs Construction, Research, Homemaking, Counseling & curriculum development.	Approval	45,814,715 is included in state funds from State Board for Technical & Comprehensive Education.
47 Department of Education	8-H63-085	10,000,000	7/1/78 6/30/79	10,000,000 100%	0	0	8 (Con't)	Special educational program for Handicapped children ages 6-21 in 92 school districts.	Approval	9,500,000 is provided in sub contracts to 92 school districts.
48 S C Arts Commission	8-H91-021	25,133	11/1/78 10/30/79	12,500 50%	9,633 38%	3,000 12%	0	To provide senior citizens with the opportunity to participate in arts projects within their own communities by providing workshops & presentations to the elderly citizens both in either cities or rural communities.	Conditional Approval	Agency has applied for indirect rate & agreed to modify budget when received.
49 S C Arts Commission	8-H91-022	25,120	1/1/78 12/30/78	12,500 50%	5,620 22%	7,000 28%	0	To provide arts activities for teenagers in institutions & half-way houses in the state.	Conditional Approval	Agency has applied for indirect rate & agreed to modify budget when received.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
50 S C Arts Commission	8-H91-023	20,000	12/1/78 11/30/79	10,000 50%	0	10,000 50%	0	To provide support for a program of services to the professional crafts people of S C through the development of a statewide service operation staffed within the agency.	Conditional Approval	Agency has applied for indirect rate & agreed to modify budget when received.
51 S C Arts Commission	8-H91-043	180,865	6/10/78 9/30/78	180,865 100%	0	0	38 (Tempo.)	To provide Training in various aspects of arts administration to unemployed people with administrative, office management or teaching skills.	Approval	The Arts Commission has not completed their indirect cost negotiations. In fact, the materials had not been sent to Washington as of 5/22. However, we feel that this project is necessary for the furtherance of local arts programs in eleven communities of SC. Therefore, we recommend that the project be approved thru 9/30/78. We further recommend that (CONTINUED)

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
51 (CONTINUED)	8-H91-043									any further applications for federal funds that are submitted by the Agency without a request for indirect costs where allowed, be postponed until such time as the rate is approved. This has been discussed in numerous meetings with the Arts Commission and they have assured us of immediate action on their part to complete negotiations for an indirect cost rate.
52 S C Arts Commission	8-H91-045	16,353	6/1/78 9/30/79	8,046 49%	8,307 51%	0	5 (Tempo) (PT)	To produce and distribute a documentary film and exhibit inspired by the closing of Aimar's, the oldest drug store in continuous operation in Charleston.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
53 DHEC	8-J04-112	1,203,908	7/1/78 6/30/79	330,266 27%	873,642 73%	0	0	To implement the statewide requirements of P.L. 93-641 through the development of a State Health Plan.	Approval	
54 DHEC	8-J04-115	1,200	12/1/78 9/30/79	1,200 100%	0	0	0	To provide copies of death certificates for specified categories to the U.S. Consumer Product Safety Commission.	Approval	
55 DHEC	8-J04-123	5,000	7/1/78 6/30/79	5,000 100%	0	0	0	To provide laboratory analysis for sickle cell trait of sickle cell disease in blood samples submitted by the Committee on Better Racial Assurance (COBRA)	Approval	
56 DHEC	8-J04-127	88,612	10/1/78 9/30/79	77,226 87%	0	11,386 13%	0	To provide comprehensive medical ambulatory care services to 200 elderly persons.	Approval	
57 Mental Retardation	8-J16-024	77,000	7/1/78 6/30/79	77,000 100%	0	0	0	To provide training and consultation services to both public and private agencies in service to multi-handicapped children.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
58 Mental Retardation	8-J16-032	2,127	10/1/77 9/30/78	2,127 100%	0	0	0	To improve the library resources at Midlands Center.	Approval	
59 John de la Howe School	8-L12-004	56,063	6/1/78 9/30/78	56,063 100%	0	0	1	To provide for employment and work experiences for youth at the school	Approval	
60 John de la Howe School	8-L12-005	371	7/1/78 6/30/79	371 100%	0	0	0	To provide guidance materials and career educational materials for the students.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
61 Department of Corrections	8-N04-053	110,547	6/1/78 5/31/79	99,492 90%	11,055 10%	0	5	To develop standards for juvenile detention facilities and implement a training program for municipal and county detention personnel.	Conditionally Approved	Conditions: 1)The number of personnel be reduced from five (5) to four (4) at the end of the first year; and (2) Inasmuch as this project provides the data for qualification under the Juvenile Justice Delinquency and Prevention Act, primary consideration should be given to funding this program from funds under the Act.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
62 Department of Corrections	8-N04-059	378,345	7/1/78 6/30/79	378,345 100%	0	0	0	To increase basic academic skills of disadvantaged youth in the SCDC institutions.	Approval	
63 Department of Corrections	8-N04-061	599,013	7/1/78 6/30/79	431,981 72%	158,158 26%	8,874 2%	0	To provide for a psychiatric and mental retardation unit at KCI, Community Halfway House Services through the Alston Wilkes Society, and mental health service in the Greenville & Spartanburg.	Approval	
64 Youth Services	8-N12-021	301,472	7/1/78 6/30/79	301,472 100%	0	0	0	To provide remedial and educationally enriching programs in order to overcome educational retardation due to neglect and institutionalization.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
65 Youth Services	8-N12-022	934,503	7/1/78 6/30/79	700,877 75%	233,626 25%	0	7	To provide psychological social services to children who must be temporarily removed from their homes.	Approval	
66 S C State Commission of Forestry	8-P12-020	113,740	10/1/77 9/30/78	56,870 50%	56,870 50%	4.9 man years refunded	0	To make aerial and ground surveys to detect and evaluate forest pest outbreaks, preparatory to control projects.	Conditional Approval	This agency has applied for indirect rates, and in the mean time they have committed any funds unspent in this project at 9/30/78 to the General Fund to offset indirect expense.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
67 S C State Commission of Forestry	8-P12-021	40,250	10/1/77 9/30/78	32,200 80%	8,050 20%	0	0	To provide technical assistance beyond the normal landowner assistance service to discuss, promote, develop, and study ways to conserve forest resources or to increase the utilization of forest products and inform landowners of services available	Conditional	The Forestry Commission has applied for an indirect rate and when received this project will be modified. In the meantime, any unexpended funds in this project at 9/30/78 will be turned over to the General Fund to cover indirect costs.
68 S C State Development Board	8-P32-006	120,160	7/1/78 6/30/79	106,000 88%	14,160 12%	0	0	The continuation of previous projects to develop and prepare data relative to industrial sites in the Coastal Region in order to more effectively promote economic development in this area and to prepare and distribute brochures to industrial prospects.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	No. New Personnel	Program Purpose	B&C Board/ GCR Subcommittee Recommendation	Remarks
Patriot's Point Dev. Authority	8-P36-005	1,745,723	9/1/78 8/30/79	1,145,723 66%	600,000 34%	0	0	To provide permanent dock and berthing at Patriot's Point for the nuclear ship Savannah to provide related facilities at Patriot's Point to receive and keep the ship, to provide additional parking spaces, access roads and other visitor facilities.	Not Considered	The 600,000 state share of this project is included in the Capital Improvement Bond Authorization Amendment of Act 1377 of 1968, as recommended by the House-Senate Bond Review Committee. The bill including this authorization had not been introduced as of 6/2/78.
				(EDA 837,103) (Dept. of Comm. 108,620) (Coastal Plan 200,000)						

Mr. McInnis

SUMMARY--BUDGET AND CONTROL BOARD ACTION
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE OF ACTION	# OF PROJECTS	SOURCE OF FUNDING				INDIRECT COSTS	NEW PERSONNEL	
		FEDERAL	STATE	OTHER	TOTAL		PERMANENT	TEMPORARY
July-December, 1977	793	858,296,056	119,268,243	54,829,256	1,032,393,555	3,457,945	2,013.14	446.33
Subcontracts	179	-45,842,898			-45,842,898			
January 9, 1978	76	20,256,672	5,546,324	1,220,685	27,023,681	520,230	126.15	88.25
Subcontracts	15	-1,449,880			-1,449,880			
January 25, 1978	40	12,001,907	17,326,499	7,287,549	36,615,955	369,875	29.41	52.00
Subcontracts	13	-550,345			-550,345			
February 15, 1978	148	26,971,981	11,377,228	1,401,490	39,750,699	392,802	111.43	124.22
Subcontracts	46	-1,890,598			-1,890,598			
March 1, 1978	78	11,784,538	7,344,175	2,167,144	21,295,857	290,526	73.15	30.23
Subcontracts	18	-1,511,174			-1,511,174			
March 15, 1978	86	43,518,636	342,744	109,968	43,971,348	249,242	85.70	80.14
Subcontracts	19	-656,984			-656,984			
April 5, 1978	139	21,749,330	4,397,544	3,862,123	30,008,997	1,229,595	145.50	330.61
Subcontracts	18	-4,419,125			-4,419,125			
April 19, 1978	66	7,772,986	1,567,350	3,412,138	12,752,474	442,348	26.15	37.86
Subcontracts	8	-1,499,580			-1,499,580			
May 2, 1978	68	57,739,484	1,802,164	474,041	60,015,689	559,374	49.15	43.7
Subcontracts	14	-483,302			-483,302			
May 9, 1978	55	13,097,611	383,091	267,830	13,748,532	260,841	72.75	26.74
Subcontracts	18	-1,033,571			-1,033,571			
May 23, 1978	40	4,035,034	455,801	252,215	4,743,050	205,762	31	65
Subcontracts	9	- 682,910			- 682,910			
Subtotal	1589	1,077,224,235	169,811,163	75,284,439	1,322,319,837	7,978,510	2,763.53	1325.08
Subcontracts	357	- 60,020,367			-60,020,367			
TOTAL		1,017,203,868	169,811,163	75,284,439	1,262,299,470	7,978,510	2,763.53	1325.08

SUMMARY--BUDGET AND CONTROL BOARD ACTION
FEDERAL GRANTS AND CONTRACTS REQUESTS

AG. NO.	AGENCY	# OF PROJECTS	SOURCE OF FUNDING				INDIRECT COSTS	NEW PERSONNEL	
			FEDERAL	STATE	OTHER	TOTAL		PERMANENT	TEMPORARY
A20	Legislative Audit Council	3	\$ 49,467	-----	-----	\$ 49,467	-----	3	-----
B04	Judicial Department	4	70,591	11,511	-----	82,102	\$ 16		-----
D10	SLED	3	134,713	524	-----	135,237	-----	--	-----
D15	DOA	59	187,274,438	1,140,341	3,491,397	191,906,176	330,333	19.5	97
D25	Health & Social Development	4	554,635	74,886	115,770	745,291	25,840	3	-----
D30	Division of Economic Opportunity	9	2,742,360	223,086	1,327,002	4,292,448	5,200	6	-----
D35	Disaster Preparedness Agency	8	969,468	323,766	-----	1,293,234	69,992	-----	-----
E04	Lieutenant Governor's Office	2	19,003	3,635	-----	22,638	3,395	1.5	1
E20	Attorney General's Office	15	1,356,026	221,815	80,723	1,658,564	1,291	26.75	-----
F04	Finance Division	1	10,994	3,664	-----	14,658	1,333	2	-----
F08	Research and Statistical Services	5	257,475	-----	-----	257,475	6,970	3	3.5
F12	Division of General Services	1	125,910	125,910	-----	251,820	-----	-----	-----
F16	Motor Vehicle Management	2	395,079	250	83,000	478,329	-----	6	-----
F24	State Personnel Division	6	309,356	180,718	137,140	627,214	-----	2	-----
H03	Commission on Higher Education	5	413,840	226,343	62,377	702,560	15,560	.3	4
H06	Higher Education Tuition Grants	3	1,515,601	17,438,758	4,000	18,958,359	-----	-----	-----
H09	The Citadel	8	111,695	12,673	-----	124,368	-----	5	20
H12	Clemson University	75	9,245,829	6,593,314	179,665	16,018,808	406,080	47.5	54.48
H15	College of Charleston	27	2,250,869	526,945	35,041	2,812,855	49,536	9.8	56.1
H18	Francis Marion College	11	241,798	53,886	700	296,384	5,975	4.5	54
H21	Lander College	12	273,193	19,632	83,229	376,054	39,482	5	11
H24	South Carolina State College	19	2,209,676	52,665	101,962	2,364,303	23,147	17.5	1
H27	University of South Carolina	165	25,614,113	6,294,422	192,670	32,101,205	971,943	223.5	158.54
H31	USC--Aiken Campus	10	153,852	16,994	-----	170,846	11,125	2.1	1.73
H35	USC--Coastal Carolina Campus	5	29,729	44,582	-----	74,311	-----	-----	-----
H39	USC--Spartanburg Campus	11	226,214	74,402	150	300,766	15,582	11.9	.43
H43	USC--Two Year Regional Campuses	14	141,193	17,734	2,378	161,305	10,879	1.5	4
H47	Winthrop College	35	1,308,927	222,436	53,935	1,585,298	39,034	33.8	30.4
H51	Medical University	191	21,226,478	2,609,578	1,680,610	25,516,666	2,842,184	285.92	81.6
H55	Advisory Council, Vocational & Technical Education	1	205,436	-----	-----	205,436	324	1	-----

SUMMARY--BUDGET AND CONTROL BOARD ACTION
FEDERAL GRANTS AND CONTRACTS REQUESTS

AG. NO.	AGENCY	# OF PROJECTS	SOURCE OF FUNDING				INDIRECT COSTS	NEW PERSONNEL	
			FEDERAL	STATE	OTHER	TOTAL		PERMANENT	TEMPORARY
H59	Technical & Comprehensive Education	201	21,200,943	1,585,371	4,915,715	27,702,029	258,776	409.3	151
H63	Department of Education	81	204,254,559	21,618,120	8,124,724	233,997,403	314,249	424.01	-----
H67	Educational Television Commission	22	523,903	466,756	2,234,672	3,225,331	69,643	17	8
H71	Wil Lou Gray Opportunity School	6	146,498	9,000	15,072	170,570	-----	-----	-----
H75	School for the Deaf and the Blind	15	880,175	86,107	-----	966,282	18,540	24.25	33.5
H79	Archives and History	15	1,805,946	559,319	1,202,417	3,567,682	-----	1	-----
H87	State Library	9	2,685,308	7,050,844	-----	9,736,152	-----	-----	-----
H91	S. C. Arts Commission	39	1,625,429	653,563	1,197,932	3,476,924	-----	36.5	39
H95	S. C. Museum Commission	5	74,548	35,657	12,936	123,141	357	1.5	.5
J04	Health & Environmental Control	114	37,370,916	11,981,921	15,255,942	64,608,779	834,296	183.2	56
J12	Department of Mental Health	13	1,286,879	1,289,484	216,918	2,793,281	74,459	9	-----
J16	Department of Mental Retardation	24	16,363,782	1,803,905	41,200	18,208,887	9,807	574	-----
J20	Alcohol and Drug Abuse	12	3,556,973	83,527	2,160,785	5,801,285	140,437	12	7
L04	Department of Social Services	26	372,702,464	70,009,271	26,016,304	468,728,039	-----	1	4.75
L08	Vocational Rehabilitation	21	5,777,391	205,089	25,489	6,007,969	52,176	28	-----
L12	John de la Howe School	3	141,422	-----	-----	141,422	-----	-----	-----
L16	Foster Care Review Board	4	57,539	-----	-----	57,539	-----	4	3
L24	Commission for the Blind	7	570,056	105,077	-----	675,133	26,525	3	-----
L28	Commission on Aging	11	6,750,259	488,794	1,084,492	8,323,545	21,224	1	-----
L32	State Housing Authority	1	1,249,496	-----	-----	1,249,496	-----	4	1
L36	Human Affairs Commission	1	63,960	-----	-----	63,960	-----	-----	1
N04	Department of Corrections	49	4,807,920	548,913	10,586	5,367,419	255,247	142	8
N12	Department of Youth Services	18	1,693,538	349,842	-----	2,043,380	162,544	15.8	-----
N16	Juvenile Placement & Aftercare	6	192,202	17,930	-----	210,132	7,040	8	-----
N20	Law Enforcement Training Council	6	73,777	13,137	-----	86,914	-----	-----	-----
P04	Water Resources	6	203,750	83,250	25,000	312,000	-----	2	.25
P08	Land Resources Conservation Comm.	15	1,025,353	82,636	47,955	1,155,944	31,548	26	37.3
P12	Forestry Commission	18	1,608,986	1,182,495	50,200	2,841,681	18,323	5.9	22
P16	Department of Agriculture	4	40,648	39,860	-----	80,508	3,048	-----	1
P24	Wildlife and Marine Resources	51	4,189,765	1,298,853	272,869	5,761,487	162,001	23.5	221
P25	S. C. Coastal Council	3	622,457	140,517	24,329	787,303	22,413	1	4
P28	Parks, Recreation and Tourism	10	5,401,380	382,280	4,675,362	10,459,022	22,574	12	92
P32	State Development Board	3	104,930	-----	-----	104,930	-----	-----	-----
P36	Patriots Point Development Authority	4	4,362,500	2,240,000	-----	6,602,500	-----	-----	-----
P40	Clark Hill Authority	1	10,000	10,000	-----	20,000	-----	-----	-----
P48	Old Exchange Building Commission	3	700,000	650,000	-----	1,350,000	-----	-----	-----

SUMMARY--BUDGET AND CONTROL BOARD ACTION
FEDERAL GRANTS AND CONTRACTS REQUESTS

AG. NO.	AGENCY	# OF PROJECTS	SOURCE OF FUNDING				INDIRECT COSTS	NEW PERSONNEL	
			FEDERAL	STATE	OTHER	TOTAL		PERMANENT	TEMPORARY
R04	Public Service Commission	1	5,147	1,050	-----	6,197	-----	-----	-----
R36	Department of Labor	8	2,254,456	996,268	-----	3,250,724	187,232	32	-----
R48	Alcoholic Beverage Control Comm.	1	22,200	-----	-----	22,200	-----	-----	-----
R52	Ethics Commission	1	2,802	-----	-----	2,802	-----	-----	6
R60	Employment Security Commission	15	27,420,051	176,922	-----	27,596,973	410,830	30.5	21
U04	Aeronautics Commission	3	80,029	12,595	-----	92,624	-----	6	-----
Z04	Highways and Public Transportation	19	83,875,940	7,038,340	41,791	90,956,071	-----	4	30
Subtotal		1589	1,077,224,235	169,811,163	75,284,439	1,322,319,837	7,978,510	2,763.53	1,325.08
Subcontracts		357	-60,020,367	-----	-----	-60,020,367	-----	-----	-----
TOTAL			\$ 1,017,203,868	\$169,811,163	\$75,284,439	\$1,262,299,470	\$7,978,510	2,763.53	1,325.08

STATE BUDGET AND CONTROL BOARD

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

EXHIBIT X
7 6/7/78

Agency: Division of General Services

Subject: Exchange of Property with Adjutant General's Office

Director McEachern recommends Board approval of the reassignment of the present West Columbia armory property (about one acre of land with improvements) to the Division of General Services in exchange for 13.64 acres of vacant land on Platt Springs Road.

Board Action Requested:

Consider

Staff Comment:

Attachments:

McEachern agenda notes

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
AGENDA

June 7, 1978

I. New Positions

- A. We request authorization to employ a Management Specialist I in our Internal Audit section to provide technical planning of the Division Five Year Plan and support schedules for annual budget. Additional duties will include cost studies on all sections of the Division, price decisions for services provided by the Division, monthly management report, and interpret and implement federal cost allocation plan. Last year, with our present staff, we were able to pass through almost \$1 million for use by agencies in federal cost recovery. We anticipate this person will further develop these programs to provide additional resources to the state through federal cost allocations. We propose to review all intragovernmental service accounts to provide further cost avoidance and improve the service to all agencies using services provided by this Division. These cost avoidances and the federal allocations will provide cost avoidances considerably in excess of the salary necessary to fund this position. This position has been approved by State Personnel at grade 23 with a salary range of \$11,243-15,626. This position can be funded from revenue portion of our budget. It is respectfully requested that the Board approve this position.
- B. We request authorization to employ a Centrex Operator grade 11 with salary range of \$6,177-8,382 on a parttime basis. This operator will be used in the Columbia Centrex office when permanent operators are out due to illness and during vacations. The volume of calls through the Centrex system requires that the switchboards have a full staff twenty-four hours per day, and this will afford the most economical means of providing this service. This employee will be paid on an hourly basis and only utilized when permanent employees are not available. Funding for this position will come from Centrex revenue sources. This position has been approved by State Personnel. It is respectfully requested that the Board approve this position.

→ II. Exchange of Property

The office of the Adjutant General proposes to construct a new West Columbia Armory for military training purposes. The present armory building is situated on a parcel of land slightly larger than one (1) acre and located on Eleventh and "B" Streets in West Columbia. The Adjutant General's office has requested an exchange of the existing property with improvements for 13.64 acres of land on Platt Springs Road (part of the Airport property acquisition from the Federal Government.)

It is recommended that the Budget and Control Board approve the reassignment of the present West Columbia armory property with improvements to the Division of General Services in exchange for 13.64 acres of unoccupied land on Platt Springs Road.

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES

June 7, 1978

Addendum to Item II - Exchange of Property

Our Real Property Section, using most recent sales information available for properties in the respective areas, has appraised the West Columbia Armory consisting of one (1) acre with a 12,000 sq. ft. building at \$160,000; the 13.64 acre site on Platt Springs Road will appraise for \$120,000. Both of these properties are presently titled in the name of the State of South Carolina and it appears that this exchange of properties will have a mutual advantage to the Adjutant General and the Budget and Control Board. The present Armory building may be utilized as warehouse space for any number of state agencies currently leasing commercial warehouse facilities.

STATE BUDGET AND CONTROL BOARD

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

EXHIBIT XI
8 6/7/78

Agency: State Personnel Division

Subject:

The Department of Mental Health has requested approval for a special educational leave system that will allow the Department to establish a training program for licensed practical nurses in conjunction with Midlands Technical College. The Department estimates that the 15 month program for 20 persons will cost approximately \$87,000 in paid educational leave time. In addition, the Department will reimburse TEC for the salaries of two instructors.

Board Action Requested:

Approval, under Section 10.08 of the new Personnel Rules

Staff Comment:

In consideration of the special problems facing the Department, the Personnel Division recommends approval. The Department has agreed that it would increase the service commitment of the trainees to one year following graduation.

Attachments:

Letter of 5/2/78, Hall to Mullins, with enclosures



South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 758-8090

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

May 2, 1978

Jack S. Mullins, Ph.D.
Director, State Personnel Division
Edgar A. Brown Building
Columbia, South Carolina

Dear Dr. Mullins:

The purpose of this letter is to request approval for a special educational leave system which will allow the Department of Mental Health to establish a training program for licensed practical nurses in conjunction with Midlands Technical College. Our request is being submitted under Section 9.08 of the new State Staff Development and Training Guidelines. This provision states that special consideration may be given by the State Budget and Control Board to agencies demonstrating a training need which cannot be met under existing guidelines. The attached proposal outlines our agency's need, requirements and tentative agreements related to the proposed training program, and procedures whereby the program can be implemented.

If you or members of the Board have any further questions regarding the proposed training program, please feel free to contact Mr. Brooks Galloway, Department of Mental Health Personnel Division, or Dr. Angela Holweger, Career Development Program.

I sincerely appreciate your cooperation and assistance in bringing this request to the attention of the Board.

Sincerely,

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

WSH:AH:sp
Enclosure

RECEIVED
MAY 15 1978
S. C. STATE
PERSONNEL DIVISION

TRAINING PROPOSAL

The recruitment and retention of licensed nurses has been a long standing problem in the Department of Mental Health. The situation has become even more critical in light of recent legislation requiring that only licensed nursing personnel dispense medications. In order to comply with these developments, the Department of Mental Health has declared a state of emergency until such time as sufficient numbers of licensed nurses can be employed. Recruiting efforts have been bolstered in attempt to meet our staffing needs by 1983. However, the maldistribution of licensed personnel in our state, current salary ranges offered in the Department, and the nature of the work itself continue to hinder efforts to recruit and retain nurses in the numbers required to ensure adequate patient care regarding medications. We must pursue alternative means for providing our facilities with licensed personnel. At the same time, we are concerned about providing career opportunities to unlicensed personnel who have demonstrated their competence in direct patient care activities. It is much to the Department's advantage, in terms of efficiency in job functioning and cost effectiveness, to assist current, experienced staff obtain the training necessary to earn licensure.

Based on these priorities, the Department of Mental Health has been exploring the possibility of establishing a linkage between this agency and the practical nursing program at Midlands Technical College. The purpose of this linkage would be to channel qualified and experienced Mental Health Specialists (aides) through the LPN program while they continue in employment with the Department. Based on current projections, it would be possible to nearly double the number of licensed practical nurses employed by 1983. This can be achieved at minimal cost to the Department, while providing maximum benefit to our employees. By allowing trainees

to continue in their current jobs while they are receiving training, retention after graduation is more likely and the trainee has the opportunity to directly apply newly learned skills. Based on a department-wide survey, some 600 currently employed Mental Health Specialists have indicated interest in entering and completing an LPN program under these conditions.

The proposed linkage with Midlands Technical College has been discussed with, and sanctioned by, the Health Regulatory Agency for LPN and RN Programs, State Board of Nursing. Ms. Ruth Ziegler, Executive Director of the agency, has offered the cooperation and assistance of her staff in negotiating the provisions for increased enrollment needed to effect the linkage.

Tentative agreements have also been reached with Don Ballington, Director of Allied Health Division, Midlands Technical College and Mrs. Jane Hinant, Head of the LPN Program. The Midlands Tec program can expand its enrollment to accommodate twenty Department of Mental Health employees per year (with potential of expanding to thirty in following years). The fifteen-month program, which is highly recognized and accredited at both the state and national level, includes classroom and laboratory instruction and practicum field placement at Richland Memorial Hospital. In addition to a 50% reduction in tuition costs, trainees would be eligible to apply for other educational assistance through the college's Office of Student Aid.

The department's request for special consideration regards the system of work release time which must be established to allow employees enrolled in the program to leave their work area for some part of the day. Day shift employees in the program would work five hours of their normal eight-hour shift, leaving work three hours early to attend classes from 12:30-6:00 p.m. Evening shift employees would not assume their regular duties until 6:00 p.m., but would work the remaining five hours of their shift. Each day, then, employees in the program would be working five hours for the Department of Mental Health, and attending classes or placement

for approximately six hours (three hours on department time, three hours their own time). Approval is requested to pay these employees a full time salary while they take fifteen-hours per week off to attend classes and placement. The provision of this policy would be:

- a. trainees would retain full benefits as employees of the Department of Mental Health;
- b. trainees would be required to sign a contract pledging six months of continued employment following graduation or a reimbursement to the Department of Mental Health for all salaries earned during educational leave-with-pay;
- c. trainees would receive no tuition or fee assistance from the Department of Mental Health.

To ensure an equitable system of selection, each facility in the Department of Mental Health would establish screening procedures for selecting employees for the program (based on a quota system of numbers employed) and for monitoring the progress of trainees. Initial selections would be made from the upper-most ranks of experienced employees who demonstrate the academic competencies to benefit from the training and the motivation needed to complete the program. Criteria for selection would include such considerations as educational level, time in employment and current classification, work record, and ability and motivation to accommodate the heavy work-study schedule that would be required.

Given the urgency of the need for licensed personnel and the nature of the agreements which have been tentatively reached with the other agencies involved, the proposed linkage has been endorsed by the Department's Personnel Division and facility administrators. The Department of Mental Health requests the careful consideration and approval of the training proposal in order to affect the linkage by late summer of this year.

May 2, 1978

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

9 EXHIBIT XII
6/7/78Agency: State Personnel DivisionSubject:

Article VIII of the Dual Employment Policies needs to be revised to incorporate different procedures of reporting that have been developed jointly by the Office of the Comptroller General and the Personnel Division.

Board Action Requested:

Approval

Staff Comment:

Recommend approval

Attachments:

Revision of Article VIII

Article VIII. Reporting Requirements and Procedures

This section sets forth the requirements and procedures for requesting and reporting of approvals or disapprovals and the maintenance of records pertaining to dual employment agreements within State Government.

Section I - Requests for dual employment:

- A. The requesting (secondary) agency shall, in conjunction with the employing (home) agency, present requests for dual employment to the State Budget and Control Board, through the State Personnel Division, using the Dual Employment Request form and completed in this sequence:
 1. All information other than signatures shall be typed.
 2. Requesting (secondary) agency shall enter:
 - a. name of requesting agency
 - b. mailing address of requesting agency
 - c. name of applicant (employee) requesting dual employment
-- (have employee initial)
 - d. social security number of employee
 - e. secondary position number
 - f. description of services to be performed (indicate credited course and title; indicate non-credited course; describe seminar, workshop or special lecture; describe research activities; other activities)
 - g. duration of service
 - (1) date services begin
 - (2) date services end
 - (3) total number of hours work performed
 - (4) total number of weeks work performed
 - (5) when work is performed, i.e., 7:30 PM - 9:00 PM; weekends; if annual leave is used, indicate in comment section
 - h. proposed compensation
 - (1) gross salary and hourly rate
 - (2) fringe benefits
 - (3) total for gross salary and fringe benefit
 - i. authorized signature - notify State Personnel Division of person or persons authorized to approve dual employment - enter date approved.
 3. Employing (home) agency shall enter:
 - a. name of employing agency
 - b. mailing address of employing agency
 - c. applicant (employee) information
 - (1) position number
 - (2) present annual salary; or indicate if salary is for 9, 10, or 11 months
 - (3) normally scheduled hours of work; 37½ or 40 hours, Monday-Friday (M-F); other.

- (4) authorized signature - notify State Personnel
Division of person or persons authorized to approve
dual employments - enter date approved.

4. State Budget and Control Board shall:

- a. approve or disapprove requests for dual employment
 - b. audit dual employment payments through the State Auditor's Office
 - c. record comments where appropriate; annual leave used by the applicant to perform dual employment work should be noted in the comment section
 - d. authorize the State Personnel Division to sign dual employment requests
 - e. require that a dual employment request form be approved before any payments for dual employment work are made.
- B. It shall be the responsibility of the requesting (secondary) agency to secure all pertinent information describing the conditions and terms of the dual employment agreement and present this information in a clear and complete format as a request for approval.
- C. Each request for approval of dual employment shall apply to only one specific dual employment situation.
- D. Any approval by the Budget and Control Board for dual employment shall be limited in duration to the specific time frame approved and cannot in any instance be longer than for twelve months or exceed the fiscal year. Any dual employment situation that exceeds twelve months in duration must be submitted annually with full justification to the Budget and Control Board for review and approval.
- E. The State Personnel Division, Comptroller General and State Treasurer's offices shall develop and issue appropriate forms to allow collection and documentation of full information relative to dual employment requests.

Section II - Journal Voucher:

- A. Journal Voucher entries will be made when dual employment involves two separate payroll systems. This situation occurs when one of the employing agencies is on the Comptroller General's payroll system and one is a lump sum agency or if both employing agencies are lump sum agencies.
- B. Journal voucher entries will not be filled out on the Dual Employment Form if both employing agencies are on the Comptroller General's payroll system.
- C. Responsibilities of the Home Agency are:
1. Must secure a Dual Employment account from the Comptroller General's Accounting Division.
 2. Proper transaction codes must be used for personal services and the appropriate fringe benefit payments. Transaction codes must be one for one with secondary agencies transaction codes.

D. Responsibility of the Secondary Agency is:

Proper transaction codes must be used for personal services and the appropriate fringe benefit payments.

Section III - Review of Requests

- A. The State Personnel Division shall review all requests for completeness of information and compliance with the provisions of these Articles.
- B. After appropriate review and consideration of the requests by the State Budget and Control Board through the State Personnel Division, the dual employment approved request forms shall be forwarded to the Comptroller General's Office. The Comptroller General shall make the necessary Journal entries and forward the approved copies of the dual employment request forms to the requesting (secondary) agency and employing (home) agency. Disapproved dual employment request forms shall be returned to the requesting and employing agency by the State Personnel Division.
- C. Decisions of the State Budget and Control Board shall be final.

Section IV - Maintenance of Records

- A. All agencies shall maintain current records pertaining to their participation in dual employment agreements, as either requesting (secondary) or employing (home) agencies.
- B. Modifications to, or extensions of, approved dual employment agreements in effect must be resubmitted for further consideration by the State Budget and Control Board.

MEETING OF June 7, 1978

AGENDA ITEM NUMBER

10 EXHIBIT XIII
6/7/78

Agency: State Personnel Division

Subject:

Legislation needed to (1) facilitate prompt payment of premiums due by State agencies and school districts and (2) to require employer contributions of federally-funded positions within school districts to be paid from federal funds, effective July 1, 1979.

Board Action Requested:

Approval

Staff Comment:

If approved by the Board, this draft would be reviewed with the Senate Finance Committee with a request that it be submitted as an amendment to the Permanent Provisions of the Appropriations Act.

Attachments:

Copy of draft legislation

To provide mechanisms through which the Budget and Control Board can collect insurance premiums on a prompt basis and to establish penalties for late payment by State agencies and school districts; to provide that employer insurance premiums for federally-funded positions in school districts shall be paid from federal funds.

- A. Provided, that any school district or State agency that fails to terminate insurance coverage on an employee, who has left employment and for whom insurance claims have been paid after eligibility has ended, shall be liable for all premiums from the first month after eligibility ended through the month in which coverage is terminated. Funds appropriated by the Legislature shall not be used for this purpose to cover premiums for any month beyond the first month after an employee's termination. In the case of State agencies, the agency head shall be personally liable for all premiums due beyond the first month after an employee's termination.
- B. Provided, Further, that each school district and State agency shall cause to be deducted on each required payroll of an employee the insurance premiums payable by such employee and the chief fiscal officer of each employer shall draw his warrant for the amount so deducted on a monthly basis and shall transmit such warrant together with a remittance report provided by the State Personnel Division prior to the day of the month in which payment is required by the Budget and Control Board.

Payment of the employer's contribution shall be forwarded by warrant to the State Personnel Division together with a remittance report as provided and shall be received prior to the date stipulated by the Budget and Control Board.

If any employer shall fail to do so or arrears shall at any time exist in making monthly remittances as required hereunder and by the rules and regulations of the Board, the monthly compensation of any person or officer of any employer, charged with the responsibility of making monthly reports and remittances to State Personnel, shall be withheld by the employer in each and every instance of failure to make such reports and remittances until all reports and remittances required hereunder and by the rules and regulations of the Board shall have been made. State Personnel shall furnish monthly to the disbursing officers of each employer a statement of any failure to make payroll reports and remittances and the names of the persons or officers failing to making such reports and remittances.

- C. Provided, Further, That: if any school district shall become delinquent in any payments due the State Personnel Division for insurance, the State Personnel Division shall certify the amount of delinquency to the Department of Education, and the Department of Education is directed to withhold from the next payment to such school district the amount so certified and apply same to the State Personnel Division account of such school district to cover such delinquency.
- D. Provided, Further, That is is the intent of the General Assembly that beginning July 1, 1979, state contributions for health or other insurance premiums for any school district employee whose salary is paid in whole or in part by funds from Federal sources shall be paid on a proportionate basis from these Federal sources.